

OptionsHawk

OPTIONS HAWK DAILY MARKET 3/12/2020

Sector Leaders

Gold

Bonds

Ag

Stock Gainers

TUP 18%

DO 9%

AR 9%

SWN 8.5%

OXY 7%

GH 7%

STNG 5%

Volatility Gainers

- LYV
- GRPN
- SIX
- NCLH
- WWE
- AIG

High Call Volume

- SKY
- PFSI
- VRNT
- LRN
- VIRT
- CERS

Bullish Options

- SNAP
- PANW
- PINS
- FISV
- UAL
- WYNN
- SYF
- CI
- SE
- NVTA
- CSCO

Market Review: Stocks opened the session sharply lower back near the 2600 level of potential support after POTUS delivered a speech that came up short in reassuring markets and US citizens. Stimulus efforts continue to ramp to try and counter the impacts from COVID-19 but much uncertainty remains of the length and magnitude of the economic impact and investors continue to take flight to safer assets. The selling was sharp and across every sector with Bonds again outperforming. Many stocks are wiping out years of gains in the matter of weeks and volatility remains extremely heightened. Stocks jumped in the early afternoon as the Fed announced increased Repo operations. The move came off a low that hit a ten year trend line as well as the Q4 2018 trading zone and rising 55 month moving average. We have another slow news day tomorrow and into weekend headline risk with markets very unsteady.

S&P Chart:



Resistance	Support
2,600	2,480
2,720	2,360
2,830	2,150

Options Action Trends: Travel and Energy continued to draw large put buying as two areas seriously impacted. Bullish activity did show up in Social/Internet names PINS/SNAP.

What's On Tap: Import/Export Prices and Consumer Sentiment.

Trade Tracker Portfolio Changes:

- 1) No Changes

Sector Laggards

Solar

Retail

Housing

Stock Losers

EAT -33%

ERI -29%

NCLH -28%

SAVE -27%

RCL -27%

MPC -25%

SGMS -24%

Volatility Losers

- SNCR
- PRTY
- CVM
- TECK
- SWN
- MOS

High Put Volume

- CIM
- CNP
- TSG
- EAT
- PEGI
- ANSS

Bearish Options

- Z
- CCL
- RCL
- JBLU
- FANG
- WPX
- ESTC
- WWE
- CNP
- SCHW
- NUE



Risk Reversal in Trip Advisor Sees Reward/Risk Positive into New Lows

Ticker/Price: TRIP (\$18.20)

Analysis:

Trip-Advisor (TRIP) with a large trade on 3/11 as 10,000 January \$20 calls were bought \$4.50 to open and 10,000 of the January \$16 puts were sold \$3.60 to open in a risk reversal. On 3/5 the September \$20 puts were sold to open 2,200X and on 2/12 the September \$23 puts sold to open 2000X. TRIP has also seen opening sales in June \$27.5 and \$25 puts. TRIP shares are down to record lows, struggling in 2019 in a long downtrend and a recent acceleration lower with the clear connection it has to the Travel industry. Shares are very oversold with weekly RSI at 22. The \$2.45B internet company now trades 5X EBITDA, 9.65X Earnings and 7.7X Cash. Forecasts had called for 3.5% revenue growth in 2020 accelerating to 6% in 2021 though numbers are likely to come lower. TRIP's CEO bought 44,444 shares earlier this week at \$21.73 for around \$1M. TRIP's core business revolves around Hotels and has been expanding more into Dining & Experiences. TRIP has been looking at capital allocation and in Q4 did \$410M in acquisitions and a \$500M special dividend. The company is also continuing to buy back stock. TRIP noted weakness seen from COVID-19 and fully expects to get through this rough patch and sees the Travel industry eventually shining again. Analysts have an average target \$33.80 and short interest at 13.7% of the float remains elevated. Needham lowered its target to \$39 on 2/14 citing traffic headwinds from Coronavirus but remained buy-rated on its strategic value to an acquirer with glimpses of growth, margin expansion offsetting an eroding auction business and solid EBITDA/FCF margins, at the time calling 8.5X FY21 EV/EBITDA attractive, and currently trades 4.7X, while seeing 11X a fair value. Hedge Fund ownership fell 19% in Q4 filings, PAR Capital with a 2% weighting. DA Davidson lowered its target to \$36 in February seeing the progress being made and noting the evolution will take time but is solidly underway.

