

OptionsHawk

OPTIONS HAWK DAILY MARKET 12/10/2019

Sector Leaders

Semi's

Biotech

Oil & Gas

Stock Gainers

MGTA 16.3%

PRNB 16%

AUPH 13.2%

DERM 10.8%

PSNL 10%

ARVN 8.2%

CLVS 7.8%

Volatility Gainers

- AVDL
- LPI
- UPWK
- GME
- LK
- GBT

High Call Volume

- ARQL
- QURE
- NTRS
- CL
- A
- CONN

Bullish Options

- ITCI
- PLD
- QSR
- NFLX
- ANET
- BMJ
- JBLU
- CL
- NTRS
- QURE
- AUPH

Sector Laggards

Solar

REITs

Housing

Stock Losers

FRAN -40%

CONN -30%

ROAD -19%

DBI -15%

SGMO -8.7%

CASY -7.8%

CMD -6.5%

Volatility Losers

- SFIX
- DB
- S
- CONN
- CHWY
- ARQL

High Put Volume

- QTT
- CASY
- AXL
- AEO
- GWRE
- MTN

Bearish Options

- MTZ
- FDX
- FL
- DOCU
- FIZZ
- AEO
- BX
- EW
-

Market Review: Stocks were lower overnight and into the open as the 12/15 tariff deadline neared and overall trade tensions remained in focus. But turned positive into the open on reports of the tariffs being delayed further. Breadth improved throughout the morning as 1 month VWAP held as support and some pockets of strength in Biotech, Energy and Semiconductors. The S&P continues to consolidate just under new highs with the FOMC and ECB in focus the remainder of the week. The trading environment has slowed as more details are awaited, year in 2019 that saw strength in markets despite no earnings growth, a lot of optimism on Macro turning around in 2020 built into current price levels.

S&P Chart:



Resistance	Support
3,155	3,060
3,225	3,030
3,500	3,000

Options Action Trends: It was one of the lightest days of options activity in months and no major new trends observed in the flows today.

What's On Tap: Mortgage Applications, Inflation Rate, and Fed Decision & Press Conference.

Trade Tracker Portfolio Changes:

- 1) **Spotlight:** Long DOW January \$55 Calls \$1.10



Northern Trust Bull Sticks with Position

Ticker/Price: NTRS (\$109.50)

Analysis:

Northern Trust (NTRS) unusual activity today with 1000 July \$97.50 calls opening for over \$1.4M as January \$90 calls are adjusting. NTRS shares are working out of a strong daily bull flag and back near its 2018 highs. The \$23.25B financial company trades 15.5X Earnings, 29X FCF and 2.35X Book with a 2.57% dividend yield and screens favorably to peers like State Street (STT) and Bank of NY (BK). NTRS earnings income from its Wealth Management and Corporate & Institutional Services segments, the latter 59% and the former 41% of total revenues while the Income split is 52%/48% respectively. NTRS has a strong 16.2% ROE and better margins and fee growth metrics to peers. Analysts have an average target of \$106 on shares and short interest is negligible. NTRS will be presenting at the Goldman Financial Services Conference tomorrow and coming off a quarter where it beat estimates nicely. UBS downgraded shares in September citing valuation that is already priced for a high quality franchise. Hedge Fund ownership fell 5.95% in Q3 filings, Barrow Hanley a top holder adding to its position and Fiduciary Mgmt. taking a new concentrated stake.

Hawk Vision:



Hawk's Perspective: NTRS is definitely a best of breed name and worthy of owning though extended near-term without any clear catalysts, one to target on dips.

Confidence Ranking: \$\$



Spirit Air Bullish Positions Accumulate

Ticker/Price: SAVE (\$38.40)

Analysis:

Spirit Airlines (SAVE) with buyers today of 500 January \$35 calls up to \$3.80 and follows over 2,000 January \$37.50 calls bought recently as well as some sizable short puts in OI including 6500 December \$40s and 20,000 January \$45s. Shares are consolidating in a narrow multi-month range under \$40-\$41 with a low-volume gap back to \$50 from earlier this year. SAVE held the 2017/2018 lows around \$35 on the recent move lower. The \$2.63B company trades 7.94X earnings, 0.71X sales, and 10.3X FCF with over \$15/share in cash on hand. SAVE has taken EPS estimates down for FY20 due to a big investment push but sees earning over \$5.50/share in FY21 with mid-teens revenue growth both of the next two years. SAVE is the largest ultra-low cost carrier in the US with 600+ daily flights and an expanded footprint in 23 of the top 25 metro areas. They have a cost-advantage over peers given better asset utilization, operational efficiency initiatives, and programs like flight crew refreshes and investments in tech. SAVE has been executing on a number of non-ticket revenue drivers for 2020 including building out their ancillary offerings (now ~50% of the mix), website merchandising programs, and a redesigned loyalty program, hotel/car bundling. Analysts have an average target for shares of \$51 with 7 buy ratings, 8 hold, and 1 sell. Buckingham upgrading to Buy on 12-2, \$50 PT. They think revenue worries are dissipating on reduced competitive capacity and revenue initiatives are set to finally gain traction in 2020. Short interest is 8.9% and up from around 4% in August, a cautious signal. Polar Capital a notable holder of stock while insiders active this Summer. Director McIntyre Gardner buying \$208k in shares at \$41.92 in August while the CEO bought \$100k in stock in July around \$42.

