

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 1/31/2019

### Sector Leaders

Solar

Housing

Software

### Stock Gainers

FLWS 18%

EGOV 15%

CHTR 15%

IIVI 14.75%

GE 14.7%

NOW 14.5%

FB 12.5%

### Volatility Gainers

- AVP
- TLRY
- COUP
- SYMC
- AMD
- FITB

### High Call Volume

- TSS
- TGE
- CCK
- CDNS
- FITB
- DBX

### Bullish Options

- FCX
- AGN
- W
- CVS
- NOK
- ZS
- TEAM
- EXEL
- NXPI
- CCK
- BIIB

### Sector Laggards

Banks

Transports

Materials

### Stock Losers

CMPR -25%

RFP -15%

GHL -14.5%

INVA -9.5%

HRB -9%

LN -8.1%

DWDP -7.8%

### Volatility Losers

- GNW
- KEM
- FLEX
- MLNX
- IIVI
- CREE

### High Put Volume

- TGE
- TSS
- NVAX
- PSTG
- VLY
- HSY

### Bearish Options

- COST
- HD
- TGE
- SKX
- GS
- KHC
- ETSY
- HUBS
- TWTR
- KMB
- IAC

**Market Review:** Stocks hovered higher overnight with the NASDAQ leading again after Facebook results, though overall a mixed night of reports with plenty of reduced outlooks still coming in, but markets liking the dovish Fed outlook yesterday and now looking ahead to US/China trade talks and a packed Friday of US economic data. Chicago PMI came in very weak and Jobless Claims spiked. Stocks pushed back over the 2,700 level by midday with strength in Housing, Software, Gaming, and Biotech. The S&P has now cleared trend resistance and running into the 61.8% Fibonacci and potential weekly upper cloud resistance, the 2740 level a major one. It will be an active night for Tech earnings and tomorrow we have a bunch of key data read-outs.

S&P Chart:



Resistance	Support
2,716	2,620
2,740	2,600
2,800	2,545

**Options Action Trends:** We saw buyers in calls for Homebuilders after the strong data in DHI, PHM and KBH. We saw some sentiment shift in high flying Software names with opening March call sales in MDB, COUP and SPLK.

**What's On Tap:** Jobs Report, ISM Manufacturing and Consumer Sentiment. Earnings from XOM, CVX, MRK, HON, SNE, SPG, CI, ITW, LYB, JCI, ROP, ZBH and IDXX.

### Trade Tracker Portfolio Changes:

1. **Earnings Flow Trade** (Long **HON** Feb. \$145/\$149 Call Spreads \$1.25)
2. **Spotlight:** Long the **Z** March \$35 Calls at \$2 – No Fill
3. Closed **MA** Call Fly \$5 (Opened \$2.80)
4. Closed **PSX** Calls \$2.90 (Opened \$1.25)



## Z-Scaler Bulls Active as Shares Move to New Highs

**Ticker/Price:** ZS (\$47.50)

### Analysis:

**Zscaler (ZS)** calls hot early with shares up 5% as 1,250 February \$49 calls are bought from \$1.20 to \$1.30, 745 of the December \$50 calls open for \$8.90, and more OTM Jan. 2020 calls open up to \$65 strike. ZS had 1,500 March \$48 calls bought on Friday and the Jan. 2020 \$55 calls bought as well 500X. ZS has bullish open interest in the May calls as well from early January. The March \$44 and \$45 puts have also opened in size, although down over 30% since initial buys. ZS is nearing a breakout above \$48.50 out of a wide multi-month range which targets \$60+. The \$5.46B software company trades 24.4X EV/sales and 17X cash and expected to see profitability in FY20. The company has been growing revenues steadily at 46.8% in FY19, 31.4% in FY20, and 27.9% in FY21 behind significant demand for their high-end offerings and growing in Private Access, their VPN-alternative for enterprise security. ZS operates in a big TAM as public cloud workloads are expected to jump significantly over the next 1-2 years and IT spending on security becomes a large percentage of the overall mix. Analysts have an average target for shares of \$38 with 5 buy ratings, 8 hold ratings, and 1 sell. MSCO downgraded shares to Underperform on 1/15 with a \$40 PT seeing shares priced to perfection. The firm thinks shares will be a relative underperformer as competitive noise gets louder. Piper starting at Overweight on 1/11 with a \$50 PT seeing the migration of data and applications to the cloud driving sustainable, long-term demand. They also think ramping adoption of SD-WAN should increase the need for cloud-based security. Institutional ownership rose 79% last quarter. Driehaus Capital, Castle Hook, and Maplelane all notable buyers. Short interest is 6.8% and up from 4.4% in December.

