

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 3/24/2020

### Sector Leaders

Housing

Solar

Transports

### Stock Gainers

PLAY 48%

ERI 42.8%

PENN 41%

NCLH 40%

GES 40%

LB 35%

MGM 34%

### Volatility Gainers

- PLAY
- DO
- S
- VIAC
- UTX
- MRK

### High Call Volume

- PHG
- OMC
- ADMA
- ALRM
- SNY
- CLDR

### Bullish Options

- AXTA
- CAT
- SQ
- DLR
- LVS
- CLDR
- INTC
- MLCO
- FEYE
- HON
- QRVO

**Market Review:** Stocks were limit up pre-market but pulled in a bit into the open, Gold continued a sharp rally after the latest round of Unlimited QE. Volatility continued to come in and the US trying to figure a plan to counter the economic impact of the COVID-19 outbreak. Stocks held higher early on hopes of the Fiscal stimulus bill passing but a low quality short covering rally for the most part and skeptical as the VIX rose all session. Stocks faded off midday highs which was right at the 8 day MA. The economic and corporate schedule remains very quiet tomorrow while markets further await more on the stimulus news and further assess the length and magnitude of the economic impact.

### S&P Chart:



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

**Options Action Trends:** No major trends observed today, very light trading session.

**What's On Tap:** Durable Goods Orders and EIA Data.

### Trade Tracker Portfolio Changes:

- 1) Closed **AMZN** Bull Put Spreads -\$1.80 (Opened -\$3.50)

### Sector Laggards

Bonds

Telecom

Consumer Goods

### Stock Losers

NYMT -42%

ARPN -15%

ZM -11%

AOBC -8%

SSYS -6.4%

MRNA -5.5%

TDOC -5%

### Volatility Losers

- GRPN
- NVAX
- OSTK
- PENN
- HTZ
- UAL

### High Put Volume

- ANF
- RICK
- TAL
- OC
- DK
- SE

### Bearish Options

- NXPI
- ZM
- TOL
- FAST
- LYV
- LQD
- MDT
- BBBY
- XOM
- CCL
- DRI



## Stanley Calls Bought After Steep Sell-Off

Ticker/Price: SWK (\$72)

### Analysis:

**Stanley Black and Decker (SWK)** with 3000 October \$100 calls opening for \$5.40 on 3/23 and still has 1500 each of the January \$155 and \$160 calls in open interest that opened last October. SWK also has 8000 July \$180/\$160 stock collars in open interest and 2000 July \$130 calls and 3000 July \$155 calls that look to expire worthless. SWK shares are down 52% YTD and testing back near 2011/2012 highs and a strong volume node. In the near-term a move above \$88 opens a potential run back to \$115. SWK has world-class brands and expecting to see margin improvement and further market share gains. The \$11.45B Tools & Storage leader trades just 8.25X Earnings, 6.3X EBITDA and 16.85X FCF now with a 3.5% dividend yield. Its Debt/EBITDA ratio of 1.77X and Current Ratio of 1 shows its balance sheet as fairly strong. Analysts have an average target of \$180 with short interest low at 2.8% of the float. BAML raised shares to Buy with a \$182 target back in November expecting the company to be more active with M&A in 2020 after reducing its balance sheet leverage and potential to monetize its Security segment. SWK could look at deals for Emerson's (EMR) tools business though did a \$1.5B deal for CAM in January. Citi started shares Buy with a \$205 target a month ago expecting it to take share of the \$146B construction equipment market through innovative new products. SWK could also stand to benefit from lower commodity costs and any indications of an Infrastructure plan. Hedge Fund ownership rode 4.7% in Q4 filings.

### Hawk Vision:



**Hawk's Perspective:** SWK is a high quality Co. and alert in for \$88 where could make a move strongly higher.

**Confidence Ranking:** \$\$



## Put Sales in SS&C Tech See Limit to Downside

Ticker/Price: SSNC (\$35.80)

