

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 3/27/2019

### Sector Leaders

Housing

Retail

Transports

### Stock Gainers

SCVL 22%

WCG 8.45%

CCXI 7%

OIS 7%

LEN 6%

AXSM 5.85%

HCC 5.6%

### Volatility Gainers

- LEVI
- VKTX
- STNE
- CNC
- TEAM
- TNDM

### High Call Volume

- CNC
- HOME
- LBTYA
- TELL
- AMRS
- MNRO

### Bullish Options

- NXPI
- JD
- TPX
- AVYA
- XLK
- HOME
- HUM
- GS
- MS
- CF
- CRM

**Market Review:** Stocks pulled in overnight with more poor Macro data as China industrial profits plunged 14%, the worst since late 2011. German bond yields declined and the US curve remains inverted. In the World of Central Banks we saw New Zealand and the ECB with dovish commentary and Trump's new Fed nominee calling for an immediate rate cut. US Trade Balance came in better than anticipated. Stocks started to fade hard around 11am and broke support. Housing was a standout after Lennar's commentary and Retail/Transports held up well. Software was a major loser in a risk-off session and also saw weakness in Semi's and Biotech. A midday surge in Bonds continue to spook equities. Stocks rebounded off the lower value area with 2,780/2,840 the zone of importance currently and head into an active end of week for economic data.

### S&P Chart:



Resistance	Support
2,850	2,780
2,915	2,750
2,950	2,730

**Options Action Trends:** We had sizable call buys in large Banks MS and GS for July in early trading. We also had size put buys in weak consumer brands like SIG, DDS, ANF LL and SKX. Overall flows were busy with a number of sizable trades positioning.

**What's On Tap:** GDP, Inflation Data, Jobless Claims, Pending Home Sales, KC Fed Index, and Fed Speakers.

### Trade Tracker Portfolio Changes:

1. **Spotlight:** Long the YNDX May \$35 Calls \$2.50

### Sector Laggards

Software

Semi's

Biotech

### Stock Losers

HOME -17%

TITN -15.5%

SCWX -14%

CRON -11%

IRTC -11%

DOMO -10%

TNDM -10%

### Volatility Losers

- SCVL
- HOME
- OLLI
- LEN
- DHR
- SPWR

### High Put Volume

- IRTC
- WCG
- RAMP
- STM
- LTHM
- MAS

### Bearish Options

- SKX
- STM
- MGM
- TXN
- RAMP
- RLGY
- LTHM
- TIF
- SIG
- X
- WFC



## Sizable Call Buys in CF Industries into Crop Report

**Ticker/Price:** CF (\$39.85)

### Analysis:

**CF Industries (CF)** with 1,000 August \$35 ITM calls opening \$6.30 to \$6.45, shares trying to bottom and the Mosaic (MOS) Analyst Day later this week could move the fertilizer names. CF volume continues to climb now up to 1,370X in the opening hour and still has 3,000 May \$35 short puts and 2,000 of the \$50 long calls in open interest. CF shares are at the lower weekly Bollinger Band and potential support at \$38.60 as a 50% retracement of the 2016-2018 range. The \$9.33B company trades 13.4X Earnings, 8.8X EV/EBITDA, and 11.75X FCF with a 3% dividend yield. CF sees 10.6% revenue and 90% EPS growth in 2019. CF has been actively returning cash to shareholders and buying back shares including a new \$1B buyback announced 2-13 after an earnings miss. CF has a strong capacity utilization advantage to peers and EBITDA is sensitive to changes in Natural Gas and Urea prices. It sees higher Nitrogen prices in 1H2019 and strong demand with projected 4M acre corn and 1M acre wheat planting increases. Analysts have an average target of \$52 on shares and short interest near a multi-year low at 3.5% of the float. Cowen lowered its target to \$62 on 3-6 seeing the fertilizer industry in the early stages of a cyclical recovery. The planting report due out this Friday, 3-29, is expected to cause volatility in the names. Stephens upgraded to Overweight with a \$60 target in December on risk-reward improving with leverage dropping and strong FCF potential. Hedge Fund ownership fell 3.8% in Q4 filings.

### Hawk Vision:



**Trading Strategy:** CF activity looks great being ITM and shares near key support into a major catalyst.

**Confidence Ranking:** \$\$



## Humana Call Buyer as Managed Care M&A Continues

**Ticker/Price:** HUM (\$261)

### Analysis:

**Humana (HUM)** buyer of 800 August \$280 calls today for \$12.10, stock replacement and follows buyers of 2,400 April \$270 calls yesterday around \$7. HUM has 1,000 May \$280 calls and 2,000 of the May \$300 calls in OI as well from buyers. Shares have been weak recently but back to a big volume support level from late 2017 at \$265 as well as the 38.2% Fibonacci of the strong rally from 2016. A move back above \$280 and downtrend resistance key to shifting the narrative with upside targets \$300 and then \$320. The \$36.2B managed care company trades 13.65X earnings, 0.64X sales, and 15.5X cash. HUM sees 20.7% and 10.7% EPS growth as well as 11.5% and 8.7% revenue growth through 2020. HUM has returned to strong MA growth while projecting 12% to 13% growth for the year, above expectations. The company has benefited from the HIF moratorium which is set to return next year and the company expects congress to take up legislative action this Summer to permanently repeal HIF which would be a positive catalyst. Analysts have an average target for shares of \$357 with 13 buy ratings and 3 hold ratings. Short interest is 1.9%. CSFB positive on 3/20 after meetings with management noting that MA utilization trends have been consistent with enrollment trends improving. Tailwinds into 2020 include improved margin on new MA members added in 2019, the benefit from industry leading STARS ratings in MA, productivity initiatives, return on strategic initiatives, and potential MA growth from PDP disruption. Institutional ownership fell 1.4% last quarter.

