

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 10/18/2019

### Sector Leaders

#### Banks

#### Consumer Goods

#### Bonds

### Stock Gainers

- DERM 31.5%
- HEP 8.3%
- QTNT 8.2%
- ISRG 6.35%
- KSU 6%
- STT 6%
- ETFC 5.5%

### Volatility Gainers

- GIL
- QGEN
- MRTX
- TELL
- I
- RNG

### High Call Volume

- AMBC
- ESI
- WGO
- PPL
- HEP
- AJRD

### Bullish Options

- CRM
- SPLK
- SGEN
- ATVI
- FSLR
- NOW
- MKC
- ADBE
- UPS
- AMBC
- NVO

**Market Review:** Stocks were fairly flat overnight despite further weak Macro as China GDP missed estimates, but September Industrial Production bounced back. The Brexit situation remains in focus into the weekend after some positive news this week while US earnings are also taking center stage. It was a risk-off session as Bonds and Consumer Goods outperformed as well as the Banks. Software continued to come under selling pressure as well as Internet and recent IPO's. We saw some improvement to breadth in the afternoon as the S&P held above the 8 day moving average, a fairly quiet options expiration. Stocks head into next week with positive momentum but a lot of earnings reports and continue to see growth names show weak price-action.

S&P Chart:



Resistance	Support
3000	2,930
3,030	2,860
3,050	2,820

**Options Action Trends:** We saw early bullish flow in Software leaders CRM/SPLK/NOW/ADBE though others like VEEV/TEAM/OKTA/ESTC/RPD/MDB saw put buying, a preference more towards lower valuation plays. We also saw massive January 2021 put buys across Sector ETFs XLV, XLY, XOP, and XLI.

**What's On Tap:** Looking ahead to next week economic data is light with Housing data to start the week, Durable Goods Orders on Thursday, and a few regional fed surveys. Earnings will be the focus with it being one of the biggest reporting weeks that includes MSFT, V, AMZN, INTC, PG, BA, CMCSA, MCD, PYPL, UTX, TMO, LMT, UPS, DHR, CHTR, MMM, GILD, CAT, SHW, NOW, EW, TSLA and many more.

### Trade Tracker Portfolio Changes:

1. No Changes

### Sector Laggards

#### IPO's

#### Software

#### Internet

### Stock Losers

- GIL -23.6%
- TEAM -10%
- SXT -10%
- WORK -9.5%
- MRTX -9%
- ROKU -8.8%
- SIG -8.6%

### Volatility Losers

- STT
- TEAM
- ISRG
- KO
- KSU
- PTON

### High Put Volume

- MTW
- SAP
- RPD
- IGV
- CAH
- FTNT

### Bearish Options

- X
- OKTA
- EBAY
- TER
- VEEV
- ESTC
- RPD
- TJX
- XLY
- XLV
- XLI



## Unusual Calls Bought in Simply Good Foods

**Ticker/Price:** SMPL (\$25.50)

### Analysis:

**Simply Foods (SMPL)** one of the more unusual call flow names on 10/17 with 1800 November \$25 calls opening \$1.30 to \$1.50 and IV jumping in afternoon trade. SMPL shares have made a big run since early 2018 and recently pulled back to a 38.2% Fibonacci and just above its rising 200 MA and trend support looking to regain momentum. The \$2.4B maker of snack and nutritional products trades 33.75X Earnings, 31.6X FCF and 4.9X Sales. SMPL expects to close 2019 with nearly 20% revenue growth after 8.9% last year and sees 7.2% growth for 2020. The company was out on 10-7 giving positive guidance for FY19 and in August announced a \$1B deal to acquire Quest Nutrition. SMPL products align with consumer megatrends such as Snacking, Meal-Replacement, Convenience, and Health & Wellness. The Quest acquisition diversifies its customer and channel mix. Analysts have an average target of \$30 and short interest is low at 1.3% of the float. SMPL did a 13.4M share offering in October at \$26.35/share. Wells Fargo started coverage in September at Outperform with a \$35 target seeing it poised to benefit from US dietary and wellness tailwinds via its low-carb/low-sugar snacking portfolio. DA Davidson raised its target to \$33 in August after the Quest deal seeing SMPL as a nutritional snacking consolidator and sees superior revenue growth and margin expansion ahead for the company. Bernstein out in August at Outperform with a \$31 target calling it a high-quality compounder. Hedge Fund ownership rose 4.6% in Q2 filings.

