



Inside Today's Blitz

- McConnell Urges White House, Dems to Restart Stimulus Talks Amid Stalemate
 - Stimulus Impasse Risks Dragging into September
 - Biden Picks Kamala Harris as Running Mate
- LBTYA** launches \$7.4B takeover bid for Sunrise; **Softbank** is looking to invest \$10B in public markets; **TSLA** announces 5-for-1 stock split; **WMT** is partnering with Instacart on same-day delivery; **STNE** to combine software unit with **LINX**; **Brooks Bros.** nears sale

Market Outlook

Futures indicating a strong open for the morning with the **S&P** up 83 bps, the **Dow** up 100 bps, and **Nasdaq** up 101 bps. The major indices are all retracing a big chunk of Tuesday's late day sell-off which didn't seem to have a specific driver of note. **WTI** is bouncing back again up 1.75%. **Gold** and **silver** are both in the red again, the latter by 70 bps, but well off the weakest levels of the night. **Bonds** are weak, down around 30 bps. The **dollar** is sliding a bit again as well. There was not a lot of new, incremental narrative changing information in the last 12 hours. Joe Biden selected a VP in Senator Kamala Harris, but the impact on stocks is likely minimal (vs someone like Elizabeth Warren). The two will make remarks today in Delaware. In Washington, Mitch McConnell says Democrats and the GOP remain at a stalemate over stimulus efforts and there's some talk today that negotiations could be stalled until September. And, while there seems to be no fear that a deal will eventually get done, the process is clearly taking longer than expected. COVID news was light. **Moderna** secured a purchase agreement with the US for 100M doses but it's not huge since the US has purchase agreements with 3-4 others as well and likely will secure others as well.

Asian markets were mixed overnight with China lower after lending data showed a bit of a slowdown in July. Shanghai was off by 63 bps. Hong Kong continued to bounce back, up 1.4%. The Nikkei was higher by 41 bps. In Europe, markets are generally higher in early trade. STOXX 600 is up for the fourth straight session with the CAC and FTSE leading, both up around 40 bps. Telecoms are lifting the broader indices today after a big M&A deal. **Sunrise Communications** up 26% after **Liberty** launched a takeover bid for the company. Elsewhere, German telecom **Freenet** up 13.5% after a big jump in customer growth. **Just Eat Takeaway** up 2% after better revenue in the quarter due to continuing pandemic tailwinds. Fashion retailer **ASOS** up 5% after strong earnings and guidance. **Leoni**, a global supplier of wires and cables, rose 5% after noting a big recovery in customer orders since April. Danish enzyme maker **Novozymes** down 6% after a weak outlook.

Calendar

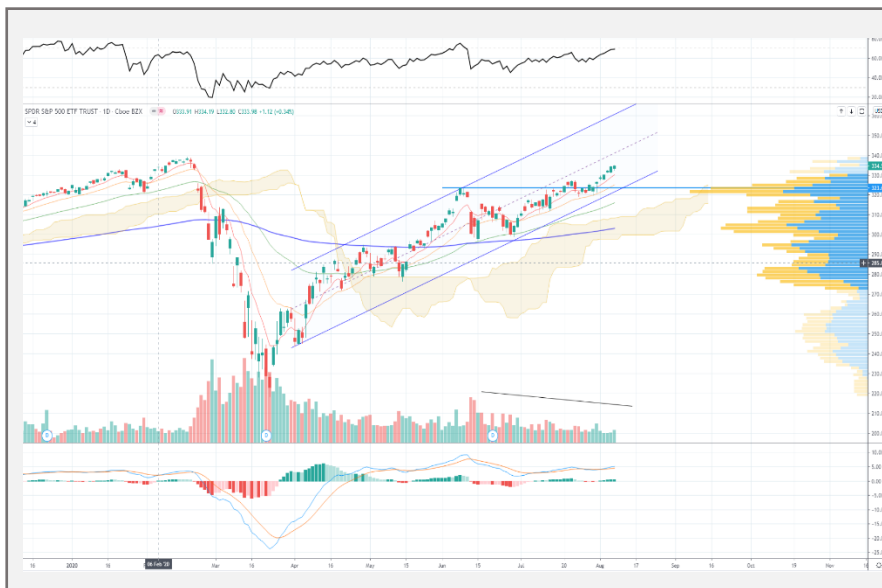
Today... CPI, EIA Inventories, WASDE. Earnings tonight from ONEM, AZPN, CACI, CSCO, ENS, GTBIF, YY, LYFT, PING, RVLV, SDC, SPTN, VREX, VRM, WPM, ZTO. Conferences including OpCo TMT, Canaccord Growth, and UBS Financials

Tomorrow... Import/Exports, Weekly Claims. Earnings from Carlsberg, Deutsche Telekom, Thyssenkrupp, Lanxess, TUI, K+S, AZUL, BAM, IIVI, MDP, MSGN, NTES, TPR, TGP, TNK, WCC