### Analysis:

**SS&C Tech (SSNC)** with an unusual trade on 3/23 as the October \$25 puts were sold to open \$2.30 down to \$2.10, showing a willingness to own shares 30% lower. SSNC has very little other open interest. SSNC shares are -42% YTD and testing its largest volume node on the monthly chart, a retest of a breakout from early 2017. Shares are also testing a 61.8% Fibonacci of its lifetime range. SSNC saw a lot of insider buying in the \$58 to \$61 range in 2019 and some more in February and March though smaller in size. The \$8.2B maker of software products for Healthcare and Financial industries is trading 8X Earnings, 7.1X FCF and 3.4X EV/Sales with a 1.4% yield. SSNC has integrated acquisitions of DST and Intralinks and is looking to further de-lever the balance sheet. Alternative Investment clients account for 34% of revenues, Institutional at 38%, and Wealth Mgmt. at 13%. SSNC has a long history of strong EBITDA margins near 40%. Analysts have an average target of \$73.50 on shares and short interest down 40% Q/Q to just 0.9% of the float. CSFB out positive on 2-10 focusing on margin upside in 2020, deal synergies, and steady growth. SSNC noted in a Mad Money interview on 3/11 that it is used to people working from home and degradation of its service has been minimal. Ray-Jay raised its target to \$76 in February seeing attractive valuation. Hedge Fund ownership rose 1.5% in Q4 filings, a few notable top concentrated holders, though all reducing position sizes, include BAMCO, Cantillon, Select Equity, and Turtle Creek.

### Hawk Vision:



**Hawk's Perspective:** SSNC leverage is a concern in the current environment and the put sales leave plenty of room for downside, so only real play here would be selling the puts if comfortable owning shares at \$25.

**Confidence Ranking:** \$\$





## Newmont Mining Bulls as Gold Prices Soar

Ticker/Price: NEM (\$41.70)

### Analysis:

**Newmont Mining (NEM)** with 1250 September \$50 calls bought yesterday for \$3.75 and also 1000 September \$35 puts sold to open around \$3. NEM has seen buyers active in the last month across the April \$43 calls, April \$45 calls, Sept. \$45 calls, and Jan. \$65 OTM calls. Shares have held up well forming a small two-week base above the 200-day MA and 1-year VPOC at \$38.50. NEM has been volatile recently with gold but a run back above the late February highs targets \$60 longer-term. The \$34B company trades 18X earnings, 3.5X sales, and 13.7X cash with a 1.35% yield. NEM sees 15.5% EPS growth and revenues up 2-3% in FY21. NEM has been focusing on costs and margins over the last year as they look to operate at a high-capacity in a higher-price gold environment. In March, they divested their stake in Continental Gold and this follows sales of their interest in KCGM and Red Lake. In sum, the company has raised more than \$1.4B and far ahead of schedule. NEM's new initiative comes with the close of their deal for Goldcorp that gives them a much larger, more efficient output with reserves across three continents. Analysts have an average target for shares of \$50. UBS with a \$46 PT and Neutral rating seeing volumes flat through 2020 and some cost savings. They also note that the company's strong FCF likely acts as a downside put. Short interest is 2%. Hedge fund ownership rose 1.5%.

### Hawk Vision:



**Hawk's Perspective:** NEM basing well on its 200 day MA looks attractive with Gold back on the move, a favored miner.

Confidence Ranking: \$\$



## Caterpillar Put Sale Sees Shares Finding Bottom

Ticker/Price: CAT (\$98.50)

### Analysis:

**Caterpillar (CAT)** with sellers early of 2,400 June \$80 puts from \$4.90 to \$4.40 and follows sellers last week in the May \$90 puts over 1500X. CAT has seen some smaller size but high-dollar call buys over the last three weeks in the May \$125 calls, June \$125 calls, and August \$100 calls. Shares under pressure in 2020 and pulled back just above monthly trend support from the 2009 and 2016 lows. CAT is also bouncing just above the 10-year VPOC and this month's low at \$87.50 was right at VWAP from the March 2009 bottom. The \$50.22B company trades 9.38X earnings, 0.93X sales, and 13.5X FCF with a 4.5% yield. CAT was eyeing mid-double digit growth over the next two years but estimates that likely pull back quite a bit with the softness in the overall environment, especially energy. CAT has a solid balance sheet with over \$7B in cash and likely less at risk for a major restructuring than in the past. CAT has been re-opening facilities in Asia over the last week and management noting little if any supply chain disruptions as they get back online. Analysts have an average target for shares of \$136.50. Baird positive last week noting the company is better prepared now for downturn than in the past with a solid balance sheet and more diversified exposure. Stifel upgrading to Buy on 3-16 seeing much of the bad news pulled forward to the current year and priced in. They think CAT has structurally improved its cash flow profiles which should limit earnings downside. Short interest is 1.3%. Hedge fund ownership rose 1.5% in Q4. Sanders Capital and Glen Point notable buyers while activist Corvex with a new call position. CAT last saw insider buying in late 2018 around \$115.58 and \$155, the latter a more than \$775K buy.

