



## Inside Today's Blitz

- Stock Futures Drop, Bond Yields Skid as Concerns Over Delta Variant Rise
- **GOOGL** will be sued by state AGs over Play store; **GAN** raising FY outlook; **STLA** sees 1H above Street; **GPI** raising Q2 view

## Market Outlook

Futures indicating a weak open for the day with the **Dow** off by 1.46%, **S&P** down 1.44%, and the **Nasdaq** down 1.4%. The **Russell** is down 1.7%. Energy is lower across the board with **WTI** down 1.23%. **Natural Gas** is down 1%. **Gold** and **silver** both modestly higher with the former up 53 bps. The **dollar** is down 15 bps. **Bonds** are up 94 bps. **VIX** is 20.40. Stocks are getting hit hard across the globe overnight as concerns over the COVID delta strain, Fed tapering, and China's tech crackdown continue to reverberate. There's some growing angst around the reflation trade as well with yields sliding to their lowest level since February. The quick surge in cases of the delta strain is being cited mostly for the current anxiety (although its spread has been widely reported for weeks) and pressure now on the potential impact to the global economy and growth expectations. This news alone isn't shocking but coupled with weak internals, breadth, and complacent sentiment and any selloff could be exacerbated. Elsewhere, the BOJ is likely to cut growth forecasts next week due to COVID. OECD is warning about a resurgence in cases and the global impact. Democrats are likely to push for a reconciliation plan to pass infrastructure but the odds of this happening are shrinking. China may target more fintech companies in their next crackdown.

Asian markets are weak today with Hang Seng down 2.89%, Shanghai down 79 bps, and the Nikkei down 88 bps. In Europe, the major indices are all weak as well. The DAX is down 1.75%, CAC off by 2.3%, and the FTSE is down 1.96%. We're seeing cyclical groups like banks and materials get hit hardest down around 2% -- **Commerzbank**, **Deutsche Bank**, and **BNP Paribas** all down around 3-4%. Automakers **Daimler** and **Renault** both lost about 3%. **Telenor** shares were up slightly as the Norwegian telecoms company agreed to sell its mobile operations in Myanmar to **M1 Group**. Food delivery group **Deliveroo** rose 4.5% after raising its forecasts for sales this year. Housebuilder **Persimmon** lost 3% despite posting strong results for the first six months of the year. German automotive lighting group **Hella** fell 2% after **Knorr-Bremse** dropped plans to acquire a majority stake. Remote connectivity software company **Teamviewer** fell 13% after announcing a weaker second-quarter billings growth forecast. Sugar producer **Suedzucker** fell 4% after reporting a fall in Q1 operating profit.

## Calendar

**Today...** Weekly Claims, EIA Inventories, Consumer Credit;  
**Earnings Before the Open:** HELE; **Earnings After the Close:**  
 ACCD, DCT, LEVI, PSMT; **Analyst Days:** STLA, FEYE; **Other:** COST  
 Monthly Sales

**Tomorrow...** Wholesale Inventories; **International Data:** China  
 CPI/PPI, G20 Finance Ministers Meeting Starts; **Earnings Before  
 the Open:** AZZ, GBX

## Overnight Markets

VIX	20.3	12.50%
Gold	1812.7	0.60%
Silver	26.15	0.08%
US Dollar	92.52	-0.13%
Natural Gas	3.561	-1.00%
Oil (WTI)	71.27	-1.30%
Copper	4.2405	-1.90%

## Technical View



### Key Levels to Watch

**S&P futures (ES\_F)** with a weak night after breaking under Wednesday's VPOC at 4346 and tumbling to new lows for the week. Selling was steady all night after the midnight break and bouncing slightly at 4280 this morning. VWAP is falling at 4312.5 and weekly VWAP is up at 4331.5. The 21-EMA is at 4261 and aligns closely with the top of June value. The 8-EMA back at 4306 also in focus.

## Economic Data

- **German** exports were 0.3% in May vs 0.6% est.
- **German** imports rose 3.4% vs 0.4% est.
- **Swiss** unemployment rate was 2.8% vs 2.9% est.

