

OptionsHawk

OPTIONS HAWK DAILY MARKET 2/14/2019

Sector Leaders

Oil E&P

Software

Biotech

Stock Gainers

IVC 65%

MTRN 19%

CYBR 18.7%

NGVT 14.5%

SNBR 12.7%

YETI 12%

TCX 10.8%

Volatility Gainers

- ASND
- VSI
- HL
- MAT
- ADT
- WYNN

High Call Volume

- VRNT
- SIX
- AXL
- VNDA
- ADT
- MRO

Bullish Options

- VMW
- INTC
- STI
- HUBS
- BOX
- AMAT
- DISCA
- EA
- CP
- CPRI
- VNDA

Sector Laggards

Financials

Gaming

Consumer Goods

Stock Losers

SWIR -26.4%

SVMK -15.7%

FOSL -13%

SIX -12.7%

IFF -10.6%

CRY -10%

CTL -9.8%

Volatility Losers

- SNBR
- YELP
- FOSL
- IVC
- CTL
- VNDA

High Put Volume

- ETH
- AMN
- SNBR
- DO
- YETI
- ASND

Bearish Options

- UBNT
- A
- MLCO
- XEC
- AMD
- UPS
- TRUP
- ETH
- YETI
- ASND
- AMN

Market Review: Stocks were a bit higher into the open on continued optimism on the removal of the two key market overhangs with the US Shutdown and China/US trade, the latter with reports of a sixty day extension to get a deal done. We also saw a number of strong earnings reports come in across a number of diverse industries. Inflation data came in light while Retail sales was a major negative surprise to estimates and caused a sharp reversal lower in stock futures. Stocks rebounded right near a retest of last week's low and one-week VWAP in early trade, no downside follow-through as the rising 8 day EMA held firm. Energy led once again but also saw strength in growth areas Software and Biotech. Financials were weak as well as consumer-linked sectors. We have plenty of data tomorrow morning to finish the week and see if the Indices can close above 200 day MA's and the weekly cloud as breadth remains strong.

S&P Chart:



| Resistance | Support |
|------------|---------|
| 2,755 | 2,725 |
| 2,770 | 2,675 |
| 2,800 | 2,650 |

Options Action Trends: Early action saw bullish call buys focused on Tech with VMW, HUBS, BOX, AMAT and others. We saw some bearish positioning in Energy names FANG and XEC. There was also some low Delta put buying across Industrials like DOV, SWK, CAT, JEC, and HON for March expiration. Notable puts bought in Data Center REITS as well, EQIX and DLR.

What's On Tap: Import/Export Prices, NY Empire Manufacturing, Industrial Production, Consumer Sentiment and Earnings from PEP, DE, MCO, YNDX, NWL, WBC, DAN and AXL.

Trade Tracker Portfolio Changes:

1. **Earnings Flow** (Long the PEP March/June \$115 Call Calendar \$2)
2. **Spotlight:** Long the JNJ April \$135 Calls at \$3.30
3. Closed EXEL Call Spreads \$1.35 (Opened \$0.90)
4. Closed ZTS Spreads \$2.75 (Opened \$1.25)



VMware Calls Bought Aggressively in Opening Bell Action

Ticker/Price: VMW (\$169)

Analysis:

VMware (VMW) on the open trades 745 March \$165 calls in wide swings \$7.20 to \$8.40 and up to 1000X in the opening 20 minutes trading \$8.40-\$8.70 bid-ask. VMW also has 1,265 April \$148.19 calls bought in OI. VMW shares are off to a strong start in 2019 and nearing record highs in a very steep trend higher on good accumulation volume. The \$67.85B cloud infrastructure Co. trades 25.1X Earnings, 6.7X EV/Sales and 21.1X FCF with a strong balance sheet flush with cash. VMW will next report in late February. It spoke at the Barclays Conference in December highlighting the strong growth it sees in cloud, mobility, AI and IoT. Analysts have an average target of \$167 on shares and short interest at 6.9% of the float has been rapidly declining. Evercore ISI started shares In-Line last week with a \$160 target with concerns of lumpy growth in NSX and vSAN while it takes time to monetize the AWS partnership. MSCO cut to Equal Weight on 1-15 on valuation with risks to its on-premise infrastructure exposure and mix of perpetual license revenues. BMO has a \$170 target after the special dividend news earlier this year with greater confidence to serve the glue that binds private and public clouds in a hybrid world. Citi sees growth ahead at historic levels as its cloud relevance increases. Hedge Fund ownership fell 23.4% in Q3 filings, Dodge & Cox and Icahn top sellers. JET Capital disclosed a call option position and Dell (DELL) continues to own a large stake of VMW with a lot of talk in the past of an eventual full acquisition.

