



Inside Today's Blitz

- Infrastructure Bill Faces Uncertain Fate Ahead of Key Vote Today
- Congress to Avert Shutdown as Negotiations Continue on Biden Agenda
- **MRK** officially announced \$11B deal for **XLRN**; **UBER** launching holiday delivery service through Uber Eats; **PM, MO** barred from importing IQOS devices into the US

Market Outlook

Future indicating a positive open for the day with the **Dow** up 41 bps, the **S&P** up 39 bps, and the **Nasdaq** up 42 bps. The **Russell** is up 80 bps. Energy is mixed with **WTI** down 21 bps and **Natural Gas** up 3.4%. **Gold** and **silver** both modestly higher with the latter up 40 bps. **Copper** is down 1.5%. The **dollar** is up 15 bps. **Bonds** are up 20 bps. **VIX** is 22.25. **Bitcoin** and **Ethereum** both higher by about 4%. Stocks are drifting higher overnight ahead of quarter-end and with some positive news flow in the last twelve hours, although mostly expected. In Washington, Sen. Schumer announced a deal had been reached to avoid a government shutdown. And, while this is a good thing, it was never really in doubt while the debt ceiling remains the much more contentious (and unresolved) issue facing Congress. Elsewhere, China data was mixed overnight but nothing really horrible and seeing some positives from the Caixin manufacturing readout. Yields are relatively flat this morning but on watch today given their

impact on tech recently. OPEC+ reportedly wants to keep their November output plans unchanged despite crude oil's move to \$80. Fed Chair Powell and ECB's Lagarde both reiterated their view that elevated inflation is transitory.

Asian markets are mixed this morning with the Hang Seng down 36 bps, Shanghai up 90 bps, and the Nikkei down 31 bps. In Europe, the major indices are higher. The DAX is down 38 bps, CAC is up 14 bps, and the FTSE is up 14 bps. We're seeing outperformance in tech and healthcare while energy, telecom, and utilities lag. Clothing retailer **H&M** fell 1% despite posting 15% sales growth in the third quarter. Cloud communication services provider **Sinch** rose 4.5% after it agreed to buy email delivery platform **Pathwire** for \$1.9B. Belgian retailer **Colruyt** fell 7% after lowering its full-year guidance. Drinks giant **Diageo** rose 2.5% after reporting a strong start to the fiscal year, the company said that it expects organic operating margins to benefit from a further recovery in sales volumes. Online fashion brand **Boohoo** fell 12% after warning on its profit margins.

Calendar

Today... Core PCE, GDP, Weekly Claims, Fed's Williams and Bostic Speak, Chicago PMI; **Earnings Before the Open:** ANGO, BBY, KMX, MKC, PAYX; **Analyst Days:** INTU, XYL; **Conferences:** Cantor Healthcare

Tomorrow... US Auto Sales, Personal Income and Spending, ISM Manufacturing, Michigan Consumer Sentiment, Fed Speakers Harker, Mester; **International Data:** Japan Employment, South Korea Import/Exports, Europe Manufacturing PMI

Overnight Markets

Ethereum	2962.96	3.90%
Natural Gas	5.68	3.71%
Bitcoin	42912	3.60%
Silver	21.55	0.30%
Bonds	159.41	0.20%
US Dollar	94.5	0.16%
Gold	1724.3	0.08%
Oil (WTI)	74.76	-0.10%
Copper	4.136	-1.50%
VIX	22.25	-3.22%

Technical View



Key Levels to Watch

S&P futures (ES_F) are modestly higher this morning after running right up to our key resistance zone at 4389-4386 and fading. This will be the major hurdle to the upside to watch today with targets above of 4411 and 4422.50. A move under 4359.50 yields some caution and a break and hold under 4342-4338 zone would be bearish and likely lead to a re-test of 4318.75 and then lower.

Economic Data

- **China** NBS non-manufacturing PMI was 53.2 vs 49.8 est.
- **China** NBS manufacturing PMI was 49.6 vs 50 est.
- **China** Caixin manufacturing PMI was 50 vs 49.5 est.
- **Hong Kong** retail sales rose 11.9% vs 6.4% est.
- **South Korea** industrial production was 9.6% vs 8% est.
- **Japan** industrial production was down 3.2% vs -0.5% est.
- **Japan** retail sales fell 4.1% vs -1.7% est.
- **German** unemployment fell 30K in Sept. vs -37K est.
- **Eurozone** unemployment rate was in-line at 7.5%
- **French** consumer spending topped expectations in Aug.