## Macro News

- **BOJ** will likely cut their outlook for **Japanese** growth next week due to growing COVID concerns, per Reuters
- **China** continues to express concern over cryptocurrencies and their impact on the economy, per CNBC
- **Japan** expects to keep their COVID state of emergency in place throughout the Olympics, per WSJ
- **Powell** to be renominated for his role as Chairman of the Fed by President Biden, says Bloomberg, although the White House could look to reshuffle the board

## Sentiment

- Bond yields may signal 'death knell' for **value/cyclical stocks** and the **reflation trade**, says Reuters. "That trade appears to be tottering now, as worries over slowing growth send yields tumbling to their lowest level in more than four months. "

### Movers

**Gainers: TESS 28.5%, SPNE 20%, GAN 17.5%, WDFC 8.5%, OSTK 4.5%, CLSK 4.5%**

**Losers: NEGG -13.5%, LX -13%, EH -8%, TAL -8%, TIGR -7%, GOTU -7%, DIDI -7%, BEKE -6.5%, RIOT -6%, FUTU -6%, JKS -6%, EDU -6%, LI -6%, RUN -6%, DQ -5.5%, SPCE -5.5%, CAN -5%**

### Insider Buying

CVM, RAIN, KYMR, LAZR, HOFT

### IPO Calendar

**LinkDoc Tech (LDOC)** raising \$200M at a \$1.5B market cap; data platform for patient care and clinical research, specifically within oncology

## Stock-Specific News

### Consumer/Business Services

- **GAN** raises FY outlook; primarily driven by stronger than expected performance from the Company's B2C offering in Latin America and Northern Europe, with sports results benefitting from higher-than-expected sports betting margin
- **GPI** sees Q2 far above the Street at \$10.20-\$10.70 vs \$5.51; driven by strong vehicle margins in the U.S., a rebound in U.S. service business, recovery of the U.K. market, and ongoing strong cost control throughout the company
- **DKNG** has been sued by **GAME** over patent infringement, says Bloomberg. The suit alleges DKNG services violate two different patents
- **Deliveroo** shares are higher in Europe after raising their outlook, per WSJ. The company sees GTV of +50-60%
- **SCPL** bought Finland-based 'casual game developer' Koukoi Games Oy
- The upcoming '**Back to School**' shopping season could see extremely strong growth, per Bloomberg, providing a major lift to retailers into the Fall and Winter

#### On the Chart

**GAN** trading back up to \$18 pre-market and a big area of resistance in this base with a run above targeting \$20 and then a gap to \$25

#### Sympathy Plays

**ANF, GPS, AEO** names to watch with the Back-to-School trends favoring a big Fall for the apparel names

### Financials

- **Visa (V)** is partnering with **Coinbase (COIN)**, others to allow for clients to spend crypto, per Business Insider.
- **JPM's** Pinto says that equities trading hit a major long-term trough just before the pandemic, per Bloomberg. He thinks the trading business will continue to grow with the economy
- **KKR** has agreed to acquire Neighborly from Harvest Partners; financial terms not disclosed
- **BK** to acquire Milestone, an industry leader in fund and investment automation
- **Circle** to go public via SPAC deal with **Concord (CND)**. The fintech firm will be valued at \$4.5B
- **China** has warned that recent measures applied to **Ant Group** will be levied upon other **payments companies** in the country soon, per Reuters

#### On the Chart

**V** in a strong trend higher lately and dip today back around the 21-EMA at \$234.75 could be a nice risk/reward bounce

#### Sympathy Plays

**FUTU, TIGR, BEKE** some China-related financial plays that could be under pressure

### Healthcare

- **Qidel (QDEL)** is recalling their Lyra COVID tests due to a high-risk for false negative results, says CNBC
- **SIBN** says SALLY study showed improvement in SI pain

## OptionsHawk Market Blitz

- **SPNE** receives FDA clearance for 7D Percutaneous Spine Module
- **BGNE** announces acceptance of BLA in China for Tislelizumab
- **AMGN** granted priority review for tezepelumab by FDA
- **LLY, Verge Genomics** enter three-year collaboration agreement to study ALS treatments

## Industrials

- **STLA** gave a positive update on 1H, seeing operating income margins of 5.5% to 7.5% due to positive pricing and product mix. The global Stellantis team has also responded strongly to volume constraints caused by semi-conductor shortages
- **STLA** is expected to layout their strategy for EVs later today, per WSJ
- **Ford's (F)** Mach-E has been named Car and Driver's 'EV of the Year'
- **TSLA** unveiled their new Model Y in China and it has been priced at a discount to the original model, per Bloomberg
- **Daimler, BMW, VW** fined €875M over diesel emissions probe
- **NOC** awarded \$3.86B Air Force contract
- **LII** signs nationwide agreement with Buderfluy for HVAC services
- **Argo AI**, an autonomous driving startup backed by **Ford (F)** and **VW**, is working with bankers on an IPO, per Bloomberg. The deal would value them around \$7B
- **Biden** to target Railroads, Ocean Shipping in Executive Order. The Biden administration will push regulators to confront consolidation and perceived anticompetitive pricing in the ocean shipping and railroad industries as part of a broad effort to blunt the power of big business to dominate industries, the WSJ writes.

