



Inside Today's Blitz

- China Looks to Ramp Coal Output to Combat Energy Crisis; Concerns Rise Over Slowdown
- McConnell Vows to Not Cave to Democrats in December on Debt Ceiling
- CI is selling its Life, Accident & Supplemental business to CB for \$5.75B; CXXI avacopan approved; QDEL sees Q3 way above est.; OSK cuts outlook

Market Outlook

Futures indicating a flat open ahead of the jobs report with the **Dow** up 11 bps, the **S&P** up 7 bps, and the **Nasdaq** up 3 bps. The **Russell** is up 28 bps. Energy is strong with **WTI** up 75 bps. **Gold** and **silver** are weak with the latter down 63 bps. **Copper** is down 20 bps. The **dollar** is down 6 bps. **Bonds** are down 16 bps. **VIX** is 20. **Bitcoin** and **Ethereum** both higher by about 2-3% as the strong run continued this morning. It has been a fairly quiet morning ahead of the jobs report in the US. The median estimate according to Bloomberg is 500K and a 5.1% unemployment rate. The max estimate is from MSCO at 700K while the minimum is BAML at 325K. The print is likely not going to change much about the Fed's outlook on tapering unless it is a significant crash. Yields traded higher up to 1.6% this morning ahead of the report and following yesterday's debt ceiling news. Elsewhere, Beijing is responding to the energy crisis by pushing for a surge in coal as they worry about a slowdown in economic activity. Sen. McConnell is already setting up December to be an active month saying he won't cave again on the debt ceiling and Democrats need to find a solution.

Asian markets are mostly higher this morning with the Hang Seng up 55 bps, Shanghai up 67 bps, and the Nikkei up 1.35%. In Europe, the major indices are down slightly after weak data out of Germany. The DAX is down 9 bps, the CAC down 38 bps, and the FTSE is up 13 bps. We're seeing some outperformance in energy while tech lags. **Telecom Italia** rose 1% after they signed a partnership with Oracle to offer cloud services in Italy. Travel stocks traded mostly higher with **IAG** climbing 2% after the government announced it will scrap tough COVID-19 quarantine requirements for 47 destinations. **TUI Group** was down 13% after revealing plans to raise more than €1B in capital in order to help pay off substantial state-backed loans taken during the pandemic. **Harbour Energy** rose 6% after pricing some senior notes. **N Brown Group** rose 4% after the online fashion and homeware retailer doubled 1H profits. Electronic parts distributor **Electrocomponents** rose 1% after raising its FY guidance.

Calendar

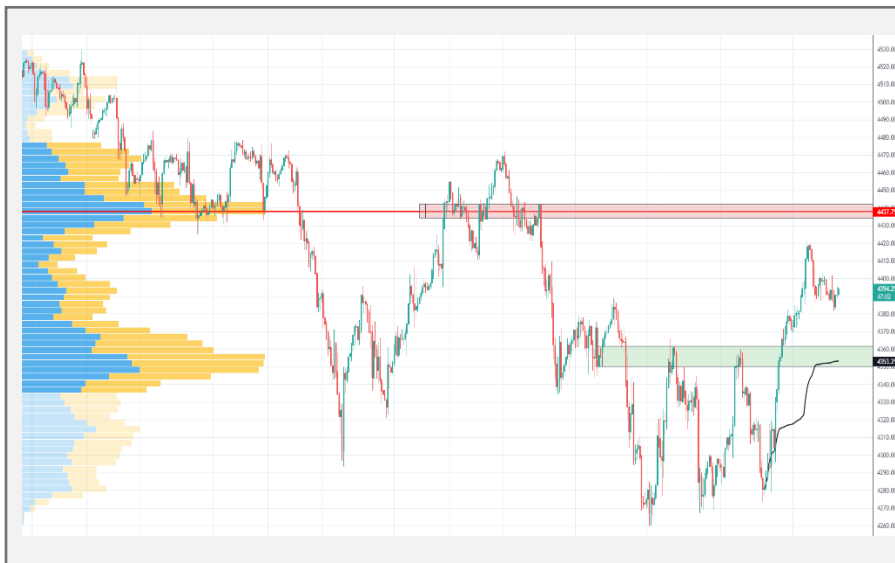
Today... Non-farm payrolls, wholesale inventories