Hawk Vision:



Hawk's Perspective: TRIP falls into "buy and hold your nose" category with this ugly trend, but clearly see some strategic value here into the panic selling and the upside to downside ratio is turning favorable.

Confidence Ranking: \$\$



Unusual Call Buy in Steris, Relative Strength Leader

Ticker/Price: STE (\$145.25)

Analysis:

Steris (STE) on 3/11 with an unusual large trade in a lightly traded name and becoming the only notable open interest at 500 April \$135 ITM calls were bought \$15.40 to open for \$770,000. STE has been showing up on relative strength scans and had a major weekly flag breakout earlier this year to record highs but the last three weeks has pulled back with the market to its rising 55 week moving average and just above its 38.2% retracement from December 2018 lows at \$142.20. The \$12.4B maker of infection prevention and procedural products in the medical industry trades 23.45X Earnings, 17.6X EBITDA, 4.2X Sales and 56.4X FCF with a 1% dividend yield. STE estimates are looking for 8.5% revenue growth in 2020 with one quarter remaining and 6.2% growth in 2021 with 8% EBITDA growth. STE has balanced segments and a high amount of recurring revenues (75%) while seeing robust FCF growth and strong margins. STE is likely to see a boost from COVID-19 with it having strong exposure to surface disinfectants, barrier product solutions, sterilizers, washers, hydrogen peroxide machines and more. STE did note at the Raymond James conference that a slowdown in surgical procedures which is the largest part of its business, would impact results negatively, though its Applied Sterilization Tech (AST) business is more insulated. Analysts have an average target of \$179 with short interest at 1.8% of the float, rising 53.8% Q/Q. STE is coming off a beat and raise quarter and was added to the S&P 500 in December. STE has not seen any recent analyst coverage. Hedge Fund ownership rose more than 10% in Q4 filings with Select Equity the largest buyer.

Hawk Vision:



Hawk's Perspective: STE is a high quality business and strong fundamentals while some risks to its business, better insulated than most and re-taking its 200 MA would be the first step in putting in a higher bottom.

Confidence Ranking: \$\$



Ligand Puts Accumulate as Bears Take Aim

Ticker/Price: LGND (\$92)

Analysis:

Ligand Pharma (LGND) with a size buyer of 1,000 April \$105 puts yesterday up to \$16.10 and follows 2,000 May \$110 puts bought for \$19.70 on 3/9, a more than \$4.3M buy. LGND still has some May \$95 puts in OI from mid-February. Short interest has soared since September 2018 when it was around 18.5% and now 47.9% of the float, an all-time high. Shares are coiled in a narrow, multi-month bear flag above \$85 and rejected this week at the declining 200-MA. LGND was one of the best performers in healthcare from 2012 through 2018 but a breakdown here risks a move back down to the low \$60 range and filling a low-volume node from 2014. The \$1.61B company makes base compounds used in drug development but also generates most of their revenue through royalties and their 'shots on goal' methodology is meant to help mitigate risk of any specific program failure. LGND also benefits from having predictable revenue streams. Currently, LGND is tied to Gilead's (GILD) COVID-19 tests as a component supplier for the drug and any setback or failure there would be a negative catalyst. They also face a couple specific longer-term problems, however. 1) After divesting their biggest income stream in 2019, their royalty base is mostly focused on just two products which are set for a significant decline starting in 2023 as competition and generics hit the market. 2) Their pipeline of products invested in is heavily skewed towards Viking Therapeutics (VCTX) upcoming NASH data (a stock where short interest is 23%). Shares trade 24.3X earnings and 13.3X sales with a lot of cash thanks to the asset sale last year. Analysts have an average target for shares of \$165. Benchmark starting at Buy in January. The firm views the stock as a "safer way to play the growing biotechnology sector." Hedge fund ownership fell 9% in Q4. Melvin Capital a sizable owner of puts. LGND has seen a lot of insider buying since May 2019, the largest being a \$400,000 buy at \$99.22 in July. LGND will be at the Barclays healthcare conference this week and Roth conference next week. The HCW London Life Sciences meeting is in mid-April.

Hawk Vision:



Hawk's Perspective: LGND has long been a favorite of put buyers and continues to sit above a volume node ledge, potential to move to \$58 on a break of \$88.

