

OptionsHawk

OPTIONS HAWK DAILY MARKET 1/14/2019

Sector Leaders

Financials

Solar

REITS

Stock Gainers

GCI 18%

BOOT 13.45%

UNG 11.5%

LULU 9%

YETI 8.8%

GG 7.8%

SBS 7%

Volatility Gainers

- PCG
- BPT
- TWLO
- GNW
- ARNC
- WDC

High Call Volume

- CIM
- RDC
- TSCO
- USAT
- BOOT
- KEY

Bullish Options

- QCOM
- CL
- PYPL
- BIIB
- CAT
- VLO
- ADBE
- FDX
- LLY
- MRTX
- FDC

Sector Laggards

Utility

Semi's

Gaming

Stock Losers

PCG -49%

TLRD -15%

PBH -13.5%

ATHM -13.5%

CWEN -11%

HOME -10.5%

CDNA -8.5%

Volatility Losers

- BOOT
- AMRN
- C
- ANF
- GG
- AMD

High Put Volume

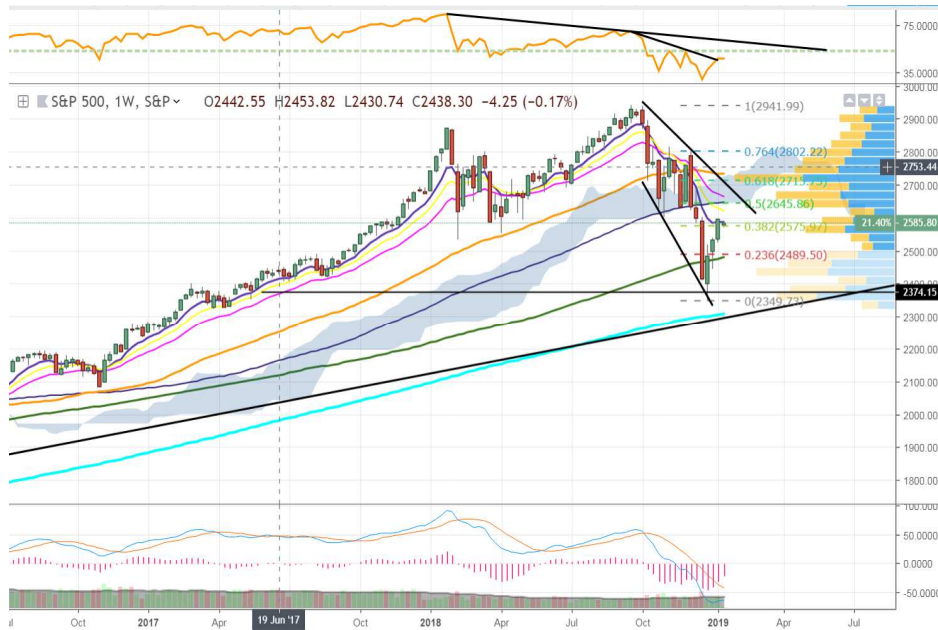
- GDS
- WGO
- INFO
- ATHM
- PKG
- MDCO

Bearish Options

- TXN
- LNG
- RCL
- AMAT
- CPB
- PCH
- MDB
- BUD
- TER
- OMC
- JBL

Market Review: Stocks were sharply lower overnight to start the week into the beginning of earnings season as global growth concerns mount, Euro-Zone production slumping and China Import/Export data coming in weak. The China news definitely weighed as Gaming, Metals, and Semiconductors were the biggest laggards, while Banks led a small group of gainers after Citi responded well to earnings. Stocks did an impressive job of not giving up much ground and moved a bit higher midday. Considering the bevy of negative news into Monday it was impressive price-action overall for stocks holding onto recent gains. Earnings start to pick up later this week and tomorrow we have Empire Manufacturing as well as Fed speakers.

S&P Chart:



Resistance	Support
2,595	2,525
2,640	2,460
2,695	2,375

Options Action Trends: Another Refiner, VLO, saw bullish size positioning today after activity in MPC and PSX last week.

What's On Tap: Empire Manufacturing and Fed Speakers.

