

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 10/1/2019

### Sector Leaders

Gold/Silver

Bonds

Retail

### Stock Gainers

CLLS 8.2%

UPLD 8%

MKC 7.2%

ATEX 7%

X 6.8%

AU 6.7%

ULTA 5.35%

### Volatility Gainers

- MNK
- AMTD
- ALDR
- ETFC
- JCP
- W

### High Call Volume

- HRTX
- MAS
- CMC
- MIDD
- AXTA
- TREX

### Bullish Options

- DHI
- WIX
- HAL
- ATVI
- AAL
- TREX
- SPLK
- DG
- WYNN
- ULTA
- PINS

**Market Review:** Stocks started the quarter on a positive note on easing US/China trade tensions while Eurozone PMI came in weak and the Bank of Australia cut rates for the major global news. US ISM Manufacturing came in at 47.8, an ugly number, and the worst since June 2009. Stocks sold off quickly after that number and went negative on the day. Following the weak Macro data we saw a return to safety with Bonds & Precious Metals climbing, though Software showed some strength as well as a Macro-resistant growth theme. The Industrial sector came under heavy pressure, while Banks/Brokers sold off after Schwab's moving to zero commissions. The VIX was up 10% midday, in-line with October seasonality. The selling did not let up and continued into early afternoon with the Russell down over 1.7%. ISM Services on Thursday and Jobs Report Friday now into focus.

### S&P Chart:



Resistance	Support
3,030	2,955
3,050	2,900
3,100	2,820

### Options Action Trends:

**What's On Tap:** ISM New York and ADP Employment Change.

### Trade Tracker Portfolio Changes:

1. No Changes

### Sector Laggards

Oil Services

Industrials

Transports

### Stock Losers

NERV -23.5%

AMTD -23%

ETFC -16.7%

ENSG -10.75%

ANAB -9.7%

IBKR -9.6%

SCHW -8%

### Volatility Losers

- MDR
- ONCE
- MKC
- CHK
- AMRS
- ADT

### High Put Volume

- AMTD
- ENR
- TCO
- SLG
- IBKR
- BGS

### Bearish Options

- BGS
- AMTD
- ZM
- TLRY
- TEVA
- NXPI
- TCO
- SNE
- STX
- KHC
- CGC



## Bulls See Inspire Medical Back to Highs

**Ticker/Price:** INSP (\$61)

### Analysis:

**Inspire Medical (INSP)** on Monday with the November \$62.5/\$70 call ratio spreads opening 750X1500 at net debits and followed the recent buys of 2000 November \$67.5/\$72.5 call spreads, unusual for a name with very little open interest and will capture its next earnings report in November. INSP shares have shown relative strength not far off new highs but did dip below the 21 week moving average last week and fairly oversold. Shares are trading right at one year trend support and retesting the March highs that should now be supportive, an optimal level for shares to base. The \$1.5B med-tech company focused on minimally invasive products/solutions for sleep apnea and its neuro-stimulation technology is disrupting the industry. INSP is trading rich at 17.6X EV/Sales but revenues grew 73.9% and 77% the last two years with 49% growth seen in FY19 and 37% in FY20. INSP offers its solution as an alternative to the 35-65% of non-CPAP compliant patients and sees a \$10B annual opportunity in the US alone. INSP was originally spun-out of Medtronic (MDT). INSP is working with the FDA to expand indication to younger patients and its 5<sup>th</sup> generation product is in development while the company also is launching Inspire Cloud to allow physicians to monitor patient compliance and therapy efficacy. Analysts have an average target of \$70.50 on shares and short interest remains rather low at 5% of the float for a high valuation name. Dougherty out with a \$78 target last week on positive reimbursement momentum. Hedge Fund ownership fell 11.4% in Q2 filings.

### Hawk Vision:



**Hawk's Perspective:** INSP is a favorite of the med-tech group and although valuation is rich continue to see the long-term upside opportunity.