Confidence Ranking: \$\$



CIGNA Bulls Expect Recovery in 6 Months

Ticker/Price: CI (\$171)

Analysis:

Cigna (CI) with another 1,475 October \$210 calls bought today from \$11 up to \$12.80 and looking to add to 1,000 bought recently. CI has seen a lot of near-term put buying with concerns over Bernie Sanders and Elizabeth Warren and general anxiety over Medicare for All, but those headwinds abating recently. Longer-term bull flow remains in open interest including over 5,000 January \$170 calls and 6,675 January \$175 calls from last year. Shares are also below an area where a director, Eric Foss, bought \$2M in stock in December at \$195. CI shares are right back around the 61.8% Fibonacci of the rally in late 2019 while also right at the VWAP from the 2019 lows. A move back above \$180/\$185 has room back to the 1-year value area high at \$195 and then \$205 which was a VPOC from January. The \$71.6B managed care company trades 9X earnings, 0.47X sales, and 8.5X FCF, one of the better balance sheets in the space with a lot of cash and optionality going forward. They see mid-teens EPS growth this year and growing in FY23 and recently taking revenue guidance up seeing 6% annual in each of the next two. CI seems to have finally turned the corner with the Express Scripts acquisition with near 200M customers while retaining a number of major large employer contracts that were once considered vulnerable. Analysts have an average target for shares of \$245. Deutsche Bank positive on 2-18 while BMO raising their PT to \$252 on 2-10 noting the company has at least \$7B in deployable capital to accelerate growth. Sun Trust with a \$280 PT as they think CI will benefit from attractive medical and drug cost trends. Short interest is 1.2%. Hedge fund ownership rose 2.5% in Q4 with buys from Viking Global, Farallon Capital, and Orbimed. In addition to the buy noted above, CI has also seen insiders active in early 2019 at \$155 and \$163, the former a \$5M purchase from the CEO.

Hawk Vision:



Hawk's Perspective: CI is back to the middle of a multi-year range and always been a preferred managed care name on fundamentals, just need to wait for better market stabilization before taking action.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

REITS (IYR) with 7000 September \$70 puts opening \$6.87 as the \$80 puts close 5000X

NASDAQ (QQQ) buyer 20,000 April \$190/\$200 call spreads for \$4.65, also seeing May \$158/\$145 ratio put spreads open 10,000X20,000 at net credits, and May \$160/\$145 put spreads opening 15,000X at \$4, and 10,000 of the May \$215 calls sold \$2.93 in a buy-write

Semiconductors (SMH) buyer of 5,000 April \$110/\$100 put spreads for \$3.27, some deep ITM puts adjusting down

Biotech (XBI) with 5900 September \$70 puts opening today for over \$4.8M as higher strikes adjust down

Emerging Markets (EEM) with 10000 April \$33 synthetic longs opening today for \$.91

MSCI EAFE (EFA) seeing 20,000 April \$49/\$44 put spreads bought today

S&P (SPY) afternoon buyer 10,000 December 2021 \$185 puts \$16.15

Consumer Discretionary/Services

Royal Caribbean (RCL) with 2000 January \$25 puts opening \$10.20

Kohl's (KSS) with 1000 March \$25 puts opening as the \$29 puts adjust

Wynn (WYNN) buyer of 800 June \$80 calls for \$10.50, adjusting back some \$85 calls

Nielsen (NLSN) buyer 5000 May \$14 puts bought aggressive \$1.80 to \$1.90

SeaWorld (SEAS) down 19% and the April \$15/\$21 call spread bought to open 500X1,000

Floor & Decor (FND) buyer of 600 July \$37.50 calls up to \$7.25 as some \$47.50 and \$50 calls roll back

RH Corp (RH) with 4000 May \$120 calls opening for \$13.50

L Brands (LB) block 5000 March \$17 puts opens \$1.75

Nordstrom (JWN) 1,350 July \$25 calls bought \$1.75 to \$1.85, adjusting back in strikes the \$32.50 calls again

Chipotle (CMG) today with 400 Apr. 24th (W) \$580 puts opening \$73 for \$2.9M

Charter (CHTR) with 400 April \$420 puts bought \$20 to \$20.50 to open

Starbucks (SBUX) with 2,000 June \$75 calls sold for \$3.10 in buy-writes today

Activision (ATVI) with 1275 April \$55 at the money calls opening near \$4 as March adjust

Wendy's (WEN) buyers 1500 March \$16 calls here \$1.20 to \$1.25

Brinker (EAT) shares crushed this week but a buyer stepping in here for 1,500 April \$20 calls for \$2.45 to \$2.50

Consumer Goods

Aramark (ARMK) with 500 April \$19 puts bought up to \$2.75, expected to take a hit as demand in the service industry wanes.

