

# MARKET BLITZ – May 26th, 2016

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## TOP STORIES

- UK GDP Remains Flat at 0.4%
- Italian Retail Sales Sink
- Spain GDP Grows 3.4% YOY, Weighed by Election
- Aramco to Boost Output in June
- Daily Mail Warns of Weak Advertising Market
- KKR Seeking Control of Takata
- US Foods Prices IPO at High-End of Range
- Report: Apple (AAPL) Executives Considered Bid for Time Warner (TWX)

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2088.75 (1.5)</b>	<b>1.11</b>
<b>Nasdaq</b>	<b>4480.25 (5.50)</b>	<b>5.07</b>
<b>Dow</b>	<b>17841 (24)</b>	<b>16.49</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>6278.55</b>	<b>0.25%</b>
<b>DAX</b>	<b>10248.67</b>	<b>0.43%</b>
<b>Hang Seng</b>	<b>20397.11</b>	<b>0.14%</b>
<b>NIKKEI</b>	<b>16722.46</b>	<b>0.09%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
5:15	James Bullard Speaks	
8:30	Durable Goods	0.3%
8:30	Jobless Claims	275,000
10:00	Pending Home Sales	
10:30	EIA Nat Gas Report	
11:00	KC Fed Manufacturing	
12:15	Jerome Powell Speaks	

## FOREX

<b>EUR/USD</b>	<b>1.1181 (0.25%)</b>
<b>USD/JPY</b>	<b>109.97 (-0.19%)</b>
<b>USD/CAD</b>	<b>1.2947 (-0.55%)</b>
<b>GBP/USD</b>	<b>1.4695 (0.01%)</b>

## COMMODITY

<b>Oil</b>	<b>49.87 (0.63%)</b>
<b>Natural Gas</b>	<b>1.965 (-1.36%)</b>
<b>Gold</b>	<b>1299.1 (0.43%)</b>
<b>Copper</b>	<b>2.1135 (0.57%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>13.90 (-3.61%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>15.01 (-2.02%)</b>
<b>Oil</b>	<b>OVX</b>	<b>35.94 (-5.47%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>15.68 (-4.39%)</b>

## MARKET OUTLOOK

Futures are indicating a slightly higher open to the session with oil near \$50 for the first time in over seven months. Commodities are boosting the EU markets while Asia closed in the green despite a mixed session. The Yen traded strong ahead of the G7 Meeting where monetary policy is expected to be discussed. James Bullard, speaking this morning, said labor markets are tight and may put upward pressure on inflation.

Another busy day of economic data with Durable Goods and Jobless Claims highlight the pre-market activity. Durable Goods are expected to rise slightly for the month, an indicator which has been up/down all year and relatively flat YTD. Jobless Claims are expected to decline slightly after a sharp move lower last week. Pending Home Sales will come later in the morning, expected to a small gain after March's big 1.4% beat. Jerome Powell will speak around mid-day, a relatively neutral voting member of the Fed.

The S&P opened strong above the 2,080 level on Wednesday and pushed higher right off the open into 2,095 where we settled into a range for the rest of the session. We bounced between 2,095 and 2,090 with a +1,000 TICK being absorbed into the afternoon. We cleanly broke out of the channel being highlighted over the past week off the April highs and now running back towards 2,110 resistance. DI+ crossed bullish yesterday and with ADX under 20 can form a powerful trend here up to new highs. Support below is the 20-EMA at 2,065 and flattening 50-EMA at 2,050. Resistance above is 2,100/2,110 range from late April.

## S&P TECHNICALS

**Levels:** Support at 2,065/2,050; Resistance at 2,095/2,105



4635 Advancing	Declining 2078
64.3%	28.8%
253 New High	New Low 47
84.3%	15.7%
4438 Above SMA50	Below 2656
62.6%	37.4%
4502 Above SMA200	Below 2592
63.5%	36.5%