Hawk Vision:



Hawk's Perspective: SAVE is attractive at these levels and recently screened as the best value in its peer group, so I like the reward/risk here.

Confidence Ranking: \$\$



Large Put Buy into National Beverage Recovery

Ticker/Price: FIZZ (\$57)

Analysis:

National Beverages (FIZZ) with 4,400 July \$60 ITM puts bought today from \$10.00 to \$10.90 and still has bearish open interest in the April \$55 and \$45 strikes. Shares gapped higher on earnings last week and just below gap resistance from March at \$60 while also running into the 23.6% retracement level of the fall from the 2018 highs. The \$2.29B company trades 23.5X earnings, 2.3X sales, and 19.33X FCF. The company sees both top and bottom line deceleration continuing in 2020 while margins continue to contract. FIZZ is coming off a strong quarter with their first new flavor in two years, Hibiscus, driving a near-term inflection in sales. La Croix remains in decline overall as competition in the sparkling water space grows with Bubly, Waterloo, Perrier and others taking shelf space. Their biggest threat to shelf space is coming in March when Coca Cola (KO) rolls out AHA that will be marketed as a healthy, natural alternative at a time when FIZZ faces lingering questions about artificial ingredients. Analysts have an average target for shares of \$47 with 1 buy rating, 3 holds, and 2 sells. Guggenheim thinks KO's Aha brand will take immediate shelf space while a resurgence in LaCroix likely doesn't occur until the 2H. Jefferies on 11-11 with a \$30 PT noting that KO is one of the biggest competitors to enter the market from the POV of being able to outspend on marketing to win share. The firm also thinks FIZZ needs to make much more bold moves to regroup the brand. Short interest is 16.8%, up from around 9.5% this Summer and surging from around 4% at the start of the year. Hedge fund ownership rose 11% in Q3. Melvin Capital a buyer of put options and now a position equivalent of 950,000 shares.

Hawk Vision:



Hawk's Perspective: FIZZ very much looks like a rally to short into, though it is extending further than I expected, I see major competitive issues causing slowing growth and weakening margins.

Confidence Ranking: \$\$



Large Call Buy Sees Opportunity in Elastic Weakness

Ticker/Price: ESTC (\$62.75)

Analysis:

Elastic NV (ESTC) moving higher as 1500 February \$60 calls are bought \$6.20 to \$6.30 to open with shares down sharply over the past week since reporting. ESTC also saw 2000 July \$45 puts sold to open on 12/5 into weakness as well as small buys in longer dated calls though 1000 each of the December \$75 and \$70 puts bought in late November and early December remain in open interest. ESTC shares are not far from its post-IPO lows and have sold off sharply in Q4 as investors rotated out of high multiple software stocks. The \$4.85B Company is focused on data visualization and analytics and valuation now down to a more reasonable 11.4X EV/Sales with revenues rising 70% in 2019 and expected at 53% growth in 2020 and 36% growth in 2021 while profitability remains far off and FCF margins not likely to inflect positively until 2022. ESTC recently posted a 130% net expansion rate and customer count for ACV over \$100K was 525 compared to 475 in the prior quarter. Analysts have an average target of \$97.75 on shares and short interest continues to creep higher to 10% of the float. KeyBanc sees revenues quadrupling over the next five years in a \$45B TAM. It sees sustainable high growth as search-centric software vendors see expanding volumes of data in IoT, cloud, and AI. Capturing just a 5% share of its TAM puts ESTC on a path to \$2B in revenues after \$160M in 2018. ESTC will present on 12-12 at the Barclays Tech Conference. On 11-18 Canaccord upgraded shares to Buy with a \$90 target seeing +30% FCF margins at scale several years in the future. RBC lowered its target to \$103 after earnings noting the billings miss due to slipping Federal deals but saw plenty of positives in competitive wins. Piper calls weakness a buying opportunity and Barclays also defended shares noting shares will be volatile near-term until investors become comfortable with management's explanations for the billings miss. Hedge Fund ownership surged 74% in Q3 filings.