Next Week... the focus will be earnings with banks kicking off the quarter on Wednesday and we'll get **BAC, BLK, JPM, C, DPZ, MS, UNH, USB, WBA, DAL** and more throughout the week. Elsewhere, we'll get some key China data on Wednesday an US inflation data as well as Fed Minutes on Wednesday too.

Overnight Markets

Bitcoin	55517.25	3.83%
Ethereum	3640	1.45%
Oil (WTI)	78.98	0.87%
Gold	1760	0.05%
US Dollar	94.16	-0.06%
Bonds	158.19	-0.16%
Copper	4.235	-0.20%
Natural Gas	5.658	-0.33%
VIX	20	-0.50%
Silver	22.5	-0.70%

Technical View



Key Levels to Watch

S&P futures (ES_F) are modestly higher this morning and sitting in the middle of two big distribution areas at 4437.75 and 4360. The wider profile shows the two big areas and key spots above and below the range to watch as we trade ahead of the jobs report. If we're unable to break through either side, high likelihood today we chop in that low-volume zone.

Economic Data

- **China** Caixin services PMI was 53.4 vs 49.2 est.
- **Taiwan** exports rose 29.2% vs 25% est.; imports rose 40.4% vs 41.4%
- **Japan** household spending fell 3% in Aug, worse than est.
- **India** left rates unchanged, as expected
- **German** exports fell 1.2% in Aug. vs 0.5% est.; imports rose 3.5% vs 1.8%

Macro News

- **China** has ordered its coal industry to ramp output as the country deals with a major energy crisis, per Bloomberg
- **China's** energy crisis may exacerbate the supply chain crisis, says Bloomberg, and could hurt economic growth
- **China's** PBOC drained the most short-term liquidity from the market in a year as they pull back on pre-holiday support, per Bloomberg
- **China** travel data from the National Holiday was 30% below the pre-pandemic figures from 2019, per Nikkei
- **UK** has cut their COVID travel restriction list down to just seven countries says FT
- **Fed's Brainard** will likely have much more of a hand in supervising banks going forward, says CNBC, as she is groomed to become Vice Chair

Movers

Gainers: CCXI 55%, MNTV 15%, QDEL 7%, BW 3%, DIDI 2.5%

Losers: ALLO -33%, CLLS -17%, ACCD -6.5%, NTLA -3%, PNR -3%, NTRS -2%

Insider Buying

ASAN, ADI, EVRG, HIBB

IPO Calendar

Cingulate (CING) issuing 4.5M shares at \$10-12

IFIT Health (IFIT) issuing 30.7M shares at \$18-\$21

IsoPlexis (ISO) issuing 8.3M shares at \$14-\$16

Lifetime (LTH) issuing 46M shares at \$18-\$21

Stock-Specific News

Consumer/ Business Services

- **SNDL** is buying Alcanna for \$346M; Alcanna is Canada's largest private liquor retailer with 171 locations
- **ZooPlus** said that Hellman & Friedrich have posted a rival bid for the company from EQT, per Reuters
- **Meituan** has been hit with a \$535M fine in China as part of their anti-monopoly probe, per WSJ

Financials

- **COF** is pushing out its reopening until 2022, per Bloomberg, and doesn't know when they'll bring workers back to the office