### Hawk Vision:



**Trading Strategy:** ZS has been a favorite newer growth tech name since early last year and continue to like it, though would not be recommending a position at these levels as it is quite extended.

**Confidence Ranking:** \$\$



## Wayfair LEAPS See Potential for Major Upside

**Ticker/Price:** W (\$108.35)

### Analysis:

**Wayfair (W)** with 750 Jan. 2021 \$195 OTM calls bought to open early \$10.50 to \$11.50, also with 400 of the Jan 2021 \$210 calls bought to open \$10 to \$10.30. The \$85 and \$80 Jan. 2021 puts are also trading 300X each to open but looking sold to open and potential risk reversals. W recently has a buyer of 1,250 February \$110/\$115 call spreads, earnings not until 2-22 but AMZN reports tonight. W also has 1,000 each of the May \$85 and \$75 short puts in open interest. Shares put in a large weekly base right above its 61.8% Fibonacci level and breaking out back over all key weekly moving averages and the cloud this week with MACD crossing bullish and RSI back over the 50 line, room to \$120 near-term. The \$9.5B online retailer of home goods trades 1.5X EV/Sales and remain far from profitability, often the short case made for the name. W is expecting to grow revenues another 31.6% in 2019 after 42.6% growth in 2018. Analysts have an average target of \$117 on shares and short interest is 25% of the float, up 59% Q/Q and back near a three year high, though shorts been wrong in the name for a long time. CSFB upgraded to Outperform this week with a \$130 target, noting FY19 likely to be below estimates due to significant near-term investments, but the long term trajectory is very positive, and has a strong competitive position with major upside to margins over time. DBAB started shares Buy with a \$124 target earlier this week as well, and Cowen raised its target to \$130 in December on strong business trends. Hedge Fund ownership rose 13.65% in Q3 filings, new position for Samlyn Capital.

### Hawk Vision:



**Trading Strategy:** W is a controversial name, I love the weekly chart look but the very high short interest definitely keeps me more hesitant, so if trading, a name to also own downside protection.

**Confidence Ranking:** \$\$



## Pure Storage Positioning Sees Limited Downside

Ticker/Price: PSTG (\$18)

### Analysis:

**Pure Storage (PSTG)** with 10,000 February \$17.50 puts sold to open today for \$0.40, follows 9,000 of the March \$15 puts sold earlier this week. PSTG had buyers in the May \$17.50 and \$20 calls in open interest, the latter with more than 1,850, as well 1,000 OTM Jan. 2020 \$25 calls from buyers. PSTG shares are forming a multi-week base under \$18/\$19 after clearing a downtrend from the September highs. Shares have a big volume node above at \$22 to target. Long-term, shares have pulled back from higher near \$28 to re-test a big range breakout from late 2017 at \$15 where shares have held. PSTG also held the 61.8% Fibonacci of the rally at \$16.75. The \$4.13B company trades 40.4X earnings and 3.2X sales with nearly \$5/share of cash on hand. PSTG forecasts 70.7% EPS growth in FY20 and 47.6% in FY21 with revenues growing 27.5% and 20% respectively. The company announced a suite of cloud offerings in November through Amazon Web Services. The move expands PSTG into the expanding hybrid cloud market. Analysts have an average target for shares of \$26.50 with 17 buy ratings and 7 hold ratings. Short interest is 6% but down from 7.6% in October and as high as 10.5% in early 2016. Piper with a \$25 PT on 11/20 commenting on the cloud move by saying it's a "game-changer" for Pure Storage and makes the company more software-centric and provides more valuation support. Wolfe started coverage at Outperform on 12/11 with a \$25 PT as the cloud shift offer an attractive opportunity long-term. Institutional ownership fell 7% last quarter.

