

OptionsHawk

OPTIONS HAWK DAILY MARKET 3/10/2020

Sector Leaders

Oil & Gas

Tech

Payments

Stock Gainers

EQT 21%

KALA 16%

SWN 20%

PETS 4.9%

HRB 3%

TWTR 3.7%

FOSL 3%

Volatility Gainers

- NS
- CPE
- HTZ
- RCL
- APA
- KKR

High Call Volume

- VIRT
- PRDO
- NS
- ZUO
- LGND
- COUP

Bullish Options

- LQD
- KKR
- XRX
- CCL
- BA
- HLT
- AVYA
- DIS
- TCOM
- BPMC
- WDC

Market Review: Stocks snapped back on Tuesday on talks of a potential payroll tax and hit limit up in pre-market trading, while a number of other economic support ideas being floated in an attempt to counter the COVID-19 outbreak impact. Europe also is initiating large stimulus measures. The morning rally faded hard taking stocks back to negative but then rebounded with some Administrative moves reassuring the public on Managed Care costs and supporting Travel companies. Energy led strength all morning while Tech/Payments also outperformed, and Biotech/Retail were notable laggards. Stocks are trying to hold 2750 as a 61.8% retracement level while 2,630 remains in focus for the bottom of a value range and rising 200 week MA. Tomorrow features another quiet day of data and markets will remain focused on COVID-19. Breadth did improve in the afternoon after we filled the gap and rallied off lows.

S&P Chart:



Resistance	Support
2,900	2,720
2,990	2,630
3,050	2,420

Options Action Trends: Bull Risk Reversals came into beaten down quality large caps like DIS/BA/SBUX/PYPL though leaving room for further downside and done at credits or zero cost.

What's On Tap: Inflation Rates and EIA Data.

Trade Tracker Portfolio Changes:

- 1) No Changes

Sector Laggards

Biotech

Retail

Utility

Stock Losers

SFIX -29%

PBA -20%

CVM -19.6%

SWN -18%

PBFX -17%

CVGW -14.5%

OKE -14%

Volatility Losers

- OPK
- CY
- CLVS
- CMA
- DVN
- M

High Put Volume

- STOR
- SCOR
- ANF
- MGM
- PRDO
- CNP

Bearish Options

- F
- ET
- HTZ
- CAT
- UBER
- PRDO
- MPC
- CLF
- CNP
- ATH
- SEAS



Cerner Bulls See Support Holding

Ticker/Price: CERN (\$70.30)

Analysis:

Cerner (CERN) on 3/9 with 4,000 April \$65 puts sold to open at \$1.90 and 3,000 of the April \$67.5 puts sold to open for \$3 as March short puts adjusted. CERN also has 2500 March \$70 calls bought in open interest, 1500 June \$75/\$62.5 bull risk reversals, and 2000 June \$65 puts sold to open. CERN has held up fairly well, one of the few names not taking out February lows and sits near the 200 day MA, also at channel up support and a major volume node with its retest of the 2019 base breakout. In January Google announced a \$250M deal with Cerner for health data. The \$21.7B provider of healthcare technology solutions such as electronic medical records trades 19.7X Earnings, 3.8X Sales and 27.6X FCF with a 1% dividend yield. Forecasts see revenues growing 3.2% in 2020 and 5.1% in 2021 with EPS growth of 17.5% and 13.5% respectively. CERN is a leading provider of IT services for the healthcare field through their Millennium framework which connects practitioners with a patients EHR. They have key contracts across hospital networks, medical centers, the DOD and VA. CERN announced a collaboration with AWS in July which will help accelerate their AI/machine learning and other next-gen efforts on the cloud side. CERN is on the front lines of digitalization in healthcare through its cloud platform. Last April it announced an agreement with Starboard and is targeting operating margin expansion and buybacks. Analysts have an average target of \$79 and short interest at 3.3% of the float has been declining. CERN is scheduled to appear at HIMSS 2020 on 3/10. On 2/5 RW Baird raised its target to \$85 after solid bookings and updating growth targets above expectations. Piper with a raised \$82 target notes the skeptics but sees CERN's restructuring and rationalization efforts as productive and showing progress. UBS started shares Buy in November with an \$84 target as attractive risk/reward. Hedge Fund ownership fell 3.5% in Q4 filings, Starboard, Generation Investment and Samlyn Capital adding to positions.