**Confidence Ranking:** \$\$



## Southwest Air Call Buyers into Pullback

**Ticker/Price:** LUV (\$54)

### Analysis:

**Southwest Air (LUV)** on 9/30 with unusual activity as 3000 November \$55 calls were bought to open \$1.80 to \$2. LUV has previously seen buyers in December calls and on 8/2 the March \$52.50 puts sold to open 1000X and another 2800X on 9/11. The \$29.2B airliner trades 10.55X Earnings, 6.7X EV/EBITDA and 8.2X FCF with a 1.33% dividend yield. LUV forecasts call for 7.5% topline growth and 21% EPS growth in 2020, which would be its best year in a long while. LUV remains a leader in the industry with a strong profitability record due to its cost discipline while having a very strong balance sheet. ROIC is impressive though coming down since 2015 at 32.7%, 30.9%, 27.6%, and 23.6% the last few years driven by AirTran integration, Rapid Rewards, International expansion and new reservation system and revenue enhancements. Analysts have an average target of \$61 and short interest low at 1.5% of the float. In July Cowen called 2019 a lost year for LUV due to the MAX grounding at Boeing, though resulting in stronger pricing for the industry. Macquarie upgraded shares to Outperform in September seeing Southwest able to fully utilize its new revenue management system and more efficiently schedule aircraft as the MAX is reintroduced into its system, and likes the move to join Travelport and Amadeus Travel Platforms. Hedge Fund ownership rose 11.85% in Q2 filings, Berkshire Hathaway a top holder. On the chart shares have pulled back to the 21 day moving average and retesting a recent breakout level, shares coming out of a downtrend in 2H19 and room to make a run back towards \$60.

### Hawk Vision:



**Hawk's Perspective:** LUV looks healthy against its 33 day EMA with these upside calls a fairly cheap bet as shares have room back to \$60, a name that likely is revalued ahead of the anticipated strong 2020 year.

**Confidence Ranking:** \$\$



## Calls Surge in Halliburton

Ticker/Price: HAL (\$18.85)

### Analysis:

**Halliburton (HAL)** with 17,000 November \$20 calls being bought \$0.72 to \$0.87 to open early this morning and up over 33,000X in the opening hour. HAL was selected by PTTEP for a digital transformation contract this morning. Shares have pulled back with Oil prices the last two weeks after rallying back to YTD VPOC at \$22.50 in mid-September. HAL is a name with a ton of open interest and as seen some size put sales to open in longer dated contracts. The weekly chart is showing a major bullish RSI divergence into recent lows. The \$17B oil services leader trades 11.75X Earnings and 6.8X EV/EBITDA with EBITDA growth seen at 8.6% in FY20 after a down year in FY19. A Director bought 8000 shares at \$19.35 in September. HAL showed better execution in Q2 with momentum Internationally (double-digit guide for FY20) where they've invested in their footprint and tech. HAL continues to see weakness in North America but announcing a new 'playbook' to deal with slowing activity by shelving unused gear and 'stacking' rather than fighting for market share. The move is expected to help costs while the market turns. Analysts have an average target of \$29 on shares and short interest elevated near a three-year high at 3% of the float. HAL presents at multiple conferences in October and next reports on 10-21. Hedge Fund ownership declined 6% in Q2 filings, Sanders Capital a top holder that added to its \$600M position in Q2. Barclays downgraded shares on 9-16 seeing modest upside to shares and sees a focus on capital discipline and FCF by E&P companies intensifying into 2020 keeping pressure on the oilfield services market.

### Hawk Vision:



**Hawk's Perspective:** HAL action is fairly speculative but enticing versus a close stop of \$18, potential to put in a higher low here, though overall a tough business to operate in with current market conditions.

**Confidence Ranking:** \$\$



## Unusual Calls Bought in Trex into New Highs

Ticker/Price: TREX (\$92)