Overnight Markets

| | | |
|-----------|--------|--------|
| Oil (WTI) | 42.21 | 1.44% |
| Coffee | 114.7 | 0.97% |
| US Dollar | 93.57 | -0.04% |
| Palladium | 2171.6 | -0.16% |
| Bonds | 178.75 | -0.21% |
| Gold | 1942.2 | -0.21% |
| Copper | 2.8645 | -0.38% |
| Silver | 25.84 | -0.82% |

Technical View



Key Levels to Watch

The S&P staging a bit of a comeback this morning after yesterday's late day sell off. We opened quiet and consolidated in a narrow range (3337 to 3327) for much of the night until around 2am when we jumped higher. The run has taken us back to 3360, around the 61.8% Fib of yesterday's range. Overnight VWAP is 3343.5. VWAP from Sunday's open is around 3353. The 8-EMA is right at the overnight low.

Economic Data

- **UK GDP was -20.4% vs est. -20.7%.** June GDP was up 8.7% M/M with industrial/manufacturing topping estimates
- **EU industrial production was 9.1% vs 10% est.**
- **RBNZ** left rates unchanged, as expected, and expanded bond buying program

Macro News

- **US/China relationship is 'fine'** says Kudlow, per Reuters. He notes that Beijing continues to buy US commodities
- **Dr. Fauci 'seriously doubts' effectiveness of Russian vaccine,** per The Hill. "Having a vaccine and proving that a vaccine is safe and effective are two different things."
- Sen. Grassley says Democrats would consider **payroll tax cuts** only if they can do social security reform, per The Hill
- **Latest polling** shows continued narrowing in the national picture with Biden's lead down to 10 points from 13 in the latest Monmouth poll, says Politico.
- Investor **Jeffrey Gundlach** says Trump will win re-election in November, per Bloomberg

Movers

Gainers: MRNA 9%, TSLA 6%, HMY 5%, AG 5%, PAAS 4.9%, BNTX 4.5%

Losers: JMIA -20%, PLUG -8.5%, OSTK -6%, OMER -4%

Insider Buying

VIRT, UPWK, QDEL, RKT, BIGC, TACO, RRR, RCUS, ITGR, OMI, ZIXI, CRUS, EXPE

Smart Money (13D/13F Filings)

IPO Monitor

NetSTREIT (NTST) issuing 15.5M shares at \$19-\$21; REIT that acquires, owns and manages a diversified portfolio of single-tenant, retail commercial real estate

Stock-Specific News

Consumer

- **WMT, Instacart** partnering for same-day US delivery in a bid to compete with Whole Foods, says CNBC. The partnership is currently in a pilot phase in four markets
- **Authentic, Simon (SPG)** are close to a \$325M deal for **Brooks Brothers**, says WSJ.
- **WWW** names new CEO, former CEO of VNCE where he led digital, e-commerce expansion
- **OpenTable CEO sees big shakeout coming for industry**, per Bloomberg. She remains confident that consumer demand will return but thinks the industry is on track to lose 25% of restaurants.
- **Dr. Martens** reports strong revenue and profit growth; Total full year revenue at Dr. Martens grew by 48 percent to 672.2 million pounds (877 million dollars), with very strong growth across all channels
- **Just Eat Takeaway** 1H revenue, profit surge on lockdown boost; revenues rise 44%
- UK online fashion retailer **Asos** raises sales, profit outlook on strong demand and fewer returns. Sports gear and face cream sales boom.
- **OSTK** announces 1.7M share offering

On the Chart

WWW a name highlighted a few months ago as a play on Outdoor Recreation and noted the need for a better e-commerce plan, so like this move and shares have a nice volume pocket back to \$32 if can clear the 200 MA at \$25.75.

Financials

- **XP** Total Gross Revenue increased 65% from R\$1.2 billion in 2Q19 to R\$2.0 billion in 2Q20, mainly driven by strong growth across the Retail and Institutional businesses.
- **STNE** confirms deal to combine software unit with **Linx (LINX)**, a provider of retail management software in Brazil
- **MCO** acquired a minority stake in Malaysian Rating Corporation Berhad, a credit rating agency serving the Malaysian domestic bond and sukuk markets.
- **FincoBank** profiled by WSJ as a digital bank thriving during COVID; Finco's costs are much lower than those of most banks because it doesn't operate a traditional branch network where cash can be deposited. Its cost-to-income ratio was 32% in the second quarter, well below the 75.8% at UBS and 62% at First Republic.
- **AFL** raises buyback program by 100M shares

Inside the Hawk Database

AUPH still has 6500 January \$15/\$13 bull put spreads in OI from trades in late July and on 7/28 had 1000 ITM Jan. 2022 \$7 calls bought for \$9.00

