

OptionsHawk

OPTIONS HAWK DAILY MARKET 3/21/2019

Sector Leaders

Semi's

Housing

Metals

Stock Gainers

AXSM 15%

GFN 13.5%

GIII 13.3%

PTE 12%

CAG 11.65%

EHTH 10.5%

STNE 10.5%

Volatility Gainers

• RCKT

• STAY

• BIIB

• I

• ALGN

• MRVL

High Call Volume

• STAY

• NCLH

• RRGB

• KRNT

• CTXS

• VIAB

Bullish Options

• MRVL

• SQ

• EA

• TWLO

• GRUB

• CTL

• ALGN

• DIS

• T

• CTXS

• IONS

Market Review: Stocks continued to slide into the US open fading a brief euphoria from the dovish Fed commentary yesterday and continuing to show signs of the strong rally to start the year losing momentum. US/China trade remains the major market overhang while March PMI data tomorrow will be closely watched for a better signal of the Macro trends which have been weak thus far this year. Jobless Claims came in at expected levels while Philly Fed for March did beat expectations as did the Leading Indicators. The data helped and stocks rallied strong the opening 90 minutes. Financials lagged yet again while Biotech was dragged down by Biogen, but strength seen in Semiconductors, Housing, Software and Transports. Despite some weakness the S&P continues to maintain healthy closes above the rising 8 day MA and push higher.

S&P Chart:



Resistance	Support
2,850	2,770
2,915	2,730
2,950	2,715

Options Action Trends: We saw some sizable call flows across Tech names today and a lot more bullish positioning as markets rebounded from early weakness. Put activity remains very minimal.

What's On Tap: Flash PMI for March and Existing Home Sales. Earnings from TIF.

Trade Tracker Portfolio Changes:

1. **Spotlight:** Long the FCX May \$12 Calls at \$1.30 or Better

Sector Laggards

Biotech

Financials

Media

Stock Losers

BIIB -28.5%

CSIQ -16%

GES -13.85%

I -10.75%

RAVN -10.5%

QADA -6.3%

DQ -6%

Volatility Losers

• WSM

• DRI

• CAG

• GES

• BBVA

• DVA

High Put Volume

• HSIC

• CTAS

• ERI

• BIIB

• SYK

• JWN

Bearish Options

• NUS

• TSLA

• ZION

• KSS

• WAB

• SMH

• LRCX

• HSIC

• CRC

• NWL

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Large Call Buyer in Pivotal Sees Opportunity in Earnings Sell-Off

Ticker/Price: PVTL (\$19.95)

Analysis:

Pivotal Software (PVTL) with a sizable trade late on Wednesday as 3,500 June \$20 calls opened up to \$2.20 for nearly \$800,000 and followed a buyer of 500 April \$19 calls on 3/19 while PVTL still has 3,000 January \$20 calls bought in open interest and 1,800 of the January 2021 \$30 calls. The \$5.45B cloud-software company trades 5.6X EV/Sales and coming off a year of 29% revenue growth with 22% growth seen each of the next two years. On the chart shares have pulled back to retest a recent flag breakout as well as the rising 55 day MA and looking to base. Shares can move out past recent highs and target a run up to \$30. It estimates its market opportunity at \$50B and looks to ride the enterprise cloud transformation wave. The PaaS segment is seen growing to \$29B by 2021 with a 22% CAGR. PVTL is seeing strong subscription growth which is now accounting for over 60% of total revenues and seeing strong customer growth with its land & expand business model and impressive 149% dollar-based net expansion. The transition is also resulting in improving gross margins. Shares sold off last quarter on weaker than expected revenue growth and customer additions but gross margins jumped to 65%. Analysts have an average target near \$25 on shares and short interest is elevated at 10.7% of the float. Dell (DELL) still owns a large \$2.87B stake in PVTL. Needham raised its target to \$28 in December noting robust demand for the PVTL platform as more blue-chip customers adopt new technologies. Goldman downgraded shares to Neutral on 3-6. Steadfast Capital was a top buyer of shares in Q4 and Laurion Capital also bought a new position.