Healthcare

- **Cigna (CI)** is selling its Life, Accident and Supplement Benefits business to **Chubb (CB)** for \$5.75B; Cigna plans to use the proceeds for stock buybacks and capital return
- **MOH** is buying the Medicaid Long-Term Care business of AgeWell in New York for \$110M
- **CCXI** announced FDA approval for TAVENOS (avacopan) in ANCA-associated vasculitis
- **ALLO** shares fell sharply last night after an early-stage trial of its cell therapy was put on hold by the FDA, per Bloomberg
- **QDEL** sees Q3 way above estimates as COVID testing demand outstripped forecasts; they now expect \$505M-\$510M vs \$176M est.
- **VXRT** says their oral COVID-19 vaccine candidate shows reduced airborne transmission
- **MRTX, SNY** to collaborate on adagrasib-SHP2 Inhibitor combo

Industrials

- **TSLA** is moving their HQ to Texas, per Bloomberg; the company also highlighted the chip shortage as a key risk for 2022 and their growth outlook at yesterday's shareholder meeting
- **OSK** is cutting their Q3 outlook citing significant supply chain and logistics disruptions; Co. sees \$0.90-0.95 v \$1.77; Q4 Rev \$2.05B vs \$2.15B est.
- **Royal Mail** is buying Canada's Rosenau Transport for C\$360M, per Reuters. The deal allow the UK- company to expand their footprint

On the Chart

COF nice flag forming above monthly value and a breakout above \$170 on watch for a run to \$177-\$178

On the Chart

TSLA flagging above the rising 8-EMA and above yesterday's high at \$805 can see a run

Technology

- **MNTV**, the parent company to **Survey Monkey**, is exploring a sale after receiving interest, says Bloomberg
- **VMW** plans to pay a special dividend of \$11.5B after separating from Dell, per Bloomberg, and the board OK'd a \$2B buyback
- **TSM** says September sales rose 20% Y/Y
- **Samsung** shares are flat after earnings in Korea, per Bloomberg, after profits and revenues came in light / in-line with estimates despite rising memory chip prices and display sales for new flagship smartphone launches. Marketing costs may have offset foldable sales
- Apple supplier **AAC** is down in China today after warning about profits in Q3, per Bloomberg, citing the global supply chain

Hawk Database

TSM size buyers in the March and January calls yesterday including 2200 March \$110 calls for \$1.7M

Analyst Notes

Upgrades

- **HRL** upgraded to Neutral at JP Morgan, firm expects Hormel's operating margin to benefit from price increases, turkey industry fundamentals to improve, and Planters to provide an earnings tailwind. He also expects the company to deploy its free cash flow net of the dividend mainly for debt reduction
- **LXP** upgraded to Overweight at Keybank, Lexington has been a higher probability takeover candidate in a consolidating industrial real estate investment trust group, and this the letter from L&B effectively puts a for sale sign on the Company
- **OTLY** upgraded to Overweight at JP Morgan, the analyst likes the growth of plant-based dairy in general and the potential for oat milk to continue taking share from almond and other varieties. For Oatley, he models very strong sales for the foreseeable future
- **HON** upgraded to Neutral at Wells Fargo
- **UNP** upgraded to Overweight at JP Morgan

Hawk Database

LXP size buyer this week of 10,000 February \$12.50 calls to open with the news

Downgrades

- **CHTR** cut from Overweight to Underweight at Wells Fargo; the analyst is now taking a more bearish stance on the Cable sector's outlook and thinks the sector faces more competition for broadband subscribers industry-wide as penetration is now high and Telco's fiber builds will result in more passings and more competition for market share. The analyst now thinks residential broadband growth will slow, and that free cash flow estimates need to come down

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- **CAG** cut to Neutral at JP Morgan
- **JBHT** cut to Underweight at JP Morgan
- **MDP** cut to Neutral at Citi
- **OMER** cut to Underweight at JP Morgan
- **SIRI** cut to Neutral at JP Morgan

Initiations

- **GLW** started Buy at Deutsche Bank, Secular demand tailwinds across Corning's end markets support an outlook for above consensus revenues in upcoming years. The analyst says Corning's differentiated and high-quality products are increasingly core to daily life
- **INSM** started Overweight at Cantor, Insmid is approaching an inflection point as it executes on becoming a self-sustaining, leading rare disease company. Kim adds that Insmid is well-capitalized to deliver on its pipeline, and feels that upwards earnings estimate revisions, driven by product and pipeline advancements, should drive the stock higher
- **ALLE, AYI, JCI, PH, SWK** started Overweight at Wells Fargo; **ROK, TT, OTIS, DOV** started Underweight
- **BBDC** started Outperform at OpCo
- **OMF** started Buy at Deutsche Bank
- **SKIN** started Buy at Stifel