Healthcare

- **AUPH** the FDA has granted Priority Review for voclosporin and set PDUFA date of January 22, 2021

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- **MRNA** announces agreement with US Government for 100M doses of mRNA-1273 for \$1.525B; Option to purchase 400M additional doses
- **THC** Conifer CEO steps down but company confirms the spinoff schedule remains intact for this year
- **CBMG** enters into definitive merger agreement; transaction would result in company going private. CBMG's stockholders will receive US\$19.75 in cash for each outstanding share of common stock held immediately prior to the effective time of the merger
- **REGN** FDA Accepts Evinacumab BLA for Priority Review as a Treatment for Patients with HoFH, an Ultra-rare Inherited Form of High Cholesterol PDUFA 02/11/21

Energy/Materials

- **Brookfield's** infrastructure business is in talks to buy **BX's** minority stake in LNG terminal operator **CQP**, says Bloomberg. The stake is worth \$7.8B.
- The FT notes that **polysilicon prices** have jumped in the last month after an explosion at a supplier. The material is a main component of solar cells. Prices are up 50% and likely to go higher.
- **MR** to be acquired by **Southwestern Energy (SWN)** in an all-stock transaction; **SWN** commences 55M share offering
- **BLDR** to replace **CXW** in S&P 400 effective 8/17
- **PLUG** launches offering of \$300M in stock

Industrials

- **TSLA** announces 5:1 stock split
- Alibaba-backed **BEST** is looking to list their express delivery business and freight operations in a HK IPO, says Reuters
- **ALGT** says July total passengers down 48.6%, available seat miles down 9.8%; Co. operated 75% of originally planned schedule in July
- **Cathay Pacific** is cautious on the outlook for passenger traffic, sees stronger cargo outlook, per Reuters
- Companies step up distribution automation under pandemic strains, writes the WSJ, which looks at warehouse automation (**HON, ROK, FLIR, ZBRA, CGNX, TER, ABB, ETN, PTC**)
- German RV-maker **Knaus Tabbert** is reviving plans for an IPO, says Bloomberg. The company is seeking to take advantage of surging demand for camper vans favored by cautious vacationers in the midst of the coronavirus pandemic.
- **MSM** says July average daily sales fell 12.6%
- **FLR** delays 10-Q Filing

Sympathy Movers

DQ will announce results on 8-18 and is a leading maker of high-purity polysilicon for the global solar PV industry.

Sympathy Movers

GWW, FAST two peers of **MSM** and the latter has seen bullish flows lately into the Nov. calls

Tech/Telecom

- **Softbank is eyeing \$10B in public investments**, says Bloomberg. The company wants to buy stocks as part of its new asset management business and already invested in **FB, AAPL, AMZN, NFLX, and GOOG**.
- **Avast** says full year revenue to be at upper end of guidance; reports work from home boost for cyber security
- **LBTYA launches \$7.4B takeover for Sunrise Communications**. The all-cash deal is a 32% premium to yesterday's close. Sunrise's bid to buy Liberty Global's Swiss cable business UPC last year collapsed in the face of opposition from Sunrise's biggest shareholder
- **AAPL** has lost a patent fight with **Optis Wireless**, says Bloomberg. The company must pay \$506.2M in royalties over 4G telecoms tech
- **AAPL** has signed a development deal with Martin Scorsese, says the NYP. The deal will help build out their Apple+ library as they look to compete with **NFLX, AMZN**
- **MSFT** leaked documents show internal opposition to buying **TikTok**, says Business Insider
- **Qualcomm (QCOM)** featured in WSJ noting it seeks riches after bruising antitrust battle. Its legal victory in a high-stakes battle with the U.S. government raises the opportunity for the smartphone chip giant to enjoy a period of relative calm and growth propelled by rising appetite for new 5G handsets.
- Digitimes notes that the top-5 notebook brands saw July shipments surge 34% Y/Y. The move is a positive for **DELL, HPQ** who continue to lead in the PC market.
- **MBT** announces a strategic partnership with Spotify
- **China plans to discuss tech bans** with US at the 8/15 meeting, says Bloomberg. They will bring up the recent actions against **TikTok** and **WeChat** but no certainty any action will be taken
- **Foxconn** topped earnings estimates as rising telecommuting demand amid the coronavirus pandemic offset slowing smartphone sales.
- **Tencent** reported strong sales growth despite missing estimates, says Nikkei. The demand for games during the coronavirus pandemic helped to offset rising market competition and the global economic slowdown.
- Publishers are investing in a second generation of audio articles, reports the WSJ it discusses automated voice reading and text-to-audio software

Inside the Hawk Database

Softbank note is interesting given the massive call buying and spreads opened in large-cap tech recently including **ADBE, CRM, MSFT, AMZN, GOOG, FB**, and more.

Inside the Hawk Database

QCOM has continued to see bullish options flow since the strong earnings move and remains a favored Semi on valuation and the 5G opportunity.

