

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 3/11/2019

### Sector Leaders

Solar

Oil Services

Semi's

### Stock Gainers

MCRB 35%

PTE 17%

BE 12%

YRD 8.5%

MLNX 8.4%

GTT 8.4%

CRC 8.25%

### Volatility Gainers

- BBBY
- BA
- NVAX
- SFIX
- ARQL
- CELG

### High Call Volume

- KAR
- MYGN
- CCK
- MLNX
- SNPS
- CNDT

### Bullish Options

- WDC
- AAL
- DWDP
- ADNT
- TWLO
- ZS
- PII
- LITE
- LSTR
- TWTR
- Z

### Sector Laggards

Aerospace

Gold/Silver

Consumer Goods

### Stock Losers

CRCM -15.5%

ARA -9.85%

BA -7%

SPR -6.3%

BTU -5.7%

AU -5.6%

TGI -5.6%

### Volatility Losers

- HIIQ
- BKS
- HRB
- AEO
- SSYS
- DDD

### High Put Volume

- TLRY
- MMC
- GRPN
- AKS
- AMD
- COUP

### Bearish Options

- RLGY
- X
- BGS
- NBL
- ANF
- LULU
- AEO
- SPLK
- 

**Market Review:** Stocks were modestly higher to start the week except for the Dow Jones where negative Boeing news weighed, and a US/China trade deal still in focus with plenty of uncertainty. Retail sales came in a bit ahead of expected for January while December was revised lower. Stocks rallied through the morning with strength across most groups led by Energy, Software and Biotech. A flight back to growth was clearly in play with quarter-end nearing and some reports that China is seeing a rebound from recent weak economic numbers. It was a quiet news day and overall trading volumes were on the lower end as the S&P moved back up towards resistance into options expiration. The schedule remains slow tomorrow with inflation data while most of the key Tech earnings come later in the week.

S&P Chart:



Resistance	Support
2,820	2,770
2,850	2,730
2,900	2,695

**Options Action Trends:** We saw some low Delta OTM call buys in Refiners MPC and VLO.

**What's On Tap:** Core Inflation Rate and Fed's Brainard Speaks.

### Trade Tracker Portfolio Changes:

1. Closed **DHI** Calls \$3.75 (Opened \$2.45)



## Western Digital Calls Accumulate

**Ticker/Price:** WDC (\$48.80)

### Analysis:

**Western Digital (WDC)** opening bell buyers of 1,250 April \$45 calls aggressive \$4.65 offer and follows 1,760 May \$45 calls opening Friday, 4,000 May \$52.50 calls on 3/4, and 2,500 July \$47.50 calls on 12/12. WDC also has some notable put open interest but longer dated calls have accumulated as well. WDC shares have moved out of a long 2018 downtrend and formed a weekly basing pattern, a move above \$49.50 measures to a target near \$65. The \$13.77B storage company trades 8.93X Earnings, 0.7X Sales and 8.85X FCF with a 4.2% dividend yields, concerns of weakness in memory pricing with it now owning SanDisk have weighed recently. WDC sees growth picking up in the second half this year. It highlighted accelerated growth in emerging initiatives at its Investor Day in December. Analysts have an average target of \$55.80 on shares and short interest at 7% of the float has been rising, up 75% Q/Q. On 2-22 Cascad Securities upgraded shares to Buy with a \$58 target suggesting NAND has bottomed. Benchmark noted mixed signals in the memory market last week with recent reports of high inventory levels and weak pricing. Hedge Fund ownership fell 18.3% in Q4 filings.

### Hawk Vision:



**Trading Strategy:** WDC has the red flag of surging short interest and continue to worry about recent industry checks, so though valuation/yield look appealing, need to see better signs of a memory-cycle bottom.

**Confidence Ranking:** \$



## Lumentum Call Buyer Sees Upside in Shares

**Ticker/Price:** LITE (\$48.75)

### Analysis:

**Lumentum (LITE)** buyer today of 1,000 April \$47.50 calls for \$3.40 to open and follows buyers of more than \$575K in January \$50 calls recently. LITE has seen smaller buys in the January 2021 \$55 calls as well and has 1,500 March \$47.50 calls in OI which could roll this week. Shares pulled back to cloud support last week and bouncing back above the 8- and 20-EMA today with the 200-EMA just above at \$51.15 and potential breakout. The current range would measure out to \$61 and weekly cloud resistance. The \$3.53B company trades 9.3X earnings, 2.66X sales, and 14.2X FCF with 18-20% EPS growth. LITE expects 29.4% and 26.9% sales growth through FY20 before settling into a growth range in the high-single digits as long-term demand for lasers stabilizes and telecom improves. LITE closed on their deal for Oclaro in December and Q2 the first quarter since the deal which gives them far greater scale and product momentum in 3-D sensing, transmission and transport. They see the deal making them a leader in the \$10B TAM from cloud, networking and manufacturing. Analysts have an average target for shares of \$70 with 16 buy ratings and 2 hold ratings. Short interest is 7.2% but down from 16.8% in September 2018 and as high as 22.2% in late 2017. B Riley positive on 2/11 after the Photonics West trade show noting that Face ID has long-term implications in the iPhone lineup and that a slowdown from Apple has been priced into shares. Needham with a Strong Buy on 2/6, \$65 PT. They note that guidance includes robust telecom demand and that 3D outperformed despite Apple. They cite sold-out conditions for ROADMs and Pumps/Amps for optimism while the Oclaro deal continues to look highly accretive. Institutional ownership rose 17% last quarter.