Hawk Vision:



Hawk's Perspective: ESTC is an impressive growth name and valuation now becoming more fair, though price-action compared to peers is concerning. I prefer to see a more constructive chart pattern form with some near-term moving averages turning higher first.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

NASDAQ (QQQ) buyers of 6,250 Jan. 24th (W) \$197 puts to open \$2.70 in early trade

Biotech (XBI) off the early lows with 1,500 December \$93 calls bought \$2.55

Gold (GLD) with 2000 June 2021 \$150 calls opening today \$6 to \$6.10

S&P (SPY) with 8000 February \$205 puts opening \$5.18

Russell (IWM) buyers active for 7000 January \$166 OTM calls today near \$1.55

Treasury (TLT) opening seller 5000 January 10th (W) \$139 straddles for \$4.04 expecting quiet Bond markets the next few weeks

Consumer Discretionary/Services

Foot Locker (FL) with 1300 January 2021 \$37.5 puts opening \$6.18

American Eagle (AEO) earnings tomorrow morning and 6,000 Jan. 10th (W) \$15 puts bought for \$0.88 to \$0.90

Canada Goose (GOOS) buyers of 1500 Jan. 24th (W) \$39 puts for \$2.15 to \$2.19, tied to stock

Liberty (LBTYK) another 2500 April \$22.50 calls bought for \$1.15 and spread against the Jan. 2021 \$27.50 calls sold for \$1.05, same as yesterday

Five Below (FIVE) into weakness with a buyer of 500 February \$115 calls for \$10.15

Express (EXPR) buyer of 2000 July \$7 calls at \$0.85 to \$0.90 and follows opening trades this week for 2000 April \$6 and 2000 July \$7 calls. EXPR shares are on a strong multi-day run after surprising on earnings and guidance on 12-5.

Sinclair (SBGI) buyer of 8,275 January \$31 puts for \$1.35 and spread with 12,275 January \$26 puts sold for \$0.25, tied to stock

Discovery (DISCA) buyer of the January \$32.50 calls today for \$1.07 to \$1.08, over 2300X, as the December \$30 calls roll out and up 1800X

L Brands (LB) moving higher all day, recent activist target, and 3275 Dec. \$18 calls active with buyers midday at \$0.50

Chewy (CHWY) with 2,500 Dec. \$25.50 straddles sold for \$2.15 to open

Consumer Goods

Colgate (CL) with 10,000 May \$75 calls opening for \$0.99, rolling the Feb. \$77.50 calls

Hasbro (HAS) buyer of 1000 January \$100 straddles, likely see some Holiday sales updates

Costco (COST) with 725 February \$290 calls opening for over \$1M ahead of 12-12 earnings, the January \$285 adjusting

I Robot (IRBT) with 1000 February \$45 puts opening for \$4.68, adjusting down some Dec. \$50 puts that were sold to open in August

Energy

Occidental (OXY) with 3600 weekly \$3850 calls bought to open today and 5,500 December \$38.50 calls bought up to \$0.57, Icahn involved name looking at a potential proxy

Technip (FTI) with 1,500 January \$20 puts sold to open \$1.30 to \$1.25 into weakness. FTI also with 200 Jan. 2021 \$15 ITM calls opening \$5.10

Laredo Petroleum (LPI) with 27,000 January \$3 calls bought for \$0.15 in a stock replacement. CSFB seeing a lot of potential for strategic actions given their solid balance sheet

GOLAR LNG (GLNG) block of 1250 June \$15 calls opens \$1.84

Exxon (XOM) buyer 1300 June \$62.5 puts near \$2

Petrobras (PBR) with 1000 February \$14 calls bought \$1.88, some December calls rolling out

Hess Corp (HES) with 3200 January \$60 puts bought for \$1.86, rolling down 1800 of the January \$65 puts bought in November

Financials

Morgan Stanley (MS) with 1,500 April \$50 puts sold to open for \$2.95, adjusting some Feb. \$45 puts that are bought back to close 3000X

Wells Fargo (WFC) opening sale of 7000 June 2020 \$52.5 puts for \$2.88

Blackstone (BX) with buyers of 11,000 December \$54 puts up to \$0.68

Mid-America (MAA) with 359 June \$120 calls opening \$15.50 as December \$120 adjust, a quality REIT

