

OptionsHawk

OPTIONS HAWK DAILY MARKET 3/13/2020

Sector Leaders

Financials

Tech

Industrials

Stock Gainers

NCLH 21%

XP 19.28%

VALE 18.85%

GBT 18%

AMTD 18.3%

NXST 16%

Volatility Gainers

- EXPR
- AMC
- MGM
- OPK
- ZG
- SEAS
- KSS
- SIX

High Call Volume

- FATE
- AAP
- UFS
- OMC
- CDK
- FITB

Bullish Options

- CSCO
- WYNN
- DAL
- ERI
- CHWY
- AX
- JBLU
- TPX
- SCHW
- PFE

Sector Laggards

Energy

Gold

Healthcare

Stock Losers

WORK -15%

AUY -12%

KGC -12%

PAAS -10.7%

AEM -9.75%

MAC -9%

Volatility Losers

- CHK
- GRPN
- BCRX
- HL
- ALK
- BCS
- VST
- S

High Put Volume

- AER
- SBRA
- MD
- FATE
- CDNA
- VSAT

Bearish Options

- SHAK
- TWTR
- MPW
- AXSM
- ALB
- CDNA
- VIAC
- HTZ
- MAT
- IMAX

Market Review: Global markets rallied overnight as more stimulus measures came in across the globe (Norway, Canada, Germany, China, etc.) and the major US indices locked limit up again. The SPX was still set to open below yesterday's regular session highs and unable to get any traction early as we faded pretty much across the board. Internals improved mid-morning as we held 2,500 again and rebounded a bit but working on an inside day overall. Michigan Consumer sentiment was down modestly in March, but not shocking given the equity swings and coronavirus impact. President Trump was set to speak at 3PM as talk swirled he'll declare a national emergency to unlock more funding for economically stricken areas. House Speaker Nancy Pelosi also spoke in the afternoon and announced an aid package that included two weeks of paid leave, free testing, better unemployment insurance measures, and more measures for children out of school but Mnuchin not yet ready to sign off on the bill.

S&P Chart (Weekly):



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

Options Action Trends: We saw call sales early into the gap higher across a number of names like **AXSM**, **MAR**, **GLPG**, and **KEX**. Airlines all saw bullish call buying looking for a short-term bounce from **AAL**, **DAL**, **UAL**, and **JBLU**.

What's On Tap: The focus next week will be again on the coronavirus and central banks with the Fed, BOJ, and SNB all on deck. Others of note include China Economic Data for February (Sunday), RBA Minutes, EU Construction Output, German ZEW, US Retail Sales, US Industrial Production, US Housing Starts, and Existing Home Sales. Earnings slow down but notable reports from FDX, ACN, and LEN. A number of notable analyst meetings like AXP, HSY, and SQ but wait-and-see if they actually happen.

Trade Tracker Portfolio Changes:

- 1) None



Sea Ltd. a Top Growth Story Likely Seeing Little Disruption

Ticker/Price: SE (\$41.60)

Analysis:

Sea Limited (SE) on 3/12 with August \$44 calls bought 1000X to open at \$7.80 in a sweep and also 1500 May \$43 calls bought \$5.60 to \$5.70. SE has seen a lot of options positioning including 17,000 May \$35 puts sold to open, August \$35 puts with 5000 sold to open, and 1500 April \$38 puts sold to open. SE was a name showing impressive relative strength before dropping 13.5% Thursday, back to its 89 day moving average while \$37.50 looks to be stronger support. The \$20B Asian company provides a digital entertainment platform for live streaming of online gameplay and social features as well as its e-commerce platform Shopee and AirPay financial services business. SE trades 4.3X EV/Sales and revenues grew 163% in 2019 with 85% growth seen in 2020 though still far off from profitability. SE's first developed mobile game was a stunning success as the world's top downloaded game in 2019 and its addressable market expanded with strength in Latin American markets. Digital Financial Services in Southeast Asia is seeing growing at a 22% CAGR through 2025 to \$38B in revenues with massive untapped opportunities. Core businesses of e-commerce, digital entertainment and the digital financial services represents the 3 largest opportunities in the digital economy of its region. Analysts have an average target of \$57 on shares with short interest steady at 9% of the float. On 3/3 CLSA raised its target to \$54.50 though noting potential concentration risk in Free Fire. Piper raised its target to \$62 citing a secular rising tide in core verticals can drive strong growth and long-term profitability. Goldman moved to Conviction Buy back on 1/22. Hedge Fund ownership fell 20% in Q4 filings, Tencent the largest holder while Coatue, Lone Pine and Tiger Global have stakes as well.

