

OptionsHawk

OPTIONS HAWK DAILY MARKET 11/19/2019

Sector Leaders

Biotech

Software

Bonds

Stock Gainers

MYOV 145%

ATNX 32%

MDCO 19.2%

CRSP 18.4%

JKS 13%

EDIT 12.65%

WUBA 11.6%

Volatility Gainers

- CCXI
- I
- DO
- WLL
- HIIQ
- CLVS

High Call Volume

- CCXI
- KDP
- ASH
- CDK
- ATNX
- ESI

Bullish Options

- CHWY
- ROKU
- DO
- STNG
- WPM
- CCXI
- V
- CDK
- WH
- KDP
- SAGE

Market Review: Stocks were once again higher overnight with US/China trade remaining in focus as well as the Fed with the Minutes due out tomorrow and Trump continuing to pressure Powell. Housing Starts and Building Permits came in above expected while earnings in Retail were mixed with poor reports out of Home Depot and Kohl's but a solid report from TJX Co., and Medtronic a positive Healthcare report. Biotech was a hot sector with a lot of positive data read-outs and more M&A speculation across the group. Software also was a leading performer as growth can back into favor, though Bonds also gained. Energy was very weak followed by weakness in Retail and Metals. The S&P remains up near channel resistance and reward/risk turning much less favorable considering economic growth uncertainty and a 2019 that featured no earnings growth, a time to be taking profits and getting more defensive in my view despite seasonal tailwinds.

S&P Chart:



Resistance	Support
3,155	3,060
3,225	3,030
3,300	3,000

Options Action Trends: Activity slowed quite a bit from Monday with traders more cautious up near resistance though remained a lack of bearish positioning for the most part and the bullish bias in positioning has continued.

What's On Tap: FOMC Minutes. Earnings from LOW, TGT, NTES, PDD, CPRT, LB, NUAN, JACK and SONO.

Trade Tracker Portfolio Changes:

1. Spotlight: Long **GS** February \$230 Calls \$5
2. Closed **CBOE** Calls \$3.80 (Opened \$3)

Sector Laggards

Energy

Retail

Metals

Stock Losers

KLXE -25%

I -21%

KSS -17%

TRIP -11%

M -11%

CRC -10.5%

SIG -8.9%

Volatility Losers

- MDR
- CRSP
- BILI
- KSS
- QGEN
- ZTO

High Put Volume

- NUAN
- FNV
- DO
- NTR
- KSS
- BKR

Bearish Options

- PM
- NTAP
- ITCI
- JEF
- NTR
- UI
- DDOG
- NUAN
- FNV
- S
- VAL



Equifax Seen to Have Limited Downside into 2020

Ticker/Price: EFX (\$139.50)

Analysis:

Equifax (EFX) with an unusually large trade on 11/18 as the December \$135 puts were sold to open for 8,250 contracts at \$2 to \$1.95 taking in nearly \$1.6M in premium with shares at \$138.60, expecting very little downside over the next month. EFX does not have a lot of notable open interest, a few small call purchases in December \$135 and \$140 strikes and has 1750 of the January \$140 calls in OI. EFX has been a resilient stock despite it being most known now for the data breach in 2017 and shares are up nearly 50% YTD and in May 2018 the CEO bought \$1M of stock near \$115/share. In July EFX agreed to settle for \$700M for the data breach. One of its peers, Experian, reported strong results last week, and another in Fico (FICO) also recently posted a strong quarter. EFX shares recently carved out a base above its rising 200 day moving average and looking to make a move back towards \$150, a level that it peaked just below in 2017 before the data breach sent shares back to \$90. The \$16.8B provider of information solutions and human resources services trades 23.8X Earnings, 16.9X EV/EBITDA and yields a 1.12% dividend with a ROIC in the 9-11% range the last few years. The company is expected to see accelerated topline growth of 5.7% in 2020 with 5% EPS growth. It presented at the JP Morgan Conference last week and discussed some key initiatives like security remediation and the EFX2020 cloud technology transformation which is expected to drive strong growth as well as major cost savings and cash generation. EFX also has a \$900M business called Workforce Solutions that is growing fast with a strong margin profile. Analysts have an average target of \$143 and short interest is 2% of the float and down 37% Q/Q. CSFB raised its target on shares to \$157 back on 10/25 seeing improved revenue trends with the cyber incident behind the company. Hedge Fund ownership rose 5.7% in Q3 filings, Lone Pine Capital with a new \$430M stake and now its 17th largest holding.