### Hawk Vision:



**Hawk's Perspective:** SMPL looks like a nice set-up here versus the 200 day MA, not a lot of compounders in this space and like its area in consumer goods, seems to be a long-term own.

**Confidence Ranking:** \$\$



## Salesforce Calls Hot into DreamForce Event in November

**Ticker/Price:** CRM (\$144.20)

### Analysis:

**Salesforce (CRM)** sweep buys 1500 Dec. \$150 calls \$5.45 to \$5.50 early and action quickly up to 3300X for \$1.75M purchase. CRM has been under pressure with the Software group but potential to form a right shoulder of an inverse head and shoulders pattern while also sitting above 1 year trend support and the rising 89 week moving average. The \$125.5B cloud leader trades 47.2X Earnings, 8.5X Sales and 38.85X FCF and next week we get some read-through from Amazon and Microsoft in the cloud. CRM growth has slowed and been using acquisitions the past two years including a big deal for Tableau earlier this year, and sees 24% topline growth in 2021. CRM continues to expand operating margins as it enters a strong earnings cycle and seeing growth across all segments of its massive TAM. CRM next reports on 11/20 and will speak at a few conferences later this month. Analysts have an average target of \$185 and short interest is 2% of the float. BAML has a \$200 target and sees margins as the most important factor and sees positive catalysts including DreamForce in November detailing Customer 360. Jefferies started at buy earlier this month noting the story embodies the best characteristics of the software sectors. JMP out on 10/7 citing strong checks and a \$191 target and sees a lot of buzz into DreamForce. RBC upped its target to \$200 in August citing little competitive pressure and no evidence of pricing pressure and attractive valuation. Hedge Fund ownership rose modestly in Q2 filings, new stake from Viking Global, while Winslow and Lone Pine remain large holders.

### Hawk Vision:



**Hawk's Perspective:** CRM needs to see some better price-action and need to see Software return to favor in general, but it remains attractively valued for its growth.

**Confidence Ranking:** \$\$



## Call Spreads Bought in McCormick

**Ticker/Price:** MKC (\$161.70)

### Analysis:

**McCormick (MKC)** with 1240 December \$165 calls opening, many spread versus \$175 calls and action rising to over 1700X in the opening ninety minutes. MKC is a defensive name consolidating the last few months just under new highs, a strong trend in 2019. The \$21.65B maker of spices and condiments trades 28.7X Earnings, 4X Sales and 46.25X FCF with a 1.41% yield. MKC posted a very strong beat and raise in early October. They're continuing to gain shelf space with new products and marketing spend on emerging products like Frank's Red Hot. In 2018, the company acquired Reckitt Benckiser's food division which expanded their product portfolio. The \$4.2B deal is expected to be significantly accretive to margins. The global flavor market has a 5% five year CAGR and Gen-Z is seen as hyper-focused on flavors.

MKC grew e-commerce sales 43% in 1H19. Analysts have an average target of \$157.50 and short interest falling but elevated at 6.7% of the float. The Street is mostly hold rated, on 10-2 CSFB raised its target to \$160. JPM cut to Underweight on 8/20 with a \$150 target citing valuation, Brexit risk, and potential for a disappointing acquisition move though conceded that fundamentals, strategy/management are first-rate. Hedge Fund ownership fell 4% in Q2 filings, a 5.5% weighting at Fundsmith.