Hawk Vision:



Hawk's Perspective: SE is one of these names that should benefit despite the outbreak and right now a lot of winners are being sold as a source of funds, so when things settle a top name to target for long-term upside.

Confidence Ranking: \$\$



Stericycle Unusual Call Buyer as Medical Waste Demand in Focus

Ticker/Price: SRCL (\$49)

Analysis:

Stericycle (SRCL) with a rare size options trade on 3/12 as August \$40 calls were bought 585X at \$11.80 to \$13 for a total of \$729,550. SRCL does still have 2,100 March \$60 puts bought on 1/21 in open interest that are sitting on large profits and will have to close/adjust by next week. SRCL is a name that has trended lower since 2015 but in 2019 started to put in a bottom and worked higher into the start of 2020. Shares have now retraced to a major volume node of support and look to hold above \$43.50. A move out of its base above \$68 would target a return to \$100. The \$4.55B company provides specialized waste and disposal services to healthcare and retail industries and in February sold its Environment Solutions business to Harsco (HSC) for \$462.5M. SRCL shares currently trade 12.2X EV/EBITDA, 15.5X Earnings and 1.37X Sales. SRCL sees an increased demand for services due to compliance, sustainability and brand protection and is involved with medical waste, pharmaceutical waste, sharps management, information destruction, hazardous waste and more. SRCL has recently refreshed its Board and has a new leadership team with a focus on portfolio rationalization, debt reduction, quality of revenue, and cost efficiencies. It has shown three sequential quarters of organic revenue growth in medical waste with Q4-2019 showing the highest growth rate in over three years. Analysts have an average target of \$69 on shares and short interest at 8.3% of the float has come down 27% Q/Q. Barrington out on 2/7 at Outperform with a \$67 target seeing the asset sale as a positive and sees progress in the company's strategic plan and also will result in better margins. RBC out in November at Outperform with a \$75 target seeing traction in the company's turnaround plan and attractive valuation. Hedge Fund ownership fell 7% in Q4 filings, Iridian reducing its position while Generation Investment added to its position.

Hawk Vision:



Hawk's Perspective: SRCL surprisingly not seeing a lot of attention as an outbreak play but should be able to post solid numbers, has a good turnaround story, and trades at attractive valuation.

Confidence Ranking: \$\$



Tenet LEAPS Position for Conifer Spin

Ticker/Price: THC \$

Analysis:

Tenet Health (THC) with 10,000 January 2022 \$25 calls bought late on 3/12 for \$5.10 and shares closing the day strong despite the market rolling over. THC has 6,000 January \$25 and 5,000 January \$30 calls in OI from size buys. Shares are back near the low-end of value from the 5-year range as well as multi-month support from 2019. The \$2.18B company trades 5.8X earnings, 0.12X sales, and 3.8X FCF. They're looking at mid-teens EPS growth low-single digit revenue growth. THC has been a deleveraging story over the last year as they divest assets and focus on cash flows. Patient volumes remain strong while margins increased nearly 5% in Q4 while growth in their ambulatory business remains strong. In January, they finished a strategic review and plan to spin off their Conifer business in a tax-free process in 2021. THC is one of many hospitals in focus with COVID-19 and on 3/11 they spoke at an investor conference on the topic. The company has been prepared for weeks for the spread of the virus for weeks and has a strong system in place. They also have an adequate supply on masks and gowns and redistributing within its system to where most needed, avoiding a crunch. THC has also had questions about elective procedures getting canceled and noted that they most likely see those rescheduled, so more of a push back than a loss. They're also set up to repurpose capacity should more get deferred. Analysts have an average target for shares of \$34. RBC upgrading to Outperform on 3/11 with a \$39 PT. The firm thinks the turnaround has shown strong progress as they improve operational performance and reduce leverage. THC also trades at a sizable discount to peers. JP Morgan upgrading to Neutral in late February as tailwinds seem to be building for Tenet's ambulatory segment. CSFB has a \$43 PT and Outperform rating. They note that THC doesn't have any significant debt maturities until April 2022 and with their pending Memphis asset sale they can generation \$300M of cash flow for the year. Short interest is 7.7% but declining since November when it was 12.5%. Hedge fund ownership fell 10.8% in Q4, Glenview adding more to their position (3rd largest) and now over 19.5M shares. Insiders have been active into weakness including a \$271k buy from the CEO on 3/2 at \$27.11.