Hawk Vision:



Hawk's Perspective: EFX really opened my eyes with its JPM Conference presentation and liking this name a lot into the next year or two.

Confidence Ranking: \$\$



ChemoCentryx Bulls Position for Key Data

Ticker/Price: CCXI (\$8.75)

Analysis:

ChemoCentryx (CCXI) with another 6,000 December \$10/\$15 call spreads bought today for \$1.60, spot with 4,000 already in open interest from buyers yesterday. CCXI had 5,000 December \$13 calls bought on 11-15 for \$1. Shares have moved higher since mid-Sept. into a small gap from June and pulling back over the last week to back-test the base breakout at \$8. CCXI has a big VPOC at \$12-\$13 range from 2018. The \$501M biotech is a binary event with their Phase 3 readout for the ADVOCATE trial upcoming by year-end. The study looks at their treatment for ANCA vasculitis, an autoimmune disease that effects small blood vessels in the body. It's a highly inflammatory disease that can cause irreversible damage to the kidney and other organs that often result in death. The current standard of care has some significant gaps including significant rate of relapse due to the tapering effect of steroids and side effects like toxicity. CCXI's treatment is a chemoattractant system that selectively targets the disease while leaving the rest of the immune system intact which helps limits typical consequences. Shares trade less than 3X cash with short interest at 5.6% and down from 7.2% in late July. Analysts have an average target for shares of \$18. Piper positive on 10-2 citing their strong cash position while JP Morgan thinks ADVOCATE has 90-110% upside with a high probability of success while the totality of the data will be key for adoption. They upgraded shares to Buy on 9-12 after a KOL discussion and feel the risk/reward is better at these levels. Nantahala Capital a buyer of call options while Farallon Capital and Baker Bros. with smaller position.

Hawk Vision:



Hawk's Perspective: CCXI is clearly an event-driven play and the \$10/\$15 spreads look to be defining a likely upside level while seeing the Dec. \$9 puts sold 1000X to open yesterday adds confidence that this one can make a run on data.

Confidence Ranking: \$\$



Chewy Calls Accumulate into Post-IPO Lows

Ticker/Price: CHWY (\$23.30)

Analysis:

Chewy (CHWY) bullish flow continuing for a second straight day today with 750 January \$22.50 calls bought up to \$2.80 and 1,000 January \$20 calls for \$3.80. The December \$22.50 calls also bought 5,000X while the \$22 calls were bought 7,000X yesterday late. Shares are trading back at the October lows and showing a positive RSI divergence as well as impending bullish MACD crossover. A move higher targets the declining 50-MA at \$26. CHWY will have earnings on 12-9. The \$8.8B company trades 2X sales and 55X cash with expectations for profitability by FY23 and 24.5% and then 20% revenue growth the next two years.

CHWY posted 40%+ revenue growth with growth in active members and higher average ticket. CHWY is also seeing margin improvement as they execute on a number of supply chain improvements, especially in Autoship which is becoming a significant part of their mix. CHWY also continues to invest in data-driven analytics to help drive better retention and loyalty as well as repeat purchases from their base. Short interest is 25% of the float and rising since August. Lone Pine Capital, Melvin Capital, Anchorage Capital, Samlyn Capital, Tiger Global, and Moore Capital all buyers in Q3. Insiders also active. On 10-2, a director bought near \$1M in stock at \$23.94. Analysts have an average target for shares of \$36.25. Credit Suisse starting at Buy on 11-11 with a \$29 PT as the

Co. is well positioned amid a robust pet care industry, with an expanding customer base, unique customer engagement, and considerable Autoship adoption supporting strong recurring revenue streams. Nomura upgrading to Buy in September seeing concerns over competition overblown as their fulfillment center network is a distinct barrier to entry for potential new entrants.