### Hawk Vision:



**Hawk's Perspective:** MKC is one of those sneaky great companies and continues to perform well, a name to own when the market goes back into risk-off mode which appears to be starting again.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**Software (IGV)** another 5000 November \$205 puts bought \$2.80

**Biotech (XBI)** with 2000 December \$78 puts bought \$2.72 as Oct. \$82 adjust

**Healthcare (XLV)** with 17,200 January 2021 \$70 puts opening \$2.05, a likely sector with a lot of Political influence into 2020

**Treasury (TLT)** with 5000 November \$142 calls bought \$1.21 and 10,000 Nov. \$135 puts sold

**Consumer Discretionary (XLY)** with 19,700 Jan. 2021 \$85 puts bought \$1.80 to open, top holdings AMZN (22%), HD, MCD, NKE, SBUX, LOW

**Industrials (XLI)** with 25,000 January 2021 \$55 puts bought \$1.36 to open

**Oil & Gas (XOP)** with 26,000 January 2021 \$16 puts opening \$1.35

**Tech (XLK)** with 20,000 January 2021 \$55 puts bought \$1.27 to open

**NASDAQ (QQQ)** is seeing opening sellers of 5000 Nov. 29th (W) \$191 puts today

## **Consumer Discretionary/Services**

**Activision (ATVI)** with 1300 Nov. 8th (W) \$55 calls being bought to open as bullish activity continues to accumulate. **ATVI** Nov 8th (W) \$55 calls up over 3500X on the day

**Ebay (EBAY)** with 1250 next week \$40 puts bought above \$1.61 offer for earnings next week

**TJX Co (TJX)** buyer 1200 January \$60 puts \$2.45 offer to open

**Floor and Decor (FND)** another 3000 November \$50 puts bought up to \$6.90 where 5000 opened earlier this week

**Five Below (FIVE)** opening sale 2400 January \$140/\$125 strangles for \$12.10

**Guess (GES)** buyer 1000 January \$16 calls to open \$2.45. **GES** now heading lower with 2850 December \$18 puts opening up to \$2.05

**Sea World (SEAS)** with November \$28/\$32 call ratio spread opening 1000X2000 at \$0.90

**Xerox (XRX)** with 1000 November \$31 puts bought \$1.83 to \$1.89

**Urban (URBN)** flagging the last two weeks near 200 MA and today seeing aggressive buys 890 December \$28 calls \$1.80 offer. **URBN** also with 2500 Nov. 22nd (W) \$28.50 calls opening \$1.30

**Yeti (YETI)** with 3000 November \$35 puts bought \$4 to \$4.20

**Nike (NKE)** with 1500 January \$90 puts opening \$2.19

**Luckin' Coffee (LK)** with 1500 Jan. 2021 \$15 ITM calls opening \$6.44 spread with sale of 1000 Dec. \$17.5 puts to open

**Revolve (RVLV)** moving off day lows after 1000 November \$20/\$30 call spreads bought for \$2.55, shares trying to base last few weeks

**Gildan (GIL)** down 25% on earnings warning and 1900 Nov. \$25 puts bought for \$1.05 to open

**Charter (CHTR)** with 250 November \$430 calls opening near \$20 today as October \$420 adjust, earnings 10-25

**MGM Resorts (MGM)** buyer 4500 Nov. 1st (W) \$29 calls \$0.50 as Oct. 25th (W) adjust

## Consumer Goods

**Hasbro (HAS)** with 500 November \$120 puts opening \$4.35

**Altria (MO)** trading 1000 June \$47.5/\$37.5 bull risk reversals

**Simply Foods (SMPL)** with another 1500 November \$25 calls being bought today

**Accuity (AYI)** opening sale 200 May \$110 puts \$8.10 to \$8

## Energy

**First Solar (FSLR)** with 900 next week \$58 calls opening \$1.15 and 425 of the \$55 calls \$2.56, earnings 10-24

**Occidental Petro (OXY)** with 3000 May \$42.5/\$37.5 strangles bought for \$5.62

**Holly Energy Partners (HEP)** with 715 February \$22.50 calls bought for \$0.70

**Cenovus (CVE)** buyer 4000 November \$9 calls \$0.25 to \$0.30

**Exxon (XOM)** with 4000 September 2020 \$85 puts opening \$19.70 as November \$85 puts adjust

**Marathon Petro (MPC)** seeing 2000 November \$65/\$60 put spreads open as protective, also seeing 20,000 January \$72.5 calls bought as the \$67.5 adjust

