

OptionsHawk

OPTIONS HAWK DAILY MARKET 2/7/2019

Sector Leaders

Regional Banks

Utility

REITS

Stock Gainers

- HBI 16.5%
- CMG 15.1%
- CSGC 12.5%
- ENSG 11%
- PCMI 10%
- EPC 9%
- IRBT 9%

Volatility Gainers

- ARRY
- DNR
- XENT
- HCLP
- VVV
- NBR

High Call Volume

- EXP
- HAIN
- XENT
- FHN
- LIVN
- ARRY

Bullish Options

- X
- CAG
- PBR
- XENT
- ARRY
- EXP
- MDB
- DHI
- FND
- CI
- BHVN

Sector Laggards

Oil Services

Biotech

Semi's

Stock Losers

- PRLB -23%
- VVV -20%
- CENTA -20.5%
- ENS -20%
- ADNT -20%
- TPR -18.5%
- SPB -14%

Volatility Losers

- SGMO
- ARNC
- GPRO
- SONO
- IRBT
- GRUB

High Put Volume

- FIS
- PKI
- ITW
- PSTG
- TEL
- GRUB

Bearish Options

- FISV
- MCO
- FIS
- RDFN
- YELP
- PKI
- BAC
- DVN
- KAR
- TSCO
- TEL

Market Review: Stocks were weak overnight and the Euro took a dive as the EU lowered its growth outlook weighing on global markets and centered on Brexit and China slowing. We had a large \$66B Bank merger in the morning between BB&T and SunTrust. Earnings continued to come in at a quick pace with an overall mixed takeaway, plenty of good reports, but also a lot of cautious outlooks. The selling worsened into midday with reports of Trump unlikely to meet Xi before the March deadline. It was a flight to safety day with Utility, REITS and Banks outperforming while Tech, Biotech and Energy sold off sharply. The S&P tested some trend support, the 8 EMA and near the upper Bollinger Band that stocks have been riding higher. We have a slow schedule tomorrow but a number of earnings reports tonight. The S&P rejected right at the 200 MA, VPOC, and upper weekly cloud, so a cautious approach until can get above 2740.

S&P Chart:



Resistance	Support
2,740	2,675
2,760	2,635
2,800	2,620

Options Action Trends: Early bearish positioning seen in Financial Services names FISV, FIS and MCO after the SPGI/ADS reports.

What's On Tap: WASDE Report. Earnings from PSX, HAS, CBOE, EEFT, and GT.

Trade Tracker Portfolio Changes:

1. **Spotlight:** Long the Z March \$35 Calls at \$2
2. **Spotlight:** Long UAA Apr. \$20 Calls \$2.10
3. **Earnings Flow Trades** (Long HAS Feb./July \$95 Call Calendar \$3.80; Long CBOE Mar. \$95 Straddle \$6.35)



Petrobras Attracts Longer Term Upside Positioning

Ticker/Price: PBR (\$16.2)

Analysis:

Petrobras (PBR) bullish flow this morning with 4,000 Jan. 2020 \$17 calls bought and 1,400 Jan. 2021 \$15 calls for over \$1.5M net purchased. PBR has seen plenty of bullish positioning including 20,000 April \$17 calls bought on 11/23 and 12,000 March \$17 calls on 1/31 while 10,000 March \$14 puts sold to open 1/24. Shares have been in a strong trend since bottoming in 2016 and relative strength lately with the Brazilian market trading well. Shares have key resistance near \$17.5 and a move above can target a strong move to a longer term retracement level at \$22.25. The \$99B Co. trades 11.8X Earnings, 9X FCF and 4.7X EBITDA with a 0.62% dividend yield. PBR was recently allowed by a judge to continue its divestment program as it turns a focus to its core business and recently sold a refinery to Chevron (CVX). Analysts have an average target near \$17 and short interest minimal and near a three year low. Barclays cut shares to Underweight on 1/10 with a \$17 target. MSCO upgraded to Overweight in October with a \$21.5 target, noting an undervalued asset base and strong FCF leading to delveraging with asset sales a free option on shares. Hedge Fund ownership surged 34.5% in Q3 filings.

Hawk Vision:



Trading Strategy: PBR is becoming a favorite in the Oil space with its relative strength and upside optionality, the \$15-\$15.50 zone attractive for entry.