Hawk Vision:



Hawk's Perspective: CHWY is a name I still believe in long-term and seeing the 13F filings and Insider buys add confidence that its weakness since the IPO is just part of the process seen with many high valuation, high growth IPOs. The January puts are fairly cheap to pair with stock.

Confidence Ranking: \$\$



Unusual Call Buy in Cognex as 2020 Seen Improving Over 2019

Ticker/Price: CGNX (\$50.50)

Analysis:

Cognex (CGNX) unusual large buy of 2000 February \$50 calls to open \$4 to \$4.20 and becomes the only notable open interest in the name. CGNX shares have pulled back the last two weeks to a 38.2% retracement of the July low to recent high, also just above its rising 21 week moving average and the 200 day MA is down at \$48.30. CGNX is coming off a solid quarter beating estimates but cautious on its Q4 guide with customer delays due to its China business exposure. The \$8.4B leader in machine vision products trades 48.55X Earnings, 11.25X Sales and 42.25X FCF. CGNX expects to return to double digit revenue growth in FY20 and forecasts call for nearly 25% EPS growth. CGNX serves a \$4.2B market including 2D Vision, ID Factory Automatic, Logistics, 3D, Life Sciences and Mobile Terminals. Analysts have an average target of \$48 and short interest at 4.8% of the float is reaching a one-year low. In September DA Davidson raised its target to \$45 seeing long-term double digit market rates of growth and notes industry leading R&D, a competitive edge, and a robust product pipeline. It also notes current headwinds in Auto and Consumer Electronics, 50% of annual revenues, as well as soft China manufacturing. Cowen raised its target to \$60 and sees the competitive moat widening while core businesses may be bottoming out. Hedge Fund ownership fell 10% in Q3 filings, Brown Capital a concentrated top holder.

Hawk Vision:



Hawk's Perspective: CGNX reward/risk looks compelling versus that 200 day MA and like the set-up into 2020 as growth re-accelerates though valuation is quite rich.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

S&P (SPY) with 1000 March \$314 ITM puts sold to open \$10.59. **SPY** buyer 5,500 March \$318 calls \$6.21 for nearly \$3.5M, rolls out of Dec. \$297 calls. **SPY** 7500 Dec. \$295 calls now roll to March \$313 calls

Russell (IWM) Dec. 31st (Q) \$158 puts with 3,775X bought \$2.93 to open

Semiconductor (SMH) with 5000 Dec. 27th (W) \$129 puts opening \$2.29 with the \$125 adjusting and the \$121 puts sold against

Russell Value (IWD) block of 5,330 December \$128 puts opens \$7.20, stock tied

Consumer Discretionary/Services

Home Depot (HD) block of 5000 December \$220 puts sold to open \$2.60 into weakness

Guess (GES) with 1,120 January 2021 \$17 ITM calls opening \$4.40

Dollar General (DG) the December \$155/\$145 put spread bought 700X1,400 ahead of 12-5 earnings

Scientific Games (SGMS) buyers into the early lows of 2,000 December \$30 calls up to \$1.88, strong move that is consolidating in a narrow flag

Wyndham (WH) buyer of 935 February \$57.50 calls this morning from \$2.20 to \$2.40

Big Lots (BIG) ugly but 1000 January \$22.50 calls bought \$0.60 to open

Tiffany's (TIF) with 1500 next week \$130 calls opening \$1.50 as it awaits a potential higher offer from LVMH

Peloton (PTON) fading off highs with 2000 December \$29 puts opening sales for \$2 into the pullback

MGM (MGM) strong to highs here and 2000 March \$31 calls bought \$2.40

Bed Bath (BBBY) with 2000 December \$13.50 puts opening this morning ahead of **WSM** earnings. **BBBY** also with 10,000 January \$10 puts opening \$0.42

Fox (FOXA) with 900 January \$32 calls bought up to \$4.20, strong bounce off of recent lows

