



MARKET RECAP REPORT 10/8/2020

Sector Leaders

Energy

Solar

REITS

Stock Gainers

EV 47.5%

CDNA 17.5%

CRDF 11%

MMYT 10.5%

BHC 10%

ON 8.8%

Volatility Gainers

- CRON
- ENDP
- ATEC
- GPOR
- MFA
- COTY

High Call Volume

- AES
- AXTA
- CSTM
- GBT
- SWCH
- EXC

Bullish Options

- FSLR
- OESX
- UBER
- GOOGL
- NFLX
- PETS
- BURL
- PFE
- SHAK
- TSM
- HD

Market Review: Stocks were modestly higher overnight and into the open following the VP debate with polls still showing a strong Biden lead. We had some early season reporters with strong numbers out of **HELE**, **DPZ** as well as **Samsung** overseas. We also had strong pre-announcements a continuing trend with **PPG**, **MCD**. German trade data came in stronger than anticipated for August. In US data jobless claims came in above the consensus expectation. Strength was broad-based across most sectors with Energy showing some leadership. Breadth stayed strong through the early afternoon and headlines continued to focus on the Election and Fiscal Stimulus. It was a fairly quiet day overall and tomorrow's schedule also very slow, the S&P now breaking out of a large basing pattern with all signals in bull-mode.

S&P Chart:



Resistance	Support
3,350	3,315
3,425	3,225
3,470	3,100

Options Action Trends: In morning action there was a lot of activity in Solar names, some bullish and some bearish. We also had large call buys in large cap Tech leaders **GOOGL**, **TSM**, **NFLX**. Put sellers targeted Chemical names **MOS**, **AXTA**, **HUN**. Call buyers then came for Airliners like **AAL**, **SAVE**. Utility names continue to draw bullish positioning this week, today **AES**, **EXC**. Bulls were very active in **LYFT**, **UBER** as well today. There were a lot of bullish bets in Oil names for the first time in a long time.

What's On Tap: Wholesale Inventories and WASDE Report.

Trade Tracker Portfolio Changes:

- 1) **Spotlight:** Long **MDT** January \$105/\$120 Call Spreads at \$5 – No Fill

Sector Laggards

Retail

Transports

Software

Stock Losers

CYTK -44%

CLSK -10%

AYI -10%

ANGI -8.5%

HELE -7.5%

DPZ -7%

Volatility Losers

- MRO
- UA
- DDD
- GPOR
- HELE
- MRVL

High Put Volume

- CYTK
- AXA
- OVV
- GPOR
- ENTG
- IAC

Bearish Options

- SPWR
- JKS
- IPOB
- PAAS
- T
- GM
- OVV
- BYD
- BPY
- FFIV
- SYF
- GME



FEATURED OPTIONS RADAR REPORT



Unusual Call Buys in Cabot on China Recovery, EV Market Potential

Ticker/Price: CBT (\$41)

Analysis:

Cabot (CBT) unusual action this week with a buyer of 1000 April \$45 calls at \$3.10 on 10/7 after 900 bought to open \$2.70 on 10/5, the first notable trades in the name in a long time. CBT shares have trended lower since a sharp sell-off in October 2018 but currently forming a weekly flag after doubling off the March lows, and above \$42 can run back to \$48 or higher. CBT is a specialty chemicals and performance materials company with rubber and carbon black two key markets so closely tied to Auto Production and Tire Production numbers. It also has exposure to Infrastructure, Packaging and Agriculture markets. 40% of sales are tied to the replacement tire end market, 25% driven by new autos and 35% linked to consumer and infrastructure-related applications. CBT did an interesting deal for Sanshun in January 2020 for \$115M, a leading carbon nanotube (CNT) producer in China which positions CBT in the fast-growing EV market in China. CBT recently signed a fifteen-year supply agreement with Advanced Emissions. The \$2.15B company trades 14.3X Earnings, 7.7X FY21 EBITDA and yields a 3.5% dividend. Revenues are set to fall 20% this year and rebound 6% in 2021. Analysts have an average target of \$44 and short interest at 2% of the float has jumped 17.8% Q/Q. Barclays raised its target to \$50 on 9/3 positive on carbon-black fundamentals and sees CBT a good way to play a cyclical recovery in China. Hedge Fund ownership fell 6% in Q2 filings.