Hawk Vision:



Trading Strategy: VMW has been on a big run and would need to see some consolidation before positioning, likely one to target closer to earnings with a strategy I will look at that time.

Confidence Ranking: \$\$



Bulls Accumulate Positions in Freeport on Potential Major Base Breakout

Ticker/Price: FCX (\$12.10)

Analysis:

Freeport (FCX) continues to draw bullish flow this week with action today in the March 29th (W) \$12 calls, buyers yesterday of more than 17,500 April \$14 calls, and recent buys of the March \$10 calls. The August \$14 calls bought 10,000X last week while the April \$11 short puts with 3,000X sold on Monday. Size still sits in the August \$11 calls, March \$11 and \$12 calls, and January 2020 \$12 calls where 40,000 have been bought for more than \$3M since 1/28. FCX shares are consolidating in a multi-month base under \$12.50 with a breakout targeting the 200-EMA and a move above to \$15. Shares have pulled back to key volume support from 2017 and out of a long downtrend from last year's high. The \$18.19B company trades 12.8X earnings and 0.94X sales with over \$3/share in cash on hand and a 1.63% yield. FCX is one of the more sensitive names to copper prices and benefitting from a rebound in 2019 with demand in China expected to pick-up in the 2H. The focus in 2019 continues to be expanding production capacity while shoring up the balance sheet and improving shareholder returns. FCX's CEO was out in October noting that they are taking a proactive approach to improving returns which includes a possible sale and on 1/24 noted that they would more likely be a seller than a buyer in M&A right now given their position. Analysts have an average target for shares of \$16 with 6 buy ratings, 10 hold ratings, and 3 sell ratings. MSCO upgrading to Overweight on Monday with a \$14 PT. They see low visible inventories and improved demand overseas as drivers. Jefferies positive on 2/12 seeing 2019 as a trough year for shares due to lower volumes and higher-than-anticipated costs but they expect a strong recovery in EBITDA and FCF. They keep a \$25 PT. Institutional ownership rose 40.5% last quarter. Short interest is 3.3%. The last notable insider buy in the name was above at \$15.20 when a director bought \$555K in stock in late 2017.

Hawk Vision:



Trading Strategy: FCX is a tricky name to play and have trouble trust the Metals names, a difficult space to play similar to Energy.

Confidence Ranking: \$



Call Buyer in Box as Software Momentum Continues

Ticker/Price: BOX (\$24.25)

Analysis:

Box (BOX) with a buyer of 3,000 March \$23 calls today for \$2.05 and follows buyers of nearly 3,000 of the \$24 calls over the last week ahead of earnings in late February. BOX has some notable January OTM calls in OI from buyers in August when shares were back near current levels. BOX has been on a strong run recently back to a big volume node from 2018 after pulling back to the 61.8% Fibonacci of the run from the 2016 lows. A move above the 52-week highs targets a continuation of the three-year move towards \$35. The \$3.36B company trades 5.78X EV/sales and 16.78X cash with the company in the early stages of profitability. BOX is on the path towards \$1B in revenue with 20.5% and 19.2% growth over the next two years as they expand product lines across web, drive, and mobile. BOX sees significant opportunity in CCM with a \$40B TAM and nearly 96% recurring revenue while adding partnerships with other leaders like Amazon and IBM over the last two years have broadened their customer base. Analysts have an average target for shares of \$26.50 with 11 buy ratings and 4 hold ratings. Goldman initiating shares at Buy on 2/5 noting that BOX is one of the best-positioned vendors in CCM with bookings set to re-accelerate in 2019 as more companies shift content to the cloud. Piper Jaffray noted in early January that BOX is an ideal target for legacy names in tech looking for cloud exposure. They think PE could also be interested with more deals in the space this year. Craig Hallum positive on 1/24 noting that BOX is on the cusp of experiencing accelerating price/user and price/customer metrics and still in the early stages of product monetization. They see a solid base for 20% revenue growth with improving FCF over the next 2-3 years. Short interest is 4.8%, down from 8.5% in September. Institutional ownership rose 0.5%. Hercules Capital a notable buyer of 1.45M shares.