Other Notes

- **TEAM** target raised to \$440 at Mizuho after the analyst has learned that Atlassian recently announced a series of price changes to cloud versions of its flagship products Jira Software, Confluence, and Jira Service Management.
- **CZR** target raised to \$138 at Stifel, the sale of the company's non-U.S. William Hill assets and the potential for a sooner than expected sale of a Las Vegas Strip asset should dramatically accelerate Caesars' deleveraging trajectory
- **TSLA** target raised to \$940 from \$768 at Canaccord

On the Chart

INSM a nice multi-week base forming under \$28 and a breakout has potential to move to \$33+

On the Chart

CZR a best-of-breed name this year trading nicely above its rising 8-EMA and on watch above \$120

Trade Ideas

Teck Resources (TECK) shares flagging under new 52-week highs at \$27 and breaking above monthly value yesterday. Shares are looking to clear a broader multi-month range with a measured move targeting \$35. MACD is near a bullish cross and RSI is back above 60, ready to run.



Technical Scans

Inside Days: EA, OMCL, FIVN, TXRH, RKT, AVLR, VRTX

Breaking Above Monthly Value: TECK, JCOM, ANET, ASND, RHI, BMO, MGA, PAA, IAC, LHX, SAIC, UI, GD, AZO

Bullish Reversal Days: EDR, HCM, SNN, ALLK, MRNA, GLPG, MRTX, PAYS

IPO Profile

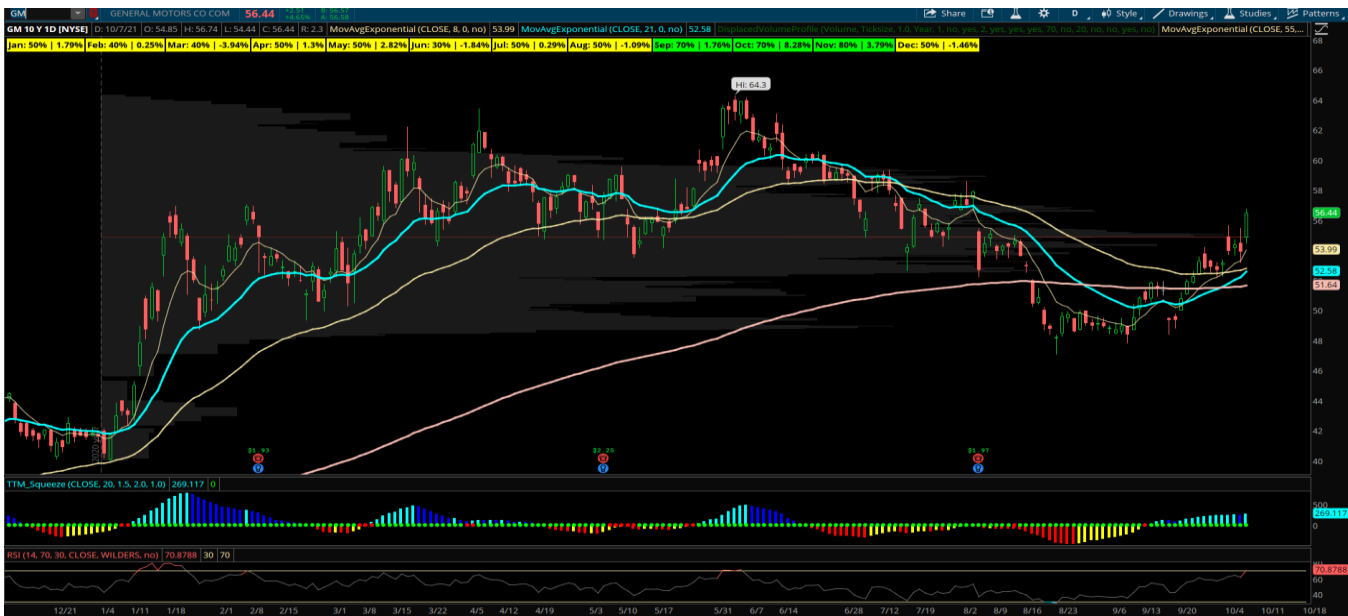
Dutch Bros (BROS) a recent IPO that is setting up well after pulling back from its early run higher and on watch for a move above VWAP from the IPO day at \$46. A run higher has room to \$60+. Dutch Bros is a chain of coffee shops based primarily in the Pacific Northwest with over 450 locations in 11 states. They were founded in 1992 and, according to their CEO, they've been disciplined grower over the last three decades. But, in 2020, they started to accelerate expansion plans adding 53 new units with 85 more opening in 2021. Their mix is about 55% franchises and 45% company-owned but they have said that any new builds will be under the company ownership.