Confidence Ranking: \$\$



Bulls Build Positions in ConAgra into Weakness

Ticker/Price: CAG (\$21.70)

Analysis:

ConAgra (CAG) buyers early of 2,000 September \$24 calls for \$1.00 and also seeing another 900 January 2020 \$23 calls bought for \$1.80 where 5,000 were bought late yesterday. CAG has also seen buyers of the March \$23 calls in late December, 2000X. CAG shares are down over 40% since mid-2018 and back to key support from 2014/2015. Shares are in a narrow range since earnings in December with a move above \$22.50 on watch for the low-volume gap above. The \$10.7B company trades 10X earnings and 1.3X sales with a nearly 4% yield. The company expects 2019 to be a transition year before 7.2% and 10.8% EPS growth through FY21. They see sales growth of 13.8% in FY20. CAG has shifted a majority of their focus to frozen foods after their \$8B deal for Pinnacle which makes them the second largest player in the space behind Nestle and transitioning into a pure-play private label name after a series of divestitures. The company is expected to use 2019 to integrate the new brands, invest in marketing, and re-designing packaging and store displays to boost their \$2B snacks division. They also are looking at channels outside of their core like ballparks, coffee shops and e-commerce. Analysts have an average target for shares of \$41.50 with 8 buy ratings and 1 hold rating. UBS positive on 1/7 seeing 50% upside potential as they fix merchandising missteps, improve the supply chain cost overruns, and move towards their 2019 margin goal. The company is also exploring alternatives for other underperforming businesses like their Italian-based frozen pasta unit. Short interest is 3% and down from around 8% in mid-2018. Institutional ownership rose 7%, Jana Partners adding another 1.4M shares and now with 5M, their third largest position. Insiders were active in the Fall with the CEO buying \$500K at \$35.25 and both the CFO and a director adding a combined \$350K.

Hawk Vision:



Trading Strategy: CAG is certainly a turnaround story and between JANA involvement and insider buying, it looks great longer term versus recent lows.

Confidence Ranking: \$\$\$



Bearish Position in Kar Auction Services

Ticker/Price: KAR (\$52.75)

Analysis:

KAR Auction Services (KAR) with 3,000 March \$55 puts bought today from \$3.00 to \$3.30 to open and follows 3,000 April \$55 puts bought up to \$4.90 on 12/7. KAR shares have rebounded from the recent lows \$46 and back near the 200-EMA and 38.2% Fibonacci of the downtrend from the August highs. MACD is nearing a bearish crossover while RSI is turning over from the 75 level and overbought range. KAR broke a long-term uptrend in November. The \$7.15B company trades 16.75X earnings, 1.92X sales, and 21X FCF with a 2.65% yield. KAR has been growing revenue in the high-single digits but forecasting a slowdown in 2019 to 6.1% and 5.7% in 2020. The company has been planning a separation of their salvage auction business, IAA, and the Remain Co will focus on ADESA auctions and financing. ADESA is the second-largest used vehicle network in North America and faces concerns over peak pricing with Manheim's index decreasing for the third consecutive month in January after hitting multi-year highs. SAAR is also hit its highest levels in 10-years late last year according to Wards and forecast to see a slowdown in 2019, historically a 1-2 quarter lagging indicator to ADESA. Analysts have an average target for shares of \$65 with 5 buy ratings and 3 hold ratings. Short interest is 1.7%, up from 0.7% in October. Institutional ownership fell 22% with Frontier Capital selling nearly half their stake. Point72 and Boston Partners notable buyers. Sun Trust lowering their PT to \$65 on 1/7 noting that the company may not see similar levels of higher RPU for catastrophic vehicles sold in Q4 and faces tough comps in 2019 which should drive multiple compression.