### Hawk Vision:



**Trading Strategy:** PSTG is a favored name in storage and like the upside story here, though the put sales show support I would prefer to see some better call accumulation, otherwise be a buyer of the stock at \$15.

Confidence Ranking: \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**Brazil (EWZ)** seeing the Jan. 2021 \$45/\$40 put spreads bought 30,000X

**NASDAQ (QQQ)** April calls very active this morning as 15,000 April \$175 calls open 15,000X at \$2.63 in a stock replacement, the \$176 calls with a block of 10,000 sold to open, and 7,500 of the \$160 calls opening \$11.41 in a stock replacement. **NASDAQ (QQQ)** block of 5,500 Jan. 2020 \$165 puts trades to open late, tied to stock. QQQ also with the March 29th (Q) \$1621/\$152 put spreads active 13,750X and March \$166 puts active 15000X

**Homebuilder (ITB)** July \$36/\$39 call ratio spreads open 6,000X12,000 after strong New Home Sales

**Short VIX Short Term (SVXY)** with 6,000 Jan. 2020 \$52 calls opening \$4.65

**Russell (IWM)** with the April \$152/\$158 call spreads bought 10,000X to open today

## **Consumer Discretionary**

**Home Depot (HD)** buyer of 1,000 Feb 22nd (W) \$180/\$165 put spreads for \$2.70

**Skechers (SKX)** with 1,000 February \$27.50 puts bought up to \$2.55 today as the weekly puts adjust, earnings expected next week

**K12 (LRN)** strong name this month seeing unusual 500 June \$30 calls bought to open \$3.40 to \$3.50

**Activision (ATVI)** buyers active for 1,000 March \$50 calls today up to \$1.57 into 2-12 earnings

**Target (TGT)** more than 12,000 February \$75 calls being bought today from \$0.42 to \$0.56 with shares into the November earnings gap

**Hudson (HUD)** unusual buyer of 400 March \$15 puts today for \$2.30 to \$2.55, weak name trading near multi-year lows and recently cut their outlook

**Lululemon (LULU)** buyers of 2,000 February \$150 ITM puts from \$5.55 to \$6.20 today

**L Brands (LB)** a name that has not moved much with the market rally and 2,050 March \$27.5 puts are bought \$1.70 to \$1.78 to open today in the struggling retailer

**Melco (MLCO)** buyer of 2,500 July \$25 calls for \$1.25 as shares work out of a bull flag

**MGM Resorts (MGM)** with 3,000 April \$31 calls bought for \$1.13 as the March \$29 calls adjust higher and out, recent activist target

**Best Buy (BBY)** with 615 September \$60 ITM puts bought \$7.40 to open

**Dish Network (DISH)** buyers of 2,500 June 2020 \$22.50 puts for \$3.02 as the June 2019 puts adjust out

**Lowe's (LOW)** buyers of 1,500 March \$95/\$85 put spreads into the lows of the day, paying \$2.43

## **Consumer Staples**

**Wal-Mart (WMT)** seeing 1,730 Feb. 22nd (W) \$95 calls open for around \$500K

**Keurig (KDP)** with 1,000 OTM April \$30 calls opening today, name with a lot of insider buying in late 2018

## **Energy**

**Tallgrass Energy (TGE)** trade opens 5,000 July \$22.5 puts for \$1.45 after Blackstone (BX) took a controlling interest this morning

