

# OptionsHawk

**OPTIONS HAWK DAILY MARKET 3/25/2020**

## Sector Leaders

Aerospace

Payments

Housing

## Stock Gainers

DENN 37.5%

DIN 30%

BA 29%

APO 26%

SRG 25%

SAVE 23%

NCLH 22.9%

## Volatility Gainers

- W
- CVNA
- VIAC
- KSS
- DFS
- C

## High Call Volume

- VRAY
- TDC
- PK
- RUBI
- NAT
- SBSW

## Bullish Options

- ULTA
- UBER
- IMMU
- UAL
- MCD
- LOW
- MRK
- JCI
- UAL
- 

**Market Review:** Stocks pulled in off the sharp rally highs from Tuesday after approval of a historic Fiscal stimulus bill which piles onto the recent record Monetary stimulus. Many questions remain about the length of the shutdown and when the economy will get back up and running. Stocks rallied early, pulled back, and then resumed a move higher with internals fairly healthy, strength led by beaten up groups once again like Aerospace, Transports, Solar and Housing. Retail, Banks and Biotech remained weak and Semiconductors lagged. Breadth stayed strong through the early afternoon and the S&P fought back above a key monthly trend line, 38.2% retracement, and December 2018 lows. The VIX did stay elevated despite the two day rally, a potential bearish divergence. We get some more data on the economic side tomorrow while investors now awaiting more clarity on when people will be sent back to work.

**S&P Chart:**



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

**Options Action Trends:** We saw large caps with large calls sold to open in **MCD/PEP/JNJ/ABT/GOOG**. Overall it was the quietest day of high impact directional trades of the year, partly due to continued lack of liquidity, and also uncertainty, and not wanting to chase a bear-market rally.

**What's On Tap:** GDP, Wholesale Inventories and KC Fed Index.

**Trade Tracker Portfolio Changes:**

- 1) No Trades

## Sector Laggards

Communication

Gold

Biotech

## Stock Losers

MGEE -13%

FOXF -13%

WAFD -11%

NEU -11%

ALLK -10%

LANC -10%

AMED -9.7%

## Volatility Losers

- LB
- CZR
- AAL
- UAL
- GRPN
- PENN

## High Put Volume

- DENN
- AMBC
- CBRL
- BW
- FUN
- BANC

## Bearish Options

- HTZ
- BAC
- CHTR
- FLR
- YUM
- CBRL
- CAT
- KSS
- DISH
- WY
- ENPH



## Intel Calls Open as Shares Rebound

**Ticker/Price:** INTC (\$52.55)

### Analysis:

**Intel (INTC)** block of 10,000 September \$45 calls opened for \$10.35 on 3/24 after the company suspended share buybacks with its \$20B plan, having bought back \$7.6B the last two quarters. INTC has seen minimal recent flow, the September \$60 puts sold to open 8500X on 2/20, and 1000 September \$47.5 calls bought on 3/20. The \$220B Semi is cheap again, trading 10X Earnings, 3X Sales, and 19.35X FCF with a 2.66% yield and solid balance sheet. INTC has been moving towards higher growth markets like Data, AI, IoT and Cloud and moving away from its former reliance on PC. INTC shares are down just 17% YTD, outperforming Indices after a strong start to the year and recently dipped back to a key 2018 and 2019 support level in the \$43-\$45 zone before recovering back to the 200 day MA this week. Analysts have an average target of \$65.75 and short interest is low at 1.1% of the float. Goldman upgraded to Neutral this week seeing multiple near-term positive developments such as resilience in high-end client CPU markets with many working from home though still concerns with increased competition, growing capital intensity and pressure on margins. Think Equity raised to Buy on 3/16 with the transition to a data-centric strategy and focus on new growth markets. Argus upgrading to Buy on 3/25 with a \$65 target seeing attractive valuation relative to peers. Hedge Fund ownership rose modestly in Q4 filings.