## Energy & Materials

- **UNVR, DOW** expand global Beauty & Care relationship into China
- **SON** expects to permanently shut down two of their operating machines which will cut capacity by 70K tons

## Tech/Telecom

- **GOOGL** is set to be sued by states over alleged Play store abuse, says WSJ. The company says the claims are meritless
- **GOOGL** is buying Japanese cashless payments company Pring for \$180M to \$270M, per Nikkei; GOOGL plans to roll out fintech services throughout the country
- **IBM** President Whitehurst spoke publicly about his departure for the first time acknowledging that he wanted to be CEO but the path forward was too uncertain to stay

### Hawk Database

**F** a lot of put sales recently in the name across multiple months while the Aug. \$13 calls bought 10,000X on 6/28

### On the Chart

**NOC** one of the nicer charts lately with shares in a multi-week consolidation under \$375/\$380 and a breakout has room to run

### On the Chart

**SON** nice pullback and base building under \$68 with a breakout higher targeting \$70 and recent highs

## OptionsHawk Market Blitz

- **Lindoc Tech** has called off their IPO at the last minute, says Nikkei, citing the current concerns over China tech
- **TeamViewer** shares are under pressure today in Europe after giving a weak Q2 preannouncement, per Reuters. They see billings below expectations and guiding to the low-end of prior FY outlook

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## Analyst Notes

### Upgrades

- **TECK** raised to Buy at BAML on rising met coal prices and a better near-term outlook; Teck Resources investors should also begin to focus on its brownfield QBII start up in late 2022 which dilutes the met coal component
- **FLS** raised to Outperform at CSFB, thinks a strong fundamental Q2 can act as a catalyst for the stock and that the company's portfolio can be used to help clean up the hydrocarbon value chain
- **BHP** raised to Buy at Berenberg, the company has scope to surprise to the upside in terms of its final dividend for fiscal 2021 and offer about 12% yield for fiscal 2022
- **RFP** upgraded to Neutral at Scotiabank
- **DISH** upgraded to Hold at HSBC
- **ARPO** raised to Buy at HCW

### Downgrades

- **SCHW** cut to Neutral from Conviction Buy at Goldman; While retail trading activity was robust in Q2, engagement levels faded from Q1's all time highs as meme-stock volumes faded and led to a 30% decline in retail volumes quarter-over-quarter
- **FCX, FNV** cut to Underweight at Barclays, although commodity prices remain elevated versus history, in the second phase of this bull market the analyst expects pressure on the cost side from the move in oil, currencies and inputs, continued challenges from host countries on taxes, and gradual pressure on miner valuations
- **TPH** cut to Underperform at RBC

### Initiations

- **TRU, MSCI, SPGI, MCO, FDS, VRSK, DNB** started Outperform at RBC
- **TRU, FICO** started Buy at Goldman; believe the U.S. consumer credit industry is poised for attractive expansion over the next 2-3 years,

#### Hawk Database

**TECK** has a strong bull flow bias distribution and want to see it above \$23.50. August calls have accumulated across multiple strikes

#### Hawk Database

**DISH** has seen significant accumulation of January 2023 bull risk reversals as its 5G launch comes into focus

## *OptionsHawk Market Blitz*

leveraged to an improving macro backdrop, healthy consumer credit profiles, and a rebound in the auto and card categories as bank underwriting eases post-COVID. TRU is well-positioned to benefit from these trends, as well as its diversified growth drivers in emerging verticals and fast-growing international regions that together should sustain the company's track record of share gains. We expect FICO's transformation into a cloud-based decisioning platform to be an idiosyncratic driver of valuation upside, with additional tailwinds from the consumer credit market and pricing gains in its Scores business.

- **OSTK** started at Conviction Buy at Needham, the analyst thinks the stock's current valuation isn't embedding self-help initiatives from the new operationally focused management team and what she sees as a benign home furnishings competitive backdrop
- **REAL, ETSY** started Buy at Needham
- **ALGN** started Outperform at Exane BNP; **SDC** started Underperform
- **HIBB** started Outperform at TAG
- **TALK, BODY** started Outperform at Baird
- **VNT, KRNT** started Buy at Berenberg
- **LTRX** started Buy at Needham
- **CLF** started Buy at Argus