Hawk Vision:



Hawk's Perspective: CBT is an interesting small cap play with unusual activity, a big jump from the original call buys and seems to be undervalued.

Confidence Ranking: \$



FEATURED OPTIONS RADAR REPORT



Unusual Call Buying in PetMed

Ticker/Price: PETS (\$32.35)

Analysis:

PetMed Express (PETS) trading 6X average calls this morning with buyers of more than 2,300 November \$35 calls up to \$1.75 and the March \$35 calls with buyers over 1,190X up to \$3.90. PETS still has over 1785 January \$45 calls in OI from buyers in May as well. PETS is forming an explosive weekly bull wedge pattern with a run above \$34.50 targeting \$40 and then room to \$50+ with MACD and RSI both setting up for a run. The \$650M company trades 19X earnings, 2.15X sales, and 7.5X cash with a 3.5% yield and double-digit EPS growth expected FY22. PETS is seeing steady 25%+ revenue growth during the pandemic and improving margins as they pare back advertising spend while maintaining strong customer acquisitions and repeat business, the latter up 19% in Q2. PETS will report in mid-October with August/September considered peak months due to flea and tick purchases and inventories becoming more normalized after some early shocks due to COVID in March. PETS is in a large, highly competitive space with veterinary care and medications growing 4.6% annually and a \$29.3B market in the US. They continue to grow share as a leading direct marketer of medications and benefitting from more veterinary centers closed or running at limited capacity (vets have about 80% of the prescription medications market vs PETS at 7% currently). Analysts have an average target for shares of \$30.50 with Sidoti at Street High \$41. Hedge fund ownership fell 10% in Q2 and short interest is high at 29.1% but down from around 55% in July 2019. PETS could be an interesting M&A target as well with Craig Hallum noting in 2019 changes in executive comp. that would benefit them with a sale process and in June note that JAB was looking to expand into pet care looking for deals to monetize the massive companion animal industry.

Hawk Vision:



Hawk's Perspective: PETS clearing a key moving average convergence out of a nice base and trend inflection looks solid. The animal health area remains a great area for investors with **ZTS** a clear leader, **HSKA** a small cap, **CHWY** a retail internet play and **PETS** looks undervalued.

Confidence Ranking: \$



FEATURED OPTIONS RADAR REPORT



Google Bulls Position for Strong Q4 with Several Catalysts

Ticker/Price: GOOGL (\$1480)

Analysis:

Google (GOOGL) with buyers early 1750 January \$1800 calls \$17.90 to \$19.60 for over \$3.7M and midday up to 4500X for over \$10M in calls bought at that strike, large size. GOOGL has seen steady bullish flow, one notable trade bought 3000 January \$1500 calls back on 8/27 for over \$70M. GOOGL shares are in a multi-year rising channel pattern and recently put in a nice base on the rising 200 day MA and looking to work out of that base and reclaim its 21 MA near-term, the 55 MA next resistance up at \$1517. GOOGL will report results on 10/26 and can easily get back to its highs on a solid report. GOOGL has been in focus recently with antitrust concerns back around and has a lot of moving parts, notably its YouTube business is extremely strong on the cord-cutting theme and Google Cloud also gaining momentum. GOOGL recently launched Google TV at an event as well. GOOG could have other potential catalysts such as taking the stock split route like Apple, ability to spin-off units, Waymo value unlock, and/or utilization of its \$120B in cash via acquisitions, dividends, or buybacks. Google has done a few minor deals including a \$2.6B deal for Looker in software and the FitBit deal, as well as a recent stake in ADT as it builds out its home security offerings with Nest. It also continues to build out Google Shopping. The \$1015B Company trades 25.7X Earnings, 6.1X Sales and 32.6X FCF. Analysts have an average target of \$1765 and short interest low at 0.8% of the float. BAML recently called it a Top Pick for Q4 saying search advertising could be recovering faster than expected, while new business initiatives in subscription content, Cloud and self-driving vehicles are long-term COVID beneficiaries. Google has underperformed its FANG peers (Facebook, Amazon, Netflix) and has a YTD return of 9% vs FB at 27%, AMZN at 71% and NFLX at 51%. Any signs of meaningful progress with a vaccine in 4Q could present a favorable economic backdrop for continued search recovery in 2021. Hedge Fund ownership fell 2.8% in Q2 filings.

