

OptionsHawk

OPTIONS HAWK DAILY MARKET 3/19/2020

Sector Leaders

Oil Services

Housing

Biotech

Stock Gainers

GES 145%

PRTY 75%

FLR 52%

PAGP 40%

RRGB 40%

UBER 33%

CAR 33%

Volatility Gainers

- PLAY
- LYV
- SHO
- IMAX
- SIRI
- EOG

High Call Volume

- WTRH
- SNY
- SUM
- BJ
- APRN
- RGR

Bullish Options

- ALXN
- MCD
- BIDU
- HD
- JPM
- TJX
- CME
- GILD
- F
- HBAN
- PCG

Sector Laggards

Utility

Consumer Staples

Gold

Stock Losers

APRN -25%

CARS -16%

MRNA -14.5%

TLRD -12%

PAYX -12.5%

BLL -11%

ETSY -9.5%

Volatility Losers

- UAL
- GES
- APRN
- MRO
- RAD
- MRNA

High Put Volume

- ATUS
- MMC
- IMAX
- CFR
- GO
- APRN

Bearish Options

- CCL
- SLB
- SHO
- IRDM
- CLR
- IAC
- KO
- LGND
- MMC
- WAB
- ATUS

Market Review: Stocks pulled back from a late move off the lows Wednesday into the open today, uncertainty remaining the theme as well as a combination of Fiscal and Monetary stimulus across the globe. The numbers of the earnings front and economic data are set to be ugly for a while, exacerbating the negative news flow cycle. We saw risk-on action early with a number of strong gainers in the growth arena and lagging sectors were Utility, Consumer Staples and Gold. The oversold bounce came from a key level that held yesterday as a 38.2% retracement and December 2018 lows but plenty of uncertainty remains in a volatile trading environment. The week will close with Existing Home Sales and have to see how much risk is willing to be carried into a weekend of headlines.

S&P Chart:



Resistance	Support
2,600	2,335
2,720	2,270
2,830	2,100

Options Action Trends: We saw some early put sales in large cap value like **HD/JPM/CME**. Also, saw the rally seen as opportunity for closing large short put positions in names like **C, UNP, MCD, ADI, WFC**. We saw some of the January 2021 Black Swan bearish put bets from mid-January close in **V, DIS** and smaller in some others.

What's On Tap: Existing Home Sales.

Trade Tracker Portfolio Changes:

- 1) No Changes



Aptiva Call Buyer as Best In Class Auto Parts Name

Ticker/Price: APTV (\$31)

Analysis:

Aptiva (APTV) large trade on 3/18 bought 4200 May \$50 calls to open up to \$3, a name with 4500 March \$75 short puts in open interest that are underwater with little other open interest. APTV shares are down 65% YTD with auto production grinding to a halt and back to a breakout level from 2012 with \$24/\$27 a potential zone of support. Shares are extremely oversold with weekly RSI at 16. The \$9.7B maker of vehicle components with a focus on electronic and safety solutions trades 6X Earnings, 5.2X EBITDA and 15.7X FCF though estimates due to decline. APTV has a 2.6% dividend yield and 11% FCF yield with Debt/EBITDA at 1.9X and an average ROIC around 15% the last three years, a quality name. APTV is expecting to close a 50/50 joint venture with Hyundai in Q1 to advance the design and development of L4/5 AV Technology. APTV sees the Active Safety addressable market expanding at a 20% CAGR through 2022 from a \$6.5B base in 2019. It also sees a 35% CAGR in the high voltage electrification market. Analysts have an average target of \$98 and short interest low at 1.3% of the float and down 15% Q/Q. CSFB out on 3/17 noting it is a top auto name to own into weakness as a lead quality name with exposure to secular growth opportunities. BAML upgraded shares to Buy on 3/18 noting “We view Aptiv as one of the best-positioned suppliers over the longer run, due to its leverage to industry mega-trends (autonomy, electrification, connectivity, etc.), which should drive outsized revenue and earnings growth versus peers. We also view APTV as one of the highest quality companies in our coverage, in terms of revenue growth, execution, margins, and cash flow, and believe the company will outperform even in a deteriorating cycle/macro environment. It has a \$63 target based on 10X 2021/2022 EBITDA estimates. On a takeout valuation it cites the Samsung deal for Harmon in 2017 was at 10.6X EV/EBITDA. Benchmark out in January at Buy with a \$110 target as a top industrial tech play in auto offering solutions to manufacturers that satisfy more strict regulations for emissions, safety and fuel economy. Hedge Fund ownership rose 1.25% in Q4 filings, Generation Investment, Sands Capital and Impax notable concentrated holders.