### Hawk Vision:



**Hawk's Perspective:** INTC is a good combination of value and yield with a solid balance sheet. It also is putting in higher lows unlike many other stocks, so do favor it as a less risky own.

**Confidence Ranking:** \$\$



## Athene Large Call Buy with Depressed Valuation

**Ticker/Price:** ATH (\$20.90)

### Analysis:

**Athene Holding (ATH)** shares rose 30% on Tuesday and late day activity bought 5100 October \$25 OTM calls to open \$3 to \$3.30. ATH has other open interest but mostly now far from current price though 2000 each of the May \$45 and \$40 puts bought in December remain in open interest as well as 1,700 of the \$30 puts, so closing of those positions may be more bullish though owners could be buying stock to lock in gains. The \$2.45B Financial offers retirement services and on 3-13 the CFO bought 4000 shares at \$25.25. ATH is now trading 0.2X Book and 0.58X Cash with a 17.3% ROE. ATH shares have sold off as its results are often tied to performance of the Equity markets as well as the lowered rate environment causing repricing of its products. In October Apollo (APO) took an incremental 18% stake acquiring 7.5M shares at \$46.20 per share. ATH has a lot of excess capital and plans to repurchase stock and do deals in 2020. Analysts have an average target of \$58 and short interest low at 2.9% of the float. RBC recently downgraded shares in an overall negative industry note seeing limited visibility for equity markets and interest rates returning to normal, and balance sheets and capital levels unclear. SunTrust raised its target to \$61 in February on an outlook of moderate asset growth, healthy investment spreads and share repurchases as well as a high quality investment portfolio given its relationship with Apollo and potential with M&A or Funded Agreement Backed Notes. Hedge Fund ownership fell 8.2% in Q4 filings, Lakewood and Samlyn notable concentrated holders.

### Hawk Vision:



**Hawk's Perspective:** ATH valuation looks wildly cheap but also tough to assess the risk for these Financials. It's capital position looks better than peers, so it does stand out.

**Confidence Ranking:** \$\$





## Qorvo Size Bullish Call Buy into Key Level of Support

**Ticker/Price:** QRVO (\$78.70)

### Analysis:

**Qorvo (QRVO)** buyer yesterday of 1500 June \$77.50 calls up to \$8.00 to open and follows buyers over the last two weeks in the April \$92.50 and \$95 calls. The August \$80 puts were also sold to open in early February while sellers in the June \$82.50, \$72.50 and August \$65 puts from late 2019 remain in OI. Shares are back at a big level from 2018/2019 as well as VWAP from the 2016 lows. The \$8.05B semiconductor trades 10.8X earnings, 2.57X sales, and 10.7X FCF with a clean balance sheet and strong long-term growth visibility. QRVO cut their Q4 outlook in early March due to COVID-19 but seen as more of a short-term setback than a permanent or longer-term impairment given the longer-term contracts and growth projections for 5G. QRVO gets about 30% of its revenue from Apple which has resumed normal production as the region is far ahead of the ROW in containment, while their other exposure like Samsung and Huawei are also back on track. QRVO remains a long-term favorite in the space given their content exposure to 5G, dominance in high-band PAD, and leadership in consumer/IoT with the RF market is expected to grow to \$18.5B over the next three years. QRVO has 70% exposure to phones and 30% to infrastructure/defense products. Short interest is 4.2% and down steadily from around 8% in early 2018. Hedge fund ownership fell 9% in Q4, Vulcan Value a big seller but still holding over 8.2M shares. Baupost a holder of 2.75M shares. Analysts have an average target for shares of \$111. Cancacord upgrading to Buy on 3-3 positive on the long-term story as QRVO looks well positioned to grow content share in both 5G infrastructure and smartphones. JP Morgan positive in late-February noting that despite weaker 5G smartphone sell-through trends thus far in 2020 and Apple's coronavirus-related negative pre-announcement, QRVO should see strong dollar content-led opportunities in the 2H. BAML positive on 3-11 with a \$100 PT seeing the pushback in 5G ramp as a temporary setback and a key opportunity to buy the key enablers at a 20-30% discount. In January, Broadcom (AVGO) announced they were looking to divest their RF chip unit and QRVO a potential buyer, although less likely than someone like Skyworks (SWKS).