## KEY EVENTS TO WATCH

**EARNINGS AMC (Thursday):** ULTA, PANW, GME, SPLK, DECK, VEEV, CAL, VNET, SVA;

**CONFERENCES:** Canaccord Tech Day (ADSK, ARMH, EBAY, LNKD, N, NOW, P)

**ANALYST DAYS:** FCH, SANM, DHR, BKD;

**ECONOMIC EVENTS (Friday):** GDP at 8:30 AM, Consumer Sentiment at 10:00, Janet Yellen Speaks at 10:30;

**EARNINGS BMO (Friday):** JASO, JKS, BIG;

## ANALYST ACTION/COMMENTS

**Infosys (INFY)** Upgraded to Buy at Goldman Sachs

**TransUnion (TRU)** Initiated Outperform at Baird, \$36 PT

**Atlassian (TEAM)** Initiated Outperform at Oppenheimer

**On Deck Capital (ONDK)** Initiated Outperform at Macquarie

**Overstock (OSTK), Etsy (ETSY), and Wayfair (W)** Initiated Buy at Maxim

**Archer Daniels Midland (ADM)** Upgraded to Buy at Citi

**Darling Ingredients (DAR)** Upgraded to Overweight at JP Morgan, \$18 PT

**Teledoc (TDOC)** Initiated Overweight at Piper Jaffray

**Jack in the Box (JACK)** Upgraded to Outperform at Baird

**Centene (CNC)** Upgraded to Buy at Stifel

**Post Holdings (POST), Treehouse (THS)** Initiated Overweight at KeyBanc

**Tyco (TYC)** Upgraded to Overweight at Atlantic Equities

**Kinross Gold (KGC)** Upgraded to Buy at Canaccord

**Nice Systems (NICE)** Upgraded to Outperform at JMP

**Shire PLC (SHPG)** Initiated Buy at Stifel

## MEDIA HIGHLIGHTS

**Takata** Hires Restructuring Banker Amid Liabilities – WSJ

Snapchat Raises \$1.81B in New Funding Round – Reuters

**Lending Club (LC)**, Other Online Lenders to Be Investigated by NY DFS – Reuters

**Exxon (XOM), Chevron (CVX)** Shareholders Reject Climate Stress Tests – WSJ

Redstone Weighing Removing **Viacom (VIAB)** CEO – NY Post

**Markit (MRKT)** to Receive Regulatory Approval for IHS Merger – Reuters

**Boeing (BA)** to Cut Size of Tech Support Workforce – Reuters

Titleist, Footjoy Owner Achushnet to File for IPO – Reuters

**Apple (AAPL)** Executive Proposed Bid for **Time Warner (TWX)** – FT

Allianz Considering First Share Buyback – Manager Magazin

**KKR** Seeking Control of Takata – Nikkei

**Suncor (SU)** Pushing for Full Operational Status by End of June – Reuters

Health Plans Seek Big Premium Boost in States ACA Exchanges – WSJ

## STOCK SPECIFIC NEWS OF NOTE

**Donaldson (DCI)** Raises Dividend

**New York REIT (NYRT)** to Combine with JBG Companies

**Cempra (CEMP)** Announces Positive Phase 2 CABP Trial

**Salesforce.com (CRM)** Selects Amazon AWS as Preferred Public Cloud Infrastructure Provider

**Relypsa (RLYP)** Submits sNDA to FDA for Veltassa

**Cooper Companies (COO)** to Acquire Assets of Recombine for \$85M Cash

**US Foods (USFD)** Prices IPO at \$23, High-End of Range

**Genesco (GCO)** Authorizes \$100M Buyback

**Royal Bank of Canada (RY)** to Buy Back Up to 20M Shares

**Sanofi's (SNY)** Treatment for Type 2 Diabetes Recommended for Approval by FDA Panel

**Sears Holdings (SHLD)** Weighing Options for Kenmore Business

**PRE-MARKET MOVERS**

Moving Higher: LGF 13.87%, MT 9.05%, DG 4.6%, TWX 3.47%, X 2.73%, FCX 2.15%

Moving Lower: TDW -23.9%, LYG -3.41%

**INSIDER TRADING (Recent Form 4 Filings)**

**Buying:** ODP, HAYN, ORLY, ERS, OHI, PII, BONT, SYBT

**Selling:** MGM, DOOR, RSPP, BHI, AMAT, REXI, SKYW, OPHT, MPWR, NOW, ROP, MANT, NVDA, FBHS, DEPO

**INSTITUTIONAL MONEY FLOW**

**Buying:** DUK, MCD, HD, EBAY, AGN, SYY, YHOO, V, PXD, BMY, CCL, ETE, KIM, CTXS, LLY, VLO, SPG, DAL, MA

**Selling:** AMZN, MSFT, CVX, LNKD, BAC, FB, CMCSA, NFLX, GOOGL, LBTYK, CSCO, CI, FTI, VZ, GS, BP

**OPTION HIGHLIGHTS (Prior Day)**

**Stericycle (SRCL)** with a buyer of 5,500 August \$105 calls for \$3.30 early as a trader looks to be rolling out 2,000 June \$95 calls which accumulated recently, significantly boosting their position and buying more time. Volume has climbed