



## Inside Today's Blitz

- BOJ Policy Tweak Causes Yen to Surge, Global Bonds Sell Off
- German Inflation More Signs of Slowing
- Taiwan Exports Plunge
- **CHDN** Small Acquisition; **STLD** Joins S&P 500; **RCUS** Weak Data; **ACGL** \$1B Buyback; **VRNA** Phase 3 Success; **MGA** \$1.5B Tuck-In Deal; **AMZN** Settles with EU

## Market Outlook

Futures are holding up pre-market despite a surprise move by the BOJ sending global bond yields higher while the US Dollar sinks versus the Yen. Gold and Silver are flying on the weaker USD as the main mover this morning and US Bonds are also lower. Housing data is on tap this morning after the US open but an otherwise quiet event schedule continues. Hawkish comments on interest rates from former Federal Reserve official William Dudley also fueling worries about a worldwide recession.

European stocks fell in cautious trade Tuesday after the Bank of Japan rattled markets and sent global bonds lower. Investors were also reacting to comments by ECB policymaker Peter Kazimir that the "monetary policy should tighten at a stable pace." German producer price inflation eased more-than-expected in November to reach its lowest level in nine months.

Asian stocks tumbled on Tuesday and the yen surged against the dollar after the Bank of Japan said it would review its yield curve control policy and widened its target band for interest rates. Tech stocks suffered heavy losses, with Advantest, Tokyo Electron and SoftBank Group falling 3-5 percent. Banks Mitsubishi UFJ Financial and Sumitomo Mitsui Financial surged 5-6 percent as the latest BoJ decision signaled the beginning of the slow unwind of ultra-low interest rates in the country.

## Calendar

**Today...** Building Permits, Housing Starts; Japan BOJ Policy Meeting, Australia RBA Minutes, China Loan Prime Rates, Eurozone Consumer Confidence; Earnings from FDS, GIS, NKE

**Tomorrow...** Consumer Confidence, Existing Home Sales, Crude Oil Inventories; Machine Tool Orders, China Global Payments, Germany Consumer Confidence; Earnings from CTAS, TTC, MU

## Overnight Markets

Description	Price	Change
Natural Gas	5.69	-2.70%
Copper	3.7895	0.17%
Oil (WTI)	75.93	0.73%
Silver	23.97	3.32%
Gold	1817	1.10%
US Dollar	104	-0.65%
VIX	22.35	-0.31%
Bonds	113.7	-0.40%
Bitcoin	16,770	1.67%
Etherium	1,209	3.42%



- **Yen** - Bank of Japan Governor Haruhiko Kuroda shocked markets by doubling a cap on 10-year yields, sparking a jump in the yen and a slide in government bonds in a move that helps pave the way for possible policy normalization under a new governor. The BOJ will now allow Japan's 10-year bond yields to rise to around 0.5%, up from the previous limit of 0.25%, while keeping both short- and long-term interest rates unchanged, according to a policy statement Tuesday
- **Eurozone Yields** - Euro zone government bond yields rose on Tuesday, echoing weakness in the Japanese market where yields hit a seven-year high after the central bank surprised investors by loosening some of its strict controls over long-term interest rates. German 10-year yields have risen for five days in a row, as bonds marked their longest stretch of price losses since August.

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## Sentiment

- **Recession Probability** - Economists say there is a 7-in-10 likelihood that the US economy will sink into a recession next year, slashing demand forecasts and trimming inflation projections in the wake of massive interest-rate hikes by the Federal Reserve. The probability of a downturn in 2023 climbed from 65% odds in November and is more than double what it was six months ago, according to the latest Bloomberg monthly survey of economists. The poll was conducted Dec. 12-16, with 38 economists responding about the chance of a recession
- **Stock-Picking** - About 55% of actively managed large-cap mutual funds are on pace to beat their benchmarks this year, according to an analysis by Goldman Sachs Group Inc. through Nov. 16. That would mark the largest share since 2007, when 71% of funds did so.