Hawk Vision:



Trading Strategy: BOX has earnings in two weeks and if it pulls in could provide an opportunity, the \$19.50 breakout trigger has run a long way so have trouble buying it at these levels.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Industrials (XLI) spread buys 9,000 April \$74 puts \$1.80 and sells 9,000 June \$65 puts \$0.69

Natural Gas (UNG) with 20,000 next week \$23 calls bought for \$0.48 as Feb. \$23 calls rolled out a week

NASDAQ (QQQ) put flows active today, the September \$170 puts that opened 2,000X on 2/8 seeing 3,398 trade early though activity showing action on the bid with declining prices, sold to open. The March 29th (Q) \$170 puts active after 7,750 traded stock-tied. The April \$153 puts opening 15,000X as March \$148 adjust, likely adjusting a hedge to a stock basket.

Consumer Discretionary

Discovery (DISCA) buyers of 1,000 July \$30 calls for \$2.10 today and also seeing nearly 1,500 of the April \$32.50 calls bought

Electronic Arts (EA) with 5,000 next week \$100 calls bought to open \$4.25 to \$4.30. **EA** also with buyers of 2,000 April \$110 calls today \$4.40 to \$4.60

Trupanion (TRUP) buyers of 445 August \$30 puts for \$4.40 to \$4.50 today into strength

Nielsen (NLSN) buyer of 1,000 January 2020 \$20/\$30 call spreads for \$5.70 today with most expectations are looking for a potential deal around \$30

Capri (CPRI) buyers of 2,400 May \$50 calls for \$1.15 today to open, pulling back a bit after the earnings gap higher

Ethan Allen (ETH) with 1,600 May \$20 puts bought for \$1.80 today as the February puts adjust out

ASGN (ASGN) big move off the early lows after earnings and now 1,000 March \$65 puts are sold to open for \$1.80 in a stock replacement

Yeti (YETI) big move higher on earnings today and 3,000 May \$22.50 puts bought now for \$3.50 to \$3.70 to open

Disney (DIS) with 5,000 March \$110 puts being sold to buy 5,000 April \$110/\$95 put spreads

CBS (CBS) with 10,000 June \$60 calls bought \$0.39 to \$0.40 ahead of earnings. **CBS** also with 3,000 March \$52.50 calls bought now up to \$0.51

TJX Co (TJX) buyer of 600 January \$55 puts from \$7.10 to \$7.20 today ahead of 2-27 earnings

Live Nation (LYV) buyer of 1,000 April \$55 calls for \$3 to open

Bed Bath (BBBY) buyers of 2,000 August \$15 puts for \$1.44 into strength today

Movado (MOV) opening sale of 1,000 March \$33 puts \$1.65 replaces stock, name that has 1,500 Mar. \$34/\$40 call spreads in OI

Nike (NKE) seeing 10,000 February \$85 short calls roll to March \$90

Consumer Staples

Mondelez (MDLZ) with 19,000 March \$49 calls sold to buy the \$44 puts, net credit 8 cents, likely collaring stock after a big run

Coca Cola (KO) with 1,000 Jan. 2021 deep ITM \$38 calls opening \$9.15 to \$9.20 into earnings weakness. **KO** now also seeing 26,000 April \$44 puts sold to open into weakness today, from \$0.56 to \$0.52

Hain Celestial (HAIN) buyer of 2,980 March \$18 calls today as the \$17 calls roll up, size January 2021 calls in OI as well

Energy

Anadarko (APC) with 6,500 January 2020 \$50 calls being sold today for \$3.45 in a buy-write

Marathon (MRO) seeing 2,500 March \$16/\$15 bull risk reversals bought earlier this week close and adjust up to the \$17/\$16 spreads

Cimarex Energy (XEC) with 750 Jan. 2020 \$75 puts bought \$9.40 to \$10 to open. **XEC** also with 600 Jan. 2020 \$60 puts opening \$3.40 to \$3.70

Valero (VLO) spread in March 8th (W) trading the \$83/\$87 call spreads and \$84/\$79 put spreads around 2000X each

McDermott (MDR) with 7,500 March \$6 puts bought today up to \$0.34 into strength

Diamondback Energy (FANG) with 1,000 Jan. 2020 \$90 puts bought to open for \$7.10

Baker Hughes (BHGE) with 2,500 March \$26 calls bought as February \$25 calls adjust, breaking out of coiled range