Hawk Vision:



Hawk's Perspective: CERN is one of the few healthy charts remaining, and above \$74 would trigger a trend breakout.

Confidence Ranking: \$\$



Unusual Call Buy in Interesting Investment Firm Cannae

Ticker/Price: CNNE (\$32.35)

Analysis:

Cannae Holding (CNNE) with an unusual trade on 3/9 as 2000 April \$35 calls opened for \$1.75, a name with very little open interest but was off to a very strong start to 2020 before the market sell-off. CNNE shares have pulled back to the rising 200 day moving average and also retesting the big November 2019 flag breakout, and sit just above a 50% retracement level at \$30.30. The \$2.68B investment firm primarily invests in restaurants, technology related health services and financial services. Insiders were active buyers of the stock in December at \$33 on a share offering. CNNE is run by Bill Foley who has long-term experience at both Fidelity National (FNF) and Black Knight (BKFS). He's also the current owner of the Las Vegas Golden Knights. Their two largest holdings are publicly-traded Ceridian (CDAY) and Dun & Bradstreet which they intend to take public again. In restaurants, they have a minority stake in American Blue Ribbon which operates casual dining franchises under the banners of Village Inn, Bakers Square, and O'Charleys. In healthcare, they are a minority holder in T-System, an IT Services company which focuses on doctor/patient communication in hospitals and urgent care clinics. Other names include firearms maker Colt, a DTC wine services company WineDirect, and a merchant bank Triple Tree. CNNE is trading 1.63X Book and 5X Cash. CNNE has generated a 20% compounded IRR since inception in 2014 and sees significant value creation opportunities within its existing portfolio and potential new investments. Analysts have an average target of \$48 and short interest is low at 1.1% of the float. CNNE does not see a lot of analyst coverage, Stephens out in November with a \$45 target after the CEO transition. Hedge Fund ownership rose modestly in Q4 filings, a new position from Third Point.

Hawk Vision:



Hawk's Perspective: CNNE is a very intriguing name of interest and think shares have become very attractive back at this level.

Confidence Ranking: \$\$



Put Sales in Wix See Value into Sell-Off

Ticker/Price: WIX (\$116.2)

Analysis:

Wix.com (WIX) yesterday with 1,000 January \$70 puts sold to open for \$3.80 and name that has pulled back into a key zone where 1,500 January \$115 puts were sold on 2/20 and 2,950 July \$105 puts sold on 1/16. Shares bounced yesterday late day off the \$111/\$112 level which was support in October and right off of trend support from the 2017 low. The longer-term rising channel targets \$170 on a move higher. WIX also held VWAP from the February 2018 earnings move higher that triggered the recent multi-year run higher. The \$5.98B company trades 7.86X sales and 8.23X cash with ramping profitability as the company expects to earn near \$3/share by FY23, up 50% annually the next two years. WIX has been a consistent revenue gainer, up 19.75% to 20% annually, and forecasting \$1B in 2020. The company continues to grow their user base well, up 16% last quarter with premium subs up 13%. WIX sees a big opportunity to grow revenue from their existing cohorts with \$6.8B in potential collections through FY27. WIX is the leader in DIY website creation with 150M users worldwide and an expanding portfolio of premium services/products like their open dev platform Corvid and their all-in-one business solution Ascend. Analysts have an average target for shares of \$154. Needham starting at Buy on 2-24 with a \$165 PT. The firm thinks WIX is using its "strong foothold" in the DIY web design market to move up-market to leverage its agency channel and expand its total addressable market opportunity. Deutsche Bank raising their PT to \$170 in February and sees potential for re-accelerating collections growth in 2020. Short interest is 4.8%. Hedge fund ownership fell 4% in Q4. Valinor Management, Point72, and Steadfast Capital top holders.