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## Stock-Specific News

### Consumer Goods (XLP)

- **LCID** said Monday that it has completed a planned \$1.5 billion equity offering. Lucid raised the majority of that cash, about \$915 million, via a private sale of nearly 86 million shares to an affiliate of its largest investor, Saudi Arabia's Public Investment Fund. The remaining \$600 million was raised via a traditional secondary stock offering, in which Lucid sold an additional 56 million shares
- **Magna (MGA)** to acquire Veoneer Active safety business for \$1.525B in cash

- **IFF** announces the sale of its Savory Solutions Group to PAI Partners

#### Consumer / Business Services (XLY)

- **CHDN** announced that it has entered into a definitive agreement under which CDI would acquire all of the outstanding equity interests of Exacta Systems for total consideration of \$250M in cash
- **LAZY** authorizes \$50M share repurchase plan
- **MGM** closes on the sale of the operations of The Mirage to Hard Rock for \$1.075B
- **BCOR** authorizes repurchase up to \$250M through modified Dutch Auction in 1Q23; authorizes repurchase up to \$200M of common stock
- **RBA, IAA** announce receipt of regulatory clearances for proposed merger; expected to close in the first half of 2023

#### Financials (XLF)

- **ACGL** increases its share repurchase authorization to \$1B; new program replaces existing share repurchase authorization
- **L** confirms court reversed November 2021 decision that awarded former unitholders in its Boardwalk Pipelines subsidiary ~\$690M plus interest

#### Healthcare (XLV)

- **CPRX** to acquire US rights for FYCOMPA from Eisai for \$160M
- **TMCI** granted two new U.S. patents related to novel methods of performing bunion surgery utilizing a bone positioning device
- **TRDA** - FDA places clinical hold on IND for ENTR-601-44
- **ANIP** announces the FDA approval and launch of levocarnitine tablets USP
- **RCUS, GILD** announced results from the fourth interim analysis of the ARC-7 study in patients with first-line, metastatic non-small cell lung cancer
- **VRNA** announces ensifentrine meets primary and key secondary endpoints in Phase 3 ENHANCE-1 trial for COPD
- **MRK, SGEN** announce FDA acceptance of sBLAs for PADCEV with KEYTRUDA for the first-line treatment of certain patients with locally advanced or metastatic urothelial cancer
- **ALT** Announces Positive Topline Results from 24-Week (12-Week Extension) Trial of Pemvidutide in Subjects with Non-Alcoholic Fatty Liver Disease (NAFLD)
- **EMBC** cuts FY23 Outlook well below Street

#### Industrials (XLI)

#### Hawk Database

**L** recent unusual buys 6200 March 60 calls for this catalyst

#### Hawk Database

**VRNA** unusual buys 3000 Jan \$15 calls on 12/13

- **MMM** will exit per- and polyfluoroalkyl substance (PFAS) manufacturing and work to discontinue the use of PFAS across its product portfolio by the end of 2025
- **RKLB** lowers Q4 revenue guidance after it announced the launch window for its first Electron mission from U.S. soil has been rescheduled to January 2023

#### Materials & Energy (XLB, XLE)

- **STLD** to replace Abiomed (ABMD) in S&P 500
- **TECK** to sell Quintette steelmaking coal mine assets to a subsidiary of Conuma Resources for \$120M cash
- **IAG** announces transaction with Sumitomo Metal Mining to provide up to \$340 million in additional funding for the construction of the Cote Gold Project
- **Energy Spending** - U.S. and Canadian oil and gas companies are expecting to spend more in 2023, compared with the current year, as inflation drives up costs of everything from raw materials to labor. U.S. companies Exxon Mobil, Chevron and Phillips 66 also raised their capital allocation toward their lower carbon businesses
- **LAC** to acquire Arena Minerals in transaction valued at \$227M