The company has a highly-local appeal which they hope will differentiate them from mega-chains like Starbucks and Dunkin, even as they expand. (Despite the sizable footprint, the company still roasts all of their beans in Oregon). The company has a similarly big menu like their peers with coffee, tea, smoothies, and more. But, they do offer more customization which they see as a big reason for customer retention. BROS is primarily a drive-thru chain which they see giving them multiple advantages in the current climate. First, they have a well-established infrastructure for takeaway and digital ordering where many competitors are investing heavily to catch up. The company doesn't use third-party delivery apps. Second, it's less labor intensive which is beneficial as wage costs rise sharply. Finally, it is a format well-suited for the current secular shift towards suburban versus urban living.

BROS did \$327.4M in sales last year and actually posted low-single digit growth Y/Y despite the pandemic's impact on the industry. Allegra Research said that independent coffee shops saw sales drop by more than 10% in 2020. BROS has a number of drivers going forward. First, they expect to expand their footprint by adding another 400 new outlets in the next 3-5 years. Second, they are looking at ways to expand their product reach. In an interview with Yahoo, their CEO said the company is looking at energy as a big category. The company already markets an energy drink called Blue Rebel which can be customized in-store but also available in cans. BROS thinks they can move this brand into c-stores and grocery channels and take advantage of their surging category.

Seasonal Stock Setup: Auto Group Revving Higher

General Motors (GM) - The automakers have seen nice relative strength as of late with key stocks like TSLA, GM, and F trending higher throughout September when the market overall was weaker. GM specifically looks poised for a continuation rally now as it breaks above its YTD VPOC at 55. General Motors has a strong seasonal tendency to rally into Q4 with October seeing upside in 70% of the prior 10 years and an average return of +8.28% for the month. November has been higher 8 of the last 10 years with an average return of +3.79%. The trend recently turned bullish after the 8/21 EMA crossed higher and the stock cleared above 200 EMA. GM has been focusing on the future of Electric Vehicles in their business as a way to keep up with Tesla. This week the company stated it plans to take leadership in domestic EV Sales, surpassing Tesla, a lofty goal. GM says it will debut a new entry-point electric car priced at \$30,000. Now with the stock breaking above key levels from its summer time correction off highs there is potential to revisit those highs at 64 into year end. GM was up about 7.5% during September and starting off October on the same foot. Looking to buy dips to the up trending 8 and 21 EMA is a way to participate in the seasonally stronger period for GM. The stock has seen some recent bullish options flows including this week on 10/5 a buyer of 1000 November \$25 ITM calls bought for \$29.55 to \$29.60.