TAL Education (TAL) with 2,500 Jan. 2021 \$40 puts opening today for \$5, tied to stock

Urban Outfitters (URBN) with 6,000 December \$29 puts bought \$1.75 to \$1.77 into earnings tonight, lower four of the last six

Nike (NKE) with 1900 January 2021 \$90 puts opening \$8.25, tied to stock

Activision (ATVI) spread buys 3000 May \$60 calls \$2.29 and sells 3000 January \$50 puts \$1.12

AutoZone (AZO) with 160 Jan. 2021 \$1,500 calls bought today for \$36.40 to \$37.25 with shares near a big multi-month breakout to new highs

Starbucks (SBUX) stock buyer sells 1400 June \$85 calls for \$5.10 in a buy-write

Consumer Goods

Philip Morris (PM) buyers of 2000 December \$82.50 puts early \$1.33 offer

Monster (MNST) with 3000 December \$57 puts sold to open for \$0.60

Kroger (KR) December \$28/\$26.5 bull risk reversals open 3000X at \$0.20 credit

Keurig Dr. Pepper (KDP) with 8000 January \$31 calls opening \$0.55 as 4000 December \$29 close \$1.15

Hasbro (HAS) with 1300 December ITM \$96 puts bought up to \$2.95 to open

Hasbro (HAS) with 1300 December ITM \$96 puts bought up to \$2.95 to open

Energy

Diamond Offshore (DO) with buyers of 2,000 January \$5 calls for \$0.90 to \$1

Scorpio (STNG) aggressive buyer 1500 January \$31 calls \$2.65 offer

DHT Holding (DHT) with 875 July \$10 puts opening ITM \$3.50

Gas Log (GLOG) with 500 May \$7.50 ITM calls opening today for \$2

Valaris (VAL) buyer of 8,795 January \$10 puts for \$6.27 as some December puts roll

Devon Energy (DVN) block of 5000 January \$22 calls opens for \$1.16 in a stock replacement

Energy Transfer (ET) IV rising all afternoon with 13,000 ITM January \$10 calls opening into weakness

Financials

Jefferies (JEF) unusual buyer 1300 January \$20 puts for \$0.85

TradeWeb (TW) opening sale 2000 December \$45 calls \$1.05 to \$1

Square (SQ) with the December 6th (W) \$62.50 puts bought 2500X up to \$0.69

Visa (V) buyers opening 3,000 December \$187.50 calls for \$1.42 to \$1.45 with shares near a move out of a multi-week range

Alliance Data (ADS) seeing 1,000 December \$110/\$100 bull risk reversals from October close and roll out to buy the March \$110/\$100 spreads for \$1.20 credit

MasterCard (MA) stock replacement opens 500 June 2021 \$280 calls for \$41, strong setup with shares looking to clear a multi-week range

Healthcare

Medicine Co (MDCO) early buy 1000 December \$85 calls \$2.25 with reports of M&A interest. **MDCO** also with 500 April \$80 calls bought up to \$4.90. **MDCO** buyer 1000 January \$75/\$85 call spreads for \$3.10, closes out December \$65 calls, **MDCO** IV rising with 2500 January \$60 puts opening now as well up to \$3.90 from \$3.50

Athenex (ATNX) IV surging early with 1500 December \$15 calls hot after updating data on Phase 3 Oraxol

Novartis (NVS) buyer of 1000 January \$90 puts \$1.98 to \$2.01 early with reports it may have interest in a deal for **MDCO**

Intra-Cellular (ITCI) with 2000 January \$9 puts opening \$2.95

Alnylam (ALNY) with 300 March \$90 synthetic long positions opening as December \$80 calls adjust, higher with **MDCO** today as a partner. **ALNY** also seeing 1500 December \$105 calls bought last week roll up to the \$115 strike

Qiagen (QGEN) stock buyer sells 5000 December \$43 calls for \$1.05 in a buy-write, recent M^A talks

Biogen (BIIB) with 400 February \$280 ITM calls opening \$29.60 in a stock replacement