## Financials

**Berkshire (BRK.B)** with 1400 June 2020 \$220/\$200 bull risk reversals opening \$0.50

**Ambac (AMBC)** with the February \$20/\$27.5 call ratio spread opening 2500X5000 as November \$17.5 calls adjust

**Fidelity National (FNF)** strong chart with unusual 2000 November \$47 calls bought for \$0.40 to \$0.45 today

**Blackstone (BX)** with 1000 ITM March \$45 calls opening today \$5.15 to \$5.20

**FactSet (FDS)** with 1290 January \$250 puts opening \$11.60 to \$12.60, stock tied

## Healthcare

**Agilent (A)** with 1150 January \$65 puts sold to open for \$1.01

**Amicus (FOLD)** with 1000 January \$9 puts sold to open \$1.50 to \$1.45

**Seattle Genetics (SGEN)** with 1000 December \$85 calls being bought \$8.10 to \$8.60 and 1000 March \$85 puts being sold to open \$8.70 to \$8.10

**BioHaven (BHVN)** with 500 November \$40 calls opening \$7.05 as 1500 Oct \$45 adjust

**Johnson & Johnson (JNJ)** buyer of 10,900 December 2020 \$95 OTM puts at \$2.50 to open

**Novo Nordisk (NVO)** with 3000 November \$55 calls opening for \$0.50

**Herbalife (HLF)** with 1200 November \$35 ITM calls opening today as October adjust

**Medicine Co (MDCO)** price-action and option flow continue very bullish with 2275 December \$75 calls opening \$2.40 today with October \$47 adjusting and leaving on an upside flier

**Alexion (ALXN)** with 1000 November \$110 puts opening \$12.81 as October \$110 adjust

**Guardant (GH)** with 1000 November \$60 puts opening \$3.20 as Oct. \$70 adjust

**CIGNA (CI)** trading back up to its 200 MA as the group got a lift from the UNH report to start the week, and today seeing November \$165 calls bought 2500X and the \$175 calls sold 3000X

**McKesson (MCK)** with 770 January \$100 calls bought to open \$10

**DexCom (DXCM)** with 730 January \$150/\$145 bull put spreads opening

**Insmid (INSM)** moved off morning lows with 1675 November \$20 calls opening up to \$1.10

**Hologic (HOLX)** some speculative activity with 3000 November \$55 calls opening \$0.35 offer, earnings 11-6

**Waters (WAT)** seeing 650 November \$230/\$240 call spreads open today

### Industrials

**Avis (CAR)** with 1200 November \$32 puts bought \$3.60 offer

**CH Robinson (CHRW)** with 750 November \$87.50 puts bought \$2.85 as 1250 of the October puts close

**United Parcel (UPS)** spreads selling 5000 November \$110 puts to buy the \$120/\$125 call spreads, earnings on 10-22

**Manitowoc (MTW)** with 1200 March \$12 puts bought \$1.75 to open as December \$12 puts adjust

**Union Pacific (UNP)** some weakness with earnings this week seeing 5000 November \$155/\$150 put spreads open

**United Rentals (URI)** unusual January 2021 call action with 600 of the \$110 ITM calls opening, 400 of the ITM \$120 calls, and 800 of the \$145 calls

**Dover (DOV)** with 1500 January \$105 puts sold to open ITM for \$5.30 in a stock replacement

**Winnebago (WGO)** strong chart with 1350 ITM November \$35 calls opening as October adjust

**Ingersoll Rand (IR)** aggressive buyer 1000 December \$125 calls for \$1.25 offer

**Spirit Aero (SPR)** buyer of 420 January \$75 puts for \$3 to \$3.30 with the Boeing overhang

**Tesla (TSLA)** pulled back to the 200 day MA it broke above earlier this week, seeing an afternoon opening seller of 2000 December \$275 ITM puts \$30.25 to \$30

