



Inside Today's Blitz

- Former Japan PM Abe Assassinated
- Taiwan June Exports Surge Stronger than Expected
- EUR/USD Nears Parity
- **UPST** warns on results; **COST** strong comps; **VLO** buyback; **ADCT** license agreement; Buffett buys more **OXY**; **TSM** raises forecasts

Market Outlook

Futures are holding steady this morning with a modest move lower with news of Abe's assassination grabbing the headlines but not showing much market-impact. All eyes will be on the Jobs Report this morning and then some Fed speakers while next week is July options expiration, Bank earnings and Inflation data. Commodities mostly lower this morning without a lot of movement as the USD moves higher again as do Bonds and the VIX remains in a quiet trading range. Lumber is seeing a 7% surge this morning while Copper the weakest metal down 2%. Markets continue to find support at the 200-week moving average and VWAP from December 2018 lows, important to hold or risk entering a secular bear market.

European stocks were quiet awaiting the US Jobs Report and a session without much market-moving news. French utility EDF gained 4.8% as the French government seeks a new CEO ahead of its nationalization of the debt-saddled company. Tag Immobilien shares fell 9% to the bottom of the index after the German real estate company resolved a capital increase. European Central Bank President Christine Lagarde is due to deliver a speech in the early afternoon.

Asian stocks moved higher Friday amid hopes that major central banks will tackle inflation without causing a recession. U.S. Federal Reserve governors Christopher Waller and St. Louis Fed President James Bullard both backed another big interest rate rise in July but downplayed recessionary fears.

Calendar

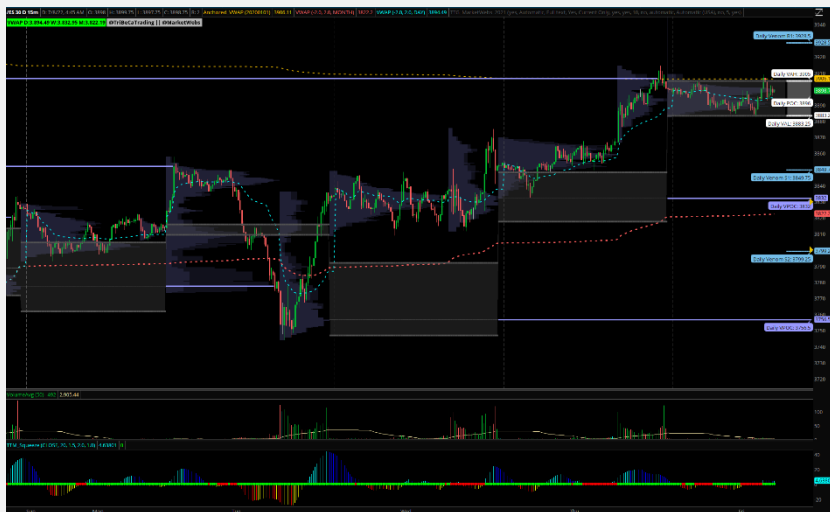
Today... Jobs Report, Unemployment Rate, Final Wholesale Inventories, FOMC Member Williams Speaks, Consumer Credit; ECB President Lagarde Speaks, China CPI/PPI

Next Week... Earnings season kicks off though still a light schedule led by UNH, PEP, JPM, WFC, BAC, MS, BLK, C, PNC, FAST, STT, DAL. On the economic side we get China Trade Balance Tuesday night, US Inflation on Wednesday/Thursday, and Retail Sales & Consumer Confidence on Friday.

Overnight Markets

Description	Price	Change
Natural Gas	6.18	-1.90%
Copper	3.499	-2.00%
Oil (WTI)	102.24	-0.50%
Silver	19.1	-0.55%
Gold	1739.8	0.01%
US Dollar	107.25	0.10%
VIX	26.9	0.20%
Bonds	118.5	0.20%
Bitcoin	21,515	-1.55%
Etherium	1,214	-2.55%

Technical View



Key Levels to Watch

S&P Futures (ES_F) traded quietly overnight inside of value area for today and slightly lower to 3883 VAL. The VPOC at 3896 for today is a line in sand and 3905 the value high resistance. Above that is 3928.5 as a pivot level and below value there is a bit of space to 3850 and then 3832 is an untested VPOC with monthly VWAP a bit lower at 3822.

