



Inside Today's Blitz

- Japan Inflation at 40 Year High
- China Covid Infections Surge
- **SDRL** \$958M Acquisition of AquaDrill; **NTNX** M&A Interest Wanes; **BIIB** Drug Concerns; **TSM** Expanding to Europe;

Market Outlook

Futures are indicating a modestly higher open led by strength in Oil, Copper and Silver while Natural Gas continues to sell off. The USD remains weak while Bonds are also showing some weakness early. The US economy continues to show resiliency after a strong GDP report while the labor market continues to exceed expectations. It will be a data-heavy morning with Core PCE and Durable Goods.

European stocks were little changed on Friday, the last working day before the Christmas break. China-exposed luxury firms such as LVMH and Kering were moving lower after reports that Beijing expects a peak in COVID-19 infections within a week. Micro Focus International gained 1 percent after OpenText said that it has received all regulatory approvals for the proposed acquisition of the British firm.

Asian stocks fell on Friday, Treasury yields moved up and the dollar index rose as strong U.S. data released overnight fueled worries that the Federal Reserve would stick to its aggressive tightening path for longer to tame inflation. Japanese shares fell sharply as data showed core consumer inflation in the country hit a fresh 40-year high in November. BOJ's October policy meeting released today showed that some policymakers called for the need to continue checking how a future exit from ultra-low interest rates could affect markets and households' mortgage rates.

Calendar

Today... Core PCE Price Index, Durable Goods, New Home Sales, Revised Consumer Sentiment, and Inflation Expectations; Japan BOJ Minutes, CPI Inflation, Retail Sales, French PPI, Italy Consumer Confidence, Canada GDP

Next Week... It will be a very slow Holiday-shortened week without a lot of corporate catalysts with year-end trading. On the Macro-front we get Home Prices on Tuesday, Richmond/Dallas Fed on Wednesday, and overall, no market-moving reports. If there was ever a week to take off from markets, it's this one.

Overnight Markets

Description	Price	Change
Natural Gas	4.916	-1.66%
Copper	3.792	0.93%
Oil (WTI)	79.17	2.17%
Silver	23.91	1.22%
Gold	1805.7	0.58%
US Dollar	104.25	-0.18%
VIX	21.9	-0.27%
Bonds	113.27	-0.25%
Bitcoin	16,800	0.40%
Etherium	1,221	0.60%

Technical View



Key Levels to Watch

S&P Futures (ES_F) traded higher overnight to test 3866 highs thus far and nearly 61.8% fib retrace of the decline Thursday. Value area high at 3857 will be a key level to get above today if a rally off lows continues, while a move back under 3850 can see 3832 POC and then 3810 and 3800. An upside push through 3860 can likely retest 3900 and then 3930 would be the untested VPOC still above current prices.

Economic Data

- **Japan** consumer prices were up 3.8 percent on year in November, the Ministry of Internal Affairs and Communications said on Friday
- **Taiwan** industrial production contracted at the fastest rate in almost four years in November as slumping global demand continued to hurt the economy
- **Italy** Consumer Confidence jumps to 7 month high

Macro News

- **China Covid** - Nearly 37 million people in China may have been infected with Covid-19 on a single day this week, according to estimates from the government's top health authority, making the country's outbreak by far the world's largest
- **ECB** - Traders are paying heed to a growing chorus of European Central Bank policy makers calling for interest rates to rise faster to get a grip on double-digit inflation. Money markets are wagering the deposit rate will increase to 3.5% by July, according to swaps tied to policy meeting dates. That implied peak has moved 60 basis points higher since the ECB's last decision on Dec. 15, when it increased rates to 2%, and would leave official borrowing costs at the highest since 2001