Hawk Vision:



Trading Strategy: KAR is moving right back into major resistance and a good candidate to roll back over. It is also in a tough industry right now, so the short play looks to be on the right track.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Russell (IWM) seeing 11,000 April \$147/\$130 put spreads bought to open this morning at \$2.68

NASDAQ (QQQ) with 10,000 March \$171/\$177 call spreads bought for \$2.08

Regional Banks (KRE) with 39,000 March \$53/\$48 put spreads bought into strength

Semi's (SMH) rolling over hard today with 15,000 OTM Mar. \$90 puts being bought to open which aligned with the China trade concern news

Russell Growth (IWO) seeing 1,100 August \$185 puts open \$9.50 to \$9.85 this morning

Consumer Discretionary

Tractor Supply (TSCO) buyer of 1,000 ITM July \$95 puts for \$8.90 to \$9.20 today, coming off a weak quarter but bounced from the 200-day MA

Kohls (KSS) buyer of 1,500 March \$60/\$55 put spreads today ahead of earnings on 3-5, paying \$0.85, weak Holiday comps announced last month

Take-Two (TTWO) buyer of 1,000 September \$100/\$115 call spreads today and selling the \$85 puts to open for a small net credit

Ralph Lauren (RL) opening sale 400 July \$120 puts \$7.30 after the strong move on earnings this week

Tapestry (TPR) seeing 1,000 August \$35 short puts close today and roll out to open the January 2020 \$30 puts which are sold to open for \$3.20, 1600X

NY Times (NYT) buyers of 5,000 March \$31 calls for \$0.85 to \$0.88 here to open, coming off a strong quarter and likely tailwinds from the political coverage all year

Cimpress (CMPR) buyer 500 March \$80 calls \$3.25

Consumer Staples

Spectrum Brands (SPB) buyers of the January 2020 \$60/\$45 bull risk reversal today for \$1.35, 1000X into earnings weakness

Hain Celestial (HAIN) down 18% after earnings and 17,000 January 2021 \$20 calls are bought for \$1.93 as the \$23 calls roll back.

HAIN this afternoon also seeing spreads buy the March \$17 calls and sell the May \$14 puts to open, 3000X for a small debit

Tupperware (TUP) buyer of 1,500 December \$20 puts for \$1.35 today, tied to stock with shares weak following earnings and may continue to see FX headwinds

FreshPet (FRPT) with 300 December \$40 calls opening \$5.35

Nu-Skin (NUS) with 1,500 February \$70 puts bought ITM \$5.60 to open for earnings 2-13

Tyson (TSN) the March \$60 calls being bought 1,000X this afternoon for \$1.20 to \$1.25, some sizable buys recently in the \$65 calls over 10,000X

Kellogg (K) the January 2020 \$50/\$40 put spread bought 1,000X for \$2.05, shares down 5.5% today and near multi-year lows

Sprouts Farmer Market (SFM) seeing 3,000 January 2020 \$20/\$17.50 put spreads bought for \$0.63

Energy

Devon Energy (DVN) IV rising with 3,400 March \$27 puts bought for \$1.85 to \$1.93 today ahead of 2-19 earnings

Antero (AR) August \$10/\$12.5 call ratio spread opens 5,000X10,000 at \$0.25

EnCana (ECA) now with 3,000 July \$6 calls bought \$1.05 offer

Financials

Fiserv (FISV) into earnings with 1,790 March \$90/\$80 bear risk reversals opening, poor recent history of moves after earnings and just did a big deal for First Data (FDC)

Fidelity National (FIS) spreads are selling the March \$115 calls this morning to buy the \$105 puts, 645X for \$1 ahead of 2-12 earnings. **FIS** spreads up to 3,000X now with some big blocks

Bank of America (BAC) with 5,000 April \$28 puts bought \$1.02 to open

RedFin (RDFN) early sweep buys of 2,000 May \$18 puts \$2.40 to \$2.45 despite recent rumors of potential Amazon M&A interest

First Horizon (FHN) buyers of 5,250 March \$16 calls this morning for \$0.20 to \$0.24 into strength following the BBT/STI deal

T Rowe Price (TROW) the March 22nd (W) \$92.50/\$87.50 put spread bought for \$1.35 into weakness, 950X and coming off a weak quarter

PNC Financial (PNC) opening sale of 500 May \$125 puts \$5.95

Geo Group (GEO) buyers of 1,500 June \$20 puts for \$0.80 to \$0.95 today, reports on 2-14

Everi Holdings (EVRI) stock replacement today sells 3,000 Jun \$7.50 puts for \$1.40 to open, some sizable June call spreads bought recently