Hawk Vision:



Hawk's Perspective: APTV upside May calls seem pricey requiring a 70% move for break-even with option prices wild, and rather be looking to own this stock longer term at this valuation as a top name along with **GNTX**, though clearly a tough industry for the next few quarters.

Confidence Ranking: \$\$



Massive JP Morgan Call Buy Sees Rebound by End of Year

Ticker/Price: JPM (\$83.50)

Analysis:

JP Morgan (JPM) with the largest trade on 3/18 as into afternoon lows more than 20,000 January \$100 calls were bought \$10.35 to \$12.40 to open with shares near \$82, aggressive moving the fill price higher. JPM sees a lot of trading daily and seen activity on both sides the last few weeks with a bullish lean, but this trade is massive compared to others in the name. JPM shares have been hit hard with the other Banks due to concerns around the slowing economy, credit, and low rates but it remains the best-in-class Bank. JPM shares test a key trend line going back to 2012 and 2016 lows on Wednesday, also back near its 2017 low and looking for support. Shares do have a large volume pocket back to the \$66-\$70 zone if this week's low fails. The \$280 Banking leader now trades 7.35X Earnings and 1.12X Book with a 4.3% dividend yield and ROE near 15%. JPM held an Investor Day in late February that was comprehensive. Analysts have an average target of \$135 and short interest low at 0.8% of the float. Piper upgraded shares to Overweight on 3/2 with a \$149 target seeing it as an outperformer no matter the market environment. It notes "We specifically like JPM's diverse and relatively fee heavy revenue mix, combination of market leadership and scale across businesses, capacity to reduce expenses if needed, strong balance sheet (12.4% CET1 ratio) and capacity to continue repurchasing shares (remaining 2019 CCAR buyback capacity ~ 4.3% of market cap." Bloomberg reported on 3/10 that JPM is seeing a surge in revenues from equity derivatives trading. Citi lowered its target to \$125 on 3/10 with a Neutral rating after the Fed's rate outlook expected to pressure EPS. JPM's CEO had emergency heart surgery earlier this month with a full recovery expected. Hedge Fund ownership fell 1.8% in Q4 filings, Berkshire Hathaway a top holder as its 7th largest position.

Hawk Vision:



Hawk's Perspective: JPM is the preferred Bank play, though a tough environment for the group, if looking long term it is the name to own.

Confidence Ranking: \$\$



Honeywell Put Sales See Value into Sell-Off

Ticker/Price: HON (\$120)

Analysis:

Honeywell (HON) on 3/18 with a seller of 1,000 ITM June \$125 puts for \$21.30 and follows a seller on 3/17 of 1,100 June \$145 puts for \$23.00 and sellers of 2,200 April \$125 puts on 3/10. HON still has 1400 June \$175 short puts in OI from early February. Shares have been crushed recently off of 52-week highs and back to the 50% retracement of the bull run from 2009 as well as VPOC of the 2014-2017 range. The \$106.83B aerospace leader trades 13.88X earnings and 2.9X sales with a 2.7% yield. They expect 8% EPS growth annually the next two years with revenue growth of 3-4%, markedly higher than the 1.5% in FY20. HON set fairly conservative guidance in February as they weather the impact of the Boeing 737 delay (low-single digit impact to revenue) and remain sidelined due to the coronavirus but showing a 15% increase in long cycle orders while their backlog has great visibility out to 2021. HON has a strong balance sheet with FCF topping consensus in Q4 easily and guiding to near \$6B in 2020 which gives them a lot of options with which to deploy in a more aggressive manner or hunker down and weather the downturn. HON has been divesting non-core assets and fielding offers for their protective equipment unit which could get \$2B. The company is aiming to become a pure-play on industrial software leader. Analysts have an average target for shares of \$188. JP Morgan with a \$190 PT for shares and Buy rating in January noting that the company's organic story should be enough to outperform on earnings growth. Further, their best in class balance sheet optionality provides insurance on this front. Short interest is 1.1%, the highest since early 2018. Hedge fund ownership rose 0.85% in Q4, Mairs and Powers and King Luther two notable concentrated holders.

Hawk Vision:



Hawk's Perspective: HON is the top name to be looking at in Aerospace when this clears up, best management, and consistent performer, but right now too much uncertainty.