Macro News

- **China** is urging banks to support the property market and ease mortgages, per Bloomberg
- **China** video game approvals will slow down further, says SCMP, as restrictions over content grow
- **North Korea** is calling for renewed cooperation with **South Korea**, per SKY, despite recent threatening overtures
- **Pension funds and insurers** are cutting their exposure to Chinese assets, says FT, citing regulatory concerns

Movers

Gainers: PRGO 13%, DOLE 11%, SPCE 9.5%, RIDE 6%

Losers: TGNA -5%, KPLT -3%

Insider Buying

EVRG, OSCR, BKI, AXDX

IPO Calendar

Allvue (ALVU) issuing 15.3M shares at \$17-\$19

Amplitude (AMPL) issuing 35.3M shares at \$35.41

First Watch (FWRG) issuing 9.45M shares at \$17-\$20

Olaplex (OLPX) issuing 67M shares at \$14-\$16

Warby Parker (WRBY) issuing 77.7M shares at \$24.50

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- **Sen. Manchin** says he isn't trying to kill the reconciliation bill, per Politico, and wants to fix the 2017 Trump tax cuts
- **The Senate** has reached an agreement on a stopgap bill to avoid a government shutdown, says Punchbowl News
- **Schumer** will start voting at 10:30 am and will include the \$1T bipartisan infrastructure bill, per Punchbowl News
- **Residential rental rates** are surging, says Bloomberg
- **It's JP Morgan collar day**, per Bloomberg. The JPM Hedged Equity Fund will move their large quarterly position today to the December expiration and expected to trade around 46,000 contracts

Stock-Specific News

Consumer/ Business Services

- **PM, MO** will be barred from importing IQOS heated-tobacco sticks into the US after losing a legal battle with British Tobacco, says Bloomberg
- **UBER** is launching 'holiday shop' seasonal delivery in partnership with Proper Companies. The launch will start with Halloween themed items on the Uber Eats app
- **TGNA** is raising concerns over a potential deal with Apollo and SG, says NY Post, asking both companies questions on if their bid can withstand antitrust scrutiny from the FCC
- **GPS** said that the new line of YZY hoodies sold out in hours after launching, per Bloomberg
- **DEO** shares are strong in Europe today after giving a positive update on the start to the FY, per Reuters
- **SBUX** raised their dividend to \$0.49 from \$0.45
- **CHDN** announced a new \$500M buyback
- **Milan Laser** is considering an IPO, says Bloomberg, and deal would value the hair-removal company at \$1B
- **Carrefour** shares are higher in Europe this morning after reports that the company was considering M&A options, per Bloomberg
- **BooHoo** shares are weak today in Europe after warning about margin pressure and labor costs, per Reuters
- **H&M** said that they're encountering supply chain headwinds, per Bloomberg, but confident in the long-term outlook

Financials

- **PSFE** has announced a partnership with Fubo Gaming and expected to launch in Q4 on their mobile properties

Hawk Database

TGNA large spread in OI with 10,000 January \$22 calls bought and the April \$25 calls sold to open

On the Chart

DEO set to clear a falling wedge today above \$195 and has room to run back to \$202+ and out

Healthcare

- **MRK** made it official and announced they were acquiring **XLRN** in a \$11.5B deal valued at \$180/share
- **REGN** says 'positive' REGEN-COV Phase 3 results published in NEJM; the study assessed the ability of REGEN-COV to treat COVID-19 in infected high-risk non-hospitalized patients
- **LLY** says SURPASS-3 MRI sub-study achieves primary endpoint as Tirzepatide led to greater improvements in liver fat content and abdominal adipose tissue compared to titrated insulin degludec in adults with type 2 diabetes
- **XYL** lowers their FY outlook; "Underlying demand continues to be robust, with higher-than-expected growth in orders and backlog, but the global supply chain environment has become increasingly volatile, including with respect to escalating electronic component shortages"
- **PRGO** has resolved Irish tax assessment for €297M

On the Chart

PRGO surging today and breaking out above \$50 and a 1-year base with room up to \$55-\$60

Industrials

- **ARCB** is buying MoLo Solutions for \$235M, a Chicago-based truckload freight brokerage
- **SPCE** cleared to fly following conclusion of FAA inquiry; the corrective actions proposed by the company have been accepted
- **HMC** is doubling down on rockets, robots, and flying cars, says The Verge; the company will spend over \$45B on R&D over the next six years on the ambitious projects

