

MARKET BLITZ – March 26th, 2020

Prepared Exclusively by alex@optionshawk.com

TOP STORIES

- Senate Unanimously Approves \$2.2T Stimulus “C” Bill, House to Vote Friday
- Powell: Fed Still Has Policy Room for More Action Citing Lending
- ECB Declares No Limit on Policy in €750B Stimulus Bill
- Japan Working on \$500B Stimulus

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2450 (-17)	-14.56
Nasdaq	7418.75 (-49)	-39.87
Dow	20967 (-59)	-112.55

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	5599.23	-1.56%
DAX	9690.95	-1.86%
Nikkei	18664.6	-4.51%
Hang Seng	23352.34	-0.74%

ECONOMIC CALENDAR

8:30	GDP	2.1%
8:30	Int'l Trade	-\$63.8B
8:30	Jobless Claims	1600k
10:30	EIA Nat Gas	

FOREX

EUR/USD	1.095 (0.63%)
USD/JPY	109.96 (-1.10%)
USD/CAD	1.412 (-0.465%)
GBP/USD	1.195 (0.56%)

COMMODITY

Oil	23.97 (-2.12%)
Natural Gas	1.667 (0.48%)
Gold	1,634 (0.04%)
Copper	2.187 (-0.77%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	61.71 (0.06%)
Nasdaq	VXN	59.52 (4.51%)
Oil	OVX	145.9 (-14.61%)
Gold	GVZ	40.27 (-0.35%)

MARKET OUTLOOK

Futures are indicating a modestly lower open for the morning as stocks globally digest the recent two-day rally. It was a really quiet overnight (finally) as the ES_F pulled back to 2423 and carved out a night base. The 2400 level will be a key level early to watch while yesterday's highs up at 2561 also in focus. Today feels more like a big test for the bulls than the bears to keep the losses limited. The Senate passed the \$2.2T “Stimulus C” bill last night and the House is set to vote on Friday. Overall, passage is widely expected despite the very vocal objections of a very minor few. The measures include corporate loans, tax breaks, and individual checks as discussed yesterday while airlines getting significant assistance (cruise lines, however, not mentioned). The ECB published the text of their €750B plan today that removes virtually all constraints on asset buys. Elsewhere, crude is pulling back a bit down 2.8% while the precious metals group is also on sale (silver down 1.5%). The dollar continues to pullback, down another 80 bps. All eyes on the jobless claims number today that will be ugly. The median estimate is for 1.6M but some Bloomberg forecasts are as high as 4M.

Asian markets were overall weak last night with the Nikkei lagging down over 4.5%. A sharp rise in coronavirus cases is leading some to speculate the country could be heading for more restrictive policies. Japanese conglomerate **Marubeni** with an ugly warning overnight calling for a record loss of \$1.7B for the year. Shares fell 11.8%. **Pepper Food Service** was limit down, off by 17.5%, as the restaurant chain cited funding problems. **Softbank** down 9.5% after Moody's downgraded their debt.

European markets are in the red this morning, stalling out after a two-day rally, as well as fears over a recession are coming to the forefront again. Coronavirus cases in Spain and Italy continue to rise. It was a quiet morning for stock specific news. Engineering firm **Weir Group** down 3.5% after pulling their guidance. Industrial robots company **Kuka** down 2.5% after earnings. **Dixon's Carphone** up 1% after an earnings update.

Finally, it was a quiet night for **economic data**. Singapore GDP was light at -2.2% vs -1.5%. Industrial production was slightly better than feared at -1.1% vs -2%. UK retail sales fell 0.3% vs 0.2% gain expected. German consumer sentiment fell to its lowest since 2009 at 2.7 vs 7.1.

S&P TECHNICALS

Levels: Support 2150/2000; Resistance 2400/2500



6064 Advancing	Declining 1500
78.3%	19.4%
6 New High	New Low 105
5.4%	94.6%
422 Above SMA50	Below 7292
5.5%	94.5%
626 Above SMA200	Below 7088
8.1%	91.9%