Trade Tracker Portfolio Changes:

1. **Earnings Flow Trades** (Long WFC Feb./April \$50 Call Calendar Spreads \$1 Debit; Long PPG Jan. \$100 Puts \$1.80 Debit)
2. **Spotlight Trade:** Long NKE April \$77.5/\$85 Call Spreads \$2.50



Biogen Bullish Spread Positions for Upside through June

Ticker/Price: BIIB (\$328.5)

Analysis:

Biogen (BIIB) bullish spreads selling 500 June \$310 puts to buy the \$350/\$400 call spreads, trading for net credits showing a willingness to own shares just below the 200 MA. BIIB has seen scattered bullish activity in June calls the past few months as well. Shares have put in a strong three week rally back above the weekly cloud and MACD crossing bullish on the weekly. The sell-off with the market in Q4 held right at trend support off its 2016 and 2018 lows. The \$67B Biotech trades 11.9X Earnings, 5.07X Sales and 11.55X FCF. BIIB is forecasted to see revenue growth slow due to tough comps starting in Q2 2019, next reporting in late January. BIIB has a strong core business for cash flows with its MS franchise and is targeting growth in Neurosciences. The MS market is a \$20B market and BIIB gets 68% of revenues from MS. Its SPINRAZA launch has been a blockbuster and its building out its Biosimilars as well. It is also considered best positioned in the Alzheimer's market, a massive untapped market. Final data for Aducanumab is expected in early 2020. BIIB also has \$29B in cash flow with \$5.7B cash and \$8B debt capacity, expected to pursue acquisitions and share repurchases. Analysts have an average target of \$385 on shares, short interest low at 1.8% of the float. BIIB raised prices on its MS drugs meaningfully on 1/1/19. Piper rates shares Overweight with a \$400 target. BTIG started shares Buy on 12-21 with a \$362 target seeing excitement for Aducanumab, a cash flow cow, and growth potential of its neuro portfolio. Hedge Fund ownership fell modestly last quarter, Meridian Global starting a new position and Jackson Square adding to its large position, a 4% weighting.

Hawk Vision:



Trading Strategy: BIIB is extended near-term and the position is a credit, so gives us \$310 as a level to be more interested in involvement with time to monitor additional flows.

Confidence Ranking: \$\$



Valero Bulls Position as Refiners Seen Rising

Ticker/Price: VLO (\$78.5)

Analysis:

Valero (VLO) with 2,500 June \$85 calls opening this morning for \$3.44 and follows buyers in the Jan. 2020 \$82.50 calls on Friday 2,000X. The February \$80 and \$85 calls with recent accumulation as well. On 12/14, a Director bought \$1.8M in stock at \$72.73, the largest open market buy in the name in years. Shares are forming a multi-week base under the 50-day EMA at \$80 after clearing a downtrend from the Fall highs. A move above \$82.50 has room back to \$95 and a gap from October. The \$33.35B company trades 9.4X earnings, 0.29X sales, and 9.4X cash with a 4% yield. VLO expects 30% EPS growth in each of the next two years with revenues growing 5.2% and 8.4%. VLO is seeing better results from their core refinery operations as capacity utilization and volumes improve while margins remain strong. They expect to spend around \$1B on growth projects in the upcoming year including the Diamond Green expansion. Analysts have an average target for shares of \$117 with 13 buy ratings, 7 hold ratings, and 1 sell rating. Piper started at Overweight on 1/10 with a \$97 PT while CSFB upgraded shares to Outperform on 11/1. The firm notes that as cracks stabilize and refining equities reverse course, VLO has more upside than its diversified peers. Barclays positive on 10/26 noting that shares screen cheap on a SOTP valuation (~\$140) even if you eliminate all IMO benefits. Short interest is 2% and well off the 2018 highs near 4.2%. Institutional ownership rose 8.3% last quarter. AQR, Arrowstreet, and Panagora all notable buyers.

Hawk Vision:



Trading Strategy: VLO joins a long list of Refiners with bullish positioning over the past week, and looks to have room to run here above the 50 MA. HFC is my preferred name in the group, but has not seen the flows. It tends to be a good signal when a number of peers see similar flows.