Energy & Materials

- **JKS** says China's stock listing committee has approved their proposed IPO for their subsidiary unit
- **CMC** is selling their Rancho Cucamonga land for \$300M
- **ALB** to acquire Guangxi Tianyuan for \$200M
- **Chinese** silicon producers are slashing their output due to power curbs, says Bloomberg, which likely drives **solar panel prices** higher

Hawk Database

ALB at an interesting spot with the 55-EMA and low-end of monthly value and still has 2000 Dec. \$260 calls in OI from a \$2M buy on 8/6

Technology

- **GOOGL** is making some changes to their search engine aimed at boosting its commerce business, says WSJ
- **FB** is downplaying internal research which leaked showing that its platform is linked to poor mental health for young users, per NYT
- **AAPL** has taken the top unit share spot in Q2 tablet app market, DigiTimes reports. The tablet applications processor market grew 17% to \$737M in the second quarter of 2021
- French firm **Eutelstat** jumped today after telecom tycoon Patrick Drahi made an offer to buy the company, per Reuters

On the Chart

GOOGL has been weak lately but right at the low-end of monthly value at \$2666 and area where we could see a bounce back to \$2775

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- Swedish cloud services firm **Sinch** has agreed to buy email delivery platform Pathwire for \$1.9B, says Reuters
- **Renesas** is planning to boost capacity at their biggest microcontroller factory by more than 50% by 2023, says Nikkei, as the company works to ease the automotive chip shortage
- **Server supply shortages** should continue through 1H 2022, says Digitimes, as components remain slim

Analyst Notes

Upgrades

- **SNOW** upgraded to Buy at BTIG, the analyst spoke with four large enterprise customers as well as an industry analyst firm on spending trends with Snowflake and the broader competitive environment. Following the checks, he believes Snowflake is sitting in front of a huge opportunity in a rapidly growing data analytics software market
- **PRGO** upgraded to Buy at Jefferies and views the resolution as very favorable for Perrigo. The settlement is a near best-case scenario given that the full and final payment of \$309M is dramatically lower than the \$1.9B headline figure previously stated by the Irish Office of Revenue Commissioners
- **JBL** upgraded to Buy at Stifel, programs in higher-margin end markets where Jabil has made significant investments - including autos, healthcare, industrial and cloud – should drive future growth
- **FOLD** upgraded to Overweight at JP Morgan, with peak sales of \$600M for both Galafold and AT-GAA, Amicus shares are undervalued post the recent corporate updates while the analyst sees the commercial business focus as a net positive and views the totality of the Phase 3 PROPEL data as supportive for approval in the ERT-switch population
- **FDS** upgraded to Neutral at UBS
- **BKI** upgraded to Outperform at Raymond James
- **ABG** upgraded to Buy at Truist
- **PTVE** upgraded to Outperform at BMO
- **PEG** upgraded to Buy at Vertical Research
- **FOXA** upgraded to Buy at Rosenblatt

On the Chart

SNOW strong trend and pulled back right to the top of monthly value yesterday at \$290 which also aligns with the 55-EMA, nice spot to lean against for a run back to \$320

Hawk Database

FOXA hot run lately and buyer on 9/22 for 1850 January \$35 calls for over \$650K

Downgrades

- **SBUX** cut to Neutral at Atlantic with the analyst concerned that the company's momentum may be slowing more than the market might have anticipated. Starbucks' comps set to return to negative territory in China and rising labor cost inflation is weighing on its U.S. growth
- **APA** cut to Neutral at Citi
- **HTA** cut to Hold at Truist
- **KSS** cut to Underperform at BAML

Initiations

- **PGNY** started Buy at Berenberg, Progyny sells directly to employers and the analyst thinks its utilization-based model is best positioned to capture growth in the fertility market. She forecasts a 43% five-year revenue compound annual growth rate and for Progyny to achieve a 17% EBITDA margin in 2025
- **ARVN, AFMD, ALXO, KYMR, DCPH** started Buy at Stifel
- **NRZ** started Overweight at Barclays
- **CHEF** started Outperform at Wolfe Research
- **S** started Outperform at FBN

Other Notes

- **BABA** risk of a FY guidance cut is increasing, says Citi, amid weakening retail sales data in August and several headwinds from the real estate sector, power supply disruption and Covid cases, the soft demand for discretionary categories is likely to continue into Alibaba's September and the rest of 2021
- **SPLK** a top pick into Q4, says Piper, as go-to-market improvements, product and pricing enhancements, meaningful cloud demand and a strong backdrop are all contributing to improving fundamentals for the company

On the Chart

HTA will open weak today but key to hold the top of value at \$29.75 and notable with the large Jan. call spreads accumulating lately

Trade Ideas

RH (RH) name holding up well and basing around the low-end of monthly value in a narrow range. A move above \$708 can challenge the \$725 level and then \$745 and a bigger weekly breakout. Shares are in a narrow weekly range since mid-April and a breakout has room to \$900 and continuation of the long-term trend.