### Materials

**US Steel (X)** with 20,000 March \$8 puts opening \$0.64

**Corteva (CTVA)** with 3500 December \$22 puts sold to open for \$0.31

**Axalta (AXTA)** with the January \$29 calls bought 2500X at \$1.93 against sale of 5000 January \$26 puts at \$0.72

**Pretium (PVG)** a precious metals play with a strong set-up seeing 2000 ITM Nov. \$9 calls open as October adjust

**PPG Industries (PPG)** IV rising this afternoon with 970 November \$120 calls bought \$5.30 to \$5.50

**WestRock (WRK)** with 895 December \$37.5 calls bought \$1.15 to \$1.40 to open

**Alcoa (AA)** rising with 4000 November \$22 calls bought \$0.80 offers, recent earnings report and note of potential asset sales

### Tech and Telecom

**Splunk (SPLK)** sweep buy 1000 Oct. 25th (W) \$110 calls \$4.10 offer into early Software weakness

**Service-Now (NOW)** down with Software seeing 400 Nov. 1st (W) \$250 calls open for \$12 to \$12.30, earnings 10-23

**Okta (OKTA)** with 1775 Oct. 25th (W) \$100 puts being bought to open with Software back under pressure on the **TEAM** earnings reaction

**Elastic (ESTC)** more put buying with 1250 November \$70 opening \$2.55

**Veeva (VEEV)** with 600 November \$140 puts bought \$3.10 to \$3.15

**Teradyne (TER)** with 1600 November \$60 puts opening \$2.65 to \$2.70 into 10-22 earnings, though has size in call OI as well

**DocuSign (DOCU)** opening sale of 1250 January \$57.5 puts for \$2.45

**Wayfair (W)** with 2500 November \$120 puts opening \$14 to \$14.70, earnings 10-31

**Atlassian (TEAM)** down sharply on earnings and hit YTD VPOC that offered support early, seeing 1000 December \$125 calls bought in spreads with the \$135 calls

**Adobe (ADBE)** with 1500 Nov. 1st (W) \$267.50 calls bought into early Software weakness to open \$3.80 to \$4.20. **ADBE** also 5000 November \$265 calls opening \$8.45 with \$270 calls adjusting

**Slack (WORK)** buyer 2000 November \$22/\$24 call spreads into weakness

**Fortinet (FTNT)** with 730 November \$80 puts bought \$5.20 to open. **FTNT** November \$80 puts rise to 3000X

**Mongo-DB (MDB)** OTM June \$90 puts bought 780X to open today \$10 to \$10.90

**Pinterest (PINS)** buyers of 1975 Nov. 1st (W) \$26 calls into weakness near \$1.60 for 10-31 earnings. **PINS** also with 1500 January \$28 calls opening \$1.75 offer today

**Etsy (ETSY)** with the November 1st (W) \$58/\$65 call ratio opening 1000X2000 at \$1.60, earnings 10-30

**NetApp (NTAP)** buyers of 1500 November \$55 puts up to \$3.65 as bearish flow continues

**Qualcomm (QCOM)** with 5000 November \$75 calls bought today as October \$75 calls adjust

**Broadcom (AVGO)** with 550 Nov. 22nd (W) \$290 calls being sold to open today

**HubSpot (HUBS)** another Software name with put action, the May \$130 puts opening 440X \$9.60 to \$10.1

**Guidewire (GWRE)** with 1500 November \$110/\$105 bear risk reversals opening, another Software name

**Box (BOX)** with 2000 November \$16 puts bought to open for \$0.70

**Coupa (COUP)** one of the few Software names holding up well above 200 day MA with 1000 January \$125 calls bought \$15.40 offer into weakness

**Fire-Eye (FEYE)** big jump off midday lows with 18,000 Nov. 1st (W) \$16 calls opening \$0.26 to \$0.40, captures 10-29 earnings, and shares holding up well since latest Analyst Day and reports it may put itself up for sale

### Utility

**Sempra (SRE)** with 500 January \$150 calls opening \$2.78 to \$3.20 as October calls adjust



**Disclaimer:**

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