KEY EVENTS

Earnings After the Close: AFYA, GME, HTHT, KBH, LULU, OXM, PRGS, SAIC, SPWH

Tomorrow... Core PCE at 8:30am, Michigan Consumer Sentiment at 10:00am

Earnings on Friday... SCWX

ANALYST ACTION/COMMENTS

Ambarella (AMBA) upgraded to Buy at Stifel

Green Dot (GDOT) upgraded to Buy at BTIG

Casey's General (CASY) upgraded to Buy at RBC Capital

American Tower (AMT) raised to Buy at Raymond James

Bruker (BRKR) upgraded to Buy at Barclays

Sysco (SYY) upgraded to Buy at Jefferies

Nutrien (NTR) upgraded to Buy at Goldman

Akamai (AKAM) upgraded to Neutral at Goldman

Ingredion (INGR), Hormel (HRL) upgraded to Neutral at Goldman

Dover (DOV) upgraded to Buy at Goldman ; **PBF** upgraded to Neutral

Arthur Gallagher (AJG) upgraded to Buy at RBC

AutoLiv (ALV) upgraded to Buy at Kepler

Service Now (NOW) upgraded to Buy at Mizuho

Danaher (DHR) upgraded to Buy at RBC Capital

Micron (MU) upgraded to Buy at BAML

Technip (FTI) upgraded to Buy at Berenberg

Fair Isaac (FICO) upgraded to Buy at Stephens

Ceridian (CDAY) downgraded to Neutral at RBC

8x8 (EGHT) downgraded to Sell at B Riley

Beyond Meat (BYND) downgraded to Sell at Goldman

WW downgraded to Neutral at Goldman

Expedia (EXPE) downgraded to Sell at Goldman

Olin (OLN) downgraded to Sell at RBC Capital

Paycom (PAYC) downgraded to Neutral at RBC

MEDIA HIGHLIGHTS

Global smartphone sales fell 14% in February – Reuters

Indian banks plan most shut down most branches during lockdown (**IBN, HDB**) – Reuters

Mortgage Servicers at Risk If Virus Persists, FHFA Chief Says (**FNMA, FMCC**) – Bloomberg

US shale bust wrecks hopes for energy independence – FT

Global oil demand could fall by 4.9% in 2020 – Reuters

Airlines turn to cargo for revenue as U.S. Senate approves aid package (**AAL, UAL, DAL**) – Reuters

Television audiences surge to 12-month highs (**CMCSA, VIAC, DIS, FOX**) – Reuters

Ford Motor (F) credit rating cut to junk status by S&P – Bloomberg

Media M&A Deals Put on Hold After Outbreak Dries Up Financing (**T, VIAC, AMCX**) – Bloomberg

JPMorgan's (JPM) Equity Derivatives Haul Soars to \$1.5 Billion – Bloomberg

Nintendo (NTDOY) Switch hardware selling out across the U.S. - GameSpot

Cheesecake Factory (CAKE) tells landlords it won't pay rent on April 1 - Eater

AMC Entertainment (AMC) furloughs CEO, corporate staff - Reuters

Royal Bank of Canada (RY) Seeks Fire-Sale Buyers for Seized Mortgage Debt – WSJ

STOCK SPECIFIC NEWS OF NOTE

MTOR, AOBC, TEX, PSNL, BYD, WYND, SPWR, OUT, AXL, ERJ, AVB, HBI withdraws FY guidance

MCFT, MOV, Airbus suspending operations

Agios Pharmaceuticals (AGIO) announces Celgene declines opt-in right for AG-270

HP (HPQ) says it should not focus on talks with **Xerox (XRX)** amid COVID-19 pandemic

Pyxus (PYX) announces review of strategic alternatives

Alaska Air (ALK) cuts April-May flight schedule by 70%

Slack (WORK) says simultaneously connected users up to 12.5M from 10.5M

Bristol Myers (BMY, BMY.RT) Zeposia approved

PRE-MARKET MOVERS

Moving Higher: MU 6%

Moving Lower: CUK -6%, BYND -5.5%, CCL -4.2%, F -4%, SBSW -2.7%, BBL -2.5%

INSIDER TRADING (Form 4 Filings)

Buying: CACC, OKE, AXDX, GTLS, CRM, CLR, AFL, GPC, VST, MIDD, HDS, CIM

Selling: MORN, DOCU, CRM, ZS, CDLX, TRUP, MDB, RMBS, MDLA, BZH, LII, ZM, MIME, SEDG

POTENTIAL SYMPATHY TRADES

WDC, STX – on MU earnings

JKS, SPWR, FSLR – on CSIQ earnings

OPTION HIGHLIGHTS (Prior Day)