Extras

Industrials (XLI) with 14,000 January \$105 calls bought for \$2.20, adjusting higher the Dec. \$100 calls

S&P (SPY) with 1000 June 2023 \$510/\$560 call spreads bought for \$8.49

Russell (IWM) with a buyer of 3,000 February \$215 puts for \$8.98

Canada ETF (EWC) with 10,000 January 2024 \$35/\$25 bull put spreads opening

Quotient (QTNT) with 10,000 April \$5 calls bought for \$0.75, adjusting some January calls

Occidental (OXY) with 3,000 December \$37/\$44 call spreads bought for \$1.03

T-Mobile (TMUS) opening sale of 2000 December \$110 puts for \$1.50

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Ring Central (RNG) spread buys 1000 November \$230 calls for \$11.05 and sells the November 5th (W) \$255 calls for \$1.62, earnings expected around 11-8

Altice (ATUS) with 1000 January 2023 \$20 calls bought for \$4

Microsoft (MSFT) buyers of 1900 March \$265 ITM calls for \$39.40 to \$39.60

Albemarle (ALB) with 550 January 2024 \$190 puts sold to open for \$35.80

Open Interest Checks

Ticker	Contract	Prior OI	New OI	OI Change
OTLY	17 DEC 21 15 CALL	3,838	15,061	292.42%
MSFT	18 MAR 22 265 CALL	1,297	2,669	105.78%
NIO	18 FEB 22 35 PUT	4,915	10,061	104.70%
SNY	19 NOV 21 50 CALL	5,618	11,487	104.47%
NVDA	17 DEC 21 180 PUT	2,651	5,355	102.00%
POST	18 MAR 22 90 PUT	3,141	6,151	95.83%
FCX	19 NOV 21 34 CALL	3,867	7,427	92.06%
PSX	21 JAN 22 85 CALL	1,662	3,096	86.28%
TM	17 DEC 21 175 CALL	1,301	2,371	82.24%
SPY	17 DEC 21 460 CALL	32,077	57,871	80.41%
AMD	16 SEP 22 105 PUT	1,245	2,207	77.27%
HWM	18 FEB 22 35 CALL	2,502	4,007	60.15%
HIG	21 JAN 22 75 CALL	767	1,225	59.71%
X	17 DEC 21 21 PUT	5,653	8,997	59.15%
TEVA	20 JAN 23 12 CALL	35,289	54,974	55.78%
KBH	19 JAN 24 20 PUT	2,000	3,000	50.00%
XLF	17 JUN 22 36 PUT	22,299	32,312	44.90%
SLCA	21 JAN 22 10 CALL	4,298	5,765	34.13%

What They're Saying

VMWare (VMW) analyst meeting on opportunities for Kubernetes Tanzu... "Kubernetes is becoming the foundation for modern apps on multi-cloud. The opportunity is tremendous. If you just look at the number of new applications being developed, Raghu mentioned this, 750 million applications being built in the next few years, all on containers and Kubernetes. Even more exciting as Kubernetes now become prime time, over 2/3 of the organization are running combination production. And when you look at application modernization, the key applications that enterprises have that they're looking to modernize, they're running in Java, and the opportunity to take the spring Java applications to the cloud sits right in front of us. So Tanzu is uniquely set up to be the application monetization technology for even a single cloud where customers would drive results in building new applications, modernizing applications deploying them in a single cloud or multiple clouds or driving the cloud-agnostic solutions they're looking for in the worry they're looking to transform the way they run their business. But as we start to look at it, this is not -- hasn't been that easy. Modern application development is complex, mainly because developers have to go through hundreds of technologies in the cloud-native foundation and stitch them together. The cost of maintaining and building these sort

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of one-off environment is just becoming a challenge for these customers. More importantly, we're dealing with the skills gap that Raghu talked about. Ramping up these developers to make productive use is a key challenge for the organization. What our customers are telling us clearly is they need an easy to deploy, operate and maintain platform, to make it simple for the developers to drive the productivity even on a singular cloud. And the solutions that Tanzu looks to offer is really drive that developer productivity, that unique skill we bring in terms of making those applications in production, more secure, more reliable and streamlining that path to production. That is the opportunity that Tanzu looks to solve.”

Disclosures

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