### Hawk Vision:



**Hawk's Perspective:** CAT is a levered name that was already underperforming, not a name I feel overly comfortable owning in the current recessionary environment.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**Vanguard Total Market (VTI)** buyer 1000 April \$120 calls \$7.60 offer to open

**Investment Grade Bonds (LQD)** with 2000 June \$119 puts being bought \$7.10 offer into rebound. **LQD** also with 8000 April \$115/\$100 put spreads bought for \$2.00

**NASDAQ (QQQ)** with 2500 July \$181 puts opening \$15.63 as April adjust. **QQQ** with 45,000 May \$160 puts opening today near \$6.15 as April positions adjust

**Russell (IWM)** block of 10,000 May \$115 calls opened \$3.31 in a buy-write. **IWM** 6500 June \$100 calls opened \$13.33 in a stock replacement. **IWM** largest trade today sold 20,500 December \$85 puts to buy the December \$125 calls, net credit of \$2.20

**Emerging Markets (EEM)** with 30,000 June \$32.73 synthetic short positions opening into 7% rally

**S&P (SPY)** today seeing April \$231 and \$228 puts active with 15,000X each trading and size lots offer side

## **Consumer Discretionary/Services**

**Target (TGT)** with 750 October \$110/\$85 strangles sold to open for \$13

**Las Vegas Sands (LVS)** buyer 1000 April \$46 calls \$4.70 offer

**Wendy's (WEN)** with 1150 January \$15 calls bought \$3.10 offer to open

**Bed Bath & Beyond (BBY)** with 9,000 May \$4 puts bought for \$0.70, the April \$7 puts adjusting down again

**Omnicom (OMC)** with 2,000 April \$55 calls sold to open \$1.80 to \$1.60, earnings expected mid-April

**Melco (MLCO)** with 2000 April \$13 calls opening \$2.80

**Interpublic (IPG)** with 2000 April \$16 puts bought for \$2.15, follows the call sales in **OMC** earlier

**Restaurant Brands (QSR)** the July \$50/\$62.50 call spread being bought 1000X today for \$1.43

**Kohl's (KSS)** with 5000 May \$15 puts sold to open for \$1.92. **KSS** May \$15 short puts up to 10,000X and now 5000 July \$20 calls opening \$1.56

**Viacom-CBS (VIAC)** with 2500 May \$16 calls bought for \$1.40 to \$1.44 as the June \$27.50 calls adjust back

## **Consumer Goods**

**Peloton (PTON)** with 1000 January \$18 puts sold to open \$3.90 bid. **PTON** midday with around 5000 Apr. 3rd (W) \$25 calls active with buyers near \$1.45

**Darden (DRI)** with 1000 April \$55 puts bought \$7.50 into 30% rally

**AutoZone (AZO)** with 200 September \$1050/\$1200 call spreads opening

## **Energy**

**Total SA (TOT)** opening sellers of 950 November \$30 puts from \$5.00 to \$4.70 into strength this week

**Exxon (XOM)** with 30,000 January \$32.50 puts opening near \$6 today with adjustments from \$45 strike

**Schlumberger (SLB)** with the April \$13 puts sold to open today 3850X from \$1.36 to \$1.28

**Energy Transfer (ET)** buyers of 8,300 January \$8 calls up to \$0.94

**Occidental (OXY)** with 4000 January \$7.50 puts opening up to \$2.60, also trading active \$10 puts

### Financials

**Blackstone (BX)** with 2450 January \$37 puts sold \$8.65 bid

**Visa (V)** with 1630 April 24th (W) \$170 calls opening \$1.85

**Digital Realty (DLR)** buyer 200 October \$90 calls \$27.80. **Digital Realty (DLR)** with 3250 July \$90 puts opening \$4.46 as the \$105 puts adjust

**Equinix (EQIX)** similar to **DLR** with 875 June \$400 puts opening as the \$500 puts adjust

**Square (SQ)** block 2500 June \$50 calls opens \$5.30

**Western Union (WU)** opening sale 1500 November \$20 calls for \$2.05

**Progressive (PGR)** with 1000 May \$57.5 puts sold to open down to \$2

**Simon Property (SPG)** with the April \$55/\$65 call spread bought 750X1,500 for \$1.95, name with some sizable insider buys and put sales lately

**UBS Group (UBS)** opening sellers of 2,500 November \$7.50 puts for \$0.85

**Lending Club (LC)** opening seller 1500 January \$10 puts \$3.20 bid

**Berkshire Hathaway (BRK.B)** with 1500 September \$200 calls opening \$4.40 to \$5.70 today in 100 lots

**Blackstone (BX)** with 2500 June \$25 puts sold to open near \$1.20

### Healthcare

**Bausch Health (BHC)** with 1000 July \$15 puts sold to open \$2.71

**Benefytt Tech (BFYT)** with 570 April \$20 calls bought today \$1.60 to \$2.00

**Medtronic (MDT)** with 1000 April \$79 puts bought from \$4.80 to \$5.10 this morning

**Tenet Health (THC)** with 2500 January \$23 calls opening \$3

**Iovance (IOVA)** stock moving to the highs with 1300 June \$30 calls bought \$4.70. **IOVA** also with 1500 April \$30 calls bought up to \$4.10