Economic Data

- **Japan** household spending posted a surprise drop in May, falling for the third consecutive month as the global chip shortage hurt car sales in a worrying sign for the outlook of the world's third-largest economy
- **UK** job placements grew at the softest pace in 16 months in June due to candidate shortages and the reluctance of firms to hire amid greater economic uncertainty and rising costs
- **Taiwan** exports rose in June on sustained demand for technology products even as shipments to China weakened. Exports rose 15.2% in June from a year earlier to \$42.2 billion, the Ministry of Finance said on Friday, the second-highest monthly amount on record and up for the 24th consecutive month.

Macro News

- **China** unveiled tighter rules late on Thursday to better regulate its \$1.3 trillion credit card industry, urging lenders to adopt a prudent growth strategy, and monitor risks more closely
- **Japan**- Former Prime Minister Shinzo Abe -- Japan's longest-serving premier and a figure of enduring influence -- died after being shot at a campaign event Friday in an attack that shocked a nation where political violence and guns are rare

Movers

Gainers: KRUS +9.3%, LEVI +4%, APPS +2.4%, MRC 4.5%, SRG 65%, OXY 1.5%

Losers: UPST -20%, WDFC -7.3%, GME -5%, NUS -5%, TWTR -4%, AFRM -4.5%, RIO -3%, AMC -2.5%

Insider Buying

RFL, PLL, BRK.A, FDX

IPO Calendar

Nothing Notable

MARKET HEALTH AND STATS CHECK

INDICATOR	SIGNAL
NYSI	BULL
WEEKLY MACD	BEAR
8/21 WEEKLY MA	BEAR
CUMUALTIVE A/D 89-EMA	BEAR
NEW HIGH/LOW CUMULATIVE 10-MA	BEAR
UP/DOWN VOLUME RAITO 150-MA	BEAR
TOP OF BOOK DEPTH	BEAR
YTD EQUITY FLOWS	+211B
IMPLIED ERP	4.50%
P/E	15.5X
2022/2023 EPS GROWTH EST.	10%/9%

- **Russia** - Vladimir Putin warned that Russia's military operations in Ukraine had barely got started and the prospects for negotiation would grow dimmer the longer the conflict dragged on
- **Inflation** - Soaring prices of agricultural goods, triggered in part by Russia's invasion of Ukraine and its impact on fertilizer and wheat supplies in particular, have been one of the most painful elements of the cost-of-living shock in economies spanning the globe. But there are now signs the wave may be cresting. The UN Food and Agriculture Organization's food-price index dropped for a third straight month in June. And an index of agricultural commodities compiled by JPMorgan Chase was tracking a 10% drop in early July, thanks especially to a correction lower in wheat prices. The bank expects the FAO's gauge will probably follow that overall pattern.

Sentiment

- **Fund Flows** - Global equity funds faced a second straight week of outflows in the week to July 6, as investors remained concerned about a global economic slowdown and recession risks due to interest rate hikes by major central banks. According to Refinitiv Lipper, investors withdrew a net \$7.74 billion out of global equity funds. That compares with outflows of \$8.92 billion in the previous week.
- **NAAIM** – NAAIM fell to 27.85 from 30.66 week of 7/6 and remains very depressed as active managers have little market exposure

Stock-Specific News

Consumer Goods (XLP)

- **NUS** warns on Q2 revenues softer than expected due to extended COVID-related factors in Mainland China, distractions in EMEA related to the ongoing conflict in Russia and Ukraine, and the general global economic downturn
- **Tom Ford**, the luxury brand founded by the former longtime creative director for Gucci, is exploring a potential sale, according to Bloomberg. A deal could value the company at several billion dollars and may include an option that would give any new owner of Tom Ford the right to work with its founder after the sale