#### On the Chart

**TECK** flagging during recent market sell-off and could test \$41 resistance

#### Sympathy Mover

**SLB, HAL, BKR** beneficiaries of higher Capex

#### Technology (XLK)

- **ENFN** appoints Brad Herring as CFO
- **SMCI** to replace **STLD** in S&P 400
- **Xiaomi** has started laying off workers in several units of its smartphone and internet services business, reducing its workforce by about 15%, the South China Morning Post reported on Tuesday
- **AMZN** reached a settlement with the European Union on Tuesday in two antitrust probes after addressing concerns over its use of sellers' data, in a move that will save it from a fine of up to 10% of its global turnover

#### Communications & Utilities (XLU, XLC)

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## Analyst Notes

### Upgrades

- **ZYME** raised to Buy at Jefferies
- **MKSI** raised to Overweight at KeyBanc
- **BEAM** raised to Outperform at BMO
- **MAX** raised to Overweight at JPM
- **CAG** raised to Overweight at MSCO; **SJM** raised to Neutral; company should benefit from increasing food-at-home consumption given its exposure to frozen dinners and also expects solid growth in its snacks portfolio
- **UNP** raised to Outperform at Evercore
- **CIEN, FN** raised to Overweight at JPM
- **NVRO** raised to Buy at Canaccord

### Downgrades

- **HRZN, TPVG** cut to Underperform at KBW
- **GNRC, ZWS** cut to Neutral at Baird
- **ALGT, SAVE** cut to Hold at Deutsche Bank
- **TWNK** cut to Neutral at MSCO
- **YELP, SFIX** cut to Underweight at JPM; **ZD** cut to Neutral
- **NSC** cut to Neutral at Evercore
- **MMSI** cut to Hold at Canaccord
- **NTAP, LITE** cut to Neutral at JPM
- **OC** cut to Underweight at JPM
- **WHR** cut to Neutral at JPM

### Initiations

- **BIG** started Underperform at CSFB
- **TPR, CPRI** started Outperform at RayJay
- **TSCO** started Outperform at CSFB
- **TTD** started Overweight at Piper, \$60 target; believes the company is strategically positioned to benefit from the demand for data-driven solutions and the rise of connected TV
- **CYTK** started Buy at Truist, \$60 target
- **CNHI** started Outperform at CSFB
- **RIVN** started Overweight at Cantor

### Other Notes

- **LEGN** a top 2023 Biotech pick at Piper

#### On the Chart

**CAG** tightly coiled under \$38.50 level could run to \$40

#### Hawk Database

**UNP** buyer 1000  
Jan. 2025 \$190 calls  
12/19



some large buyers last week in June \$150 puts at \$8.20 for over 1400x and 1000 of the June \$170 puts bought at \$16 while the March \$165 and \$175 puts also bought in size lots. FDX has seen opening sales in April \$200 calls at \$8.90 and still has over 1500 Jan \$180 puts in OI from buyers at \$23 but also large opening put sellers for 500 June 2024 \$150 puts at \$21.80 and 800 Jan \$170 calls in OI from buyers on 9/19 for \$13.20.

**Trade to Consider:** Long FDX Dec 23<sup>rd</sup>/March \$160 Put Calendar spreads at \$3.80

## Open Interest Checks

Ticker	Contract	Prior OI	New OI	OI Change
AKAM	20 JAN 23 90 CALL	2,918	5,973	104.69%
AMZN	19 JAN 24 86 CALL	1,060	1,923	81.42%
ZM	20 JAN 23 80 CALL	3,507	5,697	62.45%
RCUS	17 FEB 23 30 CALL	1,728	2,771	60.36%
UNP	20 JAN 23 200 CALL	2,083	2,651	27.27%
DIS	17 FEB 23 90 CALL	3,331	4,180	25.49%
MSFT	19 JAN 24 210 CALL	4,581	1,850	-59.62%
NFLX	17 FEB 23 305 PUT	2,800	809	-71.11%