Hawk Vision:



Hawk's Perspective: THC has near-term headline risk as hospitals deal with COVID-19 but they have interesting long-term drivers and positioning allows for a better setup to build

Confidence Ranking: \$\$



Mirati Calls Accumulate into Key 2H Readouts

Ticker/Price: MRTX \$72.26

Analysis:

Mirati Therapeutics (MRTX) with buyer yesterday for 1,000 September \$85 calls for \$13 and follows 2,000 April \$95 calls bought earlier in the week for \$3.10. MRTX still has 5,000 May \$120 calls in OI from a buyer back on 12/18. Shares are back at a high-volume node from 2019 at \$72.50 and the low-end of a gap that has room back to \$100 on a turnaround. MRTX is also right back at the 61.8% Fibonacci of the run from the 2018 low. The \$3.18B biotech trades 7.65X cash a number of early-stage programs in play over the next 18 months. MRTX focuses on cancer treatments with their KRAS G12C inhibitor the main focus. KRAS inhibitors are considered the “holy grail” of cancer treatments as they can stop development of KRAS mutations which are the driver of growth for deadly cancer cells. MRTX’s treatment, MRTX849, is an oral treatment that keeps the KRAS molecule inactive and thus prevents tumor growth. They see the KRAS G12C+ market as a significant opportunity given the patient population in NSCLC, colorectal, and pancreatic indications. MRTX estimates the TAM at \$7B in commercial potential through the US and EU. The company will next have a data update in the 2H of 2020 in solid tumors. Competitor Amgen (AMGN) will also have data for AMG 510 sometime in 2020. Analysts have an average target for shares of \$115. JP Morgan upgrading to Neutral yesterday while HCW with a \$134 PT. BMO with a \$128 PT. They think MRTX849 "now stands in its own right" after prior external validation of anti-G12C mechanism by competitor AMG-510. As such, he increased his probability-of-success assumptions to 70% and 40% in non-small-cell lung carcinoma and colorectal cancer respectively, from 60% and 30% previously. Short interest is 12.4% but down from around 17.5% in early 2019. Hedge fund ownership fell 3.5% in Q4. Boxer Capital, Sands Capital, and Perceptive are top holders. On 1/10, Boxer Capital bought \$4.875M in stock on the open market at \$97.50.

Hawk Vision:



Hawk’s Perspective: MRTX has a clear driver in the 2H and some standout holders in the name while short interest is coming down, an interesting mix and the recent selling sets up a nice risk/reward

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Russell (IWM) mixed action with buyers active for 6000 April \$112 puts, the June \$105 puts sold to open 5000X in a block, and Mar. 31st (Q) \$120 calls bought 5000X at \$4.90

Semiconductors (SMH) buyers opening 1,950 April \$108 puts this afternoon from \$7.25 to \$7.45

Nasdaq (QQQ) bullish spread today sells 7,000 March 31st (Q) \$164 puts to buy the \$190/\$200 call spread at a net credit

High-Yield (HYG) the July \$78/\$72 put spread being bought 12,500X for \$1.68, rolling down some positions

Gold Miners (GDJ) the June \$25/\$30 call spread being bought 10,000X for \$0.92. **GDJ** also with 5,000 January \$40/\$50 call spreads bought for \$1.00