above 6,800 now with buyers paying \$6.40 offer and also seeing 600 July \$105 calls opening for \$1.60 offer on a wide bid/ask. SRCL shares are coiling above the \$92.50 level since gapping down on earnings 4-29 and setting up a nice reward/risk spot for a move back into the gap which measures back to \$120. SRCL broke a long-term uptrend in October and gapping down on earnings the last three quarters but trying to hold the 50% retracement of the move at \$98. Short interest is 6.62%, rising from 3.2% in August. The \$8.4B medical waste management company trades 17.89X earnings, 2.96X book, and 29.25X FCF with 15% earnings growth. Jana Holdings recently took a 2.9% stake in the company and could boost their position to an active stake and lobby for a sale. Stifel was out with a note recently indicating that if the company pursued a sale, Waste Management (WM) would be a logical buyer with \$100M in synergies and immediately accretive to WM earnings. In April, WM management said they were looking for a big acquisition if priced reasonably. Barrington was out positive on shares in early May noting the company's guidance is reachable and should trade at a higher multiple nearing 20-22X earnings with the company's \$2.3B Shred-It deal not fully realized yet. Imperial Capital lowered their price target to \$95 from \$115. RBC cut shares to Underperform on 4-29. Institutional ownership rose 7.39% last quarter, other notable buyers include Wedgewood Partners who raised their position to 2.69M shares and Victory Capital who own 973K shares.

**AFTER HOURS MOVERS**

Gainers: LGF 13.25%, PVH 6.68%, CEMP 4.6%, WSM 3.55%

Losers: PSTG -15.22%, CELG -11%, NTAP -7.72%, PLKI -6.79%, GES -5.78%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
ISEE Index	80	Rising
CBOE Equity Put/Call Ratio	0.78	Above 50-MA
CBOE Index Put/Call Ratio	1.22	Above 50-MA
CBOE Skew Index	125.21	Rising
VIX Curve	Contango	Bearish
CNN Fear & Greed Index	56	Greed
NYMO	-30.78	Rising
NYSE Highs/Lows	76.96	Falling
TRIN Index (21)	1.38	Elevated
McClellan Summation	723.40	Falling
Upside/Downside Oscillator	10	Flattening
Option Buyer Sentiment Gauge	0.757	Low
Univ. of Michigan Consumer Sentiment	95.8 (May)	Rising

**SYMPATHY PLAYS**

**STX, WDC, NMBL, EMC** – on NTAP results

**LGF, STRZA, NFLX, FOXA** – on TWX buyout talk

**SMART MONEY 13G/D Filings**

**Ashford (AINC)** with a 9.1% stake from Raging Capital

**Insperty (NSP)** Stake Cut by Starboard to 10.6%

**IPO MONITOR**

**GMS Inc (GMS)**, pricing 7M shares at \$21-23

**Midland States Bank (MSBI)**, pricing 3.9M shares at \$25-\$27

**Clearside Biomedical (CLSD)** pricing 4M shares at \$14-\$16

### Earnings After the Close Wednesday

Ticker	Company	EPS Actual	EPS Estimate	Revenues Actual (M)	Revenues Estimate (M)	Notes/Guidance
UHAL	AMERCO	\$2.68	\$3.14	\$683.2	\$659.00	
BRS	Bristow Group		\$0.56	\$375.27	\$407.10	
CPRT	Copart	\$0.64	\$0.54	\$347.2	\$320.50	
COST	Costco	\$1.24	\$1.23	\$26,150	\$27,180.70	SSS Ex-Gas +3%
CSRA	CSRA	\$0.50	\$0.49	\$1,290	\$1,305.10	FY In Line
GES	Guess?	-\$0.23	-\$0.18	\$449.0	\$465.00	Q2 Weak
HEI	Heico	\$0.57	\$0.56	\$350.6	\$340.65	Raises FY View
HPQ	Hewlett Packard	\$0.41	\$0.38	\$11,600	\$11,733.80	Q3 Below Street, FY In Line
BLOX	Infoblox	\$0.06	\$0.05	\$82.0	\$81.45	FY Above Street
LGF	Lions Gate	\$0.07	\$0.06	\$791.2	\$744.25	
MOD	Modine	\$0.36	\$0.32	\$343.7	\$351.30	
NTAP	NetApp	\$0.55	\$0.58	\$1,380	\$1,403.50	Q1 Below Street
PLKI	Popeye's	\$0.58	\$0.64	\$82.2	\$85.30	Backs FY View
PSTG	Pure Storage	-\$0.22	-\$0.23	\$139.9	\$138.30	Q2 In Line
PVH	Van Heusen	\$1.50	\$1.43	\$1,920	\$1,901.10	Raises FY View
SPTN	Spartan	\$0.54	\$0.50	\$2,280	\$2,284.76	Affirms FY View
WSM	William Sonoma	\$0.53	\$0.50	\$1,100	\$1,079.30	FY In Line