Technical Scans

Inside Days: ANTM, FND, CRL, TRU, SBUX, DGX, CB, TSCO, SNPS, TYL, INTU, ALNY, SPGI, DPZ, URI, TXG, MRTX

Bullish Reversal Days: YUM, OPCH, VST, GDRX, WLTW, SHE, UNH, MDLZ, PZZA, MDT, EVRG, NOW, BLL

Ready to Run: WNS, CBOE, SMPL, HTA, DY, EAF, OTTR, CVS, CHD, CALM

Small-Cap Options Flow

Healthcare Trust (HTA) one of the more unusual trades in the last two weeks with accumulation of more than 20,000 January \$30/\$35 call spreads including 10,000 bought yesterday, 9/29. The spreads represent nearly 100% of open interest in the name. HTA shares broke out of a narrow multi-month range in early September and now back-testing that level around \$29.50. The current bull flag has a short-term target of \$33.50 but longer-term shares can run to \$37.50. The \$6.81B company trades 68.5X earnings, 9X sales, and 344X cash with a 4% yield. HTA is the largest dedicated owner and operator of medical office buildings in the US with over 16.9M square feet. They primarily acquire buildings on or adjacent to hospital campuses. HTA has been an active developer with over 262K square feet annually while the overall market for outpatient/MOB properties continues to skew away from government or hospital-owned and towards REITs. HTA sees a significant opportunity for value in their properties to continue rising behind an aging population, changes to healthcare reform, and increased utilization. In August, the CEO stepped down unexpectedly and the company continues to search for a replacement. This also happened on the same day management confirmed that they had started an internal investigation after a call to their whistleblower hotline. HTA could be a nice M&A target with the CEO vacancy and there have been a number of M&A deals in the REIT space while private equity, the most likely buyer, is very well capitalized. Analysts have an average target for shares of \$31 with a Street High \$35. Short interest is 7.25%.

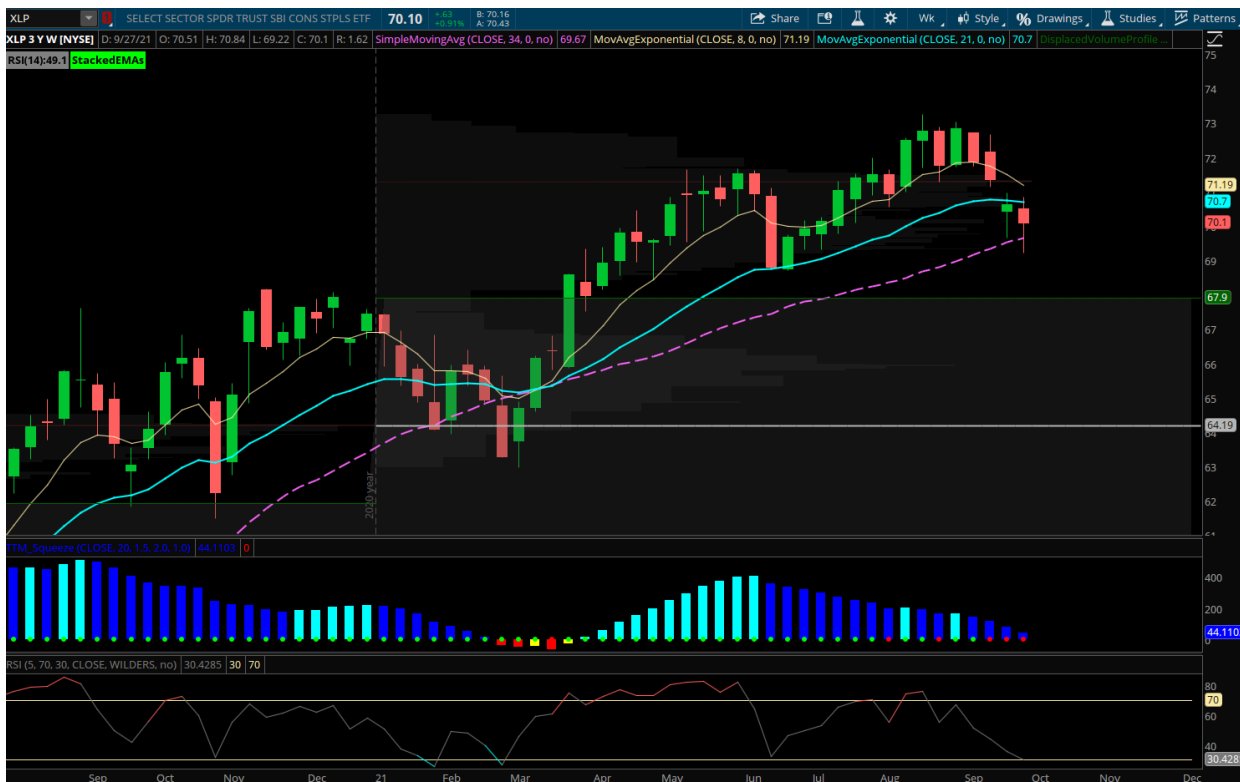
ETF Sector Relative Strength Corner: Safety Seen in Staples