Sage Therapeutics (SAGE) spread sells 1500 January \$90 puts to buy 1500 of the \$150/\$190 call spreads, net \$11.5 debit

Eli Lilly (LLY) with 1,600 June 2020 \$90 puts sold to open down to \$1.38

CIGNA (CI) buyer 1000 Dec 27th (W) \$207.50 calls \$3.05

E-Health (EHTH) with February \$75/\$60 put spread bought 450X900 for \$2.30 net debit

Fibrogen (FGEN) with 565 June \$30 puts sold to open today for \$3.40 to \$3.30, shares trying to hold recent lows after their data update last week

Corcept (CORT) with 2,750 December \$17 puts bought up to \$1.50 to open, awaiting a patent decision within the next week

Weight Watchers (WW) early morning breakout trigger and now on day highs up 4.1% with 1000 next week \$37 calls opening today

Alcon (ALC) another 1,200 December \$60 calls bought \$1.00 to \$1.15 today ahead of earnings, spot where 1370 were bought yesterday

TG Therapeutics (TGTX) buyers of 1,500 February \$10 calls up to \$1.18 and also 750 February \$8 calls for \$1.85

Seattle Genetics (SGEN) with 4500 December \$110 calls that opened 11/6 adjusting to buy 5000 of the January \$125 calls for \$5.20

Eidos (EIDX) with 1000 February \$60 calls opening \$6.45 as the \$50 calls adjust

Allakos (ALLK) strong move out of consolidation seeing 500 March \$130 far OTM calls open today \$1.45 to \$1.70

Immunomedics (IMMU) now also seeing 750 February \$19 calls bought up to \$2.50

Neurocrine (NBIX) with 300 February \$100 synthetic long positions opening as December positions adjust

Industrials

KB Homes (KBH) with 1,000 April \$35 calls bought today for \$3.25 to \$3.30

Taylor Morrison (TMHC) buyer of long stock sells 1250 July \$25 calls for \$1.90 to open today with shares back at the 200-day MA

Rollins (ROL) unusual buys 625 March \$35 puts \$1.75 offer, coming off an ugly quarter

Textron (TXT) opening sale of 1,000 June \$35 puts for \$0.82 to \$0.81 today

Knight (KNX) buyer 8300 January \$35 puts \$1.40, stock tied

Spirit Air (SAVE) with a total of 2000 December \$40 puts sold to open on the day after earlier action

Polaris (PII) flagging with buyers of 2000 January \$105 calls \$3.90 to \$4.10, spot where 2000 opened last week

Materials

Nutrien (NTR) size lots buying March \$45 puts \$1.50 offer to open 3000X

DuPont (DD) opening sale 5000 December \$62.50 puts \$0.78 to \$0.75. **DD** buyer 2000 next week \$67/\$69 call spreads for \$0.55

Wheaton Metals (WPM) with 2,500 January \$28 calls opening early from \$1.08 to \$1.10, shares looking to work out of a multi-week base

Franco Nevada (FNV) with 20,000 January \$90 puts opening \$0.70, may be adjusting a hedge from the \$85 strike

Ashland (ASH) down over 5.5% on guidance today but seeing 3,650 July \$90 calls bought from \$1.35 to \$1.45 to open

Dow (DOW) with 1,000 January 2021 \$47.50 puts sold to open for \$5.40 to \$5.30 this morning

Element Solutions (ESI) with 2000 May \$12.50 calls opening \$1, stock replacement, stock on strong multi-week run

Ferro (FOE) buyer 3000 December \$12.50 calls for \$0.60, name has been discussed as a M&A target for a while now

Chemours (CC) with the December \$16/\$14 put spread bought 2,000X for \$0.51, follows the recent Dec. \$17 put buys

Berry Global (BERY) to the highs with 1500 December \$42.50 calls bought up to \$1.95; **BERY** trading in a narrow flag after breaking out of a wide base recently