Hawk Vision:



Hawk's Perspective: WIX is a quality Tech growth name and unlikely to see much negative impact from the current market concerns, so back at trend support provides a nice level, but everything needs a tight leash in the current volatility environment.

Confidence Ranking: \$\$



Kratos Draws Long Term Bullish View

Ticker/Price: KTOS (\$15.60)

Analysis:

Kratos (KTOS) strong small-cap defense name that has pulled back to the 61.8% retracement of the recent rally from the 2018 lows and on 3/9 two notable long-term trades opening 2,500X January 2022 \$22.50 calls for \$3.90 and 2,500 of the \$25 calls for \$3. Shares have run from sub-\$3 in 2016 up to \$24 recently and plenty of momentum with their business verticals lining up in the sweet spot of next-gen aerospace and defense. KTOS is back now at VPOC from early 2019 and a move back above \$17 has a vacuum back to \$20. Longer-term, shares have upside to \$27. The \$1.67B company trades 27.4X earnings, 2.33X sales, and 9.7X cash with mid-30% EPS growth. They see revenues accelerating the next two years, up 12.5% and then 18%, as they win more share of the DoD budget and favorable contracts. KTOS recently did a fourth test of their Valykrie stealth unmanned aircraft system and KTOS CEO Eric DeMarco has said that they expect the program to be a significant part of upcoming DoD appropriations. It could also be included in upcoming tests with the F-35 and F-22 which would greatly expand its market within the department. Analysts have an average target for shares of \$23. Jefferies upgrading to Buy in late February seeing their softer FY20 guidance is evidence of the risk from timing, but the analyst expects continued outperformance for the Unmanned segment and also cites the company's high value exposure to the Space segment of the defense market. Short interest is 7.2% and down from around 14% in late 2018. Hedge fund ownership fell 3% in Q4, notable holders include Sandler Capital and Peregrine Capital.

Hawk Vision:



Hawk's Perspective: KTOS is an interesting small cap growth name in a group lacking a lot of these, the others being AJRD/AVAV. This looks like a good spot for shares to hold.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

NASDAQ (QQQ) with 4000 June \$191 puts bought \$12 to \$12.80 into the opening high, around \$5M

Emerging Market Bonds (EMB) finally showed some weakness and seeing April \$105 puts open 25,000X as the \$112 puts adjust

Biotech (XBI) with 3000 April \$92/\$82 bear risk reversals opening as March \$90 puts adjust

China (FXI) with 9000 September \$41/\$38 strangles being bought

Russell (IWM) options very active in the opening hour, seeing a lot of April to May adjustments, May \$128/\$113 put spreads 24,000X. Also seeing April \$135/\$145 bear call spreads open 15,000X, the May \$151 calls bought 12,000X at \$1.43 to \$1.54, and 2750 Sep. \$140 calls sold to open \$7.89.

Energy (XLE) with the June \$35/\$45.21 call ratio spread opening 5000X10,000 at \$2.40

Canada (EWC) with 9000 June \$24 puts opening \$1.65 earlier, Oil prices likely to hurt the economy

Treasury (TLT) buy-write sold 8000 September \$178 calls for \$9.55 this earlier

Consumer Discretionary/Services

Xerox (XRX) buyer 5000 May \$30 calls \$2.50 where 2000X bought yesterday

Carnival (CCL) with 1500 January \$27.50 calls opening \$5 to \$5.50 this morning

Norwegian Cruise (NCLH) with 4000 March \$17.5 puts being sold to open down to \$1.30

Abercrombie (ANF) sellers of 32,900 April \$9 puts down to \$0.23

Disney (DIS) spread sells 2500 September \$90 puts for \$6.75 to buy 2500 of the \$115/\$135 call spreads for \$6.20