### Hawk Vision:



**Hawk's Perspective:** QRVO is a favored Semi and now trading at discounted valuation, though now ten points off ideal support.

**Confidence Ranking:** \$\$



## AT&T Large Puts Open as Leverage a Concern

**Ticker/Price:** T (\$28.10)

### Analysis:

**AT&T (T)** with elevated bearish flows yesterday including buyers of the May \$27 puts, over 7000X as some April \$32 puts adjusted down, 5000 May \$29 puts for \$2.95, and over 45,000 June \$31 puts. T recently had 9,000 April \$29 puts bought and 5,000 July \$30 puts bought to open in early March. Shares are down around 27.5% over the last month and right at trend support from the 2002/2008 lows. T is also right at the low-end of multi-decade value and a move under \$26 has room to \$22.50 and \$20. A rebound to the declining 8- or 20-EMA an ideal spot to target a new position. The \$202.5B telecom trades 7X earnings, 1.12X sales, and 14X FCF with a 7.77% yield. T previously saw mid-to-high single digit EPS growth and revenues basically flat over the next two years, with upside from synergies of their Warner deal. But, those estimates likely need to come down given headwinds to declining revenue from satellite provider DirectTV, film and TV program delays, advertising woes, and more. Their leverage ratio also near multi-year highs as they look to sell as much as \$10B in assets in 2020, which may be put on hold given the current market environment. Short interest is 1.6%. T has seen some insider buying lately with a director adding \$3.75M in stock at \$37.60 on 2/4. Hedge fund ownership fell 1.2% in Q4. Elliott remains a top holder with calls worth 20.5M shares as well as 5M shares of stock. Analysts have an average target for shares of \$39.50. Baird downgrading to Neutral recently seeing fundamentals within WarnerMedia to be pressured including HBO Max. Raymond James downgrading to Neutral on 3-16 citing the loss of March Madness, NBA, and other major sports programming and advertising. They also think the current buyback and dividend are solid but don't offset the overall weakness given their leverage.

### Hawk Vision:



**Hawk's Perspective:** T is in a bad spot and worry about them sustaining the dividend, a name to target from the short side into rallies.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**S&P (SPY)** seeing the September \$295 puts that opened 200,000X last December start adjusting, the October \$260 puts open 55,000X. **SPY** also seeing 40,000 July \$295/\$310 bear call spreads open for \$1.63 credit

**Treasury (TLT)** block of 5000 April \$164 puts opens for \$4.70

**Tech (XLK)** seeing 2500 June \$80 calls being sold to open \$5.95 down to \$5.55

## **Consumer Discretionary/Services**

**Liberty (LBTYK)** buyers of 1,500 April 9th (W) \$16 calls from \$1.25 to \$1.35

**Five Below (FIVE)** with 1000 May \$55/\$45 put spreads opening as April spreads adjust

**Kohls (KSS)** with 1,925 May \$15 puts bought early from \$1.90 to \$2.35 today

**Charter (CHTR)** buyer of 1,000 April \$420 puts from \$17.00 to \$20.00 into the bounce back this week

**Cracker Barrel (CBRL)** with June \$30 puts active 1370X being bought into its rebound, likely faces a lot of headwinds from lack of travel, and puts active yesterday as well. **CBRL** balance sheet also a concern with Current Ratio of 0.6. **CBRL** rally stalled right at 50% retracement, stock still at \$98.5 with the \$30 strike puts active way OTM. **CBRL** now with 2500 June \$135 calls sold \$2 to open