### Hawk Vision:



**Trading Strategy:** LITE is coming back from a big sell-off but has never really been a favorite of mine, plenty of better Tech stories and see some headwinds in Mobile comps.

**Confidence Ranking:** \$



## Cree Bulls Accumulate Calls

**Ticker/Price:** CREE (\$53.50)

### Analysis:

**Cree (CREE)** trading nearly 3X average calls today with more than 3,650 April \$55 calls bought up to \$1.75 to open on the day. CREE still has 1,800 January 2020 \$55 calls and 2,325 January 2021 \$55 calls in OI from buyers as well as 5,500 deep ITM January \$28 calls. CREE has been a strong name recently hitting its highest levels since 2014 last week. Shares recent broke out above \$50, an optimal spot to target on a pullback with the 13-EMA aligning as well, and the range targets a long-term move to \$65. The \$5.44B company trades 40X earnings, 3.4X sales, and 7.5X cash. CREE expects a significant ramp in profitability through FY21 with EPS up to \$1.85 from \$0.15 in 2018. Revenue growth is expected to be steady, around 10% annually up to \$2B. CREE is coming off a strong quarter despite issues from trade and seeing margin improvement across all of their businesses, a major headwind in prior quarters. Their Wolfsped business remains a standout and the company continues to focus on adding capacity to meet growing demand, especially in RF where the wireless market is moving more towards GaN. CREE expects the transition to 5G to be a tailwind for their longer-term outlook as demand for higher-efficiency products grows. Analysts have an average target for shares of \$50 with 6 buy ratings, 6 hold ratings, and 1 sell. Oppenheimer raising their PT to \$59 on 1/31 seeing lower risk to 2020 estimates due to strong SiC demand and improved operational performance. They think CREE continues to see significant growth in EV demand, particularly in China, and believes the U.S. and EU will hit tipping points for growth in 2021 and 2022. Short interest is 10.1% but falling from around 13.5% in September and near its lowest level in two years. Institutional ownership rose 27% last quarter.

### Hawk Vision:



**Trading Strategy:** CREE has been impressive since calls started accumulating last October and I continue to like how it trades. With moves coming on lower volume today, could see it pull back in more before rallying.

**Confidence Ranking:** \$

# ***Additional Options Flow***

## **Market/ETFs**

**Treasury (TLT)** rolling to day lows as 10,000 April/September \$122 put calendar spreads open

**NASDAQ (QQQ)** with 25,000 April \$178 calls active with buyers as March calls adjust, also seeing 25,000 March 29th (WW) \$176 calls open \$1.26

**Dow Jones (DIA)** with 8,450 April 12th (W) \$250 puts being bought to open today near \$2.50

## **Consumer Discretionary**

**Stitch-Fix (SFIX)** with 5,500 March \$20 far OTM puts bought \$0.50 to \$0.55 into earnings

**Conduent (CNDT)** unusual 800 October \$15 calls opening \$1.55

**Grupo Televisa (TV)** buyer of 1,500 October \$11 calls for \$1.00 in a stock replacement into recent lows

**Abercrombie (ANF)** another 4,000 August \$30 puts bought today for \$5.35 to \$5.45, same spot where 4,000 were bought on 3/7 into post-earnings strength

**American Eagle (AEO)** buyers of 3,000 May \$20 puts for \$1.03 to \$1.05

**Eldorado (ERI)** highs of the day with the June \$55 calls bought 1,100X up to \$1.65

**Electronic Arts (EA)** with 2,000 May \$110 calls sold to open \$3.45

**Dicks Sporting Goods (DKS)** buyers of 1,240 April \$38 calls for \$2.67 to \$2.80 into earnings tomorrow morning. **DKS** also seeing 1,500 April \$39/\$42 call spreads open into earnings

**Comcast (CMCSA)** with 14,000 January \$40/\$37.5 strangles sold to open for \$5.25

**Capri (CPRI)** with 1,125 March 29th (W) \$45 calls bought today for \$1.35 to \$1.40 to open

**World Wrestling (WWE)** with 1,000 April \$90 calls opening up to \$2.73 this afternoon and IV jumping as shares move to day highs