Hawk Vision:



Hawk's Perspective: GOOGL will be an earnings strategy and liking current basing pattern and reward/risk, likely to position bullish for earnings and further out with all these potential positive catalysts.

Confidence Ranking: \$



FEATURED OPTIONS RADAR REPORT



Union Pacific Bulls Active as Leading Rail Stays Strong

Ticker/Price: UNP (\$203.75)

Analysis:

Union Pacific (UNP) with 1865 February \$170 puts sold to open \$5.15. UNP has a lot of bullish flow in open interest including buyers in the October \$202.50/\$190 bull risk reversal recently while the January \$200/\$230 call spread remains in OI over 2800X with the \$165 puts sold. The November \$195 calls and the longer-dated January 2022 \$185 calls remain in OI from high-dollar buys. UNP is sitting right at a flag breakout above \$205 which measures to \$225 in the near-term and continuation of the strong trend from March. Shares cleared a big level in August above \$187.50 and above the early 2020 highs with a lot of room to run. The \$137B company trades 22.1X earnings, 6.8X sales, and 50X cash with a 1.9% yield and high-single digit growth. The company was positive on pricing last quarter while they continue to execute well on their PSR initiatives which are helping costs and OR. UNP saw volumes hit extreme lows last quarter and should gradually improve into year-end as auto manufacturing re-openings will boost vehicle shipments and areas like lumber likely positive Q/Q as mills get back on track with the hot demand for housing. Yesterday, the AAR said that September US rail traffic was down just 1% Y/Y and the fourth-best month for intermodal in history for US railroads as “retailers and others restocked their inventories and prepared for the holiday season.” NADA auto dealer data also showing that inventories were the lowest in nine years this Summer and many likely need to replenish with new model releases. Analysts have an average target for shares of \$185 and RfJ recently a Street High \$227. Benchmark positive on 9/24 noting that UNP is better positioned to withstand economic shocks like the current one due to the successful implementation of PSR while also positioned to benefit over the long term. Baird upgrading to Buy in August as rail congestion was elevated to start Q3 resulting in peak transactional rate increases. Short interest is 0.6% and near five-year lows. Hedge fund ownership fell 5% in Q2, Senator Investment Group a top buyer. UNP saw some large insider buys in March and April including a \$2M buy from a director.

Hawk Vision:



Hawk's Perspective: UNP at new highs with earnings near not the time I would be playing it but remains best-in-class operator to own on dips.

Confidence Ranking: \$

Additional Options Flow

Market/ETFs

Emerging Markets (EEM) with 6500 Jan. 2023 \$40 puts sold to open \$4.45

Oil & Gas (XOP) strong day with 2000 Jan. 2023 \$45 calls bought \$11.60 and 2000 Jan. 2023 \$55 calls bought \$8.35

Industrial (XLI) with 5000 November \$75 puts adjusting to December \$75

Regional Banks (KRE) with 3000 Jan. 2023 \$40/\$50 call spreads opening today at \$3.50

High Yield (HYG) buyer 6000 March \$83 puts to open \$2.465

China Internet (KWEB) with 2500 Jan. 2022 \$77 straddles bought for \$21.50, leans bearish Delta

Consumer Discretionary/Services

Burlington (BURL) buyer 1000 Nov. \$230 calls \$9.80, adjusts the \$210 calls bought that caught a nice move