Sympathy Mover

CPRI Aug. 50 calls
bought 3800X when
Tom Ford story
dropped, potential
buyer

- **PM** – Activist Elliott Mgmt. has taken a stake in **Swedish Match** and opposes the deal
- **Essity** on Friday said it had agreed to buy 80% of Canadian company Knix Wear, a maker of leakproof apparel for periods and incontinence, for around \$313.5M
- **BMW** sold nearly a seventh fewer vehicles in the first half of 2022 compared with the same period in 2021 amid chip shortages and intermittent lockdowns in China

Hawk Database

PM has moved lower but has 4500 Sep. \$100 calls bought in OI as shares hit support and 3850 Jan. \$105 calls

Consumer / Business Services (XLY)

- **COST** reports June comps +13% (eCommerce +8.3%)
- **GME** CFO is leaving and the company is laying off employees, according to Axios

Financials (XLF)

- **UPST** sharply cuts Q2 revenue view; marketplace is funding constrained, largely driven by concerns about the macroeconomy among lenders and capital market participants
- **VOYA** appointed Heather Lavallee, currently chief executive officer of Voya's Wealth Solutions business, to succeed Rodney O. Martin, Jr. as the company's CEO
- **SRG** proxy unanimously recommends that the shareholders vote to approve a proposed plan of sale of Seritage's assets and dissolution
- **SCB X Pcl** is considering options including a sale of its asset management unit which may be valued near \$1.5B, reports Bloomberg

Healthcare (XLV)

- **ADCT** announced it has entered into an exclusive license agreement with Swedish Orphan Biovitrum AB (Sobi) for the development and commercialization of ZYNLONTA for all hematologic and solid tumor indications outside of the United States, greater China, Singapore and Japan. ADC Therapeutics will receive an upfront payment of \$55 million, and is eligible to receive \$50 million upon regulatory approval of ZYNLONTA in third-line DLBCL by the European Commission and up to approximately \$330 million in additional regulatory and sales milestones
- **MCRB** - Flagship Pioneering increased active stake to 18.9%

Industrials (XLI)

- **BA** - Qatar Airways has indicated that a provisional agreement to buy up to 50 Boeing 737 MAX jets has lapsed, Boeing's rival Airbus said in a court document released on Thursday

- **SAVE** said it has postponed a shareholder vote scheduled for Friday on its \$2.4 billion sale to Frontier Group Holdings Inc so its board can continue discussions with both Frontier and JetBlue Airways
- **Vistry**, UK Homebuilder, expects its full-year profit margin to beat estimates and annual earnings to come in at the top end of forecasts

Materials & Energy (XLB, XLE)

- **VLO** authorizes \$2.5B buyback
- **OXY** Buffett's Berkshire Hathaway Inc said on Thursday it bought another 12 million shares this week, giving it an 18.7% stake in the oil company
- **MRC** raises Q2 and FY22 outlook led by greater than expected increases in the Gas Utilities and Downstream, Industrial and Energy Transition (DIET) sectors
- **Tenaris (TS)** to acquire Benteler Steel & Tube for \$460M
- **ROCC** raises buyback to \$140M from \$100M
- **DQ** announced that its subsidiary Xinjiang Daqo New Energy has provided estimates of its net profit in the first half of 2022. Net profit attributable to Xinjiang Daqo's shareholders in the first half of 2022 would be in the range of RMB 9.4 - 9.6 billion, representing a 335.03%~344.28% Y/Y

Technology (XLK)

- **Twitter (TWTR)** buyout from Musk in serious jeopardy over spam accounts reports WaPo
- **TSM** reports June revs increased 18.5% yr/y and guides Q2 above Street
- **PINS** cautious report from WSJ Heard on the Street saying The Financial Times reported this week that TikTok's live-shopping initiative has been failing to win over consumers and creators alike in the U.K., where it launched just last year, potentially damping expansion plans for the venture. Such a struggle would be an especially bad sign for fellow social-media platform Pinterest, which launched a similar initiative in the U.S. last year in Pinterest TV, featuring live, shoppable "episodes" by creators
- **Coalition** valued at \$5B after fund raise. The five-year-old company, which helps over 160,000 organizations mitigate digital risk as its insurance product offers cybersecurity tools too, saw its revenue growth nearly triple from last year, according to its statement.