AT&T (T) with elevated bearish flows on 3/24 including buyers of the May \$27 puts, over 7000X as some April \$32 puts adjusted down, 5000 May \$29 puts for \$2.95, and over 45,000 June \$31 puts. T recently had 9,000 April \$29 puts bought and 5,000 July \$30 puts bought to open in early March. Shares are down around 27.5% over the last month and right at trend support from the 2002/2008 lows. T is also right at the low-end of multi-decade value and a move under \$26 has room to \$22.50 and \$20. A rebound to the declining 8- or 20-EMA an ideal spot to target a new position. The \$202.5B telecom trades 7X earnings, 1.12X sales, and 14X FCF with a 7.77% yield. T previously saw mid-to-high single digit EPS growth and revenues basically flat over the next two years, with upside from synergies of their Warner deal. But, those estimates likely need to come down given headwinds to declining revenue from satellite provider DirectTV, film and TV program delays, advertising woes, and more. Their leverage ratio also near multi-year highs as they look to sell as much as \$10B in assets in 2020, which may be put on hold given the current market environment. Short interest is 1.6%. T has seen some insider buying lately with a director adding \$3.75M in stock at \$37.60 on 2/4. Hedge fund ownership fell 1.2% in Q4. Elliott remains a top holder with calls worth 20.5M shares as well as 5M shares of stock. Analysts have an average target for shares of \$39.50. Baird downgrading to Neutral recently seeing fundamentals within WarnerMedia to be pressured including HBO Max. Raymond James downgrading to Neutral on 3-16 citing the loss of March Madness, NBA, and other major sports programming and advertising. They also think the current buyback and dividend are solid but don't offset the overall weakness given their leverage.

AFTER HOURS MOVERS

Gainers: SAVE 7%, BA 6%, MU 5.5%, JAZZ 4.5%

Losers: CAKE -4.5%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.67	Rising – Cautious
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	8	Extreme Fear
NYMO	-51.28	Oversold
McClellan Summation	-1183	Below 8-EMA
Lipper Fund Flows	-\$14.8B	Continued Selling
Univ. of Michigan Consumer Sentiment	95.9 (March Prelim)	-2.5% Y/Y
Cumulative A/D	New 6-Month Lows	Weakening
VIX:VXV	1.01	Falling
NAAIM Exposure Index	10.65	Decade Lows
AAII Sentiment	50.1% Bearish	Overly Negative

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Scheduled

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

VIPS:



VIPShops (VIPS) healthy chart on the daily with price pulling back to the recent breakout spot and consolidating in a small flag on the 1-hour after breaking a downtrend. A move above \$15.25 has a small volume gap back to \$16.50 and recent highs.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Dominos (DPZ)

Price: \$299.95

Valuation: Undervalued

Analysis: The \$12.06B pizza chain trades 31.3X earnings and 3.3X sales and uniquely setup to thrive in a delivery/to-go setting as they've been at the forefront of tech in QSR for a few years. Pizza is also a food that is setup well as having been a delivery staple for decades and DPZ is the best of breed in those names with a proven history. The company announced last week they're hiring to handle demand and likely weathers the storm well.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

BIIB:



Biogen (BIIB) shares have held up better than most recently testing key \$270 support and bouncing but unable to move through the declining 20-day MA and a third test of that level could break into the gap from October. The measured move lower is to \$240.

PAIR TRADE OF THE WEEK

Industry: Stay at Home Social

Long/Short: Long Snap (SNAP), Short Match (MTCH)

Analysis: SNAP stands to benefit from increased time on phones at home which will help them retain advertising dollars during a time of pullback. SNAP also has less exposure to small business, which is a plus. MTCH relies not just on person-to-person contact but also on the hospitality industry which is in a state of uncertainty.

SMALL CAP TRADE OF THE WEEK

Houlihan Loukey (HLI) is a \$3.02B investment brokerage firm which focuses a lot on bankruptcy, restructuring advisory services, and M&A. HLI trades cheap at 14.6X earnings and 3.2X book with a 2.5% yield. HLI has spent a lot over the last year expanding into new industries and products that give them a more diversified base into a downturn.