Confidence Ranking: \$\$



Size Calls Bought in McDonald's as Rebound Seen

Ticker/Price: MCD (\$133)

Analysis:

McDonald's (MCD) with 3500 January \$140 calls bought \$24.50 to \$25.50 to open this morning, size LEAPS similar to MGM/JPM yesterday. MCD has over 18,000 April \$160 short puts in OI, key level to reclaim above, while also some short puts at higher strikes up to \$175. Shares are back at a key breakout spot from early 2017 as well as the 50% retracement of the bull run from the 2003 lows. MCD may be uniquely positioned to thrive during the short-term shift to a delivery/to-go model during the COVID-19 closures for three key reasons. First, they get around 70% of current revenue from drive-thru already so it's a channel that's familiar to their base. The company has also focused on more value options amid menu changes which historically has driven traffic. Second, MCD recently completed a major tech renovation which included more than 11,000 digital drive-thru boards which not only makes the process more efficient but also has driven a higher average check over the last year as customers focus on add-ons and upgrades. And, finally, MCD was an early-adopter to delivery with third-party services as they're available across Uber Eats and more. The COVID-19 situation continues to linger on long-term outlook, however, and MCD said they will reevaluate in time. The \$113.25B company trades 14.87X earnings and 5.37X sales with a 3.65% yield. Analysts have an average target for shares of \$226. Stephens positive on 3-11 noting that breakfast checks remain positive despite new competition in the timeframe from Wendy's. Short interest is 1.2% and up from around 0.9% in November. Hedge fund ownership rose 1.68% in Q4. MCD has seen some size insider buying November with new CEO buying \$500k at \$193.81 and over \$700k bought cumulatively between 3-4 others.

Hawk Vision:



Hawk's Perspective: MCD already up \$13 intraday from the morning alert and like a lot of names need to see indicators swing back bullish, but a good sign seeing LEAPs bought in large caps last two days.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Biotech (XBI) seeing 5000 April \$75/\$61 put spreads from 3/10 close and buy 3,500 April \$66 puts for \$4.90

High Yield (HYG) with 20,000 May \$71/\$67 put spreads opening as the \$79/\$75 spreads adjust

NASDAQ (QQQ) with 10,000 May \$212 calls sold to open

S&P (SPY) with 6000 December 2021 \$280/\$310 call spreads opening this morning.

Gold Miners (GDX) with 10,000 July \$25.50/\$17 bull risk reversals opening today

Emerging Markets (EEM) block of 21,000 June \$34.73 calls bought \$1.97 to open

Russell (IWM) leading today after the call buying yesterday of note, up 4.75%, and today seeing 9000 September \$105 calls open \$14 to \$14.20

Consumer Discretionary/Services

Carnival (CCL) with 1200 May \$10 puts bought \$3.80 to \$3.90

Wynn (WYNN) buyer of 2,000 June \$45 calls for \$10.55 as the \$60 calls roll back yet again today

TJX Co (TJX) with 600 July \$45 calls bought \$5.30 to \$5.50 today

Home Depot (HD) with 3,000 January \$110 puts sold to open from \$17.00 to \$16.60 today, size insider buying recently as well

Disney (DIS) also seeing 5,000 September \$90 puts sold to buy 2500 September \$115/\$135 call spreads after 20,000 January \$95 puts look to be closing earlier. DIS saw these covered risk reversals open 2500X on 3/10 so need to confirm OI tomorrow

Live Nation (LYV) with 2500 July \$25 puts opening \$9.70 as the \$40 puts close 1250X

Ollie's (OLLI) with 11,000 April \$35 short puts opening as March \$37.5 adjust

Caesar's (CZR) with 10,000 April \$6/\$3 bull risk reversals opening \$0.29, name where deal spread with **ERI** has blown out

Altice US (ATUS) with a buyer of 7,850 January \$15 puts for \$2.95, spot where 5,000 bought last week

Host Hotels (HST) the April \$10 puts bought 1000X today up to \$2.15

Decker Outdoor (DECK) buyer 250 April \$100 calls for \$9.50, the \$3B Apparel/Footwear name trading 8.75X Earnings, 10.4X FCF and 4.85X Cash with little debt

Activision (ATVI) buyer of 1200 April \$50 calls for \$8.57 to \$8.58, adjusting back some \$55 calls

Match Group (MTCH) with 1000 April \$50 calls sold from \$5.60 to \$5.50 this afternoon

Eldorado (ERI) the June \$15 calls bought 2,000X for \$2.60, the \$25 calls rolling back in strikes

Lululemon (LULU) with 1000 April \$200 calls opening \$6.50 ahead of earnings a week from tonight

Target (TGT) buyer 1500 October \$105 puts at \$18.20, stock tied

Luckin Coffee (LK) into the lows with 11,500 January \$32 calls bought 6.70 to \$6.90