Communications & Utilities (XLU, XLC)

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On the Chart

OXY held stronger than Oil peers and above 62.25 lacks much resistance while call buyers have actively bought the recent dip

Analyst Notes

Upgrades

- **XPO** raised to Overweight at MSCO on valuation being way too cheap
- **HWM** raised to Buy at Benchmark seeing the long-cycle aerospace supply chain recovery providing near-term durability
- **COCO** raised to Buy at BAML on easing ocean freight costs
- **ES** raised to Buy at Guggenheim
- **OMC, IPG** raised to Overweight at Wells Fargo
- **TT, LII** raised to Outperform at Cowen
- **PEAK** raised to Buy at Citi

Downgrades

- **WIT** cut to Underperform at Jefferies
- **UPST** cut to Neutral at JMP
- **ITW** cut to Neutral at UBS on weaker residential construction demand, auto production and electronic demand
- **KMT** cut to Sell at UBS on weaker growth prospects
- **IHRT** cut to Neutral at Wells Fargo
- **SIX** cut to Neutral at Citi on weakening theme park trends in June
- **A** cut to Neutral at Citi
- **PYPL** cut to Neutral at Redburn
- **AAL** cut to Neutral at Argus with cash flows under pressure

Initiations

- **MRC, DNOW** started Buy at Benchmark
- **BPMC** started Outperform at OpCo, \$80 target, core expertise in targeted oncology, two marketed drugs in sizable indications, and a pipeline with blockbuster potential
- **RCKT** started Outperform at RayJay with positive view of lead RP-L102 and RP-L201 gene therapy programs in Fanconi anemia and LAD-I. Rocket's biggest market opportunity lies with RP-A501 in Danon disease, with peak adjusted revenue \$1.08B
- **BE** started Outperform at Northland

Other Notes

- **AVLR** – Evercore notes a PE deal for the Company makes sense and sees potential for 10X+ sales multiple
- **IQV** named short-term Buy idea at Deutsche Bank into earnings

Hawk Database

XPO basing well, 2500 Jan. 57.5 calls bought 6/2 are -50% but could be worth a play for a move higher

On the Chart

LII big volume pocket above 221 back to 252

- **AZPN** target raised to \$210 at KeyBanc as see a multi-quarter acceleration back to double-digit annual spend growth, which is supported by a strong oil and gas end market backdrop
- **PEP** earnings should be solid, says MSCO

Trade Ideas

Tractor Supply (TSCO) shares coiled in a TTM Squeeze pattern and closed above monthly value area Thursday. Strong relative outperformance in June after the May lows have held and now near next target of YTD VWAP at 209. On a move through that could see a quick rally through a volume pocket up to 228 where there is an untested VPOC from April. RSI also leading higher as it curls up to new highs.



Technical Scans

Inside Day Candle: UNH, JNJ, COST, DIS, TMUS, HON, LOW, NOW, SBUX, PYPL, MO, WM, EW, SNOW, MNST, DDOG, RBLX, LEN, DAL, EXPE, MGM, CZR, WHR, HOG, UAL, KHC

Inside Day Candle:

TTM Squeeze Coiling: TSLA, WMT, CSCO, UNP, CVS, JD, PDD, CME, NOC, TWTR, ENPH, TSCO, TTWO, NOC, CF, FOXA, ELY, VOD, ABC, GME