Hawk Vision:



Trading Strategy: PVTL held right where it needed to and the flows along with prior open interest dictate a good opportunity to own a strong software story that trades much cheaper to peers at this level.

Confidence Ranking: \$\$



Bulls Active in Impressive Biotech Ionis

Ticker/Price: IONS (\$80.50)

Analysis:

Ionis Pharma (IONS) with buyers of 1,750 July \$85 calls today for \$6.50 with shares showing relative strength recently. IONS had 1,200 July \$75 puts and 800 of the \$70 puts sold to open earlier this week. The May \$75 and \$80 calls had buyers last week while the Jan. 2021 \$75 and \$80 calls have also seen buyers. Shares are up sharply over the last two months following earnings and clearing a big range above \$75 which stretches back to 2015. The long-term measured move targets a move over \$100. Key near-term support is \$72.50 which aligns with the post-earnings consolidation breakout and 20-day MA. The \$10.95B biotech trades 108X earnings, 18.25X sales, and 5.25X cash. The company is in the earliest stages of profitability with expectations for \$1.35/share in earnings in FY20, up from a \$0.34 loss last year. Revenue is expected to grow 38.4% and 22.4% driven by Spinraza royalties which have more than doubled since 2017 as more adolescent and adult patients begin treatment. IONS has a deep pipeline with more than ten medicines moving into pivotal trials by YE 2020 including neurodegenerative treatments for Huntington's and ALS. Analysts have an average target for shares of \$60 with 1 buy rating, 5 hold ratings, and 1 sell. Short interest is 9% and down from 10.2% in mid-2018. Piper positive on 3/1 noting that CHMP positive response for Waylivra was a surprise and they anticipate approval within the coming months, a \$150M opportunity. BMO with an \$82 PT seeing upside from Tegsedi quarterly beats, potential for Waylivra refilling, and better visibility into an accelerated path for Huntington's. Institutional ownership rose 25.35% last quarter. Biogen (BIIB) the top holder with 11.5M shares.

Hawk Vision:



Trading Strategy: IONS was a trigger back when it came out of the earnings consolidation (disclosure: Relativity Capital is long at \$69.77 basis), so it is hard to chase at this level, but a top Biotech to be aware of on dips.

Confidence Ranking: \$\$



Twilio Strength Seen Continuing

Ticker/Price: TWLO (\$132.50)

Analysis:

Twilio (TWLO) with 2,370 July \$150 calls opening this morning up to \$9.85 and now trading 3,930 on the morning. TWLO shares are up 46% YTD and 225% over the past year hitting new highs, taking a parabolic pattern on the chart and finding buyers at the rising 8 week MA consistently, so currently \$119.70 the pullback level to target entry. The \$16.2B company is a leading provider of a cloud communications platform and now trades 14.5X EV/Sales and expects 65% revenue growth in 2019 after 63% growth last year. TWLO also likely has room to improve its 55% gross margins.

Twilio has a large and expanding TAM that includes call centers, IoT, and email. Analysts have an average target of \$125 on shares and short interest has come down recently to 9.6% of the float. Guggenheim recently started coverage at Buy with a \$140 target. Piper has a \$135 target and sees Flex gaining traction, ongoing synergies with its M&A deal for Send-Grid, and strong execution. Hedge Fund ownership jumped nearly 14% in Q4 filings, Coatue Mgmt. taking a 1% weighting.

Hawk Vision:



Trading Strategy: TWLO was a top Tech pick into 2019 and continues to trade well and post amazing numbers, a name to target on 33 MA or 8 week MA tests.