## Extras

**Baidu (BIDU)** opening seller 1250 January 2024 80 puts for 7.60

**International Paper (IP)** with 2500 January 2024 \$45/\$30 bullish risk reversals opening for \$1.15 credits

**L3Harris (LHX)** buyer 1250 January \$200 calls for \$10.30 after its deal for AJRD

**Uber (UBER)** buyer 2000 September \$25 calls for \$5

**Ellington Financial (EFC)** unusual buys of 13,000 February \$12.50 puts for \$0.54, exposed to mortgage securities

**Target (TGT)** buy-write sold 3500 February \$160 calls for \$2.25

**Dish (DISH)** with 10K February 12.50 puts bought \$0.80 as some Jan. puts roll

**Blackstone (BX)** with 11,500 January 6<sup>th</sup> (W) \$70 puts bought to open near \$1.78

**AngloGold (AU)** opening sale 1000 July \$18 puts for \$2.15



## What They're Saying

**AGCO (AGCO)** Investor Day on industry demand and technology needs....“In the industry and market we operate in has a lot of tailwinds. So just as a quick reminder again, we've got a tailwind with just more miles to feed, more population. We're growing. We just passed \$8 billion, we're going to \$10 billion. That's going to happen. So that's one demand driver. Second one is the fact that as economies mature and get more prosperous, they add more meat into their diet. Meat is a multiplier on the demand for grain and you were from 2:12, depending on what chicken to beef. And so that's a second demand driver for our industry. Third one is biofuels, whether it's corn, soybean, canola, other things. And over the next few years, that's expected to increase by about 20%. So you've got all of these 3 ushering in demand requirements for more yield, more productivity for our farmers. But at the same time, there is pressure on those farmers to create that output with less inputs. That pressure comes in the form of higher costs, some of the costs of these inputs have risen. And also society is saying we just want a more sustainable system. We want you to generate higher yields but use less inputs and there's no more acreage. So that's the squeeze that the farmers are under. And the only way to solve that equation is through new technology where the machine can perform more optimally to get higher yields with lower inputs. That's the macro setting. In the micro setting over the next year or 2, we are very bullish about the industry strength. You look at all of our end markets, Prices are high, and getting the company to perform better.”