**Laureate Education (LAUR)** opening sale 1,500 June \$15 puts \$1.25

**Steve Madden (SHOO)** opening sale 1,000 June \$35 calls \$1.05

**Hanes (HBI)** 2,000 April \$18 calls bought this afternoon for \$0.65

## **Consumer Staples**

**B&G Foods (BGS)** with 7,500 May \$22.50 puts bought for \$1.70 as the March \$25 puts adjust down and out in strikes

**Estee Lauder (EL)** buyers of 500 July \$165 calls for \$5.90 today, consolidating the earnings gap higher under \$158/\$160

**Altria (MO)** strong run recently right back to the 200-day MA and today 9,300 June \$60 calls sold to open for \$0.73, although may be overwriting stock

**Kellogg (K)** shares jump a bit with 1,000 April \$55 calls bought for \$1.10 to \$1.20

**Cronos (CRON)** with 1,000 ITM Apr 5th (W) \$25 puts sold to open \$4.90 to \$4.85, earnings 3-26

**Aurora Cannabis (ACB)** with 5,000 April \$8 puts sold to open \$0.75

**British Tobacco (BTI)** jumped midday with 4,000 June \$45 calls bought to open \$0.50 to \$0.55

## Energy

**Pioneer Natural (PXD)** buyer of 1,500 April \$140/\$150 call spreads for \$1.65, positive article in Bloomberg this morning on M&A in the space

**Noble Energy (NBL)** with 1,500 May \$22.50 puts opening \$2.05 as March puts adjust

**Marathon (MPC)** buyer of 3,000 June \$70 calls \$0.37 offer

**Cheniere (LNG)** the January \$90/\$95 call spread bought 2,500X today for \$0.47, shares trading \$67.50, recently signed a long-term deal with Sinopec and recent US/China policy talks are expected to have long-term positive implications for LNG

## Financials

**Realogy (RLGY)** with 17,000 of the September \$10 puts opening as March \$17.5 puts adjust. **RLGY** also with 1,175 of the September \$12.50 puts bought \$1.85

**Diebold (DBD)** buyer of 3,000 May \$12.50 calls for \$0.45 today, recent January \$15/\$20 call spreads bought

**Ares Capital (ARCC)** with 2,000 March \$17 calls rolling to April today, the January \$17 calls with over 6,000 in OI from recent buys and strong chart setup under new highs

**Green Sky (GSKY)** unusual 3,800 September \$20 max time-frame and strike calls bought \$0.60 to \$0.70, shares finally with some momentum after earnings, and 5,400 of these opened 3/5

## Healthcare

**Myriad Genetics (MYGN)** with 5,000 May \$32 calls opening though may be tied to short stock with 22% of the float short, and on the rise

**Illumina (ILMN)** buyer of 200 September \$200 calls to open \$32.40 to \$32.20, shares retesting a base breakout last week and turning higher

**Cerner (CERN)** with 485 January \$52.50 puts sold to open today for \$3.40 to \$3.30, shares basing above the 50 day

**Sarepta (SRPT)** with 2,500 March 29th (W) \$136 calls sold to open today for \$6.15 to \$6.10

**Conatus (CNAT)** 5,000 April \$2 calls opening today for \$0.75, Phase 2b data in NASH due around mid-year. Short interest is 10.8% and rising recently, up from around 5.5% in October

**Nevro (NVRO)** unusual buy of 1,000 April \$50 calls \$1.25 to \$1.35

**CVS Health (CVS)** with 4,000 May \$45 puts sold to open for \$0.53 in a stock replacement

**Teva Pharma (TEVA)** seeing 3,000 June \$18 puts close and roll down to buy the September \$15 puts for \$1.30

**United Rental (URI)** buyer of 500 June \$135 calls \$5.50

**Editas Medicine (EDIT)** with 1,000 April \$25 calls opening between \$1.10 and \$1.25, Director buying \$244K in stock last week at \$23.94

## Industrials

**American Air (AAL)** with 1,000 January 2021 \$28 calls bought up to \$8.80 to open

**Adient (ADNT)** with 2,000 January \$15 ITM calls opening \$3.95

**Fluor (FLR)** buyer of 1,000 January \$42.50/\$30 bull risk reversals today for \$0.75 debit, basing above the 50-day MA after a weak run

**Polaris (PII)** with 600 September \$80 calls opening \$11.10 to \$11.20, follows the April \$90 calls bought recently. **PII** September \$80 calls up to 1250X as more trade