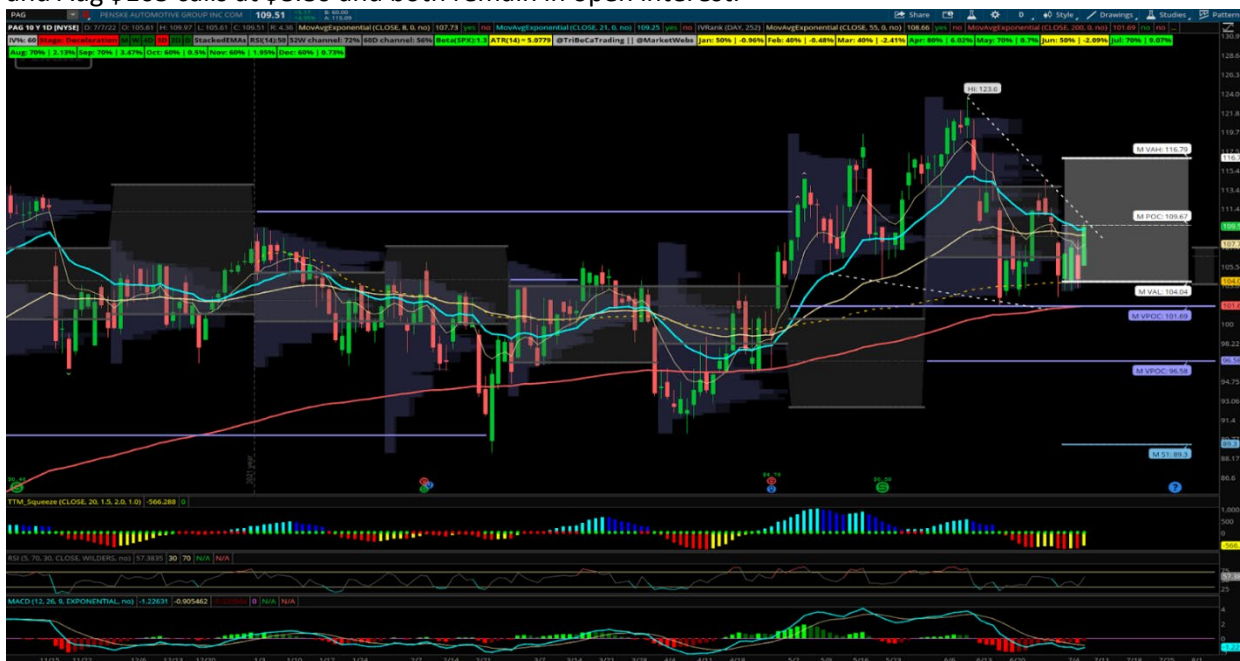
13/34 EMA Bull Cross:

Breaking Above Monthly Value: AAPL, GOOGL, ORCL, ADBE, QCOM, VRTX, CME, BIDU, NIO, PNC, RIVN, ANET, LVS, SNAP, ZS, TSCO, ALGN, NET, DT, SPLK, FUTU, ASO

Seasonal Stock Setup: Auto Retailer Showing Relative Strength Near Highs

Penske Auto Group (PAG) is a \$8.3B automotive name that trades at 6.7x earnings, 0.4x sales, with a FCF yield of 13.5% and a 1.8% dividend yield. The stock has a strong seasonal history in July with 7 of the last 10 years higher for an average return of +9.1%. This is the strongest calendar month of the year and even going back 20 years returns are consistent showing an average gain of +8.9%. Potentially have to do with the seasonal peak in crude oil prices in July. The stock has consolidated on top of its YTD VWAP and 200 EMA the past few months and is now forming a bullish falling wedge inside of monthly value. On Thursday PAG closed above its 8/21 EMA's and looks poised to rev higher to 116 as a first target at the top of monthly value. Above that and the prior highs at 123.60 likely to be tested as this uptrend continues. Short interest is 7.5%. Average analyst target for the stock is \$117 with a Street high of \$141. BAML is the most bullish on PAG and in late April defended the stock saying it continues to believe that Penske's diversification efforts through international dealerships, standalone used vehicle stores and commercial truck operations will remain a bright spot for the business going forward. The firm expects better and more stable results

over time. The firm kept a Buy rating on PAG and a price objective of \$160, which represents more than 60% upside potential for shares. Options flows are quieter in PAG but in mid-February saw a buyer of August \$95 calls at \$13.70 and Aug \$105 calls at \$8.80 and both remain in open interest.