Perdoceo Education (PRDO) spread today sells 2,000 May \$15 calls to buy the \$11 puts for \$1.10 net debit

SeaWorld (SEAS) with 1300 January \$10 puts opening \$2.05 to \$2.15, sure to be impacted by social restrictions

Starbucks (SBUX) with 2000 January \$80/\$60 bull risk reversals opening at \$0.35 credit

Hilton Grand (HGV) with 3000 June \$15 puts opening \$1 on wide bid-ask as option spreads remain wide, resort business likely in for tough times

Tractor Supply (TSCO) buyers of 625 April \$82.50 puts for \$4.60 to \$4.90 this afternoon, broke down out of a narrow multi-month range yesterday

Capri (CPRI) buyer of 1000 May \$17.5 puts \$1.40 offer sweep

Tegna (TGNA) with 1500 April \$16 calls opening near \$3, recent reports of a takeover bid from GTN

Darden (DRI) with 640 April \$85 calls bought, spread w/ the \$100 calls, earnings 3-19

Eldorado (ERI) buyer of 2,500 April \$35 calls for \$2.765, spread against some \$50 calls

Scientific Games (SGMS) the April 2021 \$20 calls bought 1,000 from \$1.90 to \$2.20

Consumer Goods

B&G Foods (BGS) with 2000 April \$22.50 puts opening \$7.30

I-Robot (IRBT) the April \$50 calls sold to open 5,000X from \$0.95 to \$0.82

BJs Wholesale (BJ) with 900 April \$22.50 calls bought today between \$1.60 and \$2.10, coming off a strong quarter and just below its 200-day

Noodles & Co (NDLS) the August \$5 calls bought 500X for \$1.95 to \$2.25

Energy

NuStar Energy (NS) buyers 900 April \$15 calls for \$1.15 offer

Energy Transfer (ET) buyers of 1,850 July \$7 puts for \$1.38 to \$1.40

Occidental (OXY) buyer of 2,000 June \$15/\$22.50 call spreads for \$1.50

Marathon Petroleum (MPC) buyer of 1,000 June \$32.50 puts \$4.05 to \$4.30. **MPC** now also with the June \$37.50/\$47.50 call spread bought 1750X3,500 for \$1.50

Exxon (XOM) with 6,000 January \$40 puts sold down to \$6.60 as IV falls

Hess (HES) with 2000 June \$40 calls opening, initial size buys \$3 to \$3.30 midday

Total SA (TOT) buyer of 1600 April \$37.50 calls for \$2.37 as the \$45 calls roll back

Financials

Lexin Fin-Tech (LX) with 1000 May \$12.50 puts opening \$3 as March \$12.5 adjust

Comerica (CMA) opening sale 500 January \$32.5 puts for \$5.25. **CMA** also with 1,000 July \$37.50 puts sold today for \$5.05 to \$4.95

Athene (ATH) buyers of 1,180 May \$30 puts from \$2.85 to \$3.00

Bank of America (BAC) with 8,000 September \$23/\$18 bull risk reversals opening into the lows for \$0.58. **BAC** also seeing 2,500 May / August \$22 call calendar spreads open for \$0.55

Square (SQ) trade opens 500 September \$75/\$65 bull risk reversals at \$3.40 credit

Cardtronic (CATM) buyer 1000 December \$30 puts for \$5.25

Metlife (MET) with 3,000 September \$30 puts opening today for \$4.10 with stock

Santander Consumer (SC) buyer of 500 October \$20 puts for \$3.20, could see pressure with auto sales down due to COVID-19

Citigroup (C) buyer of 2,700 January \$57.50 calls for \$6.15 into weakness, recent size put sales as well

PayPal (PYPL) spreads selling 2100 April \$95 puts to buy the \$110/\$125 call spreads

Medical Properties (MPW) with 1400 October \$22 puts sold to open \$3.80 as shares test key VPOC just above its rising 200 MA

American Express (AXP) with 2000 January \$90 puts sold to open \$13.70 in stock replacements