### Hawk Database

**CLF** saw notable adds to October \$22 and \$24 calls yesterday and continues to draw bullish activity

## Other Notes

- **CHTR** target to \$675 from \$575 at Barclays, Over the last year, the cable industry has benefitted from acceleration in broadband penetration and lower churn, and the continued impact of stimulus on household income and governmental broadband subsidy programs will likely keep churn low throughout 2021
- **WW** subs are tracking below consensus, says MSCO
- **TDOC** should be bought on MyStrength launch, says Piper; With BetterHelp growing at 96% annually and expected to generate \$450M of revenue in fiscal 2021, Teladoc is dominating direct-to-consumer behavioral healthcare
- **APLS** target to \$89 from \$68 at BMO, cites expectations for Pegcetacoplan Phase 3 geographic atrophy data in September, adding that in spite of the recent strength in shares, the risk-reward on the stock remains favorable heading into data release. A clinically relevant 20% or more reduction in GA lesion growth and at least comparable safety with Phase 2 is the most likely outcome and should be well-received
- **ALGS** should be bought into catalyst rich 2H21, says Piper
- **BABA** – Mizuho sees risk to EBITDA estimates
- **PYPL** target to \$360 from \$310 at Deutsche Bank

## Trade Ideas

**eBay (EBAY)** forming a small bull flag under recent highs with the rising 8-EMA below the last two day's lows. A breakout above \$70.65 targets a run to \$73. Shares recently cleared a big four-month range that has a longer-term measured move out to \$80. EBAY recently announced two major asset sales which strengthens their core operating structure.



### Technical Scans

**Inside Days:** SCCO, FTCH, ZLAB, HUBS, EXP, CMI, ALLE, WAL, CE, DECK, APH, ARNC, NTR, MCK, DOCU, FB, ANSS, MA, KLAC

**Bullish Reversal Days:** JNPR, ATUS, AFL, NDSN, AKAM, EMN, MAS, ADM, CAT, COMM, ESI, TAP, CI, IVZ

**Ready to Run:** TDY, LHX, SNOW, NDSN, AKAM, DEO, GD, WY, NOC, BJ, OLLI

### Biotech Event Watch

**Seres Therapeutics (MCRB)** with an impending mid-year catalyst for their ulcerative colitis treatment SER-287 which has a Phase 2b read-out in mild-to-moderate patients. Seres is a leader in microbiome therapeutics which aims to establish healthy gut balance to restore normal function and prevent dysregulation. The stomach naturally creates microbiota as part of the metabolic cycle and immune system and therapeutics use healthy gut bacteria to produce molecules that can kill pathogens or trigger immune responses. UC is a prime target for microbiome therapeutics and the area of interest for MCRB with two different programs underway across recurrent *c. difficile*, antibiotic resistant infections, and UC. They are also working with Parker Institute and Sloan Kettering on trials into oncology. UC is a condition that causes inflammation in the colon and rectum with bleeding, diarrhea, and abdominal pain. Untreated it can run the risk of colectomy. The trend for UC is rising too with 3M US adults diagnosed. SER-287 has been well-tolerated in early trials and shown an increased rate of remission for adults with UC. The current 2b study hopes to see clinical remission and endoscopic improvement in patients with mild-to-moderate cases. The company hopes SER-287 can become a go-to maintenance therapy for UC and fill a big need medically: "I think that the most important is probably going to be in maintenance therapy, where we have -- these are chronic diseases. It's been clear that stopping mesalamine or stopping any even TNF inhibitors in the more moderate to severe or biologic therapies lead to relapse in 80% to 90% of patients. A safe and effective maintenance therapy is really a significant unmet need." Analysts have an average target for shares of \$39 with a Street High \$49. Chardan upgrading to Buy in March as they see evidence for the efficacy of SER-287 and microbiome medicines more broadly in inflammatory bowel disorders such as ulcerative colitis. MCRB has seen mostly bullish flow including buyers in the August \$20 calls on 7/1 and sellers in the August \$10 and \$12.50 puts this week, the latter over 3000X.

## Open Interest Checks

Ticker	Contract	OI Checks		
		Prior OI	New OI	OI Change
MLCO	January \$18 Calls	31,860	77,769	144.10%
ZIM	October \$50 Calls	2,267	5,272	132.55%
OPEN	September \$16 Calls	2,740	5,930	116.42%
CLF	October \$22 Calls	9,019	19,091	111.68%
MU	October \$80 Calls	5,019	10,405	107.31%
DRNA	October \$40 Calls	2,815	5,596	98.79%
UPST	August \$130 Puts	1,244	2,446	96.62%
UA	October \$22.5 Calls	6,399	12,400	93.78%
ABNB	August \$150 Calls	1,749	3,345	91.25%
AAPL	December \$125 Puts	4,586	8,032	75.14%
BOX	September \$24 Calls	3,095	5,199	67.98%
SNAP	August \$70 Puts	5,520	9,243	67.45%
SBUX	August \$115 Calls	3,065	5,101	66.43%
COIN	August \$270 Calls	1,037	1,644	58.53%
CHWY	October \$80 Puts	3,281	5,023	53.09%
CLX	August \$180 Puts	1,381	2,086	51.05%
CLF	October \$24 Calls	8,249	12,076	46.39%
LMND	September \$95 Puts	1,897	2,762	45.60%
CVAC	December \$40 Puts	2,046	2,032	-0.68%
SNOW	September \$260 Calls	5,587	4,601	-17.65%
ZM	February \$310 Puts	1,228	915	-25.49%
OXY	January \$32 Calls	9,837	7,224	-26.56%
EXAS	January \$100 Puts	1,877	1,167	-37.83%
Z	September \$130 Calls	2,414	1,330	-44.90%