Open Interest Checks

Ticker	Contract	Prior OI	New OI	OI Change
SPY	16 DEC 22 399 CALL	545	3,699	578.72%
DLTR	16 SEP 22 170 CALL	461	1,474	219.74%
SJT	19 AUG 22 10 CALL	6,317	15,894	151.61%
SPY	16 DEC 22 383 CALL	2,176	4,907	125.51%
SPY	16 DEC 22 391 CALL	2,170	4,868	124.33%
NVAX	16 SEP 22 70 CALL	480	1,075	123.96%
FCX	19 AUG 22 28 PUT	4,224	9,409	122.75%
TWLO	19 JAN 24 100 CALL	319	667	109.09%
SPY	16 DEC 22 392 CALL	2,172	4,264	96.32%
DOCU	20 JAN 23 75 PUT	1,195	2,295	92.05%
MU	20 JAN 23 37.5 PUT	5,128	9,484	84.95%
TSLA	21 OCT 22 500 PUT	2,899	5,315	83.34%
NUE	20 JAN 23 110 PUT	1,038	1,864	79.58%
ZM	20 JAN 23 165 CALL	588	1,034	75.85%
TTD	20 JAN 23 22 PUT	4,450	7,624	71.33%
SPY	16 DEC 22 387 CALL	3,196	5,367	67.93%
DISH	19 AUG 22 15 PUT	6,071	10,032	65.24%
MO	16 SEP 22 40 PUT	3,904	6,160	57.79%
SHEL	20 JAN 23 55 CALL	3,952	5,944	50.40%
META	17 MAR 23 230 CALL	1,790	1,904	6.37%
SPY	16 DEC 22 388 CALL	3,649	3,440	-5.73%
MRNA	16 SEP 22 200 CALL	2,051	1,384	-32.52%

Extras

Capri (CPRI) late day offer sweep buyer of 3900 August \$50 calls \$1.45

American Air (AAL) late day buys 5500 July 29th (W) \$13.50 calls up to 1.30

KLA (KLAC) late day buyer 500 January \$410 calls \$10.90 offer

NetApp (NTAP) opening sale 1500 January \$45 puts \$1.30

ZScaler (ZS) with 250 January 2024 \$160 puts sold to open near \$40.20

Google (GOOGL) buyer 200 Aug. 5th (W) \$2390 calls \$113 to \$115

What They're Saying

Micron (MU) earnings call on PC and Smartphone weakness and inventories....” Typically, we see that, in any given segment, when customers start to correct inventory, it is a couple of quarters worth of a process that takes several months to get down to their own internal target levels of inventory. That, of course, assumes a predictable macroeconomic environment and demand trends in their own segment. And so obviously, there is concern about the trajectory of the macroeconomic environment. So that can further create another vector of uncertainty that has to be dealt with. But typically, it takes a couple of quarters for the inventory to get normalized. I mean that's the reason we said that we see this playing out sort of in the second half of calendar '22 as the biggest portion of the impact of the lowered sell-through rates in the end markets in those segments as well as the inventory correction. For us specifically then, you add in the fact that we're transforming more of our business and in general, more industry demand moving towards high-value solutions, like SSDs, like data center DRAM modules. These things have longer cycle time in the back end as well as more component inventory required to be held for the back end as well. So when you think about all of those things, all of these, whether you're talking about the lean inventory range or the max comfortable inventory range, those are things that, generally across this industry as technology becomes more complex and products become more complex, are going to continue to keep going up over time. And the other thing, just to keep in mind, and we talked about this at our Investor Day, is one of the trends in the industry over the last several years now, again speaking about memory, it's helpful to allow us to hold more inventories. The cost declines are lower now than they were a decade ago from technology transition. So I think in terms of PC and smartphones and then you look at cloud, I think it's a generalized comment across the industry that as the industry over the last -- semiconductor industry, and this goes beyond memory and storage. As the industry went through a significant shortage in semiconductors, definitely, that was one driver of customers wanting to have higher levels of inventory. But coming specifically to the PC and smartphone portion of the business, the volumes in each of these in terms of TAM for '22 are down roughly 10% from the expectations for '22 at the start of this calendar year. So with that degradation in sell-through expectations, obviously, the inventory levels, consequently, from weeks of sales perspective, appears even bigger. And so there is a need for that adjustment.