Synovus (SNV) with 1,00 May \$38 puts sold to open \$2.35 to \$2.20

Boston Properties (BXP) unusual activity as 1,000 April \$135 calls are sold to open \$2.45 to \$2.30

Healthcare

PerkinElmer (PKI) with 2,765 Mar \$90 puts opening \$2.05. **PKI** now also seeing 2,000 March \$80 puts sold to open for \$0.45 to \$0.40

LivaNova (LIVN) higher after a positive note this morning into a key catalyst and seeing a spread sell 1,000 February \$90 straddles for \$6 to buy 1,000 Mar \$90 calls \$5.90

Intersect ENT (XENT) similar spread to LIVN with 2,000 February \$27.5 straddles sold for \$2.70 to buy 2,000 July \$27.5 calls \$5.40

Array Bio (ARRY) buyers of 1,500 June \$30 calls for \$1.50 today, more upside positioning with IV30 up another 19% today ahead of data

Health Insurance Innovations (HIIQ) spreads this morning are selling the May \$60 calls to buy the March \$33/\$25 put spread 500X for a small debit, earnings in late February

Mylan (MYL) buyers active for 3,450 March \$32.50 calls for \$0.64 to \$0.69 into the lows of the day, filed a patent challenge against Biogen over Tecfidera 514

Clovis (CLVS) recently hot Biotech with M&A potential seeing 645 March \$28 calls bought \$2.35 to \$2.50. **CLVS** this afternoon seeing 400 April \$28 calls sold to open from \$3.20 to \$3.00

Weight Watchers (WTW) seeing 1,300 April \$45 puts bought on 1/11 close today and open the July \$45 puts, sizable ITM position which has been rolling for a while now

Boston Scientific (BSX) with 2,000 March \$37 puts sold to open today in a stock replacement

Cigna (CI) with 1,000 March \$180 calls opening today for \$8.15 into weakness

Quest (DGX) with 750 March \$90 calls bought \$2.10 to \$2.25 with LH higher on earnings

Edward's Lifesciences (EW) with 4,800 April \$180/\$200 call spreads opening \$4.50, shares consolidating just under record highs and a number of key catalysts the next few months. **EW** also seeing 425 April \$165 calls bought \$12.10 to \$12.20

Allergan (AGN) buyer of 1,000 May \$135/\$155 call spreads for \$5.90

BioHaven (BHVN) trade closing 2,500 April \$40 calls \$5.70 and buys 3,500 Apr \$45 calls \$4.50

Medtronic (MDT) with 2,000 Feb. 22nd (W) \$90 puts opening \$2.19 tied to stock, earnings 2-19

Agilent (A) strong run higher recently and 1,250 March \$80 calls are sold to buy the \$72.50 puts for \$0.63 today

Industrials

Waste Management (WM) with 800 January 2020 \$92.50 puts sold to open for \$4.00 today, earnings next week. **Waste Management (WM)** also seeing 975 July \$100 calls bought for \$2.33 as the April \$87.50 calls close and adjust higher

KeySight (KEYS) hot name this year with 200 August \$75 ITM calls opening \$7.90 to \$8

DR Horton (DHI) more bullish flow today as the August \$38 calls are bought 1,250X for \$3.80 to open

Norfolk Southern (NSC) buyers of 900 June \$175 calls today for \$7.30 to \$7.60. **NSC** also seeing 3000 Feb \$165/\$160 put spreads open ahead of 2-11 Analyst Day

TE Electronics (TEL) seeing 1,500 April \$75 puts open \$0.95 to \$1, coming off a tough quarter with weakness in Automotive

Transdigm (TDG) spreads today are selling the March \$380 put to buy the \$440/\$460 call spread 1,000X for \$0.60, coming off a strong quarter

United (UAL) seeing 1,000 September \$90 calls sold to open \$8.15 to \$8.10

Illinois Toolworks (ITW) another 5,000 March \$120 puts bought today for \$0.55 to \$0.60

Honeywell (HON) with 720 March 1st (W) \$141 calls opening as weekly calls adjust out a few weeks

Parker Hannifin (PH) trader opens 638 May \$160 calls \$6.26, adjusts out of underwater February \$180 calls