Confidence Ranking: \$\$



Tyson Size Call Buyer as Shares Hit Multi-Month Highs

Ticker/Price: TSN (\$66.65)

Analysis:

Tyson Foods (TSN) buyers yesterday of 10,000 May \$67.50 calls and spot where another 1,870 are trading today up to \$2.55, by far the largest position in OI. TSN has seen smaller buys in the April \$62.50 calls and some January \$72.50 calls remain in OI from September. TSN has rebounded well from the December lows and clearing a big volume node from August/September above \$62.50. Shares are working out of a downtrend from the 2018 highs near \$85 and long-term bull flag forming on the monthly. The \$23.57B company trades 10.35X earnings, 0.59X sales, and 23X FCF with a 2.3% yield. TSN sees 5.9% EPS growth in 2020 and 14% in 2021 with revenue growth of 3.5% to 4%. TSN closed on their \$2B deal for Keystone Foods late last year which expands their offerings to foodservice as well as c-store channels. The company is seeing better margins for prepared foods, a group which is growing double-digits, while Jimmy Dean remains a strong brand in both volumes/price mix. TSN will be a major beneficiary of any trade deal with beef and pork exports at 10-20% of production. TSN's CEO has made transforming the portfolio a key focus over the next two years between acquisitions and divestitures. In February, it was reported that they were looking at a deal for Foster Farms at a \$2B valuation. He's also looking at international expansion as a key driver to help reduce exposure to the US ag-market. Analysts have an average target for shares of \$70.50 with 9 buy ratings, 6 hold ratings, and 1 sell. Short interest is 1.3% and near multi-year lows. Jefferies positive on 2/13 noting shares deserve a premium to peers given their diversified offerings. Vertical upgraded to Buy on 1/10. Institutional ownership rose 16% last quarter. In December, a Director bought \$400K in stock at \$58, the largest buy in several years.

Hawk Vision:



Trading Strategy: TSN is quite extended here to target but a notable open interest position to be aware of if shares pull back in to \$63 level.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Semi's (SMH) with 2,000 June \$108/\$102 put spreads bought

S&P 500 (SPY) with 48,500 May 3rd (W) \$261 puts opened \$0.81. **SPY** April \$282.50 puts seeing some size accumulation with 12,500 opening for over \$4M

Russell (IWM) puts active with 15,000 June \$146/\$130 put spreads bought, rolling from April spreads, and May \$151/\$142 put spreads, likely hedging some buying in Russell names

NASDAQ (QQQ) with 9,700 May 3rd (W) \$180 puts opening. **QQQ** morning buy of 5000 April \$183.50 calls for \$2

Tech (XLK) leading today and seeing 24,000 April \$76 calls bought

Consumer Discretionary

Disney (DIS) buyers active early for 3,000 May \$110 calls \$4.10 to \$4.15 where 5,500 have opened into weakness the last two days

Electronic Arts (EA) buyers of 1,965 May \$100 calls \$7.05 to \$7.45 today

Kohl's (KSS) buyer of 1,145 May \$65 puts \$2 to open

Nike (NKE) buyer 300 May \$80 ITM calls \$8.60 into earnings

Sleep Number (SNBR) strong mover since earnings and today 940 April \$55 calls opening \$1.00 to \$1.10. **SNBR** those April \$55 calls up over 2,250X on the day

Volt Information Sciences (VISI) with 2,500 November \$2.50 calls opening for \$2.45 in a stock replacement, similar to the 2,500 August \$2.50 calls from last week

Cintas (CTAS) buyer of 750 April \$195/\$180 put spreads, earnings tonight

Norwegian Cruise (NCLH) the April \$57.50 calls closing and rolling to buy the June calls 2,000X for \$2.10 today

Nielsen (NLSN) stock replacement opens the June \$28/\$31 call spread 1,000X3,000 for a small debit, the speculation in January was a deal around \$30

Viacom (VIAB) with 2,000 April \$26 calls opening \$1.15

Extended Stay America (STAY) highs of the day and earlier 3,250 April \$20 calls bought up to \$0.25, name with 5,000 July \$17.50 and 16,000 July \$20 calls in OI. **STAY** also with 1,740 May \$20 calls bought today

Red Robin (RRGB) with another 1,300 June \$30 calls bought \$1.85 with 1,000 in OI from buyers yesterday

Chipotle (CMG) buyer of 100 September \$740 calls \$38.90 to \$39.90, target raise to Street high at Argus this morning