Earnings Grid

Stock	Next Earn		Open Interest	Historical Moves (8 Q)	Implied Move	Avg. 8 Q Max Move	Med. 8 Q	Sum. 8 Q	Hist			SI Change (3mo)	
	Date	Time					Close Move	Close Move	IV30 Skew	Crush	Put/Call OI %tile		Short Float
GBX	7/11/2022	BMO	No Trades Since Last Report	Lower 6 of 8, Lower last 4	7.35%	7.75%	-4.63%	-25.10%	15.74	-19.60%	99.21%	8.92%	-9.18%
ETWO	7/11/2022	AMC	No Trades Since Last Report	Lower 3 of 5	8.18%	8.82%	-0.37%	2.94%	-6.48	-15.90%	61.38%	6.52%	-14.59%
PEP	7/12/2022	BMO	Bull: \$4.76M (59%), Bear: \$3.35M (41%)	Even of 8, Lower last 4	2.89%	2.01%	0.17%	1.14%	5.97	-7.62%	2.23%	0.75%	-14.79%
MD	7/12/2022		No Trades Since Last Report	Higher 5 of 8, Lower last 2	9.77%	14.53%	0.75%	8.52%	8.59	-18.40%	92.71%	3.42%	66.29%
FAST	7/13/2022	BMO	Bull: \$1.05M (100%)	Lower 5 of 8	4.59%	4.40%	-1.03%	-6.51%	8.22	-22.20%	55.04%	2.11%	-9.96%
DAL	7/13/2022	BMO	Bull: \$11.64M (53%), Bear: \$9.62M (43%), Stock: \$0.9M (4%)	Lower 5 of 8, Higher last 2	6.87%	4.80%	-2.11%	-4.60%	10.02	-7.44%	49.20%	3.20%	-7.74%

Earnings Review

Ticker	Company	Earnings Date	EPS Reported	EPS Consensus	Y/Y Growth	Revenue			Forward Guidance
						Reported (\$M)	Consensus (\$M)	Y/Y Growth	
AFTER MARKET REPORTS									
LEVI	Levi Strauss & Co.	7/7/2022	\$0.29	\$0.23	26.09%	\$1,470.00	\$1,432.82	15.21%	FY22 In Line
WDFC	WD-40 Company	7/7/2022	\$1.07	\$1.27	-29.61%	\$123.70	\$142.77	-9.31%	FY22 Below

LEVI—Beats on EPS and Revenues, Inline Guidance- We delivered another solid quarter, growing reported net revenues 15% and adjusted EBIT 27%, while returning \$80 million in capital to shareholders. Although the operating environment remains dynamic, the diversity of our business is providing the resilience and flexibility needed to drive solid financial results in fiscal year 2022, while progressing us on our path to achieve net revenues of \$9 to \$10 billion and adjusted EBIT margin of 15% by fiscal year 2027. Our second quarter results demonstrate the power of our strategy, which continues to support strong revenue growth and margin expansion. Our brands are resonating with consumers across geographies, channels and product categories. By continuing to advance our most impactful growth drivers - being brand-led, direct to consumer first and diversifying the portfolio, we are well-positioned to continue to drive growth and create significant value for all our stakeholders.

Disclosures

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