T Rowe Price (TROW) with 940 April \$115 calls opening near \$7.10 as the \$130 calls adjust back

Truist Financial (TFC) the April \$37.50 calls bought 1400X around \$1.95 to \$2.27 as the \$42.50 calls adjust back again

Healthcare

Allergan (AGN) buyer 1000 April \$150 puts for \$2

Danaher (DHR) with 1000 September \$110/\$105 bull put spreads opening for \$1

Smile Direct (SDC) with 1000 April \$5 calls sold to open for \$2.05, name with 33.5% of the float short

Cerner (CERN) with 2000 April \$72.5 calls sold to open \$1.80

Blueprint (BPMC) with 2000 March \$60 calls trading \$2.40 to \$2.95, and look to be adding to recent buys

Medtronic (MDT) with 4500 March \$94 calls sold to open down to \$2.80

Tenet (THC) with 2000 March \$23 puts opening \$4.10 as the \$29 adjust, Hospital facing potential overwhelming situations

AbbVie (ABBV) with 1000 January 2022 \$80 puts opening \$15 to \$15.75

Ventas (VTR) with 3000 March \$45 puts opening \$4.50 as the \$55 puts adjust

Agilent (A) with 1,000 May \$67.50 puts bought today for \$4.60 to \$4.90, adjusting down some \$77.50 puts bought recently

Mirati (MRTX) holding just above support seeing IV rise all morning with 2000 April \$95 calls opening \$2.10 to \$2.75 range

Boston Scientific (BSX) seller of 1,500 May \$35 puts today for \$2.80 in a stock replacement

DexCom (DXCM) IV rising here with 230 April \$250 calls, 520 of the \$300 calls and 315 of the \$310 calls bought

Heron (HRTX) with 4400 June \$11 puts sold to open for \$1 today

Sanofi (SNY) buyers of 1600 September \$47 calls for \$3.05 as the \$55 calls roll back

Haemonetics (HAE) a blood bank Co. with 500 April \$90 puts bought \$3.80 offer and 500 of the \$85 puts open \$2.55 offer

Encompass Health (EHC) back to VPOC and 200 day MA territory seeing 500 July \$80/\$60 bull risk reversals open with April spreads adjusting

Industrials

Ford Motor (F) buyers of 10,000 March 27th (W) \$6 puts up to \$0.39

GM buyers of 2,500 June \$30 calls from \$0.93 to \$1.04 this morning

Copart (CPRT) with 500 December \$85/\$70 bull risk reversals opening, name with size calls bought into recent weakness, high quality name. **Copart (CPRT)** the August \$75 calls bought 13,400X for \$11.60 as the \$85 calls roll back in strikes

Southwest Air (LUV) January \$52.50 calls being sold to open 1,180X at \$5.20 to \$5.40

Hertz (HTZ) now with 15,000 July \$6 puts bought for \$1.20 as the \$9 puts roll down 10,000X

Delta (DAL) with 1000 June \$44 puts being sold to open near \$6.15

Boeing (BA) spread sells 1,500 September \$180 puts for \$15.60 and buys the September \$260/\$325 call spread 1,500X for \$15.60

Union Pacific (UNP) with 1,000 April \$145 puts sold to open \$10.00 to \$9.70, follows the April \$150 puts and May \$145 puts sold last week

Caterpillar (CAT) trader buys 1,400 June \$95 puts for \$7.65, closing 700 of the \$105 puts and rolling down

Wesco (WCC) buyer of 500 September \$40/\$50 call spreads for \$1.70 with their revised terms on the **Anixter (AXE)** deal

Honeywell (HON) stock replacement sells 2,200 April \$125 puts for \$2.60 on the PHLX, affirmed their outlook today

Sonic Automotive (SAH) buyers of 400 August \$22.50 puts for \$3.90 to \$4.00 today

Harley (HOG) with 500 August \$23 puts bought today \$3.70

Delta (DAL) with 1030 deep ITM September \$37 calls opened \$11.53

Aecom (ACM) the April \$40/\$50 call spread bought 1,000X into weakness for \$2.15, potential M&A talk recently