## Extras

**Boston Beer (SAM)** afternoon put sweep of 200 August \$970 at \$63.50+, chart vulnerable to a breakdown

**Car-Guru (CARG)** buyer 2500 August \$28 calls into afternoon weakness \$0.80 to \$0.85

**Dave & Buster (PLAY)** with 4000 July \$37.5 calls bought into afternoon weakness, adjusting \$40 calls

**Snap (SNAP)** with 5000 July 23<sup>rd</sup> (W) \$73 calls bought just above \$2 late into weakness positioning for 7-20 earnings

**Micron (MU)** stock replacements bought 9000 October \$80 calls \$5.35

**NVIDIA (NVDA)** late day buys 550 June 2023 \$800 calls for over \$10M



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## What They're Saying

**MSC Industrial (MSM)** earnings call on the Industrial economy... “The economic environment improved significantly. Most of our manufacturing end markets turned positive during the quarter, and this evidenced itself in IP readings that turned to double-digit growth in April and May and in sentiment readings such as the MBI index, which are at very high levels. All of this is supported by our customers' outlooks, which are robust. At the same time, the industrial economy is experiencing very real supply chain shortages and disruptions. These disruptions are evidencing themselves in product scarcity, freight delays and extreme labor shortages that are resulting in significant availability and inflationary pressures. And we are certainly not immune to these challenges, and in fact, we're seeing them play out. That said, we are very well positioned to navigate the current environment, particularly when compared to the local and regional distributors who make up 70% of our market. MSC's broad multi-brand product assortment, our high inventory levels, strong supplier relationships, and next-day delivery capabilities position us well to accelerate market share capture. Additionally, the supply chain challenges are resulting in significant and growing inflation that is producing the most robust pricing environment we've seen in years.”

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## Earnings Review

**WDFC** – Beat on EPS and Revs; \$1.52 vs \$1.15 and \$136.4M vs \$108.33M; Raises FY; In Q3 we experienced unprecedented demand for our maintenance products and today we are reporting record net sales of \$136.4M, up 39% vs. Q3 of last year. The post-pandemic era is coming. We do not expect to see sales growth of this magnitude over the long-term, however, we believe that the new end users who have interacted with our products during the pandemic will become permanent users of our maintenance products. To reflect the strong sales results we experienced in Q3, we've increased our revenue expectations and believe that net sales are likely to be in a range of between \$475M-\$490M for the full fiscal year which reflects year-over-year sales growth of 16%-20%. As things get back to normal post the pandemic, consumer spending patterns will change again, and we expect consolidated net sales to grow in the mid to high single digits

**HELE** – Beats EPS and Sales (+28.6%), **FY22 EPS & Revenues Below Street** - We delivered an outstanding first quarter, with even higher sales growth and stronger profitability than we expected. The 28.6% sales growth was broad based, with Beauty and Housewares leading the way as re-openings drove store traffic and our brands continued to distinguish themselves with consumers. Health & Home also grew, surpassing the very large COVID-related first quarter base laid down a year ago. International sales grew even faster than the fleet average as this strategic focus area benefited from prior flywheel investments. We grew adjusted EPS by 37.5%, as the very strong sales growth more than offset normalized spending versus last year and headwinds from widespread inflation affecting nearly all input costs including materials, labor, and transportation. We delivered an outstanding first quarter, with even higher sales growth and stronger profitability than we expected. The 28.6% sales growth was broad based, with Beauty and Housewares leading the way as re-openings drove store traffic and our brands continued to distinguish themselves with consumers. Health & Home also grew, surpassing the very large COVID-related first quarter base laid down a year ago. International sales grew even faster than the fleet average as this strategic focus area benefited from prior flywheel investments. We grew adjusted EPS by 37.5%, as the very strong sales growth more than offset normalized spending versus last year and headwinds from widespread inflation affecting nearly all input costs including materials, labor, and transportation.

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## Disclosures

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