**Landstar (LSTR)** spread sells 3,500 April \$100 puts to buy the \$110/\$115 call spreads at net \$0.90 debit

**United Tech (UTX)** with 700 April 26th (W) deep ITM \$111 calls opening for over \$1M

**Aecom (ACM)** buyer of 600 September \$30 calls for \$2.82 as the March \$32.50 calls adjust, consolidating under its 200-day

**WABCO (WBC)** with the June \$145/\$155 call spread bought 500X650 today with reports last week of an offer from ZF Friedrichshafen. **WBC** also with 640 June \$130 calls opening \$16.20 today

**Mettler Toledo (MTD)** trade opens 1,000 October \$790 calls \$13.90, appears to be stock replacement

### Materials

**Dow DuPont (DWDP)** with 4,075 June \$60 calls bought aggressively \$1.32 in a sweep, recent April call accumulation. **DWDP** also with a stock replacement selling 2,450 June \$52.5 puts to open \$4.83

**US Steel (X)** another 2,000 July \$18 puts bought for \$1.33 as more March puts adjust

**Barrick (GOLD)** buyer of 5,000 January 2021 \$15/\$12 bull risk reversals today for a small debit, announced a Nevada JV with Newmont today

**Masco (MAS)** buyers of 700 July \$39 calls for \$2.55 to \$2.60, adjusting up some March \$34 calls

**Arcelor Mittal (MT)** with 2,500 April \$20 puts bought for \$0.50, **Steel Dynamics (STLD)** buyers of 2,500 April \$33 puts and 800 of the \$34 puts for \$0.90 and **Nucor (NUE)** buyers of 2,500 April \$55 puts for \$0.85 to \$0.87

### Tech and Telecom

**Pinduoduo (PDD)** been a name with plenty of bullish activity seeing 1,500 Oct. \$35 calls open \$3.60 in a buy-write

**Century Link (CTL)** another 1,000 April \$10 calls bought \$2.26 to \$2.32, same spot as Friday

**Z-Scaler (ZS)** with another 1,175 January \$60 calls being bought with 3,623 in open interest from recent accumulation

**Twilio (TWLO)** trading more than \$2M in April \$125 calls this morning with 3,240 trading against OI of 4,431, originally with size buys on 3/4, and looks to be more buying \$5.70 to \$6.30 today

**DocuSign (DOCU)** buyer of 1,300 March \$55 puts \$1.35 into earnings and also sells 1,300 Apr. \$70 calls, potential collar on a stock holding

**Nutanix (NTNX)** with opening sellers of 1,300 July \$30 puts for \$1.85 today

**Enphase (ENPH)** with 1,000 Jan. 2021 \$10 calls opening \$2.50 to \$2.60, small cap with strong momentum in 2019

**Iridium (IRDM)** with 1,500 April \$23 puts sold to open for \$1.40 in a stock replacement

**ASML (ASML)** with 250 July \$185 calls opening today from \$9.20 to \$9.40, shares consolidating below the 200-day MA

**Ebay (EBAY)** with 1,000 January 2021 \$28 puts sold to open for \$1.95 today in a stock replacement. **eBay (EBAY)** buyer of 15,000 Jan. \$40 calls \$2.43 as next week calls roll out and 25,000 April \$38 calls sold

**Alarm.com (ALRM)** buyer of 300 June \$62.50 calls \$3.80 as shares work out of its post-earnings base

**Twitter (TWTR)** buyers of 3,145 May \$31 calls for \$2.47 to \$2.59

**Splunk (SPLK)** buyer of 1,500 March 22nd (W) \$120 puts to open \$1.25

**Coupa (COUP)** with 4,000 April \$80 puts sold to open ahead of earnings, may be legging into spreads against the \$90 puts where 4,000 were bought. **COUP** with 2,000 April \$100 calls sold to open today for \$4.50 to \$4.20 now into earnings

**Zillow (Z)** buyer of 4,000 Jan. 2021 \$70 calls \$3.90 after 15,000 opened last week

**Microsoft (MSFT)** with 3,000 October \$115 puts opening \$8.20, April \$105 puts closing

**Momo (MOMO)** reporting tomorrow morning and 1,000 October \$30 puts sold to open \$4.10 as well as 1,600 May \$30 puts being sold to open near \$2.10

**Ambarella (AMBA)** buyers of 1,337 January \$50 calls for \$5.10 to \$5.20 and 500 April \$45 calls bought \$1.45 to \$1.55

**Broadcom (AVGO)** with 600 July \$290/\$240 strangles bought for \$18.10 into earnings this week

**Cars.com (CARS)** buyers of 5,000 April \$20 puts for \$0.60 to \$0.65 this afternoon

**Shopify (SHOP)** with 400 January \$175 puts sold to open \$18.70 bid

### Utility

**American Water (AWK)** nice break to new highs today and 100 September \$90 ITM calls bought \$14.60 to open

### **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.*

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