Callon Petroleum (CPE) with 3,000 July \$8/\$6 bull risk reversals opening today for \$0.73 debit

Financials

Sun Trust (STI) another 3,750 March \$65 calls bought today for \$1.00 to \$1.13, BMO with a \$73 PT last week seeing their BB&T merger driving better EPS growth and profitability

BB&T (BBT) similar to STI seeing 2,750 March \$50 calls bought \$1.10 to \$1.17

Fair Isaac (FICO) unusual action today with buyers of 730 April \$250 calls up to \$7.10 to open this morning, trading 22X average. The \$6.8B software company has been on a strong run recently and near new highs

Automatic Data (ADP) spread selling 1,500 May \$160/\$170 call spreads for \$1.40 credit to buy 1,100 of the \$135 puts \$1.90

PayPal (PYPL) with 2,000 April \$92.5 straddles sold to open \$8.39

Chubb (CB) with a long history of being a best in breed Insurance play seeing 987 August \$130 calls open today \$6.25 as February adjust

Digital Realty (DLR) seeing 4,000 April \$100 puts bought on 1/28 close today and adjust out to buy the July \$105 puts for \$2.83

Healthcare

Agilent (A) with 2,700 March \$75 puts opening \$1.60 with the \$82.5 calls being sold to open 2,680X at \$0.50

Bio-Rad Labs (BIO) trading 10X average calls today as a spread today sells 200 March \$240 puts to buy the \$260/\$290 call spread for a net \$7.20 debit, earnings 2-28.

West Pharma (WST) with 300 September \$110 puts being sold to open \$11 to \$10.70. **WST** the September \$110 short puts noted earlier up to 1,000X

Novartis (NVS) buyer of 1,000 April \$90 calls at \$1 with 2,791 in OI

Vitamin Shop (VSI) another 2,000 August \$5 puts sold to open today where 5,000 have been sold already in the past week

Vanda Pharma (VNDA) buyers of nearly 1,000 June \$20 calls this morning up to \$4.00 to open, Phase 2 data in motion sickness due in Q2 and a busy 2H with a PDUFA in August for Jet Lag disorder and a sNDA in Smith-Magenis syndrome expected

Medtronic (MDT) spreads today are selling the February 22nd (W) \$93/\$90 strangle for \$1.64 and buying the May \$92.50 calls for \$2.49 to open for 2-19 earnings, 1000X

Array Bio (ARRY) IV falling as 6,000 March \$22 calls are sold to open, written against a stock position. **ARRY** also seeing 5,000 June \$20 calls bought on 2/4 close and roll up to open the \$25 calls for \$2.85

AMN Health (AMN) buyer of 2,000 February \$60/\$50 put spreads into earnings tonight

BioHaven (BHVN) rolling over a buy with 2,000 July \$40/\$25 put spreads bought for \$4.90, though seen a lot of bullish positioning in recent weeks. **BHVN** now 1,500 April \$50 calls bought \$3.05

Exact Sciences (EXAS) with 5,000 next week \$80/\$75 put spreads opening into 2-21 earnings

Weight Watchers (WTW) sellers may have finally dried up and seeing 1,000 Jan. 2020 \$35 calls bought \$5.55 to open at PHLX today

FibroGen (FGEN) spread sells 2,000 June \$55 calls to buy 5,000 June \$45 puts, could be collaring a strong name into key catalysts

Ascendis Pharma (ASND) spread now buys the March \$75 calls for \$11.00 and sells the April \$85 calls for \$10.25 to open, 740X

Mylan (MYL) with 2,000 April \$30 puts bought for \$1.12 today tied to stock ahead of 2-26 earnings

Amarin (AMRN) stock replacement opens 2,000 May \$23/\$13 bull risk reversals this afternoon for \$0.34 debit

IQVIA (IQV) with 6,500 March \$150 calls sold to open \$0.85 to \$0.81, likely writing versus stock after the new highs hit

Industrials

Waste Mgmt. (WM) with 700 Jan. 2020 \$95 puts being sold to open \$4.50 to \$4.40 this morning after another solid quarter, and a popular strategy in this name for months

Tesla (TSLA) seeing some aggressive buying of April \$350 calls this morning \$7.65 to \$7.90. **Tesla (TSLA)** buyer this morning of 5,000 March \$320/\$340 call spreads for \$5.10 as well

ViaSat (VSAT) on the highs of the day with 300 September \$80 calls bought from \$5.00 to \$5.50 to open today, follows buyers in the September \$75 calls recently 400X