Movers

Gainers: LPTV +11.7%, EVEX +3.1%, AWK +2.7%, MRSN +1.5%, PUK +1.5%, BIDU +1.1%, CHRS +9.5%, APA +1.1%

Losers: AVO -13.7%, NTNX -8%, EDU -1.8%, MDGL -3%

Insider Buying

ADC, COIN, HSON, BRT, HHC

IPO Calendar

No Notable IPOs

MARKET HEALTH AND STATS CHECK

INDICATOR	SIGNAL
NYSI	BEAR
WEEKLY MACD	BULL
8/21 WEEKLY MA	BEAR
CUMULATIVE A/D 89-EMA	BULL
NEW HIGH/LOW CUMULATIVE 10-MA	BEAR
UP/DOWN VOLUME RATIO 150-MA	BULL
TOP OF BOOK DEPTH	NEUTRAL
YTD EQUITY FLOWS	\$216.8B
IMPLIED ERP	4.20%
P/E	16.6X
2022/2023 EPS GROWTH EST.	7%/4%
S&P SHORT INTEREST	1.70%

Sentiment

- **NAAIM Exposure Index** with a steep drop to 39.35 from 71.6, a two-month low
- **Commodity Flows** - In just one year, investors' bullish exuberance for commodities has turned into a spectacular retreat. It's one of the biggest shifts in sentiment in history for raw materials. This time around, wild price swings have helped spur a rush for the exits that's taken \$129 billion out of the global market — a record for any annual period up to mid-December, according to JPMorgan Chase & Co. The latest exodus comes after money poured into commodities in the first two months of this year

Stock-Specific News

Consumer Goods (XLP)

- **TSLA** - Chief Executive Officer Elon Musk said on Thursday he will not sell any more Tesla stock for about two years. Musk said he foresees the economy will be in a "serious recession" in 2023 and demand for big-ticket items will be lower

Consumer / Business Services (XLY)

- -

Financials (XLF)

- **MUFG** - Japan's biggest bank sees value in further share buybacks as its \$7.5 billion deal to sell a U.S. regional lender adds to a growing cash pile

Healthcare (XLV)

- **NBIX** announces that the FDA has accepted its supplemental New Drug Application for valbenazine as a treatment for chorea associated with Huntington disease. PDUFA 8-20-23
- **GILD** Yescarta Now Approved in Japan for Initial Treatment of Relapsed/Refractory Large B-Cell Lymphoma
- **BIIB** – Science reports a third death has been tied to Biogen's Alzheimer's drug

On the Chart

NBIX pretty chart held the rising 55-MA and sets up for a potential run to new highs

- **Roche's** therapy for treating a type of rare cancer called follicular lymphoma was approved by the FDA
- **BNTX** on Friday initiated an early-stage study to evaluate its experimental malaria vaccine in humans

Industrials (XLI)

- **MMM** - A U.S. judge on Thursday barred 3M Co from trying to avoid liability for injuries current and former U.S. military members sustained from its allegedly defective earplugs by shifting blame to a subsidiary
- **Defense Stocks** - Japan unveiled on Friday a record 114.4 trillion yen (\$863 billion) budget for the next fiscal year from April, pushed up by increased military spending and higher social security costs of catering to a fast-ageing population, piling on more debt

Materials & Energy (XLB, XLE)

- **SDRL** announces agreement to acquire Aquadrill LLC in all-stock transaction with a value of \$958M
- **Fertilizer** - India is likely to spend less on subsidizing fertilizers as global prices fall and the government looks to narrow its budget deficit, Bloomberg reports. Officials are considering slashing the fertilizer subsidy bill to 1 trillion to 1.5 trillion rupees (\$18 billion) for the 2023-24 fiscal year starting April
- **Eneos**, Japan's largest refinery, is drawing up plans to consolidate production as domestic demand slumps because of a shrinking population and efforts to cut emissions. Eneos, which expects domestic fuel demand to slump 50% by 2040, has already announced a plan to close one of its 10 refineries next year

Technology (XLK)

- **META** settles Cambridge Analytica case for \$725M
- **TSM** – FT reports the company is in talks to set up its 1st European plan
- **NTNX** shares are lower on reports **HPE** interest in buying the company are waning