**Starbucks (SBUX)** with 1800 July \$57.5 puts opening \$5.45 tied to stock

**Ulta Salon (ULTA)** with 300 January \$280 calls opening \$12.60 to \$14.20 this morning

**Dish (DISH)** with 1500 June \$15 puts opening \$1.75

**Royal Caribbean (RCL)** with 500 January \$40 calls bought \$15.50 to \$16.20

**Caesars (CZR)** with 10,000 April \$5 puts bought for \$0.62 as some weekly puts adjust, concerns over their **ERI** deal

**Carnival (CCL)** with 1000 January \$15 calls opening \$5.80

**World Wrestling (WWE)** with 1000 October \$30 puts sold to open \$5.05 as the May \$35 short puts from 3/11 adjust

**Lowe's (LOW)** with 1500 June \$90 calls opening \$5.25 to \$5.75

**Capri (CPRI)** buyer of 1,000 April \$15 calls from \$1.00 to \$1.10

**Planet Fitness (PLNT)** buyer of 1000 August \$62.50/\$72.50 call spreads for \$2.79 and selling the \$22.50 puts for \$2.05

**Stars Group (TSG)** with 590 August \$22.50 calls bought up to \$2.40 this afternoon

**Six Flags (SIX)** buyers opening 1800 June \$20 calls this afternoon from \$2.75 to \$3.00, insiders very active into weakness earlier this month including a \$500k buy from the CEO. **SIX** also H Partners buying almost \$65M in stock between \$21.98 and \$29.37 recently, a fund that has been involved with SIX since it owned bonds during the bankruptcy. **SIX** also 1400 January 2022 \$15 calls opening \$7 to \$8 today ITM

**Papa Johns (PZZA)** with 300 May \$52.50 puts and near 500 May \$50 puts sold to open into recent strength

**Hilton (HLT)** opening seller 1000 April \$60 puts \$2.85

**TJX Co (TJX)** strong today with the upgrade seeing afternoon buys of 770 October \$50 calls up to \$5

## **Consumer Goods**

**Pepsi (PEP)** with 10,000 May \$130 calls sold \$1.75 to open

**McDonald's (MCD)** spread sells 1000 September \$105 puts to buy the \$180/\$200 call spreads. **MCD** also seeing 6000 May \$180 calls sold to open \$7.25 to \$7.05 similar to **PEP/JNJ** large cap trades

**Peloton (PTON)** April \$26 puts with 6500X opening as the short \$20 puts adjust

### Energy

**Enphase Energy (ENPH)** shares rebounding this week back into the 50-MA and 1,425 April \$37.50 puts being bought \$4.10 to \$4.20. **ENPH** also with 650 May \$35 puts bought \$4.90 to \$5.10. **ENPH** also with 3,000 April \$35 puts bought up to \$3.53 as the \$25 puts roll back

**Baker Hughes (BKR)** with 1000 January \$10 puts opening \$2.15

**Occidental (OXY)** with 8000 September \$10 puts bought up to \$3.10 to open into the highs, shares up 8.5%. **OXY** also with 28,000 September \$5 puts opening \$1 to \$1.05

**EOG Resources (EOG)** with 1000 April \$41 puts opening \$4.80 ITM

**PBF Energy (PBF)** buyer 1000 August \$8 calls to open \$1.65 to \$1.70

**Pioneer Natural (PXD)** with 1000 April \$80 calls sold to open today from \$5.70 down to \$5.10

### Financials

**Bank America (BAC)** buyer 2550 December \$20 puts \$2.98 offer. **BAC** also seeing 10,000 May \$23 calls sold for \$1.88

**Lending Club (LC)** with 500 ITM October \$15 puts sold to open \$6.70 after opening January put sales yesterday

**Royal Bank Canada (RY)** with 2500 October \$60 puts open \$9.50 tied to stock. **RY** also with 1000 April \$65 calls bought for \$2.75, stock replacement