### Analysis:

**Trex (TREX)** strong name lately seeing unusual trading today with 445 January \$90 calls trading to open near \$10 and also trading 130 of the \$110 calls to open. TREX shares broke out of a downtrend in late July after a strong earnings report and have seen post-earnings drift carry shares to record highs. The \$5.3B maker of outdoor products with a focus on composite decking trades 31.5X Earnings, 26.5X EBITDA and 36X FCF. TREX will next report in late October and estimates looking for 10% revenue growth this year and 13% in 2020 with EBITDA growth seen accelerating to 23% in 2020. TREX ran into some issues earlier this year with manufacturing slowdowns but demand remains very strong and margin issues set to improve the next few quarters. TREX is focused on increasing conversion from wood to composites and continues to launch more outdoor focused products. Outdoor captures 34% of home improvement spending and TREX sales track closely to remodeling estimates. As of 2016 Wood composed 83% of decks and every 1% market share rise for composite equals \$50M in annual sales for TREX. Analysts have an average target of \$81 and short interest is near new highs at 32.5% of the float. DA Davidson raised its target to \$96 on 8/29 seeing more growth and margin runway seeing a strong repair & remodel industry backdrop. Blair started shares Outperform back on 8-22. Hedge Fund ownership soared 150% in Q2 filings, BAMCO adding to its position.

### Hawk Vision:



**Hawk's Perspective:** TREX has long been a favorite name of mine for the Remodeling theme and I continue to see a long runway for composite decking, a name to own for the long haul though the elevated short interest calls for owning protection as well.

Confidence Ranking: \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**NASDAQ (QQQ)** in the opening half hour seeing 6000 December \$192 calls bought \$6.18 against the sale of March \$180 puts. **QQQ** 10,000 Nov. 1st (W) \$183 puts opening \$3.03 as Oct. \$184.5 adjust

**Biotech (XBI)** with 3000 November \$74 puts bought to open. **XBI** also opening seller 2500 January \$76 puts into weakness \$5.40 bid

**S&P (SPY)** March \$320/\$340 call ratio spreads bought 5000X10,000. **S&P (SPY)** with 15,000 January \$270 synthetic long positions bought at \$24.05 debit, also seeing 15,000 Nov. 4th (W) \$309/\$315 call spreads bought.

**Russell (IWM)** down over 2% seeing 16,000 November \$149/\$141 put spreads open

**China (FXI)** with 16,250 June \$37 puts bought for \$1.89 to open as January \$34 adjust

**Gold (GLD)** stock replacement opens 3750 January 2021 \$138 calls for \$11.45

## **Consumer Discretionary/Services**

**ActiVision (ATVI)** with 14,500 Oct. 11th (W) \$55 calls being bought up to \$0.47

**Sony (SNE)** buyer of 5000 November \$50 puts for \$0.40. **SNE** now with 1000 April \$52.5 puts opening up to \$2.50 as share shit day lows

**Wynn (WYNN)** seeing 750 November \$115/\$135 call spreads bought as October calls adjust

**Dollar General (DG)** with 1000 October \$160 calls opening \$3.10 to \$3.40

**AutoZone (AZO)** stock replacement sold 100 January 2021 \$1100 puts to open for \$126.30

**Ulta Salon (ULTA)** higher by 5.25% today after another large insider buy, and 1000 March \$300 calls are bought \$15 to open

**Domino Pizza (DPZ)** with 1500 October \$240 puts sold to open \$6.70 to \$6.60, earnings 10-8 and shares consolidating just under YTD VPOC

**Tractor Supply Co (TSCO)** with the November \$92.5/\$97.5 call ratio spreads opening 1800X3600 at \$0.55 debit

**Guess (GES)** with 1500 November \$19 calls opening \$0.95 offer in a stock replacement

**McDonald's (MCD)** with the October 25th (W) \$210/\$205/\$200 butterfly put spreads opening 500X1000 looking for a modest pullback, JPM out cautious this morning

## **Consumer Goods**

**Colgate (CL)** with 5000 October \$70 puts sold to open

**B&G Foods (BGS)** early action buying 750 February \$17.50 puts \$1.60

**Kraft Heinz (KHC)** with another 2000+ December \$30 puts being bought \$3.20 offer

**Tilray (TLRY)** buyer 1000 October \$27 puts \$3.70 to \$3.85

**Amyris (AMRS)** strong mover up 7.75% out of a bull flag and seeing 1500 January \$6 ITM puts sold to open \$1.90 down to \$1.75