ARMK also with 500 October \$19 calls bought \$6.50 to \$6.60, CEO bought \$1M in stock yesterday

International Flavor & Fragrances (IFF) with 400 August \$100 calls opening \$12.60

Tyson (TSN) with 600 January \$45 puts sold to open near \$7.60

Mondelez (MDLZ) buyer 1400 April \$45 puts for \$2.30

Coca Cola Europe (CCEP) buyer of the August \$45 calls 1,150X for \$2.50, some \$55 calls adjusting back

Energy

WPX Energy (WPX) levered Oil name with 2500 June \$9 deep ITM puts opening \$5.70

Hess (HES) with 1000 April \$35 calls bought today \$3 to \$3.40 range

Total SA (TOT) with 1,000 August \$32.50 calls bought around \$2.20 with the \$45 calls rolling back

Marathon Petroleum (MPC) with 2,500 April \$22.50 puts bought for \$3.10 with stock

Financials

Fiserv (FISV) rallying a bit and holding up with 1000 March \$95 calls opening \$5.90 to \$6.40 this morning, recent buyers of 3700 June \$105 calls

Synchrony (SYF) with 5,000 January \$23 calls bought for \$3.07, adjusting back the \$32 calls with shares back at the Dec. 2018 low

Morgan Stanley (MS) the April \$35 calls bought for \$3.22 and spread with the \$43 calls that are sold for \$0.40, 2500X5000. **MS** also now with 1,375 September \$30 puts sold to open from \$5 down to \$4.55

Schwab (SCHW) with 1300 June \$26 puts bought \$2.80 offer. **SCHW** now 2500 June \$31 calls opening for \$3.45 with April \$39 calls sold 3500X

Stone Co (STNE) with 500 July \$31 calls opening \$6.40 and also later 700 July \$30 calls open as the \$37 calls roll back

Franklin (BEN) with 1,000 October \$15 puts bought for \$2

PayPal (PYPL) with 3500 ITM January \$110 puts sold to open \$19.50 to \$18.50

Healthcare

Global Blood (GBT) with 500 April \$50/\$40 put spreads bought for \$4.10

Invitae (NVTA) with 1000 June 2022 \$22.50 calls opening \$3.45 into weakness

Bristol Myers (BMY) buyer 1700 June \$42 puts bought \$1.70 to open

Varian Medical (VAR) with 525 April \$110 puts bought for \$12.10, the March \$125 puts adjusting , recently cut guidance

Stericycle (SRCL) buyer 300 August \$40 calls \$11.80 to \$12

ABIOMED (ABMD) losing support and 1000 April \$160 puts opening for \$25 to \$26, adjusting March puts

Mirati (MRTX) with 1000 September \$85 calls opening \$12.80 to \$13

Merck (MRK) with 3850 March \$85 puts opening \$10.79

Nevro (NVRO) with 600 March \$100 puts opening \$8 as higher strike puts adjust

Quest (DGX) with 500 December \$105 calls opening near \$6.75 as August \$120 adjust

Sanofi (SNY) buyer of the June \$43 calls 2800X up to \$3.50 as the \$50 calls roll back

Tenet (THC) with 10,000 January 2022 \$25 calls bought into weakness for \$5.10

Industrials

Union Pacific (UNP) with 1,000 June \$130 puts sold to open for \$13.20, stock replacement. **UNP** also with 2000 April \$150 calls opening for \$4

United (UAL) with 600 May \$45 calls opening here \$7.25 and volume rising to 1250X early

American Air (AAL) with 5,000 April \$11/\$7 put spreads bought for \$0.87

Boeing (BA) spread buys 1000 July \$250 calls \$8.05 and sells 1000 April \$125 puts for \$9.80. **BA** also with 4500 January \$130 puts sold to open today near \$25. **BA** also with 1000 January \$250 calls bought \$16.65 today

DR Horton (DHI) with 850 August \$30 puts sold to open down to \$2.73. **DHI** also with 1300 June \$35 puts sold to open for \$3.40, stock replacement

Dover (DOV) buyer of 1000 June \$115 OTM calls for \$2.90

Skyline (SKY) with 1,250 May \$23 calls bought for \$1.78 to \$2.10, the \$28 calls adjusting back