**Amarin (AMRN)** with 5000 May \$10 puts opening \$2.10 to \$2.28

**Herbalife (HLF)** stock replacement opens 2000 May \$30 calls for \$2.40

### Industrials

**Fastenal (FAST)** with 1000 April \$32.5 puts opening \$3.90 to \$4, earnings early April

**Thor Industries (THO)** with 600 April \$40 calls sold from \$2.40 to \$2.00 this morning ahead of the **Winnebago (WGO)** report

**United Tech (UTX)** buyers opening 1,475 May \$105 calls today up to \$1.60 with their split upcoming in early April

**Reinsurance Group (RGA)** jumps a bit with 200 July \$60 calls bought \$13.20 offer

**Norfolk Southern (NSC)** aggressive buy 300 June \$135 puts \$14.20 offer

**Honeywell (HON)** seeing 1375 January \$130 calls bought to open \$10 to \$11.25

## Materials

**Axalta (AXTA)** with 5000 October \$20 calls opening \$1.35. **AXTA** another 3000 October \$20 calls being bought up to \$1.00, over 8k on the day

**Masco (MAS)** with 670 January \$30 puts sold to open \$4.90 bid

**Owen Corning (OC)** opening sale 2000 April \$27.5 puts \$0.52

**Freeport (FCX)** with 10,000 April \$7.50 calls opening this morning up to \$0.35

## Tech and Telecom

**Maxar Tech (MAXR)** with 680 October \$10 puts sold to open today \$3.40

**ON Semi (ON)** aggressive sweep buy 1000 July \$15 calls \$1.90 offer

**8X8 (EGHT)** with 500 May \$12.5 calls opening \$4.30 as August \$15 adjust

**NVIDIA (NVDA)** buy-write sells 1000 May \$260 calls \$12.65

**Sea (SE)** spread sells 13,000 January \$45 calls to buy the May \$30 puts, large net credit of \$6.30, could be collaring stock holding. **SE** also with 2500 January \$60 calls sold today \$3.15 against stock

**Cloudera (CLDR)** buyers of more than 8,500 April \$7 calls between \$0.85 and \$0.90 today, big insider buy from a director last week for ~\$5M

**Intel (INTC)** block of 10,000 September \$45 calls opens \$10.35, stock replacement

**JD.com (JD)** with 7250 May \$44 calls sold \$2.15 in a buy-write

**Atlassian (TEAM)** with 900 January \$165 calls sold \$12.90 to buy the \$100 puts, possibly collaring a stock position

**AT&T (T)** over 4900 September \$18 puts sold to open today to \$0.75. **T** now also seeing buyers of the May \$27 puts for \$2.03, over 7000X, as some April \$32 puts adjust down. **T** the May \$29 puts bought up to \$2.95 as well here, 5000X, downgraded recently at Raymond James as their leverage is high relative to peers given the Warner deal and they've got significant headwinds from the loss of live sports to advertising (NBA, March Madness) and potential sub losses to HBO Max as planned projects get cancelled (Friends reunion). **T** IV continues to rise this afternoon, June \$31 puts are up to 45,000X

**Data Dog (DDOG)** with 1000 July \$44 calls sold to open \$2.30

**Pinterest (PINS)** buyers of 2,000 April \$13.50 calls for \$1.35 to \$1.50, starting to work out of a small base and downtrend

**Fire-Eye (FEYE)** with 3000 April \$10.50 calls opening \$1.25 here as the \$14 calls sold 4000X may be adjusting

**Qorvo (QRVO)** buyers of 1550 June \$77.50 calls for \$7.70 to \$7.83 with shares back at a big volume level from 2018/2019

**Nokia (NOK)** buyers of 5000 June \$3 calls today, \$0.35

**Coupa Software (COUP)** buyer of the April \$130 puts 660X for \$9.37, rebounded back into the 200-MA

**Facebook (FB)** with 2000 June 2021 \$155 puts opening \$25.10, stock-tied

**Booking (BKNG)** with 300 April \$1050 puts opening this afternoon near \$47.50 average for \$1.3M

**Marvell Tech (MRVL)** buyer of 1,000 April \$21 calls for \$1.41 into session highs

**Z-Scaler (ZS)** a recent outperformer with 1500 June \$62.50 puts opening here up to \$9.40

## Utility



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**Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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