**Energizer (ENR)** buyer 2500 October \$40 puts \$0.65 offer, shares weak here

**Clorox (CLX)** with 1000 next week \$152.50 puts opening \$2.25 to \$2.40

## Energy

**Plains (PAA)** with 1000 May \$20 puts sold to open \$1.65

**McDermott (MDR)** buyer 10,000 November \$2 puts as the \$4 puts adjust lower

## Financials

**Ameritrade (AMTD)** down over 20% after **SCHW** moved to zero commissions, seeing 1350 November \$35 puts bought \$1.55. **AMTD** also with 3000 Oct. 25th (W) \$38 calls bought \$1.65 into weakness seeing an overreaction

**Taubman (TCO)** buyer of 1250 November \$40 puts for \$1.20

**Ameris Bancorp (ABCB)** with 1000 April 4\$5 calls sold to open \$1.75 bid

**SL Green (SLG)** with 1000 November \$80 puts opening today \$3.30 to \$3.40, downgraded at Stifel this morning and shares near multi-year lows. Stifel sees concern with Manhattan real estate, high leverage metrics, and uncertainty with earnings strength.

**Citi (C)** buyers of 2000 November \$70 puts to open here \$3.50 offer

**PayPal (PYPL)** opening sale 1000 June \$90 puts for \$4.55

**Athene (ATH)** into weakness with 7500 February \$30 calls bought \$12.70 where 4,460 have accumulated from buyers. **ATH** a name that saw size insider buys in June and September

**Visa (V)** jumps a bit with 6000 November \$185 calls bought \$1.67 to \$1.80 to open

**Correction Corp (CXW)** with 5000 January 2021 \$13 puts opening \$2.50

**AIG** with 430 May \$50 ITM calls bought to open \$6.90 to \$7

**TradeWeb (TW)** higher with the upgrade this morning and seeing a large trade this afternoon open 3000 January 440/\$35 bull risk reversals at \$0.45 debit. Shares need to close back above \$40 to work out of its 2 month downtrend

## Healthcare

**Teva (TEVA)** with 20,000 November \$8 puts bought to open \$1.26 to \$1.37

**AstraZeneca (AZN)** with 750 January 2021 \$47.50 puts opening today \$6.90

**ABIOMED (ABMD)** with 350 November \$190/\$220 call spreads bought and 200 November \$200/\$230 call spreads bought

**Bristol Myers (BMY)** on session lows seeing 2000 November \$50 calls bought \$2.05 offer to open

**Pfizer (PFE)** opening sale 2500 June \$32 puts \$1.45. **PFE** also with 1000 January 2022 \$33 puts sold to open for \$4.10

**Heron (HRTX)** on session lows but 570 March \$18 calls bought here \$3.50 to open

**Axsome (AXSM)** bounces off session lows, down 25%, as 1000 December \$15/\$25 call spreads are bought

**CVS Health (CVS)** with 2000 June \$72.50 calls sold \$1.74 in a buy-write

**Eidos Therapeutics (EIDX)** shares down 5.85% today and breaking to multi-week lows after a big run in 2019 from \$11.15 in February to highs of \$49.70 recently. EIDX today seeing 1000 February \$40 calls open \$4.70 as the only notable open interest in the name and occurs right at trend support off prior lows. The \$1.37B clinical stage biopharmaceutical rejected a non-binding proposal from BridgeBio Pharma in September, a majority stockholder. EIDX is focused on addressing a large and growing unmet need in transthyretin (TTR) amyloidosis (ATTR), a fatal disease with limited treatment options. It is Executing phase 3 study in ATTR-CM with potential registrational data in 2021. Phase 2 open label extension data in 2H 2019. Short interest has been rising and now at 44% of the float. RA Capital has 6% of its capital invested in EIDX and Viking Global has a small position. BTIG raised its target to \$56 in September positive on the company rejecting a buyout offer and sees added revenue contribution from its deal with **Alexion (ALXN)** to develop and commercialize AG10 in Japan. Piper started coverage at Overweight with a \$50 target back on 7/22 seeing AG10 as best-in-class for a ATTR cardiomyopathy drug group that will generate several billion dollars in long-term sales.