Shake Shack (SHAK) October \$67 calls with 1800X seeing buyers after positive comps from **MCD**

Yum (YUM) popular with opening put sales lately seeing 1200 Nov. \$90 sell to open today

Macy's (M) with 3900 Nov. 6th (W) \$5.50 ITM calls opening \$0.92

Capri (CPRI) with 2000 November \$20/\$15 put spreads sold to open

Five Below (FIVE) the October \$130 calls bought 740X today up to \$3.20, some spread against the \$135 calls sold for \$1, coiled above its 21-MA

Under Armour (UAA) seeing 3000 Jan. 2022 \$12.50 calls sold to open \$3.30 bids

Home Depot (HD) a stop set-up into this week seeing October spreads close and open January spreads selling the \$250 puts to buy \$300/\$330 call spreads 4300X

Target (TGT) the April \$165 calls being bought 1350X from \$13.10 to \$13.45 into strength, big run in 2020 as a number of their digital initiatives landed with the surge in demand due to the pandemic

Bed Bath & Beyond (BBBY) buyers of 1850 December \$25 calls for \$1.52 to \$1.55 and spread with the \$30 calls that are sold for \$0.62, big move numbers recently

Xerox (XRX) November \$19 calls with 1000X sold to open ITM

Expedia (EXPE) buyers of 700 ITM November 13th (W) \$93.50 calls for \$7.15 to \$7.25, targeting late-October earnings

Altice (ATUS) buyer 6000 November \$27/\$30 call spreads for \$1.06

GameStop (GME) with 35,000 January \$12 puts opening into strength as the \$10 puts adjust, and 20,000X same trade in July 2021

Consumer Goods

Coty (COTY) with 6,400 November 6th (W) \$3.50 calls bought up to \$0.55, news today they're expanding Kylie Jenner products Internationally

Fomento (FMX) rising with 3600 November \$65 calls being bought \$1 to \$1.15

Chef's Warehouse (CHEF) the January \$20/\$12.50 bull risk reversal bought 1000X for a 1 cent credit

Phillip Morris (PM) with 1000 Nov. 6th (W) \$78 calls opening \$3.40 to \$3.50, earnings 10-20

Energy

First Solar (FSLR) with 1000 November \$90 calls bought \$3.50 to open as October \$85 adjust

Canadian Solar (CSIQ) with 1,000 November \$45/\$36 bull risk reversals bought for \$1.15 today

Orion Energy Systems (OESX) early unusual action with 2500 November \$7.50 calls bought \$1.20 to \$1.70, breaking out of a range. The \$250M company sells energy management systems include LED

SunPower (SPWR) with 2800 December \$18 ITM puts opening \$4+ and 3000 more Dec. \$16 puts active

Jinko-Solar (JKS) IV rising here with 5000 Oct. \$50 puts being bought up to \$2.05

Diamondback (FANG) with 3500 November \$35/\$40 call spreads bought \$0.79

EOG Resources (EOG) with 3,000 November \$40 calls sold for \$1.51 in a buy-write with stock

Exxon (XOM) over 10,000 November 6th (W) \$35.50 calls bought up to \$1.25 today, earnings on 10-30

Sun-Run (RUN) with 1000 December \$85 calls sold for \$7.40 to \$7.30, likely stock overwrite which is a popular strategy in the name

Marathon (MRO) buyer of 25,000 November \$5/\$6 call spreads for \$0.10

BP (BP) unusual 3300 Jan. 2023 \$30 far OTM calls opening \$0.90 to \$1 this morning

Apache (APA) buyer of 3,300 October 30th (W) \$10 calls bought \$0.65 to \$0.68 ahead of earnings

Marathon Petro (MPC) with 2500 April \$35 calls opening \$2.45 in stock replacements

Ovintiv (OVV) buyer 6500 November \$9/\$8 put spreads

Solar Edge (SEDG) buyer of 1,000 December \$270 puts for \$30.68 to \$32.13, adjusting back some of the \$230 puts originally opened with stock