Ross Stores (ROST) buyer of the April \$70/\$80 call spread 500X1,000 for \$1.00

eBay (EBAY) with 1275 May \$29/\$26 bull risk reversals opening at a net credit as the March spreads roll

Consumer Goods

Coca Cola (KO) buyer 1200 September \$35 puts \$3.85 to open. **KO** also 1000 ITM January 2022 \$40 calls opening today \$8.80 to \$9

Mattel (MAT) with 3000 January 2022 \$5 puts opening \$1.30

Clorox (CLX) with 5000 May \$160 puts opening \$6.50 to \$8 into recent strength

Monster (MNST) the April \$60 puts opening 1000X today for \$7.70 as the March \$64 puts bought on 3/6 roll down and out

Hershey (HSY) with 900 August \$135 calls opening today \$9.15 to \$9.60 range

YUM Brands (YUM) with 1000 April \$55 puts opening \$4.80 earlier

Energy

Schlumberger (SLB) with 2,000 April \$15 puts opening for \$4.07, adjusting down the March \$22 puts from 3/6

Continental (CLR) buyer 800 June \$7.50 puts \$2.30 offer

NGL Energy (NGL) with 1000 April \$5 puts bought \$2.80 ITM to open

Williams (WMB) with 1000 May \$13 calls bought for \$1.00 today

Royal Dutch Shell (RDS.A) buyer of 1,357 April \$30 calls for \$1.00 today

Occidental Petro (OXY) with 3750 January \$10 puts opening \$4.10 to \$4.50 today

Kinder Morgan (KMI) with 6,000 January \$15 calls sold for \$1.46 in a buy-write

Financials

JP Morgan (JPM) with 8000 April \$75 puts sold to open this morning \$9.75 to \$9.50 after the size Jan. 2021 call buy yesterday

Simon Property (SPG) with 600 May \$65 calls opening \$9.85 to \$9.90

CME Group (CME) with 400 January \$115 puts sold to open \$19 to \$17.90, also 1,200 January \$105 puts sold \$15 to \$14.70

Wells Fargo (WFC) the June \$15 puts being bought 2700X for \$1.59 to \$1.63

Huntington (HBAN) buyers 3500 May \$8 calls to open \$0.96 to \$1.05

Marsh and McLennan (MMC) with 1250 July \$70 puts opening \$6.63 as April \$95 adjust

Morgan Stanley (MS) with 1000 April 9th (W) \$34 calls opening today \$1.78 to \$1.83

Blackstone (BX) with 2000 January \$40 calls opening \$10.10 in a buy-write

UBS Group (UBS) sellers of 2,000 August \$7.50 puts for \$1.25 to \$1.20 today, Fox Business report recently that the company could be a target for Goldman (GS) as they look for M&A deals

Visa (V) buyer 1000 April 3rd (W) \$125 puts for \$4.50

Discover (DFS) with 500 May 1st (W) \$27 calls bought \$5.30 to \$5.40

Blackrock (BLK) with April \$440 puts opening at \$63.44 for 400X as the \$470 adjust, was another one of those Black Swan put names from January and has 4780 Jan. \$330 puts in OI with some activity today

Broadridge (BR) buy-write with 400 September \$125 calls sold \$5.60

Chubb (CB) the April \$110 puts bought 1800X for \$17.17 to \$17.30, rolling out of the March \$125 puts which had already rolled down from the \$145 puts

Healthcare

Align (ALGN) buyer 200 April \$125 puts for \$15.50

Alexion (ALXN) buyers of 800 January \$110 calls \$6.20 to \$6.90 where we saw adds yesterday

Cross Country Healthcare (CCRN) with buyers of 1,000 June \$10 calls for \$2.50 to \$2.95, stock pops. The \$413M company provides healthcare staffing solutions

Gilead (GILD) the April 24th (W) \$90 calls being bought 2495X for \$7.28 as some April \$85 calls adjust into their data. **Gilead (GILD)** with 5000 April \$75 puts sold to open \$5.50 to \$5.10 midday

Ligand (LGND) buyers of the May \$85 puts 825X for \$17.50 to \$18.00, continues to draw size bearish positions

Agilent (A) similar protective spreads today selling the August \$75 calls 400X to buy the \$62.50/\$55 put spread, short call strike again right near the 200-MA

Pfizer (PFE) with 2,500 September \$28 puts sold to open today \$3.45 to \$3.40

Intercept (ICPT) buyer 500 September \$25 OTM puts for \$3

Merck (MRK) bull spreads today are selling the May \$60 puts to buy the \$72.50/\$80 call spread 2000X