Communications & Utilities (XLU, XLC)

- -

Hawk Database

GILD flows mostly bullish with recent Feb. and May \$90 call buyers

Hawk Database

MMM with 4600 Jan. 2024 \$110 calls bought this week

Sympathy Mover

LMT, NOC, RTX, GD, LHX stand to gain from rising budgets

Sympathy Mover

CF, NTR, MOS fertilizer names

Analyst Notes

Upgrades

- **TTC** raised to Outperform at RayJay

Downgrades

- **CHTR** raised to Neutral at Wells Fargo
- **PARA** cut to Sell at Loop Capital

Initiations

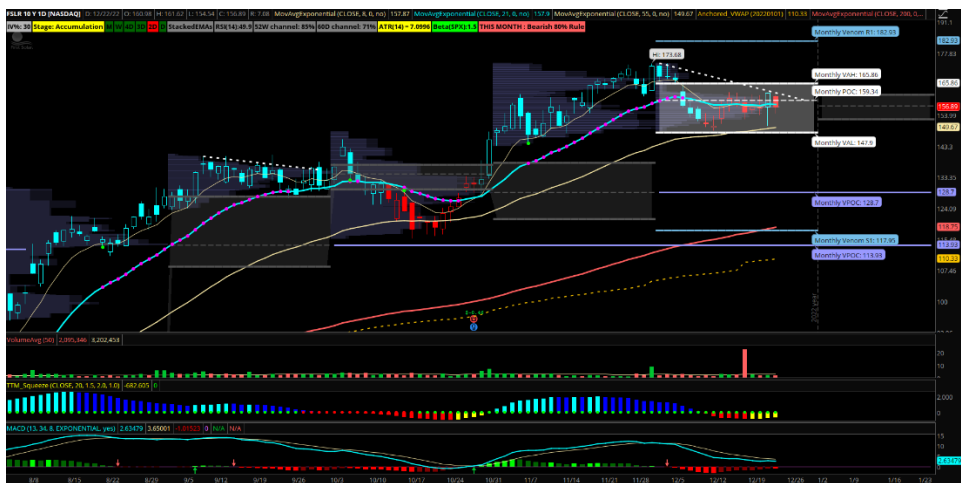
- **ENPH, FSLR** started Outperform at Daiwa
- **ARRY** started Overweight at Cantor
- **NUTX** started Buy at Benchmark
- **CODI** started Buy at Jefferies

Other Notes

- **RCKT** defended at BAML
- **AXSM** target to \$98 from \$62 at BTIG on ACCORD results

Trade Ideas

First Solar (FSLR) shares setting up in a high tight flag pattern after pulling back to near the 55 EMA this week and seeing a strong hammer candle yesterday followed by today's inside day in a weak market tape. The inside day candle provides a simple way to manage risk with buy triggers above today's highs at 162.70 and a stop below the lows at 154.50. A breakout above monthly value highs at 165.90 likely sees the stock move to 175+ as the solar sector strength continues to be one of the best themes in a volatile market.



On the Chart

TTC 113 level on watch for a tight bull flag breakout

Hawk Database

FSLR has massive amounts of short puts in OI

Hawk Database

AXSM relative strength has 3K Jan. 80 calls bought in OI

Technical Scans

Inside Day Candle: PG, LLY, AVGO, AZN, NFLX, SO, USB, GIS, ENPH, FTNT, EA, DLTR, ILMN, K, LYV, TTWO, BRO, SPLK, HAS, NNTX, MANU, ARRY, AXS, FSLR

Bullish Reversal Days: MO, VRTX, EPD, SRE, SYU, YUM, DELL, TSN, BMRN, SWK, PARA, VFC, DISH, SBNY, MPW, TXRH, LEVI, CHDN, STE, AN, LAD, TWNK, LITE, ABG, APLE, SNV, XM