Honeywell (HON) buyer of 950 March \$140 calls for \$11.42 today as some February ITM calls adjust out, strong move recently and back above its 200-MA this week

Canadian Pacific (CP) buyers of 800 June \$210 calls for \$5.80 to \$5.85 this morning and being spread against the March \$190 puts which are sold to open down to \$1.45, strong run higher recently which has pulled back slightly

United Parcel (UPS) with 1,250 July \$110 puts bought to open \$5.45 to \$5.50, could be impacted by weak Retail numbers

AerCap (AER) stock replacement sells 1,000 April \$47.50 puts today to open for \$2.35

American Axle (AXL) pre-earnings spread puts on 5,000 February/April \$15 call calendars at \$0.53

Stanley (SWK) buyer of 1,000 March 1st (W) 4127 puts to open \$0.92 to \$0.95

Southwest (LUV) with 3,000 April \$55 puts sold to open today for \$1.07, adjusting out the March 1st (W) short puts

General Motors (GM) with 4,000 June \$38 calls rolling to \$40 strike today

Materials

Alcoa (AA) with 1,000 Apr. \$30 puts being sold to open \$3 to \$2.95

Tech and Telecom

Ubiquiti (UBNT) early action buys 1,200 March \$130 puts \$4.60 to \$5

Intel (INTC) trader closes 15,000 March 1 (W) \$48 calls and opens 30,000 of the \$51 calls at \$0.66

Applied Materials (AMAT) buyer of 1,000 March 1st (W) \$41 calls \$1.28. **AMAT** also with 1,000 July \$43 calls opening this morning for \$2.74 to \$2.76

2U (TWOU) trading 8X average calls early with 400 March \$65/\$75 call spreads bought to open for \$3.30 into earnings on 2-25, sizable insider buy in November

HubSpot (HUBS) down 4.5% on earnings but seeing 650 March \$165 calls bought here for \$6.30 to \$6.90 as some February calls adjust

Cars.com (CARS) with 1,500 March \$25 puts sold to open for \$1.08 today as some of the February \$25 short puts start adjusting, spot with over 15K in open interest

Micron (MU) another 5,000 April \$40 calls bought today for \$4.60 to \$4.80, looks to add to 19,000 in open interest

Qualcomm (QCOM) with nearly 2,000 June \$48 puts being sold to open \$2.12 to \$2.05. **QCOM** now sweep buyers of 2,335 Jan. 2020 \$52.5 calls at \$4.60

Arista (ANET) buyer of 300 February \$242.5/\$260 call spreads for \$7 into earnings tonight. **ANET** also seeing 685 June \$240 puts open into earnings, spread vs \$200 puts that may be adjusting

Yandex (YNDX) buyer of 2,000 March \$34 calls for \$1.65 today in a stock replacement, continues to consolidate the recent run well and earnings tomorrow morning

Advanced Micro (AMD) with 1,500 Mar 1st (W) \$25 puts opening \$2.20 to \$2.26

Yelp (YELP) stock replacement sells 2,000 March \$36 puts to open today for \$0.88, shares bouncing today off the 20-EMA after earnings. **YELP** with 3,000 May \$38 calls sold to open \$4.05 to \$4 midday

Service Now (NOW) stock replacement opens 500 January \$240 calls today for \$31

Versum Materials (VSM) buyer of 1,100 September \$42.50 calls for \$1.80 today, closing some June \$32.50 calls today into strength

Zuora (ZUO) rallying with 1,360 March \$22.5 calls being bought \$0.75 to \$0.95 offer

Equinix (EQIX) large buy 1,500 June \$380 puts \$7.20 offer into earnings strength

Citrix (CTXS) working on bull engulfing and another 500 September \$105 puts sold to open this morning \$6.60. **CTXS** also with 200 Sep. \$110 calls bought \$4.90 to \$5, similar to recent flows in it

Akamai (AKAM) shares flat today after earnings this week saw a limited move, trading just under a key 200 day MA. Atrade today opened 500 March 29th (W) \$74 / May \$75 diagonal call spreads for \$1.30. It is also seeing 600 August \$75/\$70 strangles bought expecting volatility.

Verint (VRNT) up near multi-month highs and spreads selling 700 September \$45 puts to buy the \$55/\$65 call spreads, also seeing 700 Sep. \$60 calls open as June \$55 adjust

Utility

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