Amarin (AMRN) with 1500 April 3rd (W) \$12.50 calls bought to open \$1.53

Omega Health (OHI) with 500 April \$22 puts bought for \$3.40 to \$3.50 into the 40% one-day rebound off the lows

Catalent (CTLT) with 400 October \$60 calls opening \$2.15 to \$2.50 today, shares back at the Dec. 2018 lows and bouncing

Southwest (LUV) buyers of 3,000 April \$42.50 calls up to \$3.88

HCA Corp (HCA) with 1780 April 3rd (W) \$100 calls opening \$3.55 to \$4.20

Align (ALGN) with 200 January 2022 \$140/\$280 call spreads bought to open

Industrials

Aecom (ACM) buyer of 500 April \$20 calls for \$5.50 to \$5.60, some M&A talk recently

Expeditors (EXPD) with 400 August \$65 calls opening \$6.40

Deere (DE) with 550 January \$95 puts sold to open today \$15.50

Ford (F) buyer 11,000 September \$6 calls to open \$0.74. **F** also with 55,000 September \$5/\$7 call spreads bought for \$0.65

Westinghouse (WAB) the July \$30 puts opening 1,000X for \$3.45 to \$3.50 as some April positioning adjusts

Carvana (CVNA) with 5,450 April \$70 puts opening today near \$39.00 as the March \$70 short puts adjust

Genuine Parts (GPC) buyer of 400 May \$70 calls for \$4.45, spread with the \$85 calls that may be rolling back

Tesla (TSLA) strong 200 MA bounce today and buyer earlier today 1000 January \$765 calls \$51.75

Boeing (BA) earlier today with a buyer 1000 December \$70 OTM puts for \$24. **Boeing (BA)** the May 1st (W) \$110/\$140 call spread bought 2000X for \$11.00

Navistar (NAV) moving with another 2,000 October \$20 calls bought \$3.50 this afternoon

Materials

Huntsman (HUN) opening sale 800 April \$14 puts \$1.50 to \$1.45

Summit Materials (SUM) with 1,000 April \$10 calls bought \$1.35 to open today, talk of an infrastructure bill again today

Franco Nevada (FNV) buyer 1000 July \$120 calls \$5.60 to \$5.82. **FNV** with 1000 July \$80 puts sold to open as well today, \$5.80 down to \$5.20

FMC (FMC) with 545 October \$50 puts bought \$5.90 to open

Tech and Telecom

Baidu (BIDU) buyers of 2,500 April \$105 calls for \$1.72 to \$2.05 today, relative strength among the China names today

Interactive (IAC) with 920 April \$130 puts opening up to \$10.25

Impinj (PI) with 500 April \$12.50 calls bought for \$2.70 today

MagnaChip (MX) the September \$10/\$15 call spread bought 425X today for \$0.82, follows the June \$10/\$15 call spread bought 2500X5000 recently

SmarSheet (SMAR) with 1,000 April \$45 calls bought today \$2.80 to \$3.05

Chegg (CHGG) buyers of 665 April \$35 calls up to \$2.35 today as some March \$40 calls roll, play on digital classrooms

Lyft (LYFT) buyer 1000 October \$25 calls \$4.10 offer and also 1500 April \$22.50 calls bought \$2.40

Microchip (MCHP) with 4000 May \$62.5 calls opening \$8.30, closing the \$80 calls

Data Dog (DDOG) with 1000 July \$42 calls sold to open for \$3. **DDOG** also with 500 October \$40 calls sold for \$5.00

Service-Now (NOW) with 1800 April \$290 puts and calls bought, tied to stock, may be converting a short into a synthetic

Veeva Systems (VEEV) with 1,175 September \$165 calls sold to open \$14.50 to \$13.90

Amazon (AMZN) seeing 700 May \$1900 calls bought \$179.50 as April \$1700 adjust

HubSpot (HUBS) with 450 April \$120 calls being bought to open today

IBM (IBM) buyer 600 September \$85 puts today for \$10.40 to \$10.60

Ceridian (CDAY) with 12,000 April \$60 short puts opening \$18.16 as March adjust

Microsoft (MSFT) with 3500 December \$175 calls sold to open \$11 today

Micron (MU) ITM July \$33 calls with 5000X opening today near \$9.45

Analog Devices (ADI) the April \$95 calls bought around \$4.70 to \$5.00, over 1375X, as the \$120 calls from late February roll back

Utility

PG&E (PCG) buyer 11,250 June \$8/\$12 call spreads \$1.20

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Not Investment Advice or Recommendation

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