OBV 3 Month Low: PYPL, TGT, DLR, GLW, TROW, EQR, TTD, EXR, TTD, PAYC, TTM, LCID, FFIV, COIN, PLUG, STX, MMP, MAT, CYBR, HTZ, CRK, S, SM

Insider Buy

Six Flags (SIX) had a series of notable insider buy transactions from CFO Gary Mick the past several weeks starting on 11/18 buying 7000 shares at \$22.12 for \$154K and increasing his stake by +20%. Then between 12/6 and 12/14 the insider made 3 more open market purchases for a total of 18,500 shares at prices between \$20.94 and \$21.75 per share for a total amount of \$400K. All together these buys raised his stake in the company from 34K shares to now near 60K shares. These are the first insider buys in the name since late 2021 when the CEO was buying. Shares are trading in a long basing pattern and forming a large, inverted head and shoulders bottom between 18 to 25 the past 6 months. Support is seen at 21 and 20 where it gapped higher from last on a stronger than expected earnings report. Resistance is above at 23.60 where the top of monthly value exists and a breakout above that can see a swift move to 26-27 where 200-day EMA and YTD VWAP reside. Longer term there is potential for a move towards 30 where an untested VPOC is at and there being the possibility of activists breaking apart the company to create value.

The \$1.9B company trades at 12.8x earnings, 3.3x sales, 12.2% FCF yield and is expected to see revenue decline by -9% in FY22 and +7% growth in FY23. SIX is a regional theme park operator. SIX had a strong move higher this week on news of activist investor Land & Buildings Investment Management disclosed a 3% stake in the stock. More specifically, Land & Buildings' CIO Jonathan Litt is pushing for SIX to separate its vast real estate assets, which are comprised of 27 theme and water parks across North America, from the company's operations. One possibility is that SIX could be converted into a REIT, which Litt believes would unlock the value of the company's real estate. In fact, he estimates that SIX shares are currently undervaluing the company's real estate assets by about \$11/share. Another option proposed by Litt is for SIX to enter into a Sale-Leaseback transaction. In that scenario, the company would sell its properties to another REIT or to a private equity firm, which would then lease the properties back to SIX. Average analyst price target is at \$26. Citi raised its target to \$23 recently while Credit Suisse lowered its target to \$39 and Deutsche Bank has a \$29 target on shares. Short interest is at 11.8% and hedge fund ownership rose 23.5% last quarter.

Open Interest Checks

Ticker	Contract	Prior OI	New OI	OI Change
CRM	17 MAR 23 120 PUT	1,091	4,055	271.68%
CHWY	21 JUL 23 55 CALL	1,259	3,756	198.33%
SHOP	21 JUL 23 50 CALL	1,170	2,874	145.64%
TROW	21 APR 23 115 CALL	459	1,051	128.98%
VFC	17 JAN 25 27.5 CALL	5,931	12,945	118.26%
NVDA	17 FEB 23 160 CALL	2,478	5,270	112.67%
RBLX	21 JUL 23 35 CALL	722	1,480	104.99%
MSFT	16 JUN 23 215 PUT	3,856	7,849	103.55%
DOCU	17 MAR 23 50 PUT	1,628	3,260	100.25%
MSFT	15 SEP 23 210 PUT	2,212	4,276	93.31%
NVDA	17 MAR 23 160 CALL	5,551	8,579	54.55%
MO	16 JUN 23 45 CALL	2,645	3,981	50.51%
PYPL	17 FEB 23 75 CALL	4,116	6,134	49.03%
MU	15 SEP 23 45 PUT	1,728	2,521	45.89%
U	17 FEB 23 35 PUT	4,378	5,513	25.93%
OXY	17 MAR 23 70 CALL	12,460	7,481	-39.96%
META	16 JUN 23 135 CALL	11,450	5,868	-48.75%
SSNC	20 JAN 23 40 CALL	2,367	893	-62.27%
OSTK	17 MAR 23 20 PUT	1,680	623	-62.92%