Peabody (BTU) with 8000 February \$8 puts sold to open \$0.75 to \$0.70

Barrick (GOLD) buyer 2000 January 2022 \$17 calls \$3.55 to \$3.60

Tech and Telecom

Roku (ROKU) buyer 1000 next week \$152.5 calls \$6.75 into early weakness

Nuance (NUAN) with 3800 January \$16 puts opening \$0.60 into earnings

Ubiquiti Networks (UI) buyer of 725 January \$190 puts for \$8.30 to \$9.40 into strength

AT&T (T) with 1000 July \$35 ITM calls opening \$4.30

Datadog (DDOG) more bearish flow with 1,650 January \$30 puts bought up to \$0.55 into the lows

TripAdvisor (TRIP) with 1,000 January \$28.50 calls bought \$1.65

NetApp (NTAP) early green to red move and 2400 March \$65 puts bought up to \$6, follows the recent buys of 5,000 \$60 puts

T-Mobile (TMUS) with 2,000 December \$75 puts sold to open for \$1 with shares back around the 200-MA after recent weakness

VeriSign (VRSN) looking to reclaim its 200 day MA and work out of a multi-week base, seeing 200 March \$195 calls bought \$8.80 offer to open

Apple (AAPL) with 7000 February \$245 puts bought \$5.40 to \$5.55 to open

Sony (SNE) buyers of another 2,000 December \$62.50 calls for \$1.50 to \$1.55 where open interest has been building

CDK Global (CDK) with 1,500 February \$50 calls rolling to May \$55 calls today that open for \$2.50

Sprint (S) buyer 10,000 March \$5 puts \$0.71 to open with February \$6 puts adjusting

Pinduoduo (PDD) with 5,000 April \$35 puts sold to open for \$3

Google (GOOG) January 2021 \$1320 calls opening \$147.90

Facebook (FB) February \$205 calls being bought to open 2350X at \$8.95 to \$9.40, shares breaking out today

Fire-Eye (FEYE) buyers of next week's \$17.50 calls over 2800X as IV jumps

Uber (UBER) with 5000 March \$21 puts opening tied to stock

ForeScout (FSCT) with 1000 January \$40 calls opening \$0.90 to \$1.01, recent reports it may explore a sale with Corvex and Jericho stakes. MSCO out last week seeing \$44/share value in a deal

Twilio (TWLO) the Dec. 6th (W) \$100/\$96 put spread bought 1200X for \$1.10

ZenDesk (ZEN) with 495 Jan. 2021 \$70 calls opening around \$18.50, spread with the \$90 calls

NXP Semi (NXPI) opening sale 1250 January \$115 straddles for \$10.45

Clarivate (CCC) IV jumping with 585 December \$17.5 call buys

Smith Micro (SMSI) with 2000 January 2021 \$7 calls opening today for \$0.80, April \$8 look to adjust into weakness

II-VI (IIVI) with another 2,600 April \$30 calls bought up to \$2.65, spot where 4,000 bought yesterday to open into weakness

Intuit (INTU) buyer 200 June \$270 calls into earnings this week \$25.20 to \$25.30

Skyworks (SWKS) buyers opening 1,850 weekly \$97 put for \$1.80 to \$1.85, some \$99 puts rolling down

Micron (MU) buyers into the lows of 3,500 December 6th (W) \$46 puts for \$1.02 to \$1.19

Microchip (MCHP) with buyers of 1,100 Dec. 13th (W) \$95 calls for \$1.45 to \$1.49; **MCHP** also with 950 Dec. 6th (W) \$95 calls bought

Grub Hub (GRUB) with 7,000 of next week's \$39 puts bought up to \$0.55

Snap (SNAP) with 2,000 January 2022 \$13 puts sold to open from \$3.25 to \$3.20

TeraData (TDC) with 1700 December 2020 \$25 puts bought \$2.75 offer

Verizon (VZ) afternoon buyers of 6000 December \$61 calls \$0.37 to \$0.38

Pinterest (PINS) IV falling this afternoon with 5000 December \$19.50 puts sold to open \$0.70 to \$0.65

Utility

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.

Content is for informational and educational purposes only. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors.