

OptionsHawk

OPTIONS HAWK DAILY MARKET 3/23/2020

Sector Leaders

Gold Miners

Bonds

Semi's

Stock Gainers

- ZM 18%
- PAAS 16.8%
- TDOC 15%
- APRN 13.5%
- GOLD 11.2%
- EA 7.75%
- THC 7.7%

Volatility Gainers

- PLAY
- ADMA
- SPR
- HOG
- AA
- CVX

High Call Volume

- CVET
- CS
- INVA
- AGI
- GIS
- BSX

Bullish Options

- CS
- FEYE
- BA
- DD
- BABA
- LK
- BSX
- FOXA
- MU
- AGIO
- DE

Market Review: Stocks were sharply lower to start the week albeit off overnight lows as the Rescue Bill was unable to pass initially and the COVID-19 outbreak continues to worsen in the US and Europe. Global fiscal and monetary stimulus efforts continue to ramp though the dire forecasts for the economic impact continue to increase. Futures jumped a bit after 8am on the latest round of new Fed measures but the move faded hard into the regular open. Markets continued lower late morning and saw Bonds and Gold outperform with a further risk-off move. Banks, Housing and Energy continued to be the weakest while Industrials also sold off hard. The NASDAQ continued to outperform and the lone Index defending its uptrend, and a midday CNBC interview with Tepper as well as hints a Fiscal package was near passage moved markets off lows. Tomorrow we get the Flash PMI readings for some indication of just how fast economies have halted.

S&P Chart:



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

Options Action Trends: There were not any major trends in activity today and a fairly light trading day with liquidity for individual names still very poor.

What's On Tap: Flash PMI Readings for March.

Trade Tracker Portfolio Changes:

- 1) No Changes

Sector Laggards

Banks

Energy

Housing

Stock Losers

- LAMR -20%
- ARCC -20%
- ESNT -19%
- TWO -18%
- CNX -18%
- KSS -18%
- NGL -18%

Volatility Losers

- SAN
- CHK
- MGM
- AAL
- CCL
- JWN

High Put Volume

- ALLT
- MTSI
- BREW
- CACC
- CBRE
- INST

Bearish Options

- VNO
- SFIX
- INTC
- ALB
- QCOM
- MRNA
- CBRE
- ADBE
- MTSI
- CVS
- WBA



AbbVie Calls Bought Aggressively into Weakness

Ticker/Price: ABBV (\$68.75)

Analysis:

AbbVie (ABBV) notable trading on 3/20 as the May \$72.50 calls were active with size buyers as more than 6000 traded on the day in large lots starting at \$3.50 and trading up to \$4.25 offers. ABBV has a ton of open interest added the past few weeks with positioning on both sides but this activity one of the largest, while a 2/20 sale of 3500 January \$87.50 puts to open was another notable large trade. ABBV shares have pulled back to near September 2019 lows which was a retest of a key range breakout that started in 2017, large zone of volume support in the wide \$52/\$68 range. The \$102B Pharma trades 6.5X Earnings, 3.05X Sales and yields a 6.85% dividend while trying to close its large acquisition of Allergan (AGN). In the near-term on strong shares have room to rebound back to \$80. ABBV is coming off a monster quarter where it beat estimated by a wide margin. ABBV is expecting \$2B in synergies by year three. ABBV has recently launched a few products with strong growth including SKYRIZI, RINVOQ, and VENCLEXTA in lead indications and also have opportunities in new disease areas. ABBV also has some promising Neuro programs including Alzheimer's and Parkinson's. Analysts have an average target of \$100 on shares and short interest rising to 5% of the float though much of that likely due to M&A arbitrage. Cowen raised its target to \$105 in February seeing shares compelling given the growth prospects. Mizuho raised its target to \$104 seeing the Allergan deal changing the AbbVie story for the better with compelling valuation. Hedge Fund ownership rose 3.8% in Q4 filings.

Hawk Vision:



Hawk's Perspective: ABBV valuation and fat yield are looking attractive at these levels, though some concern with its pending deal and leverage.

Confidence Ranking: \$\$



Chewy Open Interest Bullish as Online Shopping Demand in Focus

Ticker/Price: CHWY (\$31.90)

Analysis:

Chewy (CHWY) buyers on Friday for 1,000 July \$33/\$37 call spreads and name that has seen accumulation in the January \$30 calls, April \$32 calls, and July \$30 calls over the last month. CHWY also has bullish open interest in the Jan. \$30 put sales and July \$30 put sales. Shares are starting to work out of a multi-month base above \$32 and pulled back on Friday to test the rising 8-EMA after a few volatile sessions higher. A breakout targets \$41 and a run at all-time highs. The late-2019 IPO is an obvious beneficiary of a greater near-term shift to e-commerce and online shopping given COVID-19 concerns and pets an area where individuals less likely to pullback on spending. The \$12.11B company also has tailwinds in the near-term as a niche-player with sites like Amazon (AMZN) prioritizing medical supplies and cleaning aids and some buyers could shift sites. Shares trade 2.65X sales and 89X cash with mid-20% revenue growth in each of the next two years. They see a quick ramp in profitability coming with breakeven by FY23. CHWY is coming off a strong quarter with better autship sales, 11% growth in sales per active customer, and increased adoption of Pharmacy Services. CHWY continues to see incremental active customer growth, up to 12.7M, and could see a long-term addition from the COVID-19 shift as more people get familiar with the ease and use of their system. Analysts have an average target for shares of \$36.25. RBC Capital upgrading to Buy in late February noting that FY20 is a key profitability inflection year for the company and the fundamentals offer a strong risk/reward given 25% annual revenue growth and "materially" expanding margins. Wedbush upgrading to Buy on 1-27 citing higher pet industry online sales penetration potential to about 25% by 2023 based on trends in other sectors and increasing comfort that consumers have purchasing subscription-type consumables online. The firm also thinks CHWY can take half of that market growth. Short interest is low given how controversial the name was upon its debut, just 3.2%. Hedge fund ownership fell 2% in Q4 but Viking Global, Samlyn Capital, and Parian Global notable buyers. CHWY has seen some big insider buying since its debut including near \$2M bought in 2019 from a director at \$23.94 and \$22.00. Another director bought stock at \$27.50 in September and many took part in the IPO. CHWY will report on 4-2.

Hawk Vision:



Hawk's Perspective: CHWY continues to act well and an IPO I have liked from the start, large opportunity.

Confidence Ranking: \$\$



Enterprise Products Call Buys into Weakness

Ticker/Price: EPD (\$13)

Analysis:

Enterprise Products (EPD) with 3000 January \$18 calls opening \$1.85 offer in aggressive action on wide bid-ask spreads and continues a recent trend of some bullish January 2021 call buys in the MLP grouping. The timing is interesting after Williams (WMB) rolled out a low-threshold rights plan continuing a recent trend, as EPD approached WMB but withdrew interest due to lack of engagement from WMB. Recent market activity could restart talks. The \$27B MLP leader trades 6.7X Earnings, 6.8X EBITDA with a 12.2% dividend yield. EPD shares pulled back hard last week with Energy under pressure and hit levels last seen in 2009. EPD has always been the highest quality, and largest, MLP with a strong organic growth profile. On 3/19 the co-CEO of EPD bought 121,000 shares in the \$10.34 to \$13.21 range after insiders bought more than 79,000 shares on 3/17 and 50,000 shares in February above \$25. Analysts have an average target of \$34 and short interest low at 2.5% of the float. Raymond James cut its target to \$27 on 3/12 seeing it best positioned to withstand a volatile landscape. Hedge Fund ownership was down 1.9% in Q4 filings.

Hawk Vision:



Hawk's Perspective: EPD is the lone MLP I can see owning into weakness, and insiders showing confidence it will withstand this cycle. I still want to see healthier price action first.

Confidence Ranking: \$\$



Alibaba Calls Bought as Shares Reach Trend Support

Ticker/Price: BABA (\$172.6)

Analysis:

Alibaba (BABA) with over 3,200 May \$175 calls bought this morning up to \$12.55 and follows buyers last week in the April 24th (W) \$165 calls and April \$180 calls while the July \$250 calls, Sept. \$205 calls, Sept. \$210 calls, and Oct. \$240 calls also seeing accumulation in the last week. BABA has traded back to 3-year VPOC around \$175 and trying to hold trend support from the 2018 and 2019 lows. The longer-term rising channel targets a move back above \$240 and breakout of a big multi-year range. The \$484B e-commerce leader in China trades 20.87X earnings and 7X sales with mid-20% EPS growth and 25% to 30% revenue growth. BABA is widely expected to see a boost in volumes as COVID-19 shifts much of commerce online in Asia and most likely they see a pull forward in user growth as those who hadn't yet used the platform now become long-term users. China's economy also normalizing ahead of the rest of the world given their more aggressive quarantine rules and the IMF out this weekend noting that most large-scale firms are back to near 100% operational capacity. On 3/10, BABA noted that nearly all businesses, including their meal delivery unit Cainiao and Eli.em were back at pre-outbreak levels. Analysts have an average target for shares of \$240. OpCo positive today noting that BABA is seeing parcel volume growth recover in March. Argus with a \$260 PT in late February as they may have a multi-quarter benefit from accelerated digital initiatives among consumer and businesses, much as it did during the SARS outbreak in 2003. Sun Trust with a \$250 PT noting that the acceleration of e-commerce buying from COVID-19 likely drives a shift in lower-tier cities, an area where BABA has yet to see huge penetration. Short interest is 1.1% and down from around 4.5% in mid-2019. Hedge fund ownership rose 0.50% in Q4 with buys from Sanders capital, Appaloosa, Whale Rock, and Taconic Capital.

Hawk Vision:



Hawk's Perspective: BABA at major support down here and a name where the fundamentals should hold up well, like to see it back above \$188.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Short Term High Yield (SJNK) weak and unusual 2000 June \$19 puts opening \$2.05, rarely trades options

Healthcare (XLV) lows with 4500 April \$80 puts opening ITM this morning

MSCI EAFE (EFA) with 4000 June \$43 calls bought \$6.75 looking for a bounce, while 5000 September \$40 puts open \$2.64 as the \$54 puts close 3350X

NASDAQ (QQQ) large trade opened 5000 December \$159 puts for \$16.70, also seeing June \$180/\$205 call spreads trade 5000X.
QQQ large trade opened 4000 June \$173 calls at 1:23pm for \$15.32

S&P (SPY) with June \$175/\$125 ratio put spreads opening 15,000X30,000. **SPY** buyer of 20,000 May 1st (W) \$150 puts for \$1.80 this morning

Regional Banks (KRE) with 9,500 April \$27/\$24 put spreads bought today for \$0.98 a some \$31/\$28 spreads adjust down

High Yield (HYG) with 45,000 April \$64/\$58 put spreads opening, and the \$72 calls sold to open 24,000X

Gold (GLD) strong all day after Fed news and seeing 17,000 May \$148 synthetic long positions open

S&P (SPY) stock replacement opened 3000 July \$230 calls \$19.85 while 10,000 June \$260 calls opened this morning \$5.80 to \$6.80. The April 9th (W) \$230 calls active with opening trades today for 6500X. SPY also seeing Sep. 30th (Q) \$230 calls and puts each trade 20,000X to open this afternoon, appear to be opening straddles but in small accumulating lots.

Consumer Discretionary/Services

Wynn (WYNN) holding up early, shares up near 4%, and 500 April \$52 calls bought for \$10.00

Stitch Fix (SFIX) buyer 500 September \$12 puts \$3.20

Fox Co (FOXA) with 1,500 April \$22.50 calls bought up to \$1.20

Penn Gaming (PENN) with 1000 April \$8 calls bought \$3.70 offer

Luckin' Coffee (LK) trading another 3,500 June \$30/\$39 call spreads this morning for \$1.70, looks to add to OI

TAL Education (TAL) seeing 6000 April \$37.5 puts sold to open \$0.45

Signet (SIG) buyer of 1,500 April \$10 calls into earnings this week, paying \$0.60 but a highly shorted name

MGM Resorts (MGM) with 5,000 January \$15 calls sold to open today \$2.50 to \$2.05

Nike (NKE) into earnings this week seeing 1600 January \$55 puts open up to \$8.10 and January \$85 calls sold to open, potentially collaring stock position

Match Group (MTCH) with 2000 April \$52.50 calls sold for \$2.40 in a buy-write

Peloton (PTON) with over 8000 April \$20 puts sold today for \$1.10 to \$1.00

Lululemon (LULU) with 1000 January \$105 puts opening today as \$125 puts adjust

Consumer Goods

Campbell Soup (CPB) with 700 May \$40 calls opening ITM \$6.50 to \$7

P&G (PG) with 745 January 2022 \$80 puts sold to open from \$10.90 to \$10.50

Foot Locker (FL) with 3000 April \$15 puts opening today \$0.90

Energy

Shell (RDS.B) with 1,000 July \$30 calls bought for \$1.38 as some \$37.50 calls roll back, announced cuts to spending and capital return today

Chevron (CVX) with 2000 April 24th (W) \$60 calls opening near \$3.35 to \$3.50

Financials

Credit Suisse (CS) with 4000 January 2022 \$15 calls opening \$0.30 to \$0.40 this morning after a bunch of bullish positions last week. **CS** calls up to 9000X. **CS** now with 5000 January \$8 calls bought for \$0.80

CBRE Group (CBRE) buyers of 675 June \$35 puts from \$5.75 up to \$6.30 today. **CBRE** now with 1,500 May \$35 calls sold to open \$1.35 to \$1.13

Blackstone (BX) with 4,350 of next weeks \$30 puts sold to open from \$1.23 down to \$1.15

Zillow (Z) opening sale of 1000 August \$12.50 puts for \$1.90. **Zillow (Z)** seeing 5000 May \$40/\$25 bull risk reversals open here at net credits

CBOE Holding (CBOE) with 700 April \$72 puts opening \$3.50

Intercontinental (ICE) with 1300 April \$65 puts sold to open \$5.65 down to \$5

Toronto Dominion (TD) with sellers of 1,450 October \$37.50 calls for \$3.80 to \$3.70

Capital One (COF) with 1100 May \$47.50 calls bought \$4 to \$4.10 to open

KKR Corp (KKR) with 3350 September \$15 puts opening today \$2

MasterCard (MA) with October \$250 calls opening 1400X as June \$320 adjust. MA also seeing 1000 January \$170 puts bought to open today near \$20

Healthcare

Boston Scientific (BSX) another 2,500 May \$30/\$35 call spreads bought this morning, same spot where 5,000 opened on Friday

Moderna (MRNA), which is said to potentially have a vaccine ready for Healthcare workers this Fall, with 1650 October \$20 puts bought \$3.60 offer

Agios (AGIO) with 1050 May \$45 calls opening \$1.60

Innoviva (INVA) spread sells 10,000 September \$10 calls to buy the \$8/\$5 put spread for a small credit, tied to long stock

ADMA Biologics (ADMA) stock and IV rising with 2,400 April \$5 calls bought up to \$0.70

Bridge Bio (BBIO) with 2,000 August \$35 calls sold for \$2.30 today

Medtronic (MDT) with 1,480 Aug. \$90 calls opening for \$3.43 as some June \$110 calls adjust

Galapagos (GLPG) with 2000 May \$170 calls opening for \$7, wide bid-ask and illiquid

Vertex (VRTX) with 500 April \$210 calls opening \$9.65 versus the \$230 calls that may be adjusting

CVS Health (CVS) with 2000 June \$35 and 2500 June \$30 puts opening with buyers and **Walgreen (WBA)** unusual 4000 June \$27.50 puts opening

Lilly (LLY) opening sale 1000 January \$110 puts for \$11.75, well below the \$12.50 theoretical midpoint

AbbVie (ABBV) with 1500 August \$75 calls opening \$3.50

Gilead (GILD) nearly 1500 May 1st (W) \$85 calls opening \$4.70 to \$5 range

Bausch Health (BHC) with block 11,680 April \$12 puts opening \$1.01 on wide bid-ask

ABIOMED (ABMD) pops with 300 April \$120 calls opening \$17.80 to \$18.30, positive Piper note this morning on potential usage for COVID-19 cardiac incidents

Pfizer (PFE) block of 5000 June \$30 calls opens \$1.71

CryoPort (CYRX) with 600 November \$10 puts sold to buy the \$12.50/\$22.50 call spreads at a \$3.12 debit, small cap packaging company in the life sciences space that focuses on cold chain logistics solutions

Industrials

Boeing (BA) May 1st (W) \$140/\$170 call spreads trading 3000X early, the Co. suspending buybacks/dividend and looking for Government aid. **BA** also with 1000 May \$140/\$170 call spreads trading for \$5.45

General Motors (GM) buyer 1000 September \$13 puts \$2.05 to \$2.15

Spirit Aero (SPR) buyer 1000 May \$25/\$32.5 call spreads, lines up with BA activity as a main supplier. **SPR** now with the April \$25/\$32.50 call spread bought 1000X to open for \$1.39

Deere (DE) ITM September \$105 calls opening near \$18.35 this morning

Waste Mgmt (WM) with 1000 May \$80 puts opening \$5.72 with 700 July \$100 puts adjusting

Stanley Black and Decker (SWK) with 3000 October \$100 calls opening \$5.40 in stock replacement

Whirlpool (WHR) with 500 September \$95 calls opening today for \$4.75 to \$5.00 and follows the April call spreads on Friday

DR Horton (DHI) with 1,500 May \$35 calls bought for \$2.00 this afternoon; DHI trading 0.7X EV/sales, the lowest since late 2008/early 2009

Fed-Ex (FDX) block of 2000 June \$110 puts opens \$14.40 tied to stock

Lockheed (LMT) rising off lows with 620 September \$320 calls opening for around \$1M

Materials

Albemarle (ALB) with 1500 April \$50 puts trading with 1000 of the \$60 puts adjusting down

Arcelor Mittal (MT) with 3,000 September \$10 calls sold today from \$1.01 down to \$0.85

DuPont (DD) the May \$35/\$40 call spread bought 4,000X for \$1.05. **DD** May spreads up to 9000X

Owens Corning (OC) buyer of 400 August \$27.50 puts for \$4.10 to \$4.40

Newmont (NEM) with 1250 September \$50 calls opening \$3.75

Tech and Telecom

Fire-Eye (FEYE) with buyers active early for 1000 April \$10 calls. **Fire-Eye (FEYE)** also trades 2000 January \$10 calls \$2.45, will confirm OI tomorrow

Qualcomm (QCOM) the April \$70 calls bought 1700X for \$1.45 to \$1.50, adjusting back some \$75 calls. **QCOM** also 3000 July \$50 puts opening \$3.45 to \$3.60 where 1200 opened last week. **QCOM** now 2000 June \$70 calls opening \$3.85 with 6000 of the \$90 calls rolling back

Micron (MU) with 1,600 July \$42 calls bought for \$4.75 ahead of earnings this week

Event-Brite (EB) buyer 800 October \$10 calls \$1.65 to \$1.70 offer

Roku (ROKU) with 1,000 July \$90 calls bought up to \$11.85 today in stock replacements

Adobe (ADBE) buyer 300 May \$270 puts \$20.35 offer

IBM (IBM) with 400 October \$95 calls opening \$10.75 to \$11.25 this morning

Okta (OKTA) the April \$110/\$90 put spread opening 1000X for \$4.69 with shares rebounding into the 020-MA

Corning (GLW) with 2600 August \$22 calls opening \$1.34 as the May \$29 calls adjust

MACOM Tech (MTSI) buyers opening 2,200 April \$15 puts between \$1.20 and \$1.30 this morning with shares breaking down

Sea (SE) with 1500 May \$33 puts being sold to open near \$2.55

Zoom Video (ZM) with 2,000 January ITM \$85 calls opening for \$88.43 and \$88.78, some May \$75 and Aug. \$80 calls adjusting

SS&C Tech (SSNC) with 3000 October \$25 puts sold to open \$2.30 to \$2.25

Wayfair (W) with 1,150 April \$30 puts bought this afternoon \$5.10 to \$5.40

Salesforce (CRM) the June \$160/\$125 bull risk reversal opening 2,000X for a \$1.90 net credit this afternoon

Western Digital (WDC) with 4,800 July \$60 OTM calls bought this afternoon from \$0.45 up to \$0.67

Verizon (VZ) 2800 October \$35 puts sold to open today

Uber (UBER) with 7,000 June \$26/\$18 bull risk reversals opening this afternoon for a small \$0.05 debit

Dropbox (DBX) with 5,000 May \$20/\$14 bull risk reversals opening for a \$0.25 net credit

AutoDesk (ADSK) with 1000 May \$165/\$120 bull risk reversals opening at net credit, similar to trades in **CRM, DBX, Z** this afternoon

Utility

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