Utilities (XLU) with 7,500 June \$60 calls bought this morning for \$2.70

Financials (XLF) buyer of 20,000 April \$22 calls for \$1.81 to \$1.83, stock replacements

Gold (GLD) longer-term buyer opening 3,000 June 2021 \$170/\$178 call spreads today for \$1.36

Consumer Goods/Services

Nordstrom (JWN) buyer of 2,000 July \$25 puts up to \$6 into the gap higher

Shake Shack (SHAK) with 3000 June \$50 puts opening \$15 as March \$50 adjust

Discovery (DISCA) with 1,000 April \$25 puts bought \$3.40 to \$3.70 today to open, name that would be impacted by the Olympics being postponed

Fox (FOXA) with 1000 April \$27 puts opening \$2.55 to \$2.70

El Dorado (ERI) with 7000 June \$25 calls opening \$3.70 as the \$30 calls adjust back. **ERI** also with 1500 June \$20 calls bought up to \$5.40 as some \$35 calls roll back

Wayfair (W) opening sales 13,750 April \$25 puts \$1.75 to \$1.55

Nike (NKE) seeing June \$75/\$95 call ratio spreads open 1250X2500

Cinemark (CNK) buyer of 2,000 April \$12.50 puts for \$2.40, group likely sees some nasty revisions with attendance issues and a number of big releases being delayed

Floor & Decor (FND) buyer of 450 July \$35 calls for \$7.62, adjusting some April calls

Hilton (HLT) April \$80 calls with 3200 sold to open on the morning

Urban Outfitters (URBN) buyer 2500 June \$19 puts \$4.30 as March \$25 adjust down and out

William Sonoma (WSM) stock replacement opens 1,111 August \$40 calls \$9.60

RH (RH) buyer 2000 May \$125 calls to open \$20.50 after 2000 of the \$120 calls opened yesterday

Royal Caribbean (RCL) with 1500 June \$35 calls bought \$9 to \$9.95 this morning

Bloomin' Brands (BLMN) buyer of 1,000 July \$12.50 calls for \$1.75

Disney (DIS) with 2000 September \$65 puts bought \$5.85 to \$5.95 and 2000 October \$65 puts also opening with stock on day lows

Liberty (LBTYK) opening buy 2500 March \$15 calls \$1.15 to \$1.20

Wal-Mart (WMT) opening sale 3000 May \$80 puts \$2.42

Mattel (MAT) with 2,500 May \$7 puts bought today for \$1

Overstock (OSTK) the April \$5 puts sold to open today 7,500X for \$1.82, the March short puts from November adjust

Six Flags (SIX) with 1,150 January \$20 calls bought \$2.25 to \$2.60, some size insider buys the last two weeks

Wynn Resorts (WYNN) the January 2022 \$100 calls being bought 10,000X for \$14.50, rolling out of the Sept. \$105 calls from 3/5. **WYNN** also with 2,000 June \$75 calls bought for \$14.20 as the \$80 calls roll back

Viacom-CBS (VIAC) seeing 3,300 April \$16 puts open this afternoon for \$2.25 to \$2.45, potential impact from the Masters being cancelled as well as March Madness

Advanced Auto (AAP) buyer of 4,000 January \$120 calls for \$15.00 as the \$130 calls roll back again

Tempur Sealy (TPX) the June \$65 calls opening 500X today from \$3.50 to \$3.65 into the mid-day lows

Darden (DRI) the April \$65/\$85 call spread trading over 875X today with earnings on 3-19

BJ's Restaurants (BJRI) the April \$20 puts bought 1,000X up to \$3.70

Energy

Enphase (ENPH) buyer 2500 April \$30 puts \$4.20 offer

Enbridge (ENB) stock replacement opens 5000 January \$30 calls \$3.30

Schlumberger (SLB) seeing 2000 June \$20/\$15 bull risk reversals open for net credits

Total SA (TOT) buyer of 500 August ITM \$32.50 puts for \$6.00

Energy Transfer (ET) the May \$5 puts sold today 10,000X from \$0.86 to \$0.80

Continental Resources (CLR) afternoon buyer of 1200 January \$15 calls for \$1.25 to \$1.30