Cheesecake Factory (CAKE) buyer of 1,000 January \$35 puts for \$1

Urban Outfitter (URBN) spreads buy 2,375 May \$28 puts and sell 4,750 of the \$26 puts

Melco Crown (MLCO) buyers of 14,000 May \$20/\$18 put spreads for \$0.29

Conn's (CONN) spread sells 700 April \$19 puts to buy the \$22/\$28 call spread at a \$2.50 net debit into earnings on 3-26

Consumer Staples

ConAgra (CAG) with 1,000 January 2021 \$23 calls bought \$5.40. **CAG** also with 1,800 June \$27/\$22 bull risk reversals opening as the April \$25 calls roll out

Nu Skin (NUS) another 1,000 May \$50 puts bought \$2.65 to \$2.90 this morning, spot where 1,000 opened yesterday

ARAMARK (ARMK) long base forming and 930 May \$30 calls bought \$1.50 offer to open

General Mills (GIS) with 1,000 October \$52.50 calls opening near \$1.50 after recent rolls to 17,000 of the \$50 calls

Newell Brands (NWL) with 2,000 ITM September \$25 puts bought \$9.00 to \$9.22 today

Kellogg (K) highs of the day with 725 May \$55 calls bought for \$2.50 to open

Pilgrim's Pride (PPC) buyers of 2,000 May \$23 calls for \$0.45 to \$0.50 today as IV perks up

Energy

California Resources (CRC) buyer of 600 January 2021 \$18 puts for \$5.10

Energy Transfer (ET) stock replacement opens 5,000 October \$16 calls for \$0.78 today

Green Plains (GPRE) buyers of 2,500 June \$19 calls \$0.70 to \$0.75 in sweeps looking to add to OI

PBF (PBF) with 1,000 September \$35/\$30 strangles bought to open for \$4.35

Financials

Zions Bancorp (ZION) buyers of 3,185 April \$48 puts \$2.00 to \$2.02 today, continues to fade following the Fed

Square (SQ) buyers of 1,500 April 5th (W) \$77.50 calls up to \$2.25 this morning. **SQ** April \$77 calls heating up as well with over 3,500 bought. **SQ** now with 2,000 April \$83 calls bought \$1.35 to \$1.40 into the highs

Citigroup (C) buyers of 2,300 April \$63.5 calls for \$1.86 to \$1.90, spread against 4,000 of the \$66.50 calls in ratio spreads as shares re-test the 50-day MA

Healthcare

Align Tech (ALGN) with 500 July \$270 calls opening, \$1.5M position, as April \$280 calls adjust

E-Health (EHTH) strong today up 5% and 300 April \$65 calls bought \$2.25 to \$2.45, nice setup with shares consolidating above its rising 50-day MA. **EHTH** with 500 May \$70 calls opening \$2.80 to \$3

Henry Schein (HSIC) seeing adjustments of put options from the animal-spin adjusted line and 3,900 each of the July \$60 and \$57.5 puts opening today

Boston Scientific (BSX) with 800 April 26th (W) \$46.5 / May \$46 diagonal call spreads opening

Rocket Pharma (RCKT) spread today sells 1,250 July \$15 puts for \$0.97 to buy the April \$17.50 calls for \$2.92; BAML starting at Buy last week with a \$27 PT citing strong early results from their gene therapy pipeline

IQVIA (IQV) trader opens 800 April \$140 ITM calls for \$5.20

Wellcare (WCG) on the highs with 875 April \$260 calls bought from \$3.20 to \$3.50 to open today, Cowen with a \$335 PT recently seeing a number of drivers including Meridian, wins in NC, the addition of Aetna's prescription drug lives in 2020, and PBM re-contracting in 2021

CVS Health (CVS) with 1,500 May \$52.50 calls opening today between \$4.75 and \$5.50

Galapagos (GLPG) with the April \$100/\$110/\$120 call fly opening 970X1940, key data expected next week

Medicine Co (MDCO) buyers active today for 1,000 July \$35 calls from \$1.30 to \$1.50 and 300 of the \$34 calls bought \$1.35 to \$1.40 where 2,000 have been opened