Consumer Staples (XLP) The Staples sector has been pulling back with the overall market in late September but Wednesday outperformed the market as the safety trade came back for Staples and Utilities. If the broad market is set to continue seeing distribution to start October, then Staples could be back in play as XLP has tested and held its 34 week moving average near 70. A weekly squeeze is forming as short-term RSI reaches oversold levels. XLP can see a

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recovery bounce back towards the highs into Q4 and with the bounce today buyers are showing interest at these levels. XLY also recently saw a large December 73 call buyer for \$4.5M in mid-September which still sits in open interest.

The ETF's top 10 holdings are **PG, PEP, KO, WMT, MDLZ, COST, PM, MO, EL, CL**. The largest weighting is PG at 15.9%, followed by PEP and KO at both nearly 10% so the top 3 names are about a third of the ETF. The best-looking charts within the group include COST and PG both in fairly strong well-established uptrends and pulling in to recent value area supports. Using the weekly chart as a guide, the Consumer Staples group should be able to find support at these September lows and work off the 21 and 34 EMA's higher even if the broad market struggles to keep its footing.



Extras

Nasdaq (QQQ) buyer of 10,000 October 29th (W) \$352/\$315 put spreads today for \$4.13

S&P (SPY) with 45,000 October 29th (W) \$430/\$413 put spreads bought today for \$3.65

Five-9 (FIVN) with 2000 November \$175/\$190 call spreads bought with the \$145 puts sold

KE (BEKE) with 3000 June \$15 puts sold to open for \$2.85

Community Health (CYH) buyer of 3000 November \$12/\$17 call spreads for \$1.10

Frontier (FYBR) buyer of 3,500 February \$30 calls for \$1.97, adjusting back the \$35 calls

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Horizon Therapeutics (HZNP) buyer of 2,690 November \$115 calls this afternoon for \$5.40, spread with the \$130 calls sold 5380X for \$1.32/\$1.33

Western Digital (WDC) opening sale of 700 January 2024 \$50 puts for \$10.40

Fiverr (FVRR) opening sale of 250 June \$175 puts for \$29.30

Celsius (CELH) opening sale of 150 January 2023 \$70 puts for \$16.30

Open Interest Checks

Ticker	Contract	Prior OI	New OI	OI Change
T	19 NOV 21 28 PUT	2,271	6,057	166.71%
HYRE	21 JAN 22 10 CALL	2,765	7,153	158.70%
PFE	19 NOV 21 44 CALL	5,763	14,321	148.50%
TEVA	18 MAR 22 11 CALL	3,577	8,152	127.90%
GTLS	19 NOV 21 200 CALL	218	460	111.01%
GILD	18 MAR 22 70 PUT	2,406	4,906	103.91%
VMW	21 JAN 22 125 PUT	12,498	24,340	94.75%
GM	19 NOV 21 57.5 CALL	5,182	9,825	89.60%
TWLO	21 JAN 22 400 CALL	1,290	2,394	85.58%
IWM	21 JAN 22 175 PUT	15,849	27,336	72.48%
KHC	17 JUN 22 37.5 CALL	3,080	5,297	71.98%
GILD	19 NOV 21 72.5 CALL	5,083	8,358	64.43%
HTA	21 JAN 22 30 CALL	20,048	32,733	63.27%
DBX	21 JAN 22 33 CALL	3,068	4,538	47.91%
AMD	16 SEP 22 90 PUT	2,884	3,998	38.63%
DDOG	19 NOV 21 140 CALL	5,937	7,843	32.10%
MGM	17 DEC 21 46 CALL	5,350	4,459	-16.65%