**Hess Corp (HES)** with 2,000 May \$55 puts sold to open today for \$4.45, rolling up some of the \$40 puts which were sold to open on 12/26 near the recent low

**Anadarko (APC)** with 1,800 Jan. 2020 \$57.5/\$45 bull risk reversals opening at a net credit of \$1.81

**Baker Hughes (BHGE)** fading all morning after earnings and 2,500 February \$25 puts bought from \$1.45 to \$1.50 into the lows

**Chevron (CVX)** with 1,000 April \$120/\$115 bear risk reversals opening into earnings

**Petrobras (PBR)** large buy of 15,000 April \$15 calls \$1.95, have to confirm OI tomorrow. **PBR** also with 12,500 March \$17 calls being bought to open

### Financials

**First Bancorp Puerto Rico (FBP)** unusual early action with 2,160 March \$10 calls bought for \$0.95

**Prudential (PRU)** buyer of 250 September \$100 calls \$3.35 to \$3.40

**Total Systems (TSS)** the February / March \$90 call calendar spread opening 1,785X this morning for \$1.05. **TSS** also seeing 2650 March \$85 puts bought to open

**Renaissance (RNR)** unusual early action as 908 July \$40 calls trade \$6.50 to open

**Goldman Sachs (GS)** with 1,175 February \$200 puts bought this morning up to \$3.75 into recent strength

**AIG (AIG)** buyers of 2,800 February 22nd (W) \$44 calls for \$0.90 today, pulling back and basing at the 20-EMA after recent strength

**Fifth Third (FITB)** buyers of 1,145 August \$29 calls up to \$0.95 today to open into weakness, continues to integrate their merger with MB Financial. **FITB** Aug \$29 calls are over 4,000X on the day and OTM Mar \$30 calls 8000X

**Lending Tree (TREE)** with 100 July \$290 puts bought today \$38 to \$38.90

**Tanger Outlet (SKT)** with 5,250 February \$24 puts bought to open up to \$1.45, name with sizable March puts in OI

### Healthcare

**Anthem (ANTM)** stock replacement opens 550 Jan 2020 \$310 calls \$23 to \$24

**Ascendis (ASND)** with 750 March \$95 calls sold to open \$4.30

**Novavax (NVAX)** with 20,000 February / April \$2 put calendar spreads opening today for \$0.58

**Exelixis (EXEL)** buyer of 5,000 May \$28 calls for \$1.80, adjusting out the February \$25 calls

**Gilead (GILD)** with 5,500 March \$75 OTM calls bought this morning \$0.84 to \$0.94

**Danaher (DHR)** buyer of 1,100 March \$110 calls for \$2.55, adjusting out of the February \$105 calls bought on 12/27 after a strong quarter

**Biogen (BIIB)** buyers of 2,000 April \$400 calls \$2.65 to \$2.80, spot where 2,000 bought on 1/28

**Allergan (AGN)** seeing 2,225 March \$155/\$135 bull risk reversals open at \$0.95 debit which follows the 1,150 February \$145 calls and 1,000 Feb. \$146 calls. The name had vague activist chatter yesterday

**Alder Bio (ALDR)** with 1,795 April \$17.5 calls sold to open \$0.90

**Lab Corp (LH)** seeing 500 deep ITM August \$160 puts sold to open today from \$21.70 to \$21.30 ahead of earnings on 2-7

**Boston Scientific (BSX)** with 13,500 March \$42 calls sold to open today from \$0.25 to \$0.22 into recent strength, likely overwriting stock into 2-6 earnings

**Mylan (MYL)** trade opens the February / March 8th (W) \$31/\$31.5 call diagonal for \$0.43 debit, earnings 2-27

**MRK** also 1,000 Feb. 22nd (W) \$73.5/\$76 call spreads bought into earnings, coiled chart

**Cigna (CI)** buyer of 5,400 March \$210 calls for \$4.90 as the Feb. \$200 calls close and roll out into earnings tomorrow

## Industrials

**Daseke (DSKE)** unusual volume for the name as 1,000 August \$2.50 puts are sold to buy the \$5/\$7.50 call spread. The \$249M trucking company is down around 70% over the last twelve months and trades 0.18X sales and 7.4X cash.