Confidence Ranking: \$\$



Large Call Accumulate in Deere as Trade Tensions Seen Easing, Growth/Margin Expansion Cycle Strong

Ticker/Price: DE (\$157.25)

Analysis:

Deere & Co. (DE) shares continuing to show relative strength holding up near multi-month highs, moving out of a large descending triangle recently and back well above the 200 MA and weekly cloud. DE has seen a lot of bullish call accumulation since December as well as the June \$150 short puts 3,775X in OI and 1,500 of the February \$140 short puts. DE has seen calls accumulate at June \$180 for 2,660X, March \$155 for 5,780X, and Jan. 2020 \$165 calls bought 1,250X. The \$50.7B farm & construction machinery leader trades 12.3X Earnings, 1.36X Sales, and 14X EBITDA with a 1.92% dividend yield, earnings boosted in recent years from cost cutting measures. DE saw revenues rise 11.6% and 25.6% the last two years and now faces tough comps, but does see 22% EPS growth for FY19. DE has been investing in new products and Ag markets look to be improving. It also made a key acquisition of Wirtgen last year which has a strong order book and sees synergies by 2022. Analysts have an average target of \$176 with short interest low at 2.3% of the float. DE will next report earnings on 2-15. CSFB has an Outperform rating and \$211 target on shares seeing a roadmap to mid-cycle margins while precision Ag is in focus. A trade resolution would be a boost for DE with steel tariffs and Ag trade flow impacts. Argus was out last week with a \$170 target after management raised operating margin target to 15% from 12%. BMO has a \$195 target and sees years of growth and margin expansion despite challenged farmer incomes, machinery continues to age and a replacement cycle is coming. Hedge Fund ownership fell 16.8% last quarter, though Cascade Investment, Castle Hook, and Firefly Value all took large concentrated new stakes.

Hawk Vision:



Trading Strategy: DE is a favorite fundamental name in Industrials and showing impressive price-action, extended near-term but attractive back near \$149.

Confidence Ranking: \$\$



First Data Corp Longer Term Bulls Take a Position

Ticker/Price: FDC (\$17.20)

Analysis:

First Data (FDC) with over 3,800 Jan. 2021 \$18 calls being bought today from \$3.30 to \$3.60 as shares trade red-to-green from early weakness. FDC has 40,000 March \$17 calls in open interest from recent buyers and 3,000 March \$17 puts sold to open on 1/4 seeing limited downside. The April \$16, March \$18, \$19, and \$20 calls have also seeing upside buys while 14,000 April \$20 calls remain in open interest. Shares are down from around \$26/share in September but basing around March/April support with a positive RSI divergence into the recent lows in December. A move above \$17.50 has room back to a gap at \$19.50 from Oct. earnings which stretches back to \$21.50. The \$16.44B company trades 10.9X earnings, 1.6X sales, and 8.25X FCF with mid-double digit growth. FDC sees 3% revenue growth this year and 6% in FY20. FDC's been shuffling their portfolio recently divesting some non-core businesses late in 2018 and cutting debt by nearly \$1.4B on the year. Their Clover Station for small businesses continues to gain market share as they add new services. The company outlined a number of initiatives to improve their JV channel early in 2018 and starting to see strong digital enrollment last quarter from their partners. Analysts have an average target for shares of \$25 with 21 buy ratings and 5 hold ratings. KeyBank with a \$22 PT citing a low valuation with upside drivers from improving North American GBS growth and deleveraging which can expand the multiple. Wedbush positive recently noting that the company remains well positioned to capitalize on strength in merchant/financial processing. Stephens downgraded shares on 1/3 expecting the company to miss FY19 guidance but says fears of a long-term slowdown or structural flaw are misplaced. Institutional ownership rose 18% last quarter. Lone Pine is the top holder with 21M shares while Melvin Capital has 11M shares. Short interest is 3%. In 2017, the CEO bought \$420K in stock at \$16.82, right around current levels.