Analyst Notes

Upgrades

- **JCOM** upgraded to Outperform at RBC, \$90 PT, citing valuation, stable-to-improving trends, and the board refresh and stock buybacks
- **INVH** upgraded to Overweight at MSCO as the analyst sees Single-Family Rental REITs as beneficiaries of increasing demand for housing in the suburbs due to COVID-19
- **AN** raised to Buy at Guggenheim, \$69 target, sees room for shares to re-rate higher due to the company's ability to extract value from omnichannel and its investments in Vroom and Waymo as well as potential earnings upside from capital deployment.
- **MTZ** raised to Buy at UBS, \$56 target, firm has greater confidence in MasTec's future earnings trajectory and expects investors to assign a higher multiple to forecasted EBITDA for the company as it also continues to deploy cash through M&A and/or stock buybacks
- **MPC** raised to Outperform at Cowen, \$43 target; The market is underappreciating the capitalization improvement as a result of the Speedway sale. There is upside agnostic to refining margins beyond the sale from closing the opex gap to peers.
- **EPAM** raised to Overweight at MSCO, \$349 target, firm believes this is the early days of a rebound in demand, and continues to believe Epam is best-positioned to benefit from accelerated digital transformation in a post-COVID-19 environment
- **CNX** raised to Overweight at Piper, \$13 target, CNX possesses a simpler corporate structure and more attractive financial metrics while trading inline with peers on multiples despite lower leverage
- **CUBE** upgraded to Neutral at BAML, the quarter highlighted "improved" supply outlook and strong performance in the company's NYC market as revenues did not drop "as feared" and occupancy rates held up
- **HD** raised to Accumulate at Gordon Haskett, \$306 target, based on macro data and his checks, analyst is raising his Q2 same-store sales estimates to 12% from 4.5%
- **FCFS** raised to Overweight at Barclays, \$80 target
- **AEO** raised to Overweight at JPM, \$17 target
- **MGRC** raised to Outperform at OpCo
- **GOLD** raised to Buy at Canaccord

Downgrades

- **DE** downgraded to Hold at Deutsche Bank, much of recovery in its business appears to be priced in and she sees the possibility of escalation in U.S./China trade tensions and increased competition as potential risks.

Inside the Hawk Database

AN shares with a nice bull flag and a few notable bullish positions with 1600 Aug. \$35 calls, 2,160 Aug. \$38 calls, 1,375 Sep. \$50 calls, and 800 Oct \$38 calls in OI.

Inside the Hawk Database

AEO has continued to see size bullish positioning across August, September and November call positions, the latter targeting moves to \$13-\$14 zone where spreads are short calls while 16,000 November \$12 calls been bought.

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- **DEI** downgraded to Hold at Jefferies, while Douglas Emmett's long-term outlook remains favorable, the pandemic has proven to be a "perfect storm" for Southern California in terms of regulatory and macro headwinds that pose a risk to its near-term outlook
- **LHCG** downgraded to Neutral at UBS, Q2 may present "an overly generous view" on the recurring earnings power of the business
- **TGI** cut to Underweight at JPM
- **COUP** cut to In-Line from Outperform at Evercore

Initiations

- **ROKU** initiated Buy at Deutsche Bank, \$185 PT, The "market leader" in the connected TV market with close to 50% market share of global CTV streaming hours has done an "impressive job" of building out the largest installed base in the industry. With Roku already having an installed base of 43M users and the transition to streaming still in the early innings, the analyst thinks the company can continue to grow revenue at a 30%+ rate for at least the next few years
- **NFG** started Buy at BAML; Vertically integrated natural gas E&P business model creates a more favorable risk/reward profile vs. pure play producers. Nice balance between regulated & non-regulated business underpins solid div (4% yld; 50 yr track record); strong IG b/ sheet.
- **ULTA** initiated Neutral at BAML, Co. should emerge as a "high quality beneficiary" of the post-COVID trends of self-care, affordable experiences, and the traffic shift from malls to off-mall but there are risks to near-term estimates
- **CDW** started Buy at Citi, \$140 target, CDW's more balanced end market exposure and leading market share in the fragmented value-added reseller space should allow the company to navigate through the crisis better than peers
- **TCRR** started Overweight at Piper, \$35 target
- **ACLS** started Buy at Needham, \$30 target

Other Commentary

- **GOOS** valuation is compelling for such a high-margin brand, says Wells Fargo. The company is managing inventory and distribution well, leaning more into Direct-To-Consumer operations and managing the cost structure and cash flow
- **CHX, HP** Citi suggests a pair trade buying Champion and shorting Helmerich citing a better EBTIDA outlook
- **LITE** PT raised to \$105 at Stifel, any future Huawei-related headwinds will be offset by growth from other Chinese vendors