**Jacobs (JEC)** with 500 March \$65/\$70 call spreads bought to open for \$1.67. **JEC** also seeing 1,600 March \$67.5 calls bought \$2.45 to \$1.65 to open

**Union Pacific (UNP)** with 5,650 February \$155 puts being sold to open from \$1.26 to \$1.19

**Triumph (TGI)** with 2,300 March \$17.50 puts sold to open \$1.425 into 2-7 earnings

**KB Home (KBH)** highs of the day with 10,000 March \$23 calls bought \$0.37 to \$0.42, nice base building under \$22 since October

**Old Dominion (ODFL)** pushing up to the 200 MA and reports on 2-7, sees a spread today sell 2,000 February \$145 calls to buy 2,000 of the \$135/\$125 put spreads, net \$1.27 debit

**Delphi Auto (DLPH)** with 5,000 June \$20/\$17.5 strangles bought for \$4.30

**Waters (WAT)** unusual 600 February \$230 ITM calls being bought to open this afternoon with IV rising, strong since its report

**Brookfield Infrastructure (BIP)** with 1,300 September \$40 puts bought \$2.90 to open

**General Electric (GE)** afternoon sweep buys of 7,000 September \$10 puts \$1.10 offer into earnings strength

## Materials

**US Steel (X)** buyer of 1,000 March \$19 calls for \$2.25 to \$2.27 into post-earnings weakness

**Eastman Chemical (EMN)** buyer of 500 June \$80 calls today from \$5.80 to \$5.90 into weakness after Dow's earnings, reports tonight

**Crown (CCK)** buyer of 2,500 April \$52.5 calls \$1.525 to open, earnings 2-6

**SSR Mining (SSRM)** on a strong 6 day run and 5,000 December \$20 calls opening today \$0.50 mid-market, tied to stock in possible buy-writes

**Linde (LIN)** with 1,500 March \$165 calls sold to open \$4.10 to \$4.20, sure to face China headwinds

**LyondellBasell (LYB)** with 1,000 September \$90/\$80 strangles bought for \$10.65 with earnings tomorrow morning

## Tech and Telecom

**Verizon (VZ)** buyer of 700 March 8th (W) \$54 calls \$1.20

**Carvana (CVNA)** opening sale 1,500 August \$25 puts \$2.35/\$2.30, has the 4,000 August \$35 long calls in OI

**Atlassian (TEAM)** with 575 September \$115 calls being bought \$9.50 after 300 of the \$110 calls yesterday

**Coupa Software (COUP)** 500 June \$85 calls opening today for \$10.15 to \$10.24, rolling up the \$75 calls into strength as shares clear a weekly range. **COUP** also with 270 Sep \$100 calls bought \$8.10. **COUP** now seeing 1,000 March \$85 calls sold to open into strength from \$7.10 down to \$6.60

**DropBox (DBX)** trade opens 15,000 Jan. 2020 \$60 calls for \$0.20 with shares \$24.75

**Nokia (NOK)** down a bit after earnings but seeing July IV fall all morning with unusual opening sales of 5,500 July \$9 ITM puts

**Qualcomm (QCOM)** stock replacement buys 12,500 June \$52.50 calls for \$2.20 today

**NXP Semi (NXPI)** unusual spread sold 1,000 February \$88 ITM puts \$3.65 to buy 1,000 ITM \$80 calls for \$8.15

**Etsy (ETSY)** with 700 September \$50 puts bought today for \$6.50 to \$6.60, follows the Jan. 2021 put buys yesterday

**Wix.com (WIX)** with 400 March \$105 puts bought \$6.30 to \$6.60, spot where 1,000 were bought earlier this week

**Service Now (NOW)** strong move following earnings and seeing 200 January 2021 \$200 puts open from \$27.50 to \$28.90 and 500 of the \$195 puts bought from \$26 to \$26.70. **NOW** stock replacement opens 10,000 May \$190 calls \$40.40