Truist Financial (TFC), the new BBT/STI, with 3,000 January \$52.50 puts bought \$0.48 to \$0.53

Healthcare

Intra-Cellular (ITCI) with 2000 January \$6 puts opening \$1.30

E-Health (EHTH) flagging and 200 May \$100 calls bought \$13 to open

Tandem (TNDM) buyer 750 January \$65/\$70 call spreads \$1.10

Bristol Myers (BMY) with 8,500 February \$62.50 calls bought \$2.04 as the January \$60 calls adjust into strength

Agilent (A) with the February \$90/\$95 call ratio opening 2000X3000 as January calls adjust, reports last night of the new Ackman stake

Arqule (ARQL) moving up towards its \$20/share offer price from Merck (MRK) leaving very little arb-spread and seeing 15,000 January \$20 calls and 20,000 April \$20 calls active

UniQure (QURE) with 3125 January 2021 \$90 calls opening at \$14 as January \$60 calls adjust out and up

Aurinia Pharma (AUPH) now 13% higher and seeing 1100 April \$20 calls bought \$2.47 to \$2.60 to open

Kodiak (KOD) with 1000 March \$75 calls sold to open \$5.05, a name with 1000 of the \$80 calls sold to open recently

Gilead (GILD) with 2,000 June \$62.50/\$85 call spreads bought for \$6.55

Bio Rad Labs (BIO) unusual trade opens 400 January \$370 calls \$4 into two days of weakness

Myokardia (MYOK) with 300 March \$55 synthetic long positions opening as December \$55 calls adjust

Omega Health (OHI) with 745 January 2021 \$47 calls opening \$1.60 earlier today

Zogenix (ZGNX) with 1250 February \$55 calls bought \$4.20 to \$4.75 to open with Phase 3 data in Lennox-Gastaut due in Q1

Industrials

Fed-Ex (FDX) with 500 Dec 27th (W) \$157.5 puts opening as the Dec. 13th (W) are adjusting

Harley (HOG) buyers of 2,000 December \$37 calls for \$0.60

Tesla (TSLA) buyer of 1000 January \$375 calls \$7.80 offer

MasTec (MTZ) weak today with 1,500 December \$60 puts bought \$1.10 to \$1.15

Jet Blue (JBLU) IV rising with another 8000 January \$20 calls being bought near \$0.30

Virgin Galactic (SPCE) 1500 July \$7 calls roll to Jan 2021 \$10 calls while January 2022 \$20 far OTM calls active with buyers at \$1.50 today

Emerson (EMR) buyer 2800 January \$70 puts to open \$0.70

Tesla (TSLA) with 2000 January 2021 \$380 calls opening today \$53 that look to be adjusting a 2000 contract January 2020 \$330 synthetic long.

Materials

Royal Gold (RGLD) block of 1000 December \$115 calls opens \$1.80 offer

Vale SA (VALE) another 5,000 June \$10 synthetic long spreads trading today for \$2.35

Tech and Telecom

Netflix (NFLX) weak after downgrade with shares down 2% but 3000 March \$285 calls are bought \$32.05 looking to add to OI that sits above 5000. **Netflix (NFLX)** buyers of 8,250 January 24th (W) \$300 calls up to \$16.10 this afternoon, looks to be adjusting some Jan. \$300 calls with shares weak today after a Needham downgrade.

Arista (ANET) moving a bit with unusual 600 December \$195 calls bought up to \$3.60

DocuSign (DOCU) with 470 March \$75 puts bought \$6.40 and a larger block at \$6.50 takes volume to 2100X

Cisco (CSCO) with 1000 January 2022 \$57.50 calls bought \$1.90 to open

Advanced Micro (AMD) coiled bull flag seeing 3000 OTM February \$44 calls bought today near \$1.70. **AMD** block of 1417 July \$41 calls opens \$5.33

Xerox (XRX) buyers of 925 January \$37 calls for \$1.30 with the ongoing M&A talks with **HP (HPQ)**

Norton Lifelock (NLOK) fading much of the gains from reports of M&A interest overnight and 5000 December \$26 puts bought \$0.30 earlier today

Silicon Motion (SIMO) strong this afternoon and 525 March \$50 calls bought to open this morning \$2 to \$2.20 in unusual activity.

Utility

Vistra Energy (VST) with near 1000 April \$22 calls bought \$2.35 to \$2.45 into weakness. **VST** near day highs with those Apr \$22 calls up to 1950X

PG&E (PCG) with 2,775 June \$8 puts bought for \$2.12 to \$2.13, spread with sales of the \$23 calls

Disclaimer:

Not Investment Advice or Recommendation

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