Inside the Hawk Database

ROKU is pulling back to a big level around \$138/\$139 which was the range breakout in July and potential for a bounce w/ the rising 50-day just below. On 8/11, a buyer stepped in for 1600 September \$170 calls

Inside the Hawk Database

GOOS with a put seller on 8/11 of 1500 January \$25 puts around \$4.20 while the Jan. 2022 \$20 puts sold on 7/24 to open

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- **NTR** PT raised to \$48 at RBC, Nutrien's continued free cash flow generation should be supported by the company's execution and improvements in the underlying ag and fertilizer markets in the second half of 2020
- **LAD** PT raised to \$275 at Guggenheim, firm is more positive on the auto dealer group and sees room for further potential earnings upside revisions and multiple expansion driven by a robust used car demand backdrop, sustainability of recent pricing and margin tailwinds and strong operating leverage as sales rebound with significant permanent cost reductions being realized
- **QCOM** target raised to \$145 from \$125 at KeyBanc
- **LOW** target to \$175 from \$140 at TAG; **HD** target to \$290 from \$250

Earnings Grid

| Stock | Open Interest | Historical Moves | Avg. 6 Q Max Move | Implied Move | Short Float | SI Change (3mo) | IV30 Skew |
|-------|---|-----------------------------|-------------------|--------------|-------------|-----------------|-----------|
| NTES | No Major Notables in OI | Higher 3 of 5, Lower Last 2 | 7.75% | 7.04% | 1.73% | 49.0% | 2.75% |
| ZTO | 2K Sep \$35 Short Puts; 3500 Jan \$39.71 Calls Bought | Higher 6 of 9 | 7.32% | 7.72% | 2.24% | 38.0% | 0.80% |
| XP | 9500 Nov \$25/\$35 Call Spreads; 2K Aug \$50 Calls Bought and Aug \$50/\$55 2000X4000X | Higher 1 of 2 | 19.50% | 10.83% | 4.60% | 1.7% | 10.45% |
| TME | 6900 Jan \$15 Short Calls; 9500 Jan \$14 Short Calls; 3K Oct \$16 Short Puts | Lower 4 of 6 | 8.94% | 8.00% | 12.98% | 28.0% | 1.03% |
| ZI | 1500 Sep \$50 Short Calls; Aug \$40 Calls Bought 2500X | No History | - | 11.76% | - | - | 4.84% |
| IQ | 8K Sep \$20 Calls Bought in OI; Dec and Jan \$22.5 Buy-Writes; 6500 Sep \$22.5 Calls Bought; 4K Dec \$25 Call Buy | Lower 4 of 5 | 11.40% | 8.57% | 9.44% | -5.5% | 1.79% |
| DKNG | 10K Aug \$35 Calls Bought in OI; 6K Sep \$35 Calls Bought; Aug \$40 Short Calls | Higher 1 Report | 16.00% | 11.04% | 7.70% | 750.0% | 2.73% |
| IAC | 1750 Aug \$140 Calls Bought; 1K Sep \$140/\$125 Bear R/R | Higher 6 of 9 | 5.06% | 7.61% | 8.06% | 25.6% | 3.68% |
| LYFT | 3500 Jan 2022 \$30 Calls Bought; Jan \$32.5 and \$30 Short Puts; Aug 7th (W) \$31 Size Call OI | Lower 3 of 5 | 13.00% | 10.35% | 8.57% | 20.1% | 5.58% |
| FTCH | 5K Jan \$30 Calls Bought; Size Aug Call Accumulation and October Bull OI | Higher 4 of 7 | 28.45% | 15.17% | 13.77% | -3.9% | 1.29% |
| ANGI | 2500 Sep \$15 Put Buy; 2800 Jan \$17.5 Call Sale | Lower 5 of 7 | 19.00% | 11.13% | 33.42% | -32.6% | 3.42% |
| VRM | Aug \$65/\$55 Bull R/R 1000X | No History | - | 15.77% | - | - | 10.39% |
| LITE | 1K Sep \$90 Short Calls; 500 Dec and Jan \$90 Call Buys; 1250 Nov \$97.5 Short Calls | Higher Last 4 | 8.90% | 6.56% | 8.97% | -13.0% | 6.06% |
| YY | 1200 Jan \$65 Short Calls; 4K Jan 2022 \$30 Puts Bought | Lower 3 of 4 | 10.90% | 7.92% | 5.83% | 9.3% | 1.58% |
| IIVI | 4200 Sep \$50 Calls Bought in OI; 1K Aug \$50 Short Puts | Higher 10 of 12 | 14.70% | 9.60% | 21.90% | 12.3% | 5.04% |
| QLYS | No Major Notables in OI | Lower 7 of 9 | 7.66% | 7.73% | 14.56% | -1.2% | 3.79% |
| LMND | Small Aug \$70 and Mar \$100 Call Buys | No History | - | 17.16% | - | - | -6.39% |
| TPR | 7K Jan \$22.5 Short Puts and 4K Jan \$25 Short Puts; 9K Sep \$15 Call Buyer | Higher 3 of 5 | 15.20% | 10.46% | 4.88% | 5.2% | 8.24% |
| RAMP | 1K Dec \$30, 900 Dec \$45 and 1975 Feb \$30 Calls Bought and 1K Feb \$45 Calls | Higher Last 3 | 13.63% | 10.66% | 4.07% | 5.2% | 2.28% |
| PING | 2950 Dec \$35 Calls Bought in OI | Lower 2 Reports | 10.75% | 11.41% | 8.30% | 0.3% | 2.87% |
| CSOD | Mixed Nov \$42.5 and \$45 Call OI | Lower 4 of 6 | 5.20% | 9.24% | 4.26% | 122.8% | -80.45% |
| GOOS | No Major Notables in OI | Lower 5 of 6 | 16.20% | 9.86% | 16.74% | 4.8% | 6.64% |
| PRPL | Massive Recent Call Accumulation | Higher 4 of 5 | 22.90% | 19.02% | 31.76% | 1.6% | -15.40% |