**Blackstone (BX)** September spread actually selling 1000 September \$20 puts to buy the \$50/\$65 call ratio spread 1000X2000. **Blackstone (BX)** also now with 7000 May \$30 puts sold to open down to \$1.20

**Deutsche Bank (DB)** with 3500 January 2022 \$5 ITM calls opening \$2.75 to \$3 range

**HSBC Holdings (HSBC)** with 1,000 May \$30 puts sold to open this afternoon from \$2.60 to \$2.50

**Synchrony (SYF)** with a buyer of 1200 January \$18/\$28 call spreads for \$2.46

**Berkshire (BRK.B)** with 1,000 May \$200 calls opening from \$3.50 to \$4.30 today and follows the Sept. calls yesterday

**Capital One (COF)** buyer of 1,700 May \$55 calls for \$5.25 to \$5.65, adjusting higher the \$47.50 calls bought recently. **COF** also with 950 May \$45 puts bought up to \$3.45

**Citi (C)** spread sells 1000 September \$20 puts, buys 2000 of the \$50/\$60 call spreads

**Square (SQ)** with 1000 April 9th (W) \$60 ITM puts opening at \$6

### Healthcare

**Immunomedic (IMMU)** with 2000 May \$18 calls opening \$0.80 to \$1

**Invitae (NVTA)** with 1,000 April \$15 calls bought up to \$1.05 today

**J&J (JNJ)** with 10,000 May \$135 calls sold to open this morning down to \$1.93

**Walgreen Boots (WBA)** with 1,500 October \$45 calls opening for \$5.45, the \$52.50 short calls from last week adjusting back. **WBA** now with 1600 June \$52.50 calls sold for \$1.37 to open

**Abbott Labs (ABT)** IV lower as 1,250 June \$72.50 calls are sold from \$4.95 to \$4.55

**Intuitive Surgical (ISRG)** with 1300 April \$535 OTM calls opening \$1.25 to \$1.80, a med-tech name with no debt, and working out of a nice base today

**Merck (MRK)** with 2900 April \$68 calls opening into the mid-day lows from \$2.39 to \$2.53, positive Mizuho note this week highlighting modest impacts to their overall business from COVID-19

**Dentsply (XRAY)** with 3,000 October \$22.50 puts sold to open for \$1.15 today into weakness

**Magellan Health (MGLN)** strong move today and 1000 April \$55 calls being bought up to \$1.10

**Tenet Health (THC)** with 800 August \$18 calls opening \$4.10

**Danaher (DHR)** spread sold 500 September \$100 puts to buy the \$140/\$160 call spreads

### **Industrials**

**Hertz (HTZ)** with 8000 July \$15 calls being sold to open down to \$0.55

**Fluor (FLR)** with 500 January 2022 \$10 puts opening for \$5.74 as the January 2021 \$20 puts adjust down

**Caterpillar (CAT)** with 2500 May \$75 puts being bought to open up to \$2.92. **CAT** buyer 1000 April \$90 puts into day highs \$2.35 to 42.50

**United Air (UAL)** seeing 2000 May \$34 puts sold to open \$7.80 bid. **UAL** now seeing 2000 May \$37 puts sold to open down to \$8.35 as well

**Tesla (TSLA)** April 3rd (W) \$625 calls active with buyers this morning \$11 to \$15.40 with 1500X trading

**Johnson Control (JCI)** with 400 October \$25 calls bought \$5.25 offer to open. **JCI** an Industrial trading 9X Cash with a 4.1% yield and Debt/Equity on the low side versus peers at 0.38X

**Stanley (SWK)** trade opens 2000 October \$125 calls at \$8 in a buy-write

**General Electric (GE)** buyer 10,000 May \$8/\$10 call spreads for \$0.61

**Aptiva (APTV)** with 1000 May \$60 calls opening today, best in class Auto Parts name, and also selling Apr \$42.50 puts to open