BHP Billiton (BHP) buyer of 1000 August \$35 calls for \$4.70 to \$5.00, adjusting back the \$45 calls

BP the July \$22 calls opening over 2,000X today for \$2.57, adjusting back the April \$28 calls

Financials

Metlife (MET) seller of 3,000 September \$22.50 puts for \$3.80, stock replacement strategy. **MET** Sep \$22.5 short puts up to 9000X

Voya Financial (VOYA) seller of 2,000 May \$40 puts for \$3.40

Bank of America (BAC) with the August \$24 calls bought 1,000X up to \$3.00, financial that has been getting bull flow all week

Morgan Stanley (MS) the January \$33 puts bought 10,000X for \$6.95, tied to stock

Fifth Third (FITB) the May \$19 calls bought 2,000X up to \$1.59, rolling back some \$23 calls

Aflac (AFL) the August \$35 calls bought 1,000X for \$4.05 as the \$50 calls adjust back

Athene (ATH) the August \$22.50/\$17.50 put spread being bought 1,000X today for \$1.80 and also seeing 500 October ITM \$40 puts open around \$15.90

Loews (L) the September \$30 puts being bought 425X today up to \$3.10, insurance name down sharply this month

Credit Suisse (CS) with 2,000 June \$8 puts sold to open for \$1.60, stock replacements

Schwab (SCHW) the April \$32 calls being bought 1,750X today up to \$4, name that has some notable June positioning as well

Axos Financial (AX) unusual volume today with 1,000 April \$17.50 calls bought \$2.05 to \$2.40

Healthcare

Axsome (AXSM) fading with 1,500 April \$65 calls sold to open \$14.50 to \$12.00

Mallinckrodt (MNK) with 2400 January \$3.50 puts bought today around \$2.30

Cardinal (CAH) with 500 ITM September \$57.50 puts bought today up to \$16.50, some March puts adjusting

CareDx (CDNA) IV rising with 1,450 May \$17.50 puts bought mid-day up from \$3.60 to \$4.20, big weekly breakdown looming

Pfizer (PFE) buyers earlier of 1,175 April 24th (W) \$33 calls from \$1.37 to \$1.39. **PFE** highs of the day and up 5%

Amerisource (ABC) the April \$80/\$65 put spread being bought 500X with the \$97.50 calls sold

Industrials

Kirby (KEX) sellers of 1,000 September \$45 calls from \$6.00 to \$5.20

Delta Air (DAL) buyers opening the June \$35/\$23 put spread 1,000X2,000 today. **DAL** also seeing 3,000 April \$36/\$40 call spreads trade today for \$1.90

Ford Motor (F) with over 61,500 April \$4 puts sold to open down to \$0.20

ABB Ltd (ABB) with 1600 April \$21 puts being sold to open \$4.50 to \$4.30

Generac (GNRC) buyers of the April \$90 puts 1,000X up to \$7.80

US Foods (USFD) with 425 October \$20 puts bought \$3.90 today, could see a pullback in demand as restaurants slow orders

Crown (CCK) buyer of 1,750 April \$55 puts for \$4.75, adjusting down the \$75 puts

United Tech (UTX) with the June \$110/\$135 call spread bought 750X1,500 for \$4.80, looking to capture the spin offs. **UTX** also with the May \$130/\$150 call spread bought 6,000X for \$2

United Air (UAL) the September \$50/\$70 call spread being bought into the lows 2500X for \$3.95

AerCap (AER) the July \$25/\$15 put spread being bought 12,850X for \$3.60 today, name that will be impacted by the Boeing 737 issues

Hertz (HTZ) with 18,500 July \$5 puts bought for \$1.44, adjusting down some \$8 puts into weakness

JetBlue (JBLU) the April \$15/\$18 call spread being bought 3,000X to open here for \$0.58. **JBLU** also with 500 June ITM \$9 calls bought for \$4.00

ICF International (ICFI) seller of 500 April \$85 calls today for \$2.40 in a buy-write, small-cap name that focuses on policy and management consulting