**Citrix (CTXS)** shares basing since the earnings sell-off and seeing more bull flow today with 500 September \$100 puts sold to open \$6, while 450 of the \$105 calls are bought for \$6

**Nutanix (NTNX)** with 500 March \$52.5 calls bought \$3.45 to \$3.50, shares flagging tightly above 200 MA

**Hubspot (HUBS)** buyer of 500 September \$170 puts today for \$29 into strength, recent buyers in the March \$150 and February \$145 puts into earnings 2-12

**IAC Interactive (IAC)** with 800 February \$200/\$180 put spreads bought to open today for \$3.55 into earnings on 2-7

**Cadence (CDNS)** with 1,000 March \$49 calls opening \$1.67 as 1,150 Feb. \$48 calls close, earnings 2-19 and coming off a blowout quarter

**Zayo Group (ZAYO)** buyer of 1,000 September \$32.50/\$22.50 bull risk reversals today for no cost, recent reports of multiple interested buyers. **ZAYO** now moving higher with 21,000 March \$30 calls bought for \$1.10

**Twitter (TWTR)** large trade for 5,000 Jan. 2021 \$23 puts opened \$2.95. **TWTR** also today a buyer of 1,000 September \$35 calls to open \$5.10

**Western Digital (WDC)** buyers of 1,000 March \$42.50 calls between \$3.75 to \$3.80 today

**Alibaba (BABA)** with 1,350 ITM Mar. 22nd (W) \$182.5 puts opening size today for over \$2M

**WageWorks (WAGE)** unusual March \$30/\$40 call spread bought 500X today for \$3.30, buyers in the May \$25 calls recently as well with shares back above its 50-day MA and off of recent lows

**Calix (CALX)** popping with 1,000 February \$10 calls bought for \$1.20 to \$1.25 and also seeing 750 of the \$11 calls bought for \$0.70, still has size in the April and July calls, earnings 2-5

**Qorvo (QRVO)** with 3,000 May \$75 calls sold for \$2.20 in a buy-write

**eBay (EBAY)** sweep buy 2,000 July \$34 calls \$2.18 with the activist push

**Applied Materials (AMAT)** with 2,700 February \$40 puts bought this afternoon for \$1.65 to \$1.80 into earnings which should be around 2-14

**Spotify (SPOT)** the April \$140/\$160 call spread trading 1,250X2,500 today for \$2.70

**Avaya (AVYA)** with unusual 1,000 June \$20 calls bought OTM to open \$0.95 offer. The \$1.88B provider of digital communication products is moving out of a large falling wedge, and trades 5X Earnings and 2.7X Cash but with a lot of debt. Barclays upgraded shares to Overweight with a \$21 target noting it has been ignored since emerging from bankruptcy a year ago.

**Symantec (SYMC)** buyers of 6,400 March \$22 calls for \$0.86 to \$0.89 as shares lift of the lows of the day, earnings tonight

**Amazon (AMZN)** sale of 900 March \$2070 calls earlier for \$6, likely seeing that has max upside, would be right above all-time highs

**Trade Desk (TTD)** buyer of 300 March \$145 calls to open \$13.60 earlier today

**Splunk (SPLK)** with 935 March \$135 calls sold to open down to \$4.70 earlier today

**MongoDB (MDB)** with 800 May \$90 calls sold to open \$10.80, recent competition concerns from Amazon (AWS)

**Micron (MU)** buyer of 6,700 March \$39/\$41 call spreads for \$0.80

**Salesforce (CRM)** seeing sizable activity with 2,900 June \$155 calls opening up to \$12.40 in stock replacements

#### Utility



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