Occidental (OXY) with 1000 May \$11 calls bought \$2.15 to \$2.29 this afternoon

EQT Corp (EQT) spread sells 1000 January \$14 puts \$1.80 and buys 3000 of the \$18 calls \$0.93/\$0.94

Brookfield Property (BPY) buyers of 5,000 December \$14 puts for \$1.60 to \$1.85 into strength

Financials

Social Capital (IPOB) February \$22.5/\$15 bear risk reversals opening, may be collaring a stock position

Citi (C) buyer 1000 Nov. 27th (W) \$44 calls \$3.21. **Citi (C)** buyer 5000 Oct. \$42 calls \$3.26 and 5000 Oct. \$44 calls \$1.80, earnings 10-13

Wex (WEX) buyer of 500 November \$170 calls for \$4.10 in a stock replacement

Verint (VRNT) the March \$55 calls bought over 1,125X today for \$3.75 to \$4, some being spread vs the \$65 calls

M&T Bank (MTB) with 600 January \$120 calls bought \$3.30 to \$3.50 today, regional bank with a lot of loan exposure to commercial and industrial sectors

Berkshire (BRK.B) the March \$190/\$155 bull put spread opening 1600X for \$3.88

Synchrony Financial (SYF) with 1300 January 2022 \$25 puts bought to open \$4.30

US Bancorp (USB) into morning lows a large buy of 7,610 November \$42.50 calls at \$1 offer, name that has seen a lot of call buying, earnings 10-14

Healthcare

Medtronic (MDT) gap higher today on a positive Stifel note and 500 January 2022 \$105 calls bought \$15.10 to \$15.70, spread with the \$120 calls

CVS Health (CVS) buyers of 500 January 2023 \$45 ITM calls for \$17.85 to \$18.35

Pfizer (PFE) with 7500 Nov. 6th (W) \$39/\$34 bull risk reversals opening \$0.32

Livongo (LVGO) with 400 Oct. 30th (W) \$140 calls opening \$11.10 to \$12.10 this morning

Centene (CNC) seller of 2,000 January \$72.50 calls for \$2.55 to open, may be overwriting stock with the recent 21.5% rally from the lows

United Health (UNH) large trade sold 1199 March \$270 puts to open \$10.20

Bausch (BHC) with 1,000 April \$16 calls bought around \$3.80 today in stock replacements, big jump on guidance

Gilead (GILD) opening seller 1200 March \$60 puts for \$3.95

Perrigo (PRGO) with 2500 November \$45 puts bought spread with the sale of 5000 November \$40 puts, ratio spread, often protective

Industrials

American Air (AAL) buyer of 3,000 May \$16 calls for \$2.65 with the talk recently of a standalone airline bill

Spirit Air (SAVE) buyers of more than 3,950 November \$22.50 calls up to \$0.75

Huntington Ingalls (HII) opening sale of 650 November \$130 puts for \$2.50 to \$2.45, laggard in the defense space this year

United Parcel (UPS) with 5000 November \$195 calls sold to open \$2.70, likely against a long stock position

General Motors (GM) with 2000 November \$32 puts bought to open near \$2

Lockheed (LMT) the October \$390 calls bought 700X today in smaller lots between \$3 and \$4

AutoNation (AN) with 750 April \$40 puts sold to open today for \$1.55, still has the size November \$45 ITM calls in OI

KBR (KBR) with 1000 Dec. \$25 calls opening \$1.25 mid-market

Southwest Air (LUV) with 1500 Jan. 2023 \$40 deep ITM puts sold to open today near \$11.50

Fastenal (FAST) with 2,000 January \$50 calls bought for \$1.57 to \$1.59, adjusting some November \$47.50 calls bought in June, nice base forming into earnings next week

Fluor (FLR) the April \$10/\$17.50 call spread bought 3,000X9,000 this afternoon for \$0.47 debit, recent January ITM \$7.50 calls bought 15,000X