Earnings Review

LRN – Beat on EPS and Revs - "While the coronavirus pandemic has disrupted the dreams and goals of many students, the academic experience for students in K12-powered programs has continued on schedule. The schools we support did not experience disruption, and we are thankful to have graduated more than 8,000 students this year," said K12 CEO and Chairman Nate Davis. "As we approach the new school year, we're preparing for increased student enrollments by hiring more teachers and expanding our learning platform. Managed public school enrollments are already 150 thousand, as of August 7th, and we are entering what has historically been the busiest part of our

Sympathy Movers

EXFO – on VIAV

BJRI, BLMN, DIN – on RRGB, EAT earnings

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enrollment season. We are therefore positioned to deliver double-digit growth in both revenue and adjusted operating income in the coming year. This is only an early estimate and not formal guidance."

VIAB – Beat on EPS and Revs - "In fiscal fourth quarter our Wireless Lab equipment business delivered a record revenue quarter driven by 5G and we also saw overall NSE demand stabilizing," said Oleg Khaykin, VIAB's President and Chief Executive Officer. "For the full fiscal year 2020, revenue and non-GAAP EPS grew despite the business impact from the COVID-19 pandemic in the second half. Khaykin added, "Although near-term macroeconomic uncertainty is expected, we remain positive on the secular demand drivers for increased network capacity that drive 5G Wireless and Fiber and the continued penetration and adoption of 3D Sensing technology in mobile applications."

Trade Ideas

Martin Marietta (MLM) is a best-in-class operator that is coming off a solid quarter with positive forward commentary. Shares look ready to clear the 200 day moving average and recent resistance high leaving room for a 20+ point move in a volume pocket to \$255.



Daily Technical Scans

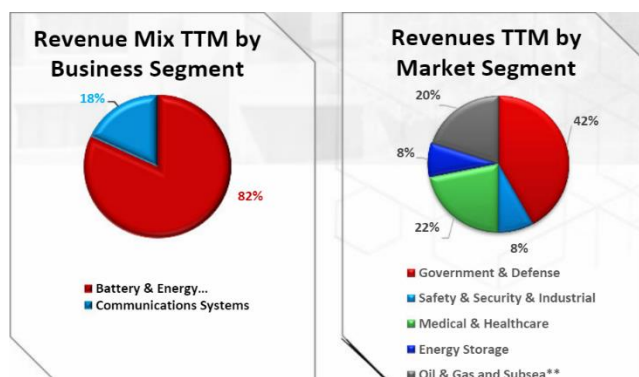
OBV 3 Month Low: DG, EVRG, CG, ZNGA, IONS, ACAD, PFPT, SDGR, CCOI, HTA, VRNT, AVA, NOAH, SUPN, ALEC, CNST, GLUU

13/34 Bear Cross: UBER, AMGN, EXAS, DT, DBX, EVBG, VIRT, CCOI, ALKS, TGTX, FORM, VRNT, ATRA, MRSN, ACLS

Reversal Candles: NBIX, SAM, QTWO, TW, MCO, DPZ, STNE, HUYA, CRWD, MKTX, RDFN, NVT, DT, WEN, QCOM, AON, TAL, SMAR, AXX

Micro-Cap Growth Profile

Ultralife Corp (ULBI) caught my eye on a recent small cap growth screen and shares remain well off highs from earlier this year. ULBI offer products and services ranging from power solutions to communications and electronics systems to customers across the globe in the government, defense and commercial sectors. It designs and manufactures power and communications systems including: rechargeable and non-rechargeable batteries, charging systems, communications and electronics systems and accessories, and custom engineered systems. The Battery & Energy Products segment includes:



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Lithium 9-volt, cylindrical, thin cell and other non-rechargeable batteries, in addition to rechargeable batteries, uninterruptable power supplies, charging systems and accessories. The Communications Systems segment includes: RF amplifiers, power supplies, cable and connector assemblies, amplified speakers, equipment mounts, case equipment, man-portable systems, integrated communication systems for fixed or vehicle applications and communications and electronics systems design.