### Earnings Before the Open Thursday

Ticker	Company	EPS Actual	EPS Estimate	Revenues Actual (M)	Revenues Estimate (M)	Notes/Guidance
ANF	Abercrombie & Fitch	-\$0.59	-\$0.51	\$685.5	\$709.50	
BURL	Burlington Stores	\$0.57	\$0.48	\$1,280	\$1,269.00	Raises FY View
CHS	Chico's	\$0.25	\$0.31	\$642.98	\$669.00	
DG	Dollar General	\$1.03	\$0.95	\$5,270	\$5,282.76	SSS +2.2%
DLTR	Dollar Tree	\$0.89	\$0.82	\$5,090	\$5,093.45	Raises FY View
FRED	Fred's		\$0.02		\$563.25	
GCO	Genesco	\$0.50	\$0.41	\$649.0	\$660.55	Affirms FY View
IGT	Int'l Gaming		\$0.48		\$1,282.50	
MOV	Movado	\$0.19	\$0.16	\$114.06	\$116.50	Cuts FY View
PDCO	Patterson Co.	\$0.77	\$0.75	\$1,500	\$1,464.20	
ROLL	RBC Bearings		\$0.84		\$160.75	
SAFM	Sanderson Farms	\$2.11	\$1.52	\$692.1	\$672.90	
SHLD	Sear's	-\$1.86	-\$3.20	\$5,390	\$5,255.80	
TECD	Tech Data	\$1.05	\$0.94	\$5,960	\$5,978.50	Q2 Above Street
TITN	Titan Machinery	-\$0.21	-\$0.15	\$284.9	\$293.55	FY Seen at Slight Loss

## TRADE

### WEEKLY TECHNICAL BREAKOUT

**ADBE:**



**Adobe Systems (ADBE)** shares are coiling just under new highs and the post-earnings range with a move over \$97.50 leading to \$100. MACD is positive but flattening with the rangebound action and RSI remains above 50, curling slightly higher now but nowhere near overbought.

### FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Raytheon (RTN)

**Price:** \$129

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	P/FCF	EPS Growth
<b>Stock</b>	<b>16.22</b>	<b>1.62</b>	<b>3.82</b>	<b>30.32</b>	<b>8.68%</b>
<b>Industry Avg.</b>	<b>32.6</b>	<b>1.3</b>	<b>4.9</b>	<b>22.1</b>	<b>9.15%</b>

**Analysis:** RTN is a top name in the strongest group of 2016 as defense names continue to act strong into the November election and growing war on terror. Shares have lagged peers LMT and NOC, up 5% vs double-digits for the others, but a strong name which deserves to see a premium multiple with reaches in International and Cyber Security as growth mechanisms. RTN does more than 70% of its sales through the US government. The \$38B company broke out of a big consolidation recently and pulling back on Friday to re-test the prior resistance level.

## IDEAS

### WEEKLY TECHNICAL BREAKDOWN

**CACC:**



**Credit Services Corp (CACC)** is down near \$170 support with shares under heavy distribution with volume rising sharply on down days since 5-3. On the weekly, shares are forming a big bear flag with a series of lower highs forming since November. Under \$172 measures to a longer-term move back to \$145.

### PAIR TRADE OF THE WEEK

**Industry:** Carriers

**Long/Short:** Long T-Mobile (TMUS), Short Verizon (VZ)

**Analysis:** TMUS is growing at a fast rate, moving to a profit last quarter and booting users by over 2M net adds. They guided for continued growth, raising their view, and raising EBITDA targets to \$9-10B. VZ continues to see revenue declines, missing last quarter negative post-paid phone adds. VZ has been pressured recently by an ongoing strike by 40,000 of their workers.