Nevro (NVRO) with 800 December \$65 puts opening \$11.35

Neurocrine (NBIX) buyers of 1,650 April \$90 calls \$3.30 to \$3.45 this afternoon

Biogen (BIIB) afternoon spread buys 400 January \$300 calls at \$7.35 and sells 800 of the \$200 puts for \$13.80

Teva Pharma (TEVA) trader sells 8,000 January \$22.50 calls for \$0.69 today in a buy-write

Merck (MRK) buyer of 1,000 June 2020 \$75 puts for \$4.20

Industrials

Tesla (TSLA) opening call sale remains popular with 1,000 September \$335 sold to open this morning

KAR Auction Services (KAR) buyer of 2,000 May \$50/\$55 call spreads for \$1.35

Intel-Sat (I) buyer of 1,000 January \$25 calls \$3.30 to \$3.50 into weakness. I also with 2,000 September \$20 calls opening \$3.60 as the June calls adjust

Lennar (LEN) with 1,500 May \$50/\$40 bull risk reversals opening for \$0.80 today as some April calls adjust, same line where nearly 6,000 May calls were bought yesterday

Coherent (COHR) with 550 April \$145 calls bought \$4.80 to \$5 with the strong candle

Stanley Works (SWK) buyer of 2,000 January \$150 calls \$6.85, already with some notable call OI

Materials

Mosaic (MOS) buyers of 1,665 April \$28 calls from \$1.05 to \$1.12, next WASDE report on 4/9

Armstrong (AWI) the June \$75 calls closing and rolling out to open the September \$80 calls today, 2500X for \$3.55

Harmony Gold (HMY) rising after 11,000 November \$2 calls opened \$0.30 to \$0.35

Tech and Telecom

Marvell (MRVL) buyer of 4,400 April \$20.50 calls to open up to \$0.67 after the MU outlook

Mondo-DB (MDB) opening sales of 1,500 April \$135 puts \$3 to \$2.80

Qorvo (QRVO) strong on the upgrade and seeing 2,000 April \$70 calls sell to open for \$3.80

LAM Research (LRCX) buyer of 1,165 April 5th (W) \$177.5 puts for \$3.40. **LRCX** with 500 September \$160 puts bought \$7.30 to \$7.35

Century Link (CTL) buyers active for 6,850 May \$12 calls up to \$0.85 to open

Grub-Hub (GRUB) buyer of 2,000 next week \$70 calls \$1.40 to open

Sea Ltd (SE) with opening sales of 2,600 April \$22.50 puts for \$0.50 today

Kornit Digital (KRNT) spreads today are selling 500 November \$20 puts to buy the \$25/\$30 call spread for a small debit with shares at new highs

AT&T (T) buyer of 10,000 May \$30 calls \$1.26 offer

Citrix Systems (CTXS) another 4,440 June \$105/\$115 call spreads trading today for \$2.25

SkyWorks (SWKS) buyers of 2,000 May \$85 calls today from \$4.70 up to \$5.20, working out of a multi-week post-earnings range

Roku (ROKU) trades 1,400 May \$70 calls \$6.15 where size added yesterday

Xperi (XPER) with 3100 June \$27 calls sold to open for \$0.80

Intuit (INTU) another 2,000 April \$260 calls trading today from \$4.00 to \$4.40, looks to be adding to recent buys

Google (GOOG) with 500 April 26th (W) \$1225 calls opening and the **GOOGL** line with 530 May \$1250 calls opening as buy-writes

Seagate (STX) strong today after the Micron quarter and 1,000 May \$45 calls opening this afternoon for \$5.40 to \$5.45

Advanced Micro (AMD) opening seller of 1,000 November \$25 puts today \$3.15, continue to see these trades showing faith in the name

Expedia (EXPE) the April 26th (W) / May \$125 call calendar spread opening 1,000X this afternoon for \$1.10

T-Mobile (TMUS) with 1,250 June \$67.50 puts bought to open in sweeps today

Utility

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