**Sage Therapeutics (SAGE)** with 580 November \$140 calls bought to open midday into weakness \$9 to \$9.20

**Amarin (AMRN)** buyer 1500 January 2021 \$22 calls \$3.30

**IQVIA (IQV)** buyer 2000 November \$145 calls \$6.20 to \$6.50

### Industrials

**DR Horton (DHI)** bullish action early with 1600 January \$55 calls being bought \$2.20+. **DHI** calls up to 3800X on the morning

**Caterpillar (CAT)** with 1000 Oct. 11th (W) \$130 puts bought \$4.10 to \$4.25 to open with the weak ISM data

**American Air (AAL)** buyer of 1000 May \$30/\$35 call spreads for \$1.22. **AAL** May \$30 calls up to 3000X on the day

**DXC Tech (DXC)** with 5000 October \$28 puts sold to open \$0.70

**Arconic (ARNC)** buyer of November \$25/\$23 ratio put spread 1000X2000

**United (UAL)** with 1,140 December \$92.50 calls bought to open \$2.92

**Genuine Parts (GPC)** with 1000 November \$100 straddles bought for \$6.84, earnings 10-17

**Dover (DOV)** buyer of 1000 October \$95 puts \$1.90, earnings 10-17

**Lockheed (LMT)** name holding up well with 365 November 1st (W) \$385 calls opening \$11.10 to \$11.30

**United Tech (UTX)** with 500 June 2020 \$135 puts sold to open \$11.80

**Fed-Ex (FDX)** with 500 January 2021 \$130/\$180 call spreads opening. **FDX** buyers 1400 October \$144 calls this afternoon near \$2.45

**General Motors (GM)** late day buyers of 8000 November 1st (W) \$38 calls up to \$0.63

### Materials

**Axalta (AXTA)** spread buys 5000 October \$30 calls and sells 5000 January \$34 calls at \$0.50, in M&A discussions. **AXTA** off lows also seeing 1850 November \$33 calls bought \$0.50

**Masco (MAS)** buyer 2500 October \$44 calls for \$0.55 after deal to sell Windows unit this morning

**DuPont (DD)** with 2650 Oct. 25th (W) \$67.5 puts sold to open for \$0.77

**Yamana Gold (AUY)** higher by 5% as precious metals rally on weak Macro data and 6500 January 2021 \$3.50 ITM puts sold to open for \$0.85

**US Steel (X)** 10,000 November \$10 puts adjust to \$11 strike

### Tech and Telecom

**Zoom (ZM)** with 400 Oct. 25th (W) \$74 puts bought \$4.20

**Wix.com (WIX)** early action seeing 1500 October \$125 puts sold to open \$9.20 down to \$8.40 ITM

**NXP Semi (NXPI)** with 1300 October \$114 puts being bought into strength, spreading versus \$105

**Seagate Tech (STX)** with 5000 November \$52.50 puts bought up to \$2.62

**Uber (UBER)** down 4.2% seeing 1000 December \$29 calls sold to open \$2.90. **Uber (UBER)** also with 1000 October \$31.50 puts bought \$3.10 offer aggressively. **UBER** also 2000 December \$22 OTM puts bought \$0.65 offer. **UBER** Nov. 8th (W) \$30/\$25 ratio put spreads also trading 1000X2000



**Lyft (LYFT)** with 1075 April \$40/\$32.5 put spreads bought to open \$3.40

**Diodes (DIOD)** with 400 November \$40 puts bought to open \$2.20 and 500 of the December \$40 puts opening \$2.75

**IPG Photonic (IPGP)** with 620 December \$130 puts opening as October \$120 adjust

**Pinterest (PINS)** moves off session lows with 3000 October \$27.50 calls bought to open \$0.95 to \$1.05

**Alibaba (BABA)** with 7300 November \$165/\$175 call spreads bought \$4.15

**Salesforce (CRM)** with 1,145 November \$145 calls bought today as October adjusts

**Pinduoduo (PDD)** holding up well and 2500 November \$35 calls bought today \$1.20 to \$1.25 in sweeps

**Service-Now (NOW)** sitting on its rising 200 MA and 500 October \$255 calls bought \$6.30 to open

**Accenture (ACN)** with 500 June 2020 \$185/\$175 strangles bought for \$25.50, strong positive Delta bias

### Utility

**PG&E (PCG)** with 7000 October \$11 calls opening \$0.72

### **Disclaimer:**

#### **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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