Materials

US Steel (X) early bull action with 1,100 March \$21 calls bought \$2.50 to \$2.68. **US Steel (X)** now seeing 2,000 January 2021 \$23 puts sold to open for \$4.90 in a stock replacement

Eagle Materials (EXP) with 2,500 July \$72.5/\$85 call spreads opening as the \$60/\$80 spreads adjust

Cliffs (CLF) spread for earnings buys 10,000 February \$12.50 calls \$0.09 and sells 10,000 of the weekly \$10.50 puts for \$0.29

Mohawk (MHK) rising with 4,000 OTM February \$140 calls bought \$1.60 to \$1.70 into earnings tonight

Vale SA (VALE) with 10,000 September \$10 puts sold to open today for \$0.79, the \$12 puts with over 14,500 in open interest from stock replacements recently. **VALE** also with 2,000 September \$11 puts sold to open for \$1.24 today

Martin Marietta (MLM) stock replacement sells 2,000 July \$170 puts this afternoon for \$8 to open

Crown (CCK) the January 2020 \$52.50 calls bought 636X today for \$5.80 and spread against a sale of the \$47 puts 1,270X for \$2.65

Axalta (AXTA) opening buy of 1,000 July \$29 calls \$1.05 to \$1.10

Tech and Telecom

Rapid7 (RPD) seeing 940 March \$40 calls open \$3.20 to \$3.40 this morning into earnings

Mongo-DB (MDB) with 585 Mar \$95 calls opening early this morning \$6.50 to \$7 after some far OTM call buys last two days in May

Grub Hub (GRUB) down over 11% on the morning after earnings and 1,985 June \$85 calls bought up to \$3.70 to open into weakness today

Universal Display (OLED) buyer of 500 February 22nd (W) \$115/\$125 call spreads for \$3.60 ahead of 2-21 earnings, higher two of the last three but coming off a weak quarter

Expedia (EXPE) another 4,500 June \$105 puts being sold to open today for \$1.95 in a stock replacement, earnings tonight

ON Semi (ON) with 2,500 January 2020 \$30 calls opening today for \$1.30 in a buy-write

NetApp (NTAP) buyer of 1,000 February \$65/\$60 put spreads to open for 2-13 earnings

Intelsat (I) large spread sells 2,000 March \$41/\$31 strangles and buys 4,000 March \$31 calls. I also seeing 1,000 June \$25 calls open for \$5.90 as the March calls adjust out

Service-Now (NOW) trades 1,000 Jan. 2021 \$200 puts to open \$27 on a \$26-\$30.10 bid-ask

Sony (SNE) buyer of 1,000 June \$45 calls \$2.25 offer into weakness

Avaya (AVYA) shares and IV popping today with 1,700 March \$20 calls bought for \$0.40 to \$0.45 to open. AVYA saw buyers of the June \$20 calls 1,000X on 1/30.

Turtle Beach (HEAR) rallying off the lows of the day and 1,075 April \$20 calls bought up to \$1.30 to open

Booking (BKNG) another large trade in Jan. 2020 \$1800 calls with 433X at \$259.1 in stock replacement

NXP Semi (NXPI) well off morning lows after a sweep buy of 1,000 July \$90 calls \$7.70 earlier

Applied Opto (AAOI) buyers of 4,000 March \$15 puts into the lows of the day, paying \$1.45 to \$1.47, ahead of 2-21 earnings

Five9 (FIVN) with 1,000 March \$55 calls bought this morning \$1.90, strong Software name

Cypress Semi (CY) buyers of 3,900 June \$14 puts \$0.90

Pure Storage (PSTG) over 23,250 February \$17.50 puts being sold to open today around \$0.15, spot where 10,000 were sold to open recently

Angie's (ANGI) reporting tonight and 5,000 March \$20 calls bought \$0.25 to \$0.35

Zendesk (ZEN) spread sells the March \$65 puts to buy the \$75/\$85 call spread for \$1.55 net debit, 1850X

Zillow (Z) opening buy of 500 March 8th (W) \$35 calls for \$2.05, strong turnaround today,

Utility

PG&E (PCG) buyers of 1,250 June \$15 calls for \$2.40 into the highs of the day

Disclaimer:

Not Investment Advice or Recommendation

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