Hawk Vision:



Trading Strategy: FDC is forming a potential key base and has sizable flows, likely Melvin based on filings. Shares have reset in a big way and look to be a nice value versus recent lows.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Biotech (XBI) more bear spreads that may be hedging the strong jump to start 2019, selling March \$88 calls to buy the \$78/\$68 put spreads 7500X today

Semiconductors (SMH) with 15,000 March \$100/\$85 bear risk reversals opening today, could be a collar on stock. **SMH** seeing 3,300 Feb. \$91 calls bought to open as well spread vs \$96

S&P (SPY) with 3,000 Jan. \$260 calls rolling to Feb. 8th (W) \$263 calls. **SPY** with 17,500 Feb. 1st (W) \$253/\$248 put spreads bought to open for \$0.92. **SPY** large trade opened 5,000 June \$258 calls today \$12.73, over \$6M

Emerging Markets (EEM) with 142,300 December \$37/\$30 put spreads bought today, and sells 42,690 of the \$41 calls

Consumer Discretionary

Macy's (M) January 2021 \$28 calls bought 1,000X this morning from \$3.85 to \$4

Tractor Supply (TSCO) the February \$90/\$95 call spread being bought 1,500X3,000 today for \$0.55 debit, earnings 1-31

Lululemon (LULU) strong today after raising their guidance and the June \$150/\$175 call spread is trading 1,000X for \$8.20

Starbucks (SBUX) seeing 10,000 January \$60 calls bought back in March 2017 close today and roll out to the February \$60 calls which open for \$4.75 and capture earnings on 1-24

At Home Group (HOME) down almost 8.5% today but seeing 1,000 February \$20/\$18 bull risk reversals open into the lows 1,000X for \$1.10 debit

Omnicom (OMC) the April \$72.50 puts being bought for \$2.55 to \$2.60 today, 1750X

Xerox (XRX) buyers coming in for 2,000 Jan. 2021 \$23 calls to open \$2.85 to \$2.92

Fresh Pet (FRPT) buyer of 1,000 February \$35 puts today for \$2.00, looks to be adjusting the January puts bought on Friday

Tractor Supply (TSCO) the February \$90/\$95 call spread being bought 1,500X3,000 today for \$0.55 debit, earnings 1-31

Tempur Pedic (TPX) seeing Jan. \$42.5 and \$45 calls adjust to March \$55 calls which are bought 3,000X

Macy's (M) with 50,000 February \$23 puts opening as 25,000 Jan. \$27 puts adjust

Consumer Staples

Colgate (CL) with the Feb. 22nd (W) \$64/\$60 bull risk reversal opening 2,900X

Campbell's Soup (CPB) with 1,000 May \$35 puts opening \$2.53 to \$2.55 today into recent strength

AB InBev (BUD) with another 3,000 March \$70 puts bought today for \$2.13 to \$2.15 where 5,000 were bought in mid-December

Energy

Cheniere Energy (LNG) with 1,500 Feb. 1st (W) \$64 puts opening for \$2.10

Parsley Energy (PE) spreads this morning are buying the March \$20/\$25 call spread and selling the \$15 puts 2500X for a small net debit

Continental Resources (CLR) 1,000 February \$47.50 calls opening today for \$2.10 as 1,500 of the January \$45 calls adjust

GOLAR LNG (GLNG) Jan. 2021 \$37.5/\$15 bull risk reversals opening 2,500X

Range Resources (RRC) opening sale of 8,000 June \$12 puts for \$1.70 with Natural Gas up sharply this morning

EQT Corp (EQT) buyer of 10,500 February \$22 calls for \$0.85 today as the January \$20 calls close 5,650X and roll out

Financials

KeyCorp (KEY) buyers of 12,000 January 25th (W) \$16.50 calls up to \$0.26 with earnings on 1-17

Citi (C) with 5,000 Feb. 1st (W) \$60 calls opening \$0.83 with the Jan. \$60 calls adjusting, shares up 3.2% after earnings

Blackstone (BX) buyer of 4,000 Jan. 2021 \$25 calls today for \$7.95 as the January 2019 calls adjust out, expected to be the next to announce a C-Corp transition

Bank Ozk (OZK) the August \$25/\$17.50 put spread being bought 700X1,400 for \$1.35 net debit, big miss in October

Geo Group (GEO) with 5,000 June \$17.50 puts bought today for \$0.65 tied to stock

Realogy (RLGY) with 2,750 June \$12.5 puts bought \$0.75 to open, name with 15,000 of the \$15 puts in OI and 24,500 of the Jan. 2020 \$10 puts