Richie Brothers (RBA) another 2500 March \$70/\$80 call spreads bought

Northrop (NOC) buyer of 650 October 23rd (W) \$315 calls for \$8.90 today to open, earnings on 10-22 and higher in four of the last five

Grainger (GWW) industrial distributor quietly clearing 2018 highs to record highs and 300 April \$440 calls bought \$14.50 to \$14.60 aggressively, earnings 10-22 and **FAST** reporting soon as well

Materials

Axalta (AXTA) with 4500 November \$23 puts sold to open \$0.40/\$0.45

Huntsman (HUN) opening sale 4350 November \$21 puts \$0.40, similar to **AXTA** trade

Mosaic (MOS) with 5300 Nov. \$15 puts sold to open \$0.26

Berry Global (BERY) the November \$45 puts sold to open today for \$1.15 to \$1.10, over 1750X

Archer Daniels (ADM) with 1400 Nov. 13th (W) \$47.50 ITM calls bought \$2.50 to \$2.60

Freeport (FCX) more bull flow today with 1,000 May \$16 calls bought \$3.45 to open, interesting action lately with **GOLD** CEO continuing to publicly call for M&A and FCX a name he's mentioned before. **FCX** also 1500 Feb \$17 puts sold to open \$2.19

Int'l Flavors (IFF) the December \$115/\$100 put spread bought 1000X for \$4.69

Clearwater Paper (CLW) strong run last few weeks seeing 2000 October \$35 calls close while 1000 Nov. \$35 puts sell \$1.40 to open and 2500 November \$45/\$55 call spreads bought for \$2.03

Newmont (NEM) opening seller 4700 Nov \$55 puts \$0.95

Tech and Telecom

Uber (UBER) early buyers of 4000 December \$40 calls \$2.52 to \$2.63 with 18,000 in OI. **UBER** with 8000 November 6th (W) \$39/\$45 call spreads bought now for \$1.64 and earnings likely around 11-2. **UBER** also this afternoon with 1000 March \$38 calls bought \$5.20

Taiwan Semi (TSM) seeing 3700 April \$95 calls open \$7.30 as January \$80 adjust. **TSM** Apr. \$90 calls are up to 18,000X with more Jan 80 adjustments

Netflix (NFLX) early spreads trading selling December \$435 puts to buy the \$500/\$600 call spread 1160X

Lyft (LYFT) with 3,000 November \$30/\$37.50 call spreads bought with the \$22.50 puts sold to open, net \$0.49 debit into late October earnings. **LYFT** also with 1000 November \$25 calls bought for \$4 to open

AT&T (T) with 30,000 December \$31/\$28 bear risk reversals active as October \$29 puts adjust

Switch (SWCH) opening sale 3000 February \$18 calls \$0.85

Palantir (PLTR) with 1,450 May \$15 ITM puts sold to open today for \$6.70, follows the heavy call activity yesterday

Micron (MU) opening seller 1200 Dec. \$50 puts \$4.25

JD.com (JD) buyer 10,000 December \$80 calls \$5.70, adjusting November

Mercado Libre (MELI) opening seller 290 Jan. 2023 \$1300 puts \$385.50

ProofPoint (PFPT) lagging cyber-security name with 600 November \$110 calls bought for \$5.30

CheckPoint (CHKP) this afternoon with 1000 January \$125/\$140 call spreads bought near \$5

AT&T (T) afternoon buyers of 12,000 January \$29 puts \$1.85

Utility

Exelon (EXC) with 3000 November \$39/\$35 bull risk reversals opening \$0.66 debit

Aes Corp (AES) buyer of 10,000 November \$20 calls for \$0.60 with 20,000 October \$19 calls closing and rolling

Next-Era (NEE) with 425 December \$290 puts sold to open today down to \$10.80

Next-Era Partners (NEP) the November \$70/\$75 call spread bought 2000X for \$1.10 as some October spreads adjust

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Not Investment Advice or Recommendation

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