Southwest (LUV) the March 27th (W) \$35 puts being sold to open today from \$4.20 to \$3.80

Materials

Franco Nevada (FNV) seeing 1600 April \$90 puts sold to open today \$5.40 to \$6 range

Albemarle (ALB) buyer of 1,000 April \$60 puts for \$5, closing the \$85 puts 500X and rolling down

Dow (DOW) seller of 3,000 January \$35 calls for \$1.55 today in a buy-write

Tech and Telecom

Cisco (CSCO) with 6000 March \$35 puts sold \$1.51 to open

Twitter (TWTR) one of many names fading early with 3,750 April 24th (W) \$29.50 puts bought up to \$4.15

Advanced Micro (AMD) with May \$37 puts opening 9500X as April \$38 adjust

Lyft (LYFT) seeing 3500 January \$30/\$45 call spreads open for \$3.38

Uber (UBER) buyer of 2,500 June \$24 calls today up to \$4.46 as some April \$29 calls adjust down and out. **UBER** also seeing 2,000 June \$28 calls bought for \$2.75 today as the \$38 calls roll back

Omnicom (OMC) with the April \$60/\$65 call ratio spreads opening 1000X2000

Etsy (ETSY) with 10,000 April \$35 puts sold to open \$1.35 down to \$1.20

Snap (SNAP) another 2,000 January 2022 \$8 calls bought today for \$4.80, spot where 2,500 have accumulated this week

Sea (SE) with 4200 January \$55 calls sold \$5.60 to buy 4,200 May \$35 puts \$2.20, may be collaring stock position

American Tower (AMT) with 312 July \$180 calls opening \$51.25 as April \$200 adjust

Inphi (IPHI) large opening sale 2500 October \$60 puts for \$9.20, shares retesting its 2019 flag breakout level

Salesforce (CRM) the June \$150 calls bought 4,950X into the lows up to \$14.50; shares pulling back this week to recent support and a key volume node

Trip Advisor (TRIP) with 5000 January \$19/\$15 bull risk reversals opening \$0.10 credit after recent 10,000 of the \$20/\$16 reversals

SAP AG (SAP) deep ITM June \$150 opens 400X at \$46.80

Micron (MU) buyer 12,000 April \$42 calls for \$4.25, look to adjust the \$46 calls

Ubiquiti (UI) with 1,500 April \$125 puts bought up to \$12.70 today, **UI** powers WiFi at college campuses, so negative impact likely

Go-Daddy (GDDY) with 500 August \$60 calls bought up to \$3.80

Radware (RDWR) buyer of 700 April \$22 puts for \$3.03, adjusting out of the March puts

Shopify (SHOP) buyers opening 500 April \$375 puts this morning from \$45.80 to \$49.00

Century Link (CTL) buyer of 10,000 August \$10 puts today for \$1.95

Roku (ROKU) the April \$80 puts being bought 1500X today \$13.10 to \$13.90

Charter (CHTR) the April \$410 puts bought 500X from \$18 to \$22 today, follows the \$420 put buys yesterday

IMAX Corp (IMAX) the April \$10 puts bought up to \$2.15 today, another movie theater name like **CNK** that could see pressure as titles get postponed

JD.com (JD) with 4150 September \$35 puts sold to open \$3.85, popular with a name that has held up and continues to draw bull flow

Atlassian (TEAM) the May \$125 calls bought 1,000X for \$17.16, adjusting down 1200 of the \$150 calls

Duke Energy (DUK) the April \$85 calls being bought 1,000X for \$5.61, rolling back the \$97.50 calls

Expedia (EXPE) the March ITM \$60 calls bought 500X today for \$7.60 and spread with the \$67 calls sold 1,000X for \$3.90

Utility

PG&E (PCG) the June \$13/\$19 call spread active early 4500X

Next-Era Energy Partners (NEP) July \$55 OTM calls bought 1000X after October calls bought yesterday

Next-Era Energy (NEE) with 1,873 April \$140 puts sold to open for \$2.70

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Not Investment Advice or Recommendation

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