Healthcare

Teva (TEVA) stock replacement opens 5,250 Jan. 2020 \$17.5 calls \$3.80 at ISE

Allscripts (MDRX) buyer of 900 February \$11 calls this morning for \$1.00 into strength

Bristol Myers (BMY) trading 6,000 April \$55 calls against OI of 6,719, have to confirm OI tomorrow

Eli Lilly (LLY) with 5,000 January \$115 calls bought on 1/7 closing today and adjusting out to the February 8th (W) \$120 calls at \$0.95

Horizon (HZNP) with 1,136 May \$23 calls open today for \$2.26 as the January \$19 calls roll out and up; Phase 3 data in Thyroid Eye Disease due in Q1. Short interest is 3.9% and down from 6.6% in October and almost 13% in September 2017

Abbott Labs (ABT) seeing 600 January deep ITM \$35 calls close today and roll out to buy the Jan. 2021 \$55 calls for \$17.80

Sage Therapeutics (SAGE) pulled back off recent highs from positive data and held above former resistance, seeing 1,000 May \$150 calls sold to open for \$10 today in a buy-write

Mirati Therapeutics (MRTX) interesting spreads today are buying the June \$75 calls around \$9 and selling the April \$85 calls for \$3, starting small around 350X but now almost 1,950 on the day. MRTX trades around 365 calls per day on average. The \$1.98B biotech trades 8.15X cash and 208X sales. Shares have rallied recently with the LOXO deal as MRTX is focused on kinase inhibitors through their lead products sitravatinib which targets genetically-selected NSCLC and other solid tumors. The company expects to present Phase 2 data in RCC in the 1H of 2019 and Phase 2 data in urothelial carcinoma in the 2H. They also have a KRAS inhibitor MRTX849 which is in early stages. MRTX announced a collaboration with Bristol Myers in January. The Street high target for shares is \$65 at HC Wainwright while Jefferies has a low-end target of \$37. Guggenheim sees upside potential given that Sitravatinib is one of only few agents with clinical activity in CPI-refractory NSCLC, addressing a huge market opportunity and has significant potential in other tumor types. They also note that MRTX has the only direct KRAS-mutation selective inhibitor in development, addressing potentially a huge opportunity that has been considered "undruggable" for decades. They remain Neutral given valuation concerns and reward/risk is pretty even. Institutional ownership fell almost 10% last quarter. VenBio, Baker Bros, Boxer Capital, and Farallon are all top holders. In June, VenBio and Boxer both bought shares on the open market around \$38.85. Short interest is surging, around 17.3% and jumping from around 3.5% in early 2018.

Vertex Pharma (VRTX) trade closes 250 Jan. \$165 calls and opens 250 April \$175/\$165 bull risk reversals

Amgen (AMGN) buyer of 1,000 April \$190 puts to open for \$7 and still has 2,470 April \$185 puts in OI from buyers

Axsome Therapeutic (AXSM) a major mover last week consolidating gains well and seeing 1,000 April \$10 calls bought \$1.40 today and 1,000 of the April \$15 calls bought to open \$0.75 to \$0.85 as well. AXSM's Phase 2 trial in Major Depressive Disorder achieved its primary endpoint. HC Wainwright out this morning with a \$15 target noting a 10-30% probability of approval. BTIG

raised its target to \$20 last week noting additional readouts this year for treatment resistance depression and Alzheimer's are additional catalysts.

Seattle Genetics (SGEN) buyer of 1,500 March \$65/\$50 put spreads to open \$2.75

Industrials

Arconic (ARNC) another 5,500 February \$20 calls trading today for \$0.90, downgraded this morning at JP Morgan on valuation. ARNC is reportedly in talks with Apollo on a deal around \$22/share

Caterpillar (CAT) bidder active for February \$140 calls again 2,745X trading near \$1.73 looking to add to 6,578 in OI from recent buys, earnings likely next week

Fed-Ex (FDX) buyer of 1,000 March \$175 calls \$5.55 to \$5.65

Waste Mgmt. (WM) with 800 Jan. 2020 \$92.5 puts sold to open for \$5.30

General Motors (GM) trading 3,250 Jan. 25th (W) / Feb. 8th (W) \$37.5 call calendar spreads, earnings 2-6

Textron (TXT) with 6,875 February \$45/\$40 put spreads bought versus stock and seeing 835 Feb. \$50 calls open for \$1.24