### SMALL CAP TRADE OF THE WEEK

**Descartes Systems (DSRX)** is a \$1.45B provider of SaaS logistics technology solutions and also provides tariff and contract publishing for ocean carriers and shippers. Its electronic booking services provide operations for air freight as well. DSGX operates with superior EBITDA margins and near 15% CAGR over the last decade in the multi-trillion dollar logistics field. Shares trade at a premium multiple but with limited debt and steady double-digit EPS growth, a top small-cap name to own.

## OPTIONS HAWK DAILY RECAP for 5/25/16

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Penn National (PENN)	Computer Sciences (CSC)	Stone Energy (SGY)
Tahoe Resources (TAHO)	NetApp (NTAP)	Immunomedics (IMMU)
Stericycle (SRCL)	Akebia Therapeutics (AKBA)	Craft Brew (BREW)
Cypress Semi (CY)	Burlington Stores (BURL)	Yahoo! (YHOO)
Kennametal (KMT)	Humana (HUM)	Alibaba (BABA)
Cigna Corp (CI)	Johnson Controls (JCI)	Nokia (NOK)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Craft Brew (BREW)	Iconix Brands (ICON)	Sarepta (SRPT)
Callaway Golf (ELY)	Omnicom (OMC)	Express (EXPR)
Tahoe Resources (TAHO)	Melco Crown (MPEL)	Dycom (DY)
Advanced Drainage (WMS)	Dynavax (DVAX)	Tiffany (TIF)
Host Hotels (HST)	Agrium (AGU)	HP Enterprise (HPE)
Cypress Semi (CY)	SeaWorld (SEAS)	Intuit (INTU)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Most Volatile Stocks</u>
Penn National (PENN)	Corning (GLW)	Sarepta (SRPT)
Weatherford (WFT)	BHP Billiton (BHP)	Raptor Pharma (RPTP)
Stericycle (SRCL)	Twitter (TWTR)	Relypsa (RLYP)
Vale SA (VALE)	Seadrill (SDRL)	Eagle Pharma (EGRX)
Kinross Gold (KGC)	Energy Transfer (ETE)	PTC Therapeutics (PTCT)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Weatherford (WFT)	Twitter (TWTR)	Penn National (PENN)
Cisco Systems (CSCO)	Applied Materials (AMAT)	Tahoe Resources (TAHO)
Apple (AAPL)	HP Inc (HPQ)	Stericycle (SRCL)
Chesapeake (CHK)	Yahoo (YHOO)	Cypress Semi (CY)
Citigroup (C)	Microsoft (MSFT)	Kennametal (KMT)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spreads</u>
Cisco Systems (CSCO)	Alibaba (BABA)	IWM, August \$111/\$101 put spreads bought 90,000X
Lam Research (LRCX)	Novavax (NVAX)	CI, 5,000 October / January \$140 call calendar spreads
Stericycle (SRCL)	Exxon Mobil (XOM)	WFM, 1,085 September \$34 calls, Short 2,170 Sept. \$27 Puts
Union Pacific (UNP)	Nike (NKE)	WMS, 1,000 June \$20 calls and 1,000 June \$22.50
Lumentum (LITE)	Tyson (TSN)	

## After Hours Radar

**Sotheby's (BID)** IV jumps late as 1,500 June \$28 puts are bought \$0.50 offer

**El Dorado Gold (EGO)** with 8,000 October \$5 calls trading to open at \$0.55/\$0.60 offers

**Northrop Grumman (NOC)** strong name recently with defense stocks in favor and trader sells 1,000 June \$210 puts to open today for \$1.75, willing to own shares near the 5-19 lows

**OFG Bank (OFG)** trading 66X average volume today with 5,000 July \$10 calls bought to open for \$0.15 debit, shares trying to break out over the recent highs at \$9

**Cypress Semiconductor (CY)** late buyer of the January \$11/\$14 call spread more than 17,000X for \$0.61 debit, shares snapping a yearlong downtrend recently and moving back above the 200-MA

**Agenus (AGEN)** buyer of 1,000 June \$4 calls for \$0.25, IV30 spiking into the close over 18.8%

**Canadian Solar (CSIQ)** strong mover since jumping on earnings 5-11 and shares looking like a big, longer-term bottom is in and trader today sells 1,500 January \$16 puts to open at \$1.80 on the PHLX in a stock replacement