ULBI has a market cap of \$110M making it quite speculative and trades just 55,000 shares per day. ULBI trades 21X trailing earnings, 0.98X Sales and 17.8X FCF with very little debt and a healthy balance sheet. ULBI grew revenues 22.5% in 2019 after three years of positive, but single-digit growth. It is a fairly low margin name with 29.2% gross margins and 11.25% EBITDA margins.

What They're Saying

SkyWorks (SWKS) CFO at KeyBanc Tech Conference on 5G... "And so yes, now you have the 5G. It definitely has started in China. If you look at in the month of June, 6 out of 10 phones which were being purchased in China were 5G phones, right? And so the China OEMs as well, of course, as the telecom operators, they're really pushing those 5G phones not only on the flagship level, but also on the cheaper models all the way down in what we call the mass tier. And so of course, the large customer haven't launched yet. They will, later this year. And so most of the estimates are still for this year, for 5G, 200 million to 250 million phones, potentially doubling next year into the 400 million to 500 million phones. Again, doubling the year after into 1 billion phones. There's like 5 billion, 6 billion phones out there. They all need to be upgraded to 5G over the next couple of years. And so that's the big market opportunity for us. So that's from a unit point of view. Obviously, here now, we have 5G, which is a big boost in terms of complexity, performance, higher data speed, lower latency. And it's being layered -- 5G is being layered on top of 2G, 3G, 4G. So that adds a lot of complexity even on the legacy parts, which are becoming a lot more complex. And then you get new hardware to support the new bands in 5G that are being added. And so that's a big boost, adds a couple of dollar of content even in the flagship phones, and we'll continue to grow from there as more complexity and more bands is being added.

Fire-Eye (FEYE) CFO Frank Verdecanna at the OpCo Conference on why having cloud, on-premise, and hybrid offerings puts them in a unique position.... I think as we look at kind of the on-premise business, it's an important part of our overall business. While it's decreasing as a mix percentage -- the appliances were actually down to less than 10% of our overall billings this last quarter -- It is important for our customer base, for customers that are going to be slower to move to the cloud or in industries that are more reluctant to move to the cloud, it is important that we have an on-premise solution, a hybrid solution and a cloud solution. That puts us in a pretty unique position, because a lot of our competitors in various spaces have a cloud-only solution or an on-premise only solution. So I like the fact that we've got all 3 flavors to offer customers. It will be an important part of our business, just -- it'll be a smaller part as we go forward. Q3 will be our first quarter of kind of normal apples-to-apples year-over-year comparison. So I think we've already started seeing stabilization on the ARR side from product and related, and I think that will continue as we move forward. So we're pretty excited about the fact that the growth areas of our business being platform, cloud, subscriptions, managed services and professional services is becoming a much bigger part of the overall business. In the second quarter, it was the first time that category eclipsed the product and related from an ARR perspective. From a billings perspective, yes, 61% of our billings came from the higher-growth areas versus 39% from the product and related. So I think the migration

Inside the Hawk Database

FEYE notable buyers recently in the Sept. \$15 calls, over 4000X, and the Aug. \$15 calls where 5000 sit in OI. Shares jumped on earnings recently and pulling back to the 8-EMA yesterday with a gap below back to the 20-MA around \$14.30.

OptionsHawk Market Blitz

and the mix shift is happening as we plan. And I think that just puts us in a better position from an overall financials perspective. And you hit on a point that I think is really important. The product and related business, while it's more mature, while, oftentimes, it may see stabilization, it may see single-digit growth or possibly even single-digit decline, but that area is generating significant amount of cash flows, which we are using to fund the higher-growth areas of the business.