Dana (DAN) with 5,000 Jan. \$16 calls bought to open \$0.55 to \$0.60, name with sizable March call OI

Embraer (ERJ) block of 1,000 Jan. 2020 \$22.5 calls opened for \$3.90

Delphi Auto (DLPH) buyer of 6,500 March \$17.50 calls for \$1 to open at the CBOE. The \$1.5B auto parts company trades 4.2X FY19 EBITDA with a heavily levered balance sheet. DLPH named a new CEO on 1/7 and 2019 seen as a transition year but longer term a strong product portfolio and margin expansion opportunity.

Grainger (GWW) buyer of 4,000 Jan. \$275/\$265 put spreads ahead of **FAST** earnings this week

Materials

Potlatch (PCH) trade opens 5,000 August \$40 calls sold to open \$0.50 and the \$25 puts bought to open \$0.55

Newmont Mining (NEM) down 5% after its \$10B deal for GoldCorp (GG) but seeing 1,500 June \$31 puts sold to open in early action

Owen Corning (OC) with 2,300 February \$47.5 strangles sold to open for \$4.33

Cliffs (CLF) with 2,000 July \$7 calls bought to open ITM today near \$2.32

Tech and Telecom

Texas Instruments (TXN) with 2,000 February \$97.5 puts bought early \$4.10 to \$4.50 as negative Semi pre-announcements continue with Dialog Semi

Micron (MU) trade looks to be closing 15,000 June \$30 puts and opening 5,000 of the \$24 puts

Western Digital (WDC) with \$500K in Jan. 2021 \$37.5 calls bought \$7.20 to \$7.35 into weakness. **WDC** 1200 Feb \$37.5/\$32.5 put spreads bought

Adobe (ADBE) large opening buys of 2,695 March \$230 calls \$14.55 to \$15.50

Qualcomm (QCOM) sweep buyer of 1,000 February \$55 calls \$3.40 offer

Mongo-DB (MDB) crushed last week on competitive threat concerns from AWS and today down another 3.5% and seeing 1,000 May \$60 deep ITM calls open \$17.70 at the bid, effectively short the stock that has 10% of its float short

Expedia (EXPE) spread today is buying 500 April \$115 calls for \$7.20 to \$7.30 and selling 1,000 of the February \$125 calls for \$1.70 into 2-7 earnings, recent June bull spreads. **EXPE** now also seeing 2,500 ITM February \$125 puts sold to open from \$12.30 to \$12

Symantec (SYMC) seeing 1,900 July \$23 calls bought today spread with the February \$23 calls sold in calendar spreads

IBM sweep buy of 1,000 March \$110 puts \$1.97

NetGear (NTGR) unusual 1,000 February \$38 calls opening into weakness \$1.70 to \$1.95

Workday (WDAY) rolling over near the lows of the day with 550 February \$160 puts bought for \$5.40 to \$5.50

Teradyne (TER) with 3,000 February \$33 puts opening \$2.60 as January \$34 puts adjust

Groupon (GRPN) with 10,000 January \$3.50 calls closing today and rolling out to buy the February \$4 calls for \$0.38

F-5 Networks (FFIV) with 550 February \$165 puts being bought today for \$7.70 up to \$8, reports on 1-23; Deutsche Bank on Friday with a short-term sell on the name seeing modest risk to growth in both Products and Services.

Amazon (AMZN) with 550 February \$1645 calls bought \$73 to \$73.30 to open this morning, the Jan. 25th (W) \$1700 calls trading 1,880X on the day now as well

Ebix (EBIX) spread today sells 500 June \$60 calls to buy the \$45/\$35 put spread at a \$0.40 net debit

Zayo (ZAYO) with the June \$30/\$40 call ratio opening 1,000X2,000

Jabil (JBL) buyer of 3,500 March \$24 puts to open \$1.10, name impacted by the slowdown at Apple

Spotify (SPOT) buyer of the April \$130 calls for \$12.68 to \$12.82, rolling up the \$115 calls, 1000X

Utility

Duke Energy (DUK) with 1,185 April \$80 puts sold to open today for \$2.10

Disclaimer:

Not Investment Advice or Recommendation

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