Fed-Ex (FDX) with 1000 weekly \$100 calls opening \$4

Stanley Works (SWK) the July \$130 calls bought 2,000X for \$9.20

Carvana (CVNA) buyer of 1,500 May \$60 puts up to \$16.60

Delta (DAL) buyers of 2,500 April \$30 puts up to \$3.20. **DAL** with over 4,500 April \$30 puts bought up to \$3.30

Adient (ADNT) with 1,000 January \$20/\$25 call spreads bought, likely adjusting back the long-leg of those spreads opened recently over 6000X

Materials

Nucor (NUE) with 1,300 January 2022 \$42.50 puts opening for \$14.45 as the April \$45 puts adjust

Axalta (AXTA) buyer 3500 April \$19 calls \$1.10 offer in stock replacement

Tech and Telecom

Snap (SNAP) with 1,000 January 2022 ITM \$8 calls bought for \$4.50

Pinterest (PINS) buyer 1000 August \$14 calls \$2.35 to open. **PINS** stock replacement here buy 2670 Aug. \$12 calls \$3.70

Elastic NV (ESTC) the January \$55 puts opening 4,300X for \$14.65, rolling out of the July \$55 puts from October

Sea (SE) opening buy 1500 May \$43 calls \$5.60 offer into weakness, name that had held up well but down 8.5% today. **SE** also sweep buyer 1000 August \$44 calls for \$7.80 offer

Match (MTCH) with 2000 March \$60 calls opening \$2.10, trades on bid though option spreads all screwed up right now and could be opening buy considering price and where shares trading, theoretical value was \$2.80, so lean sale. **Match Group (MTCH)** with 2,000 April \$55/\$45 put spreads bought for \$3.50, could see weak Tinder numbers due to social distancing, especially during Spring Break

Palo Alto (PANW) buyer 200 June \$155 calls \$13.45 offer. **PANW** back to potential support zone trading 3.5X EV/Sales

Citrix (CTXS) with 1200 June \$100 puts opening \$5.50 tied to stock

Cisco (CSCO) opening sale 5000 May \$32.5 puts for \$2.45

Roku (ROKU) with 700 October \$120 calls opening here \$10.05. **Roku (ROKU)** with 2000 April \$75 puts opening \$5.91 at CBOE earlier today

Adobe (ADBE) stock replacement opens 300 July \$320 calls \$30.50 into earnings

GrubHub (GRUB) down 15% and seeing 500 January \$50 calls open \$5.50 to \$5.90

Yandex (YNDX) with 550 January \$30 calls bought \$7.80 today

Avaya (AVYA) with 2400 April \$7.50 calls bought today and follows 10,000 April \$10 calls bought recently

Tech Data (TECD) with 2,000 April \$125 puts bought for \$2.10, the March \$130 puts rolling out

Ebix Systems (EBIX) with 870 June \$15 puts bought today \$2.55 to \$2.80

HP (HPQ) with 3,000 April \$17 puts opening for \$2.05 today, adjusting down the \$20 puts that have opened in size with stock

Crowd-Strike (CRWD) buyer of 480 October \$50 calls today from \$3.90 to \$4.20 ahead of earnings next week

Intel (INTC) stock replacement opens 3200 July \$55 calls for \$3

Expedia (EXPE) with 10,000 January \$75 calls bought for \$14.60, the \$85 calls rolling back into weakness

Anaplan (PLAN) with 425 May \$45 calls bought for \$2.30 to open, recent buyer of the January \$43 calls in size as the \$50 calls rolled back

Micron (MU) with 20,000 January \$50 puts sold to open \$15.10 as the June \$50 and \$47 short puts adjust

JD.com (JD) opening sale 3000 November \$38 puts \$5.90

Iridium (IRDM) with 2,200 April \$22 puts bought \$2.60 to \$2.75

Pager-Duty (PD) with 1000 May \$17.5 calls bought \$1.60 to open, earnings 3-18

Synopsys (SNPS) buy-write sells 2000 April \$135 calls \$4.60

Amazon (AMZN) with 1000 April \$1700 calls opening \$122, rolling back \$1875

Utility

CenterPoint (CNP) now with 8000 April \$16 puts opening \$1.75 as the \$19 puts adjust again

Vistra Energy (VST) with 2,940 April \$15 puts bought up to \$2

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