**Huntington Ingalls (HII)** with 300 April \$160 ITM calls opening midday \$21.40 to \$26.50 on wide spreads

**DR Horton (DHI)** buyer 1700 August \$47.50 calls \$2.50 aggressive on offer

**Knight Swift (KNX)** sellers of 1285 January \$25 puts around \$2.55 this afternoon, working on a nice multi-week base

**Lennar (LEN)** with 500 August \$50 calls bought \$4.05 to open, similar to **DHI**

### **Materials**

**El Dorado Gold (EGO)** with 1000 October \$6 puts sold \$1.15 to open. **EGO** also with 1000 October \$7 puts sold to open \$1.60 to \$1.40 this afternoon

**Weyerhaeuser (WY)** with 2000 July \$14 puts bought \$1.35 offer to open

**Freeport (FCX)** with 6000 May \$8 calls being bought \$0.75

**Newmont Mining (NEM)** working back to the early March highs and today 1300 May \$50 calls bought between \$3.40 and \$3.50 as the April \$48 calls roll

**Dow Chemical (DOW)** block of 2,425 June \$37.50 calls sold \$1.23 to open



**Vale SA (VALE)** with 4000 May \$8 puts sold to open down to \$1.06

### **Tech and Telecom**

**Maxar Tech (MAXR)** with 700 January \$10 puts sold to open \$3.30 to \$3.20, follows some Oct. put sales yesterday

**Uber (UBER)** with 1200 June \$22 calls bought \$8 offer in a sweep deep ITM. **UBER** buyer 1000 September \$25 calls for \$6.50 as well, and 1500 of the \$20 puts sold to open \$2.40

**ST Micro (STM)** with 1,500 January \$30 calls sold today from \$1.15 to \$1.00 into the rebound

**VipShop (VIPS)** block of 3000 ITM January \$15 puts sold to open \$3.10

**Trip.com (TCOM)** with 1,950 April \$23 puts sold to open \$1.35 to \$1.15 today, China bookings numbers starting to improve the last two weeks according to ADARA data

**Keysight (KEYS)** with 500 November \$70 puts sold to open for \$7.41 as the May \$80 short puts from December adjust

**Teradyne (TER)** with 925 April \$57.50 calls bought \$1.90, Northland upgrading recently as manufacturers moving out of China and setting up in other countries should drive a recovery in their automation business

**Alphabet (GOOGL)** with 2,500 May \$1,300 calls sold today for \$12.40 to \$12.00, follows call sales in other large-cap names today

**Pinduoduo (PDD)** buyers of 1200 ITM May \$34 calls for \$5.00 to \$5.50 this afternoon, one of the nicer charts

**Teledoc (TDOC)** with 600 July \$140 puts bought for \$25.30 to \$25.56, adjusting back the \$120 puts opened on 3/3 in spreads with the \$100 puts and likely protective on stock

**Century Link (CTL)** buyer of 1000 January 2022 \$15 puts for \$6.85 to \$7.10 today, the \$25 puts rolling down

**JD.com (JD)** stock buyer sells 5000 May \$46 calls for \$2 in a buy-write

**Taiwan Semi (TSM)** with 1400 May \$50 calls opening \$3.10 offer this morning

**Microsoft (MSFT)** sale of 1750 October \$130 puts to open earlier today at \$9.95 in stock replacement

**AT&T (T)** with 7000 September \$19 puts sold to open today

**Micron (MU)** earnings tonight, the January \$50 calls opening 25,000X today as June \$40 and \$45 calls adjust

**Lyft (LYFT)** with 1600 next week \$26 ITM calls sold to open \$4.04 to \$4

**Coupa (COUP)** with 500 Apr. 24th (W) \$147 calls opening today \$8.05 to \$8.20

**Expedia (EXPE)** with 600 July \$80 calls opening \$9.17 to \$9.25 today

**Zscaler (ZS)** pulling back from the day's highs with another 1600 June \$62.50 puts bought up to \$7.85

### **Utility**

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