Extras

Valero (VLO) with 1100 June \$80 puts sold to open \$2.36

Viking (VKTX) with 3000 August \$12 calls opening \$1.72 in stock replacements

Ally Financial (ALLY) opening seller 2900 June \$15 puts \$0.55

Align (ALGN) with 1350 July \$120 puts sold to open 6.20 bids

Expedia (EXPE) afternoon sweep buyer 875 June \$105 calls \$5.50 offer

Mirati (MRTX) with 500 January 2024 \$45 puts sold to open \$13.50

Altria (MO) afternoon buyers 1950 June \$45 calls for \$3.15 offer

Service-Now (NOW) with 1000 January \$330 puts sold to open \$4.40

What They're Saying

Toro (TTC) earnings call on new products, backlog and Macro factors...“Our actions to introduce innovative new products, refresh brand marketing and expand distribution have fundamentally reset this business and have positioned it well for the future. We executed on key strategic initiatives to capitalize on very positive secular trends in markets where we have leadership positions. First, we strengthened our innovation leadership with technology-forward product introduction. This includes the expansion of our no-compromise battery electric and smart connected offerings across our portfolio. We also introduced autonomous products with industry-first features in our golf and residential businesses. Our backlog has remained elevated the past 2 years, driven by the strong demand we've experienced coupled with a challenging supply chain environment. In fiscal 2022, we started to see some improvements in our supply chain and continued to adjust our production and operations for efficiencies. Most of our current backlog consists of orders for underground and specialty construction and golf and grounds equipment. This is where we've had the highest level of supply chain disruption. From a broader perspective, we are keeping an eye on overall business confidence as well as consumer sentiment and spending patterns. We're also monitoring inflation, monetary policy actions and the geopolitical environment. We believe we are well prepared to navigate this heightened level of macro uncertainty. For underground and specialty construction, we expect the current robust demand to continue with public and private infrastructure investments, providing a multiyear tailwind. Utility, construction and rental markets currently show no signs of slowing down driven by the need and support for broadband and alternative power build-outs, along with the aging infrastructure. For golf, we expect strong demand to continue as course budgets are healthier than ever. In the U.S., rounds played in 2022 are on track to once again end the year well above pre-pandemic levels. And the overall participant base is expected to exceed \$40 million for the first time in history. As the only company to offer both equipment and irrigation solutions and is the market leader in both, we are extremely well positioned to build on our momentum and long-standing relationships. For municipalities and grounds, we expect to continue to see healthy budgets and the prioritization of green spaces, along with increasing interest in zero-exhaust emission products. For customers seeking sustainable solutions, we are well positioned with our growing suite of no-compromise offerings geared to Professionals. For snow and ice management, the season is

off to a good start with record preseason bookings and storm activity driving healthy contractor revenue. In addition, we have a steady cadence of new product launches to enhance our leadership in this space. For agricultural micro irrigation, we expect a normalized year for purchasing patterns and are monitoring drought conditions in key regions. Our customers remain focused on solutions that drive efficiency and precision to grow more food with less water. Moving to the Residential segment. We continue to see demand return to more typical seasonal trends. With this normalization, we will be watching weather patterns, including snow activity, the timing of spring and the extent of any drought conditions.”

Earnings Grid

Earnings Review

Disclosures

Disclaimer:

Not Investment Advice or Recommendation

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

Content is for informational and educational purposes only, and is not to be construed as specific investment advice or recommendations. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek qualified professional financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, OptionsHawk has not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information does not consider the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors

For example, and, as always, be aware that market timing and conditions may materially affect trades of this nature: The above is an example of a trade idea, but you must be aware of the risks of trading. As we have disclosed, we are not licensed, and we are not giving specific securities advice for your portfolio. We are merely providing examples and education of strategies. We always advise people to get professional advice, and we are not recommending any particular trade or security or soliciting any trade or security.