Open Interest Checks

| | | OI Checks | | |
|--------|------------------------|-----------|--------|-----------|
| Ticker | Contract | Prior OI | New OI | OI Change |
| CAR | November \$35 Calls | 3,201 | 9,710 | 203.34% |
| SPR | October \$35 Calls | 3,918 | 9,146 | 133.44% |
| DAL | December \$30 Calls | 3,866 | 8,406 | 117.43% |
| ROKU | September \$170 Calls | 1,201 | 2,568 | 113.82% |
| LUV | September \$37.5 Calls | 7,878 | 15,341 | 94.73% |
| VIAC | December \$25 Puts | 6,308 | 11,124 | 76.35% |
| ZNGA | December \$10 Calls | 10,176 | 16,118 | 58.39% |
| GOLD | December \$32 Calls | 9,150 | 14,136 | 54.49% |
| VOD | January \$17 Calls | 11,464 | 15,948 | 39.11% |
| JPM | December \$105 Calls | 5,178 | 7,044 | 36.04% |
| PINS | November \$40 Calls | 9,514 | 12,815 | 34.70% |
| AXTA | October \$26 Calls | 7,541 | 9,995 | 32.54% |
| V | August \$202.50 Calls | 10,584 | 14,028 | 32.54% |
| NOW | August \$420 Calls | 1,281 | 1,670 | 30.37% |
| AMT | October \$250 Calls | 1,215 | 1,426 | 17.37% |
| BSX | January \$40 Calls | 4,950 | 4,254 | -14.06% |
| DAL | January \$28 Calls | 4,536 | 3,236 | -28.66% |
| HAL | January \$19 Calls | 4,631 | 3,093 | -33.21% |

Extras

Pinterest (PINS) with 10,000 December \$38 calls opening \$4.35/\$4.40 into afternoon weakness

American Tower (AMT) with 1200 October \$250 calls opening \$9.50 as October \$260 look to adjust back

Clorox (CLX) with 675 November \$210 puts opening \$9.10 late day

Blackrock (BLK) buyer of 525 October \$600 calls for \$20.90 into late day weakness

Ubiquiti (UI) late day action bought 825 September \$185 puts to open for \$14.50 as August \$175 and \$185 adjusted

TransDigm (TDG) with 1000 August \$500 puts opening \$13.40 in afternoon trade

Union Pacific (UNP) late day buyer 3000 September \$200/\$210 call spreads and 1,150 November \$195 calls open \$10.70

Croc's (CROX) afternoon buyer flow for 2000 September \$35 calls with 1880 of the \$45 calls sold against in spreads

Papa John's (PZZA) IV rose late with buyers of 1800 September \$90 ITM calls \$7.20 to \$7.50

OptionsHawk Market Blitz

Perrigo (PRGO) with 1000 ITM September \$50 calls opening \$4.50, name with bullish November OI

Apple (AAPL) afternoon buy of 1000 December \$460 puts to open \$48.85

Netflix (NFLX) opening sale 300 February \$440 puts for \$43.50

Ferrari (RACE) with 775 January \$230 OTM calls bought \$2.10 to \$2.25

Earnings Table

| Ticker | Stock | EPS Actual | EPS Est. | Revs Actual | Revs Est. | Y/Y Change | Notes |
|--------|-------------------|------------|----------|-------------|-----------|------------|------------|
| TXG | 10x Genomics | -\$0.41 | -\$0.54 | \$42.90 | \$30.58 | -23.10% | |
| CVET | Covetrus | \$0.22 | \$0.08 | \$1,026.00 | \$892.90 | 1.70% | |
| HCAT | Health Catalyst | -\$0.15 | -\$0.22 | \$43.26 | \$42.19 | 17.50% | FY In Line |
| HBM | Hudbay Minerals | -\$0.15 | -\$0.20 | \$208.91 | \$188.95 | -36.60% | |
| NARI | Inari | -\$0.16 | -\$0.18 | \$25.40 | \$12.97 | 151.50% | |
| LRN | K12 | \$0.12 | \$0.04 | \$268.93 | \$261.47 | 4.90% | |
| KRNT | Kornit Digital | -\$0.05 | -\$0.07 | \$37.44 | \$34.66 | -17.40% | |
| OSPN | OneSpan | \$0.02 | \$0.04 | \$54.95 | \$57.13 | -2.20% | |
| RRGB | Red Robin Gourmet | -\$3.31 | -\$3.31 | \$161.12 | \$166.02 | -47.70% | |
| SWAV | ShockWave Medical | -\$0.56 | -\$0.63 | \$10.30 | \$8.35 | 3.00% | |
| VIAV | Viavi | \$0.18 | \$0.13 | \$266.60 | \$259.98 | -8.00% | FY In Line |

Earnings Before the Open

| Ticker | Stock | EPS Actual | EPS Est. | Revs Actual | Revs Est. | Y/Y Change | Notes |
|--------|--------------------|------------|----------|-------------|------------|------------|----------|
| AIT | Applied Industrial | \$0.80 | \$0.69 | \$725.10 | \$739.43 | -17.90% | |
| EAT | Brinker | -\$0.88 | -\$1.37 | \$563.20 | \$572.92 | -32.50% | Q1 Above |
| CAE | CAE | | -\$0.09 | | \$511.89 | | |
| LMND | Lemonade | -\$1.77 | -\$0.87 | \$29.90 | \$29.31 | 116.70% | FY Light |
| PFGC | Performance Food | -\$0.86 | -\$0.24 | \$5,774.00 | \$5,539.19 | -2.10% | |
| PGTI | PGT Inc. | | \$0.16 | | \$191.70 | | |

Disclosures

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.

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