## Earnings Grid

Stock	Next Earn		Open Interest	Historical Moves (8 Q)	Implied Move	Avg. 8 Q	Med. 8 Q	Sum. 8 Q	IV30 Skew	IV30 Avg Crush	Hist Put/Call OI %tile	Short Float	SI Change (3mo)
	Date	Time				Max Move	Close Move	Close Move					
<a href="#">HEI</a>	12/19/2022	AMC	No Trades Since Last Report	Even of 8	6.12%	3.33%	-0.33%	-4.58%	4.32	-17.50%	31.12%	5.44%	32.37%
<a href="#">SCS</a>	12/19/2022	AMC	No Trades Since Last Report Bear: \$3.14M (48%), Bull: \$3.02M	Lower 5 of 8	15.06%	7.71%	-2.25%	-16.20%	0.78	-27.80%	5.98%	3.13%	-41.10%
<a href="#">GIS</a>	12/20/2022	BMO	(46%), Stock: \$0.44M (7%)	Higher 6 of 8, Higher last 3	4.23%	5.10%	1.99%	12.40%	5.64	-16.30%	39.89%	2.56%	14.63%
<a href="#">CGNT</a>	12/20/2022	BMO	Bull: \$0.18M (100%) Bear: \$18.28M (46%), Bull: \$16.82M (43%), Stock: \$4.43M (11%)	Lower 3 of 4	19.92%	23.15%	-18.20%	-60.00%	-0.62	-21.20%	4.55%	1.32%	-23.75%
<a href="#">NKE</a>	12/20/2022	AMC	(30%), Stock: \$0.73M (5%) Bear: \$9.91M (65%), Bull: \$4.66M	Even of 8, Lower last 2	6.67%	9.55%	-0.87%	2.64%	4.61	-27.30%	80.67%	1.31%	12.59%
<a href="#">FDX</a>	12/20/2022	AMC	(30%), Stock: \$0.73M (5%)	Lower 5 of 8	5.71%	7.30%	-3.50%	-7.60%	4.99	-23.50%	80.84%	2.19%	59.15%
<a href="#">BB</a>	12/20/2022	AMC	No Trades Since Last Report	Lower 5 of 8	12.57%	10.29%	-3.19%	-21.80%	-1.24	-19.60%	7.22%	6.30%	8.05%
<a href="#">WOR</a>	12/20/2022	AMC	No Trades Since Last Report	Even of 8	10.02%	8.83%	-0.24%	-13.20%	6.47	-10.90%	70.33%	4.88%	-29.19%
<a href="#">AIR</a>	12/20/2022	AMC	No Trades Since Last Report Bear: \$1.14M (52%), Bull: \$1.03M (48%)	Higher 5 of 8, Lower last 2	8.92%	8.08%	1.72%	4.89%	0.49	-11.40%	94.71%	3.54%	-43.27%
<a href="#">CTAS</a>	12/21/2022	BMO	(48%)	Higher 5 of 8, Higher last 3	5.33%	3.48%	0.68%	3.14%	3.98	-17.10%	45.87%	1.32%	17.89%
<a href="#">TTC</a>	12/21/2022	BMO	No Trades Since Last Report Bear: \$19.75M (45%), Stock: \$14.15M (32%), Bull: \$10.19M (23%)	Lower 5 of 8, Higher last 2	5.67%	3.90%	-0.36%	-4.68%	6.1	-10.70%	79.17%	1.82%	-11.27%
<a href="#">CCL</a>	12/21/2022	BMO	Bear: \$21.04M (48%), Bull: \$11.99M (27%), Vol: \$6.52M (15%), Stock: \$4.09M (9%)	Even of 8	8.27%	7.98%	0.65%	-7.16%	12.24	-5.26%	99.19%	10.73%	-17.64%
<a href="#">MU</a>	12/21/2022	AMC	Bear: \$1.64M (100%)	Lower 5 of 8	5.47%	5.77%	-1.18%	0.89%	6.03	-15.80%	84.21%	2.77%	-6.57%
<a href="#">PAYX</a>	12/22/2022	BMO	Bear: \$4.69M (47%), Bull: \$2.91M (29%), Stock: \$2.35M (24%)	Higher 5 of 8	5.77%	5.17%	2.28%	6.52%	5.66	-14.80%	68.93%	2.84%	-4.30%
<a href="#">KMX</a>	12/22/2022	BMO		Lower 6 of 8	11.21%	10.79%	-7.57%	-54.70%	7.8	-22.30%	79.05%	8.40%	17.79%

## Earnings Review

Ticker	Company	Earnings	EPS	EPS	Y/Y Growth	Revenue	Revenue	Y/Y	Forward Guidance
		Date	Reported	Consensus		Reported	Consensus (\$M)	Growth	
<b>AFTER MARKET REPORTS</b>									
HEI	Heico Corp	12/20/2022	\$0.70	\$0.69	12.90%	\$609.65	\$601.91	19.67%	

Ticker	Company	Earnings	EPS	EPS	Y/Y Growth	Revenue	Revenue	Y/Y	Forward Guidance
		Date	Reported	Consensus		Reported	Consensus (\$M)	Growth	
<b>BEFORE MARKET REPORTS</b>									
FDS	FactSet Research Systems Inc.	12/20/2022	\$3.99	\$3.61	22.77%	\$504.80	\$510.17	18.85%	Reaffirms Outlook
GIS	General Mills, Inc.	12/20/2022	\$1.10	\$1.07	11.11%	\$5,220.00	\$5,193.62	3.90%	Raises Organic Growth

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## Disclosures

### Disclaimer:

#### Not Investment Advice or Recommendation

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