Carvana (CVNA) with 3000 January 2022 \$130 calls bought \$8.24 as 2000 of the January \$50 adjust

Westinghouse (WAB) buyers of 600 April \$55/\$50 put spreads for \$1.61, adjusting out of some March \$75 puts

Corning (GLW) the January \$20 calls bought 1,800X for \$5 as the May \$25 calls adjust from November

Emerson (EMR) 1,750 June \$55 calls bought up to \$3.65 as the \$70 calls roll back in strikes

United Rental (URI) with 1200 September \$80 puts opening \$7.90 to \$8

Materials

Alcoa (AA) buyers of 1,100 October \$7 puts for \$1.05 to \$1.10 into new lows

CF Industries (CF) weak on lows seeing 1370 August \$25 puts open as the \$35 adjust and also 1,500 March 27th (W) \$30 puts bought \$2.25

Tech and Telecom

Pinterest (PINS) opening sale 1000 August \$15 puts \$2.10

Wayfair (W) with 500 January \$70/\$35 bull risk reversals opening for \$0.60 debit

Avaya (AVYA) stock replacement opening 5000 April \$10 calls \$0.85 to \$0.90

Apple (AAPL) trades 12,000 July \$300 calls \$17.55, closer to the bid and may be closing trades from early February, but will confirm OI tomorrow as potential stock replacement or buy-write opening

Trip.com (TCOM) with 3000 March \$29 calls opening \$1.08 to \$1.13. **TCOM** also with 2,000 June \$25 puts sold to open for \$1.60 in a stock replacement

Commvault (CVLT) spread sells 1000 July \$40 calls to buy the \$35 puts for a net \$1.20. **CVLT** 1700 Mar \$35 puts sold \$1 to open here as well

Western Digital (WDC) aggressive sweep buy 1000 June \$55 calls \$3.60 offer, and jumps to 3500 up to \$3.65. **WDC** also now opening seller 750 Oct \$45 puts \$7.85

Century-Link (CTL) with 13,000 July \$8 puts opening \$0.57 as April puts adjust

Oracle (ORCL) with 1,270 May \$50 calls opening today for \$2.14 to \$2.23 as the March \$55 calls adjust into earnings

Crowd-Strike (CRWD) with 2000 March \$40 calls opening ITM \$6.75 ahead of earnings 3-19, adjusting weekly \$52 calls. **CRWD** now also with 1,000 December \$40 puts sold to open for \$5.70

Momo (MOMO) buyer of the April \$27/\$33 call spread 1000X for \$1.60

Cognizant Tech (CTSH) with 1,200 August \$60 calls sold today \$2.65 to \$2.70 as the \$70 short calls from 2/26 adjust

Norton LifeLock (NLOK) the December \$15 calls trading another 1,000X for \$3.70, may be adding to buyers from 3/3

Amazon (AMZN) with 2000 April \$1830 synthetic long positions opening at around \$25 debit

Trip-Advisor (TRIP) with 1000 September \$24 calls opening \$2.27 as April \$25 adjust

Microchip (MCHP) buyer 7000 May \$80 calls for \$7.25, rolling back \$90 strike hoping to catch the low

Micron (MU) with 12,000 April \$46 calls opening \$4.45 as the \$52.5 calls adjust back

MagnaChip (MX) buyer of the June \$10/\$15 call spread 2,500X5,000 for \$1.15 net debit

TI (TXN) with 790 June \$115 calls opening, adjusting July \$130

Expedia (EXPE) buyer of 5,500 January \$90 calls up to \$16.60 as the \$115 calls look to roll back in strikes

Tower Semi (TSEM) with 1,675 October \$18 puts sold to open for \$3.20 today, the July \$20 short puts from December adjusting

Utility

CenterPoint (CNP) with 7000 April \$19 puts bought \$1.97 as 5000 March \$23 adjust

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Not Investment Advice or Recommendation

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