Earnings

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
FUL	H.B. Fuller	\$0.34	\$0.34	\$647.00	\$653.02	-3.90%	
MU	Micron	\$0.45	\$0.37	\$4,800.00	\$4,690.73	-17.70%	FY In Line
SCVL	Shoe Carnival	\$0.24	\$0.21	\$239.88	\$237.97	2.20%	
BITA	Bitauto Holdings	\$0.44	\$0.28	\$385.80	\$379.46	-15.00%	FY Below
CSIQ	Canadian Solar	\$1.04	\$0.43	\$920.00	\$866.05	2.10%	FY Below
FDS	FactSet	\$2.55	\$2.49	\$369.80	\$370.02	4.20%	
MOV	Movado Group	\$0.15	\$0.21	\$191.00	\$185.00	-4.20%	
SIG	Signet Jewelers	\$3.67	\$3.49	\$2,153.30	\$2,123.14	-0.20%	
TITN	Titan Machinery	\$0.02	\$0.01	\$351.00	\$362.50	-2.40%	
WOR	Worthington	\$0.27	\$0.68	\$764.00	\$775.50	-12.60%	

MU – Beat on EPS and Revs - “Micron delivered solid second quarter results and revenue at the high end of the guidance range, despite the unfolding COVID-19 pandemic,” said Micron Technology President and CEO Sanjay Mehrotra. “I am grateful to our team for the excellent business execution we have achieved during this unprecedented situation. Their resilience, together with Micron’s technology leadership, stronger product portfolio, and healthy balance sheet, give us confidence that we will emerge from this challenging time well-positioned to capture the robust long-term demand opportunities for memory and storage.”

Extras

InterContinental (ICE) buyers of 2,500 April \$85 calls for \$1.35 to \$1.45, recent put sales in the name

Match (MTCH) with 1000 June \$62.50 puts bought this afternoon for \$7.25 as the April \$65 puts adjust, sharp rally the last two days but name likely impacted heavily by the stay at home orders. **MTCH** also 6000 April \$70/\$80 call spreads opening late for \$3

DuPont (DD) buyer of the May \$32.50 puts 1500X for \$2.98 to \$3.05

Stitch Fix (SFIX) buyers of 1,175 April \$15 puts up to \$2.15 to open

Kohl’s (KSS) afternoon buyer of 3000 July \$17.50 puts to open \$3.80

Blue Apron (APRN) with 1000 July \$7 puts sold to open \$4 to \$3.80

Square (SQ) size late day buys of nearly 2000 September \$45 puts \$5.85 offer

General Motors (GM) with 2000 January 2022 \$18 puts sold to open \$3.15

Viacom (VIAC) with 4000 January 2022 \$27.50 calls sold \$1.95 in a buy-write

Simply Good Foods (SMPL) buyer 2500 April \$17.5/\$20 call spreads for \$0.55 into earnings 4-6

Equinix (EQIX) with 300 September \$600 calls opening on the day \$52.75 to \$60

Ubiquiti (UI) with 425 May \$145 puts opening \$16.10 to \$18.20

Conmed (CNMD) unusual 300 November \$75 calls opened late day \$3 to \$4

Alibaba (BABA) with 15,000 April \$190 puts opening as \$185 adjusted

Berkshire Hathaway (BRK.B) with 1,000 May \$200 calls bought yesterday up to \$4.30 and follows over 2,000 September \$200 calls bought on 3/24 up to \$5.70. There are a number of bullish trades in OI from the last month including 1000 June \$215 calls from 3/4, over 2500 Jan. 2022 \$175 calls from 2/28 for more than \$14M, and 1,000 June 2022 \$195 calls bought for \$27.00 on 3/12 to open that remain in OI, a long-term bet on a high-quality name. Shares are down 12.5% this month and back to cloud support as well as a key range from 2016 around \$160. It also bounced right off the 38.2% Fibonacci of the rally from the 2009 lows at \$160.25. The \$439B company has exposure to some risky groups like insurance, energy, rails, and airlines but trades with a solid balance sheet at 15.7X earnings and 1.7X sales with \$125B in cash on hand. Berkshire saw 7-8% EPS growth and mid-to-high single digit revenue growth before coronavirus. They bought back \$5B in stock in 2019 and said in February they would consider additional buybacks if appropriate in 2020. Analysts have an average target for shares of \$240.25. Short interest is negligible. Hedge fund ownership rose 2.4% in Q4. Pershing Square a big holder with 4M shares and likely added recently amid Bill Ackman's spending spree this past week. The last insider buy for Berkshire was in early 2018 when vice COB Ajit Jain bought \$1.2M in stock at \$199.82. The company will hold their annual meeting on May 2.