What They're Saying

Cintas (CTAS) earnings call on cross-sell opportunities... "It's very much a point of focus. When you think about our relationships, every single customer virtually needs, our fire surface, right, because of the legal requirements around that subject. But we see very nice overlap with those who would -- who are uniform customers who would need some direct sale their uniform rental. And we also see overlap with those who are uniform rental customers who would need first aid and safety products, training, CPR, all the various items that we provide. It's been a big issue has been in the past that our customers weren't aware of everything we provided. And that's a nice problem to have, but nevertheless, it's still very much a problem for us. And we're trying to change that position in the marketplace... the really good news is we're in the early innings of penetration. And so when you think about the rental customers and the opportunity to continue to penetrate with even rental items, such as our restroom products and our things that we've talked about recently in the last year, like isolation gowns and

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hand sanitizers, we're in the very early innings. And when you couple that with the first day of safety and fire opportunities again, less than 20% penetration. And so we've got a lot of work to do and a really exciting thing is much opportunity remains."

Micron (MU) earnings call on end-market strength... "The demand for memory and storage has evolved dramatically from the PC-centric era. Today, demand for memory and storage is driven from diversified end markets that extend from data center to the intelligent edge and to a growing diversity of user devices. As a result of growing memory and storage content per device, DRAM and NAND now account for an ever-increasing portion of the bill of materials for our customers. DRAM and NAND's TAM share of semiconductor industry has steadily grown over the last 2 decades from around 10% to approximately 30% today. The AI and 5G revolution is only in its infancy, and as these secular growth drivers gain further traction, we expect new data-intensive applications to continue to fuel significant increases in DRAM and NAND TAM."

Earnings Review

MLHR – Missed on EPS and Beat on Revs - "We had a strong start to fiscal 2022, as we experienced robust demand across our business while also successfully completing our acquisition of Knoll. Going forward, we are pleased to share that we will operate under the name MillerKnoll, and become one of the largest and most influential design companies in the world. The integration is progressing smoothly as we bring together the best of both organizations, and we are confident in our ability to deliver on our previously outlined cost synergy targets. Our teams across the organization are energized and focused on our purpose - design for the good of humankind."

MKC – Beat on EPS and Revs, Cuts FY View - In 2021, the Company now expects to grow sales by 12% to 13% compared to 2020, which in constant currency is 9% to 10% and includes the incremental impact of the Cholula and FONIA acquisitions. This is at the high-end of the Company's previous projection of 11% to 13%, or 8% to 10% in constant currency. McCormick expects to drive organic sales growth in both its Consumer and Flavor Solutions segments in 2021 driven by brand marketing, new products, category management and differentiated customer engagement. The Company's expected sales growth also includes the impact of pricing actions taken to partially offset an anticipated mid-single digit increase in costs.

KMX – Missed on EPS and Beat on Revs - "Our omni-channel platform, in combination with our unique customer offerings, industry expertise and solid execution, drove performance across our diversified business and led to a record level of used sales for the second quarter and an all-time record for wholesale vehicle sales" said Bill Nash, president and CEO. "Of particular note is the performance of our online instant appraisal offering, which continues to exceed our expectations. Just six months after the nationwide launch, we have already purchased over 350,000 cars from consumers online with this digital product," Nash continued. "We continue to make investments in growth and innovation for our customers' benefit and remain on track to bring our fully self-service online experience to all of our retail consumers by the end of the fiscal year." Nash concluded, "We've intentionally built our omni-channel platform to give every customer the ability to progress to a sale or buy regardless of how they shop with us, which will enable sustainable growth and create meaningful long-term shareholder value."

ANGO – Beat on EPS and Revs - "We had a solid first quarter, and our team continues to deliver strong revenue performance and invest in our growth drivers while advancing our ongoing transformation," commented Jim Clemmer, President and Chief Executive Officer of AngioDynamics. "We remain committed to investing in our

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Med Tech platforms to drive sustainable growth while managing through COVID-related headwinds to both our revenue and gross margin. Auryon and NanoKnife accelerated their strong trajectories while continuing to gain support from clinicians, and we commenced the limited market release of our AlphaVac mechanical thrombectomy device. I am excited about the future of AngioDynamics, as our team continues to execute against the strategic plan that we laid out at our Investor & Technology Day."

Disclosures

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