### Hawk Vision:



**Trading Strategy:** HUM has value at these levels but price action is terrible for the whole group and need to let some near-term news-driven headwinds clear with ACA.

**Confidence Ranking:** \$\$





## Bulls Active in Northrop Grumman after Extended Weakness

**Ticker/Price:** NOC (\$265)

### Analysis:

**Northrop Grumman (NOC)** with an opening sale of 1,450 May \$240 puts for \$2.45 to \$2.40 and follows the May \$285 calls bought over 1,350X earlier this week. NOC shares have pulled back to the 38.2% of the 2019 bounce from the lows as well as a big volume node from late 2018 at \$265. Shares pulled back off of trend resistance from the early 2018 highs but a move above \$280 has room up to \$300 and then \$320 which are key high volume nodes. The \$45.8B defense stock trades 12X earnings, 1.5X sales, and 26X FCF with a 1.8% yield. NOC sees 16% EPS growth and 8% to 13% sales growth through 2020 with room for margin expansion back near 2016 levels amid cost initiatives. NOC is a key beneficiary of the recent \$750B proposed defense budget which came in on the high-end of expectations as the current administration advances their “defense recapitalization” push. NOC is in line to get an additional \$20B over the next five years with the Air Force renovation plan adding new B-21 bombers. Last quarter came in mixed with pension outlays higher than expected but sales across Aerospace, Tech, and Mission Systems growing. Analysts have an average target for shares of \$335 with 12 buy ratings and 6 hold ratings. Goldman removed shares from the Conviction List in February but kept at Buy. They see several years of fast organic revenue growth into the middle of next decade given its long list of program wins. CSFB upgraded to Outperform in January with a \$302 PT. Short interest is 1.3% and down from 2.5% in October. Institutional ownership fell 25%.

### Hawk Vision:



**Trading Strategy:** NOC selling looks to be abating and have already set a \$274 alert for some price strength to consider a position.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**S&P (SPX)** options large early trade opens 4,800 April 5th (W) \$2835/\$2860 call spreads

**Tech (XLK)** size buy of 10,000 June \$75 calls \$1.78 offer in a sweep

**High Yield (HYG)** with 10,000 May \$87 puts opening \$1.64

**Financials (XLF)** buyer of 26,000 June \$26 calls, will confirm OI tomorrow

**Consumer Staples (XLP)** with 9,900 May \$57 calls opening this morning \$0.38 to \$0.45 range as the group outperforms with rising Bonds

**Russell (IWM)** seeing good sized buying of 7,000 June \$157 calls (nearly \$2M) that started just after 1pm \$2.57 to \$2.70+

## **Consumer Discretionary**

**Skechers (SKX)** with 2,500 May \$34 ITM puts opening \$2.95 to \$3.10 early into strength from a SIG upgrade. **SKX** also with 1,000 May \$32 puts bought for \$2.25 to \$2.30

**Tiffany (TIF)** buyers of 470 November \$100 puts for \$6.85 into strength today

**RH (RH)** with 2,200 May \$125 puts bought for \$11.80 today, tied to 85,800 shares of stock ahead of earnings tomorrow

**Avaya (AVYA)** buyer of 1,000 May \$17.50 calls for \$1.50 to \$1.55 after 10,000 May \$20 calls opened yesterday, recent M&A talk

**At Home (HOME)** lower by 20% after results and a big buy steps in for 3,200 September \$20 calls \$2.20 offer at CBOE. **HOME** also with 1,000 September \$19 calls opening near \$2.60 as it moves off lows

**Signet (SIG)** buyers of 3,000 April ITM \$29 puts for \$3.50 to \$3.65. **SIG** has earnings next week, 4/3, and coming off a weak report where they lowered their FY outlook citing reduced traffic during their key Holiday times. Citi cut to Sell on 1/18 noting that SIG underperformed during one of the best years for the consumer since the financial crisis and the firm thinks SIG's earnings power is even lower than originally thought. They think jewelry is also more vulnerable during an economic slowdown

**Melco Resorts (MLCO)** modestly lower with the MGM warning today and seeing 1,000 July \$23 calls bought for \$1.30

**Nike (NKE)** with 1,000 June \$85/\$82.5 bull risk reversals opening at net credits

**Nielsen (NLSN)** buyer of 3,000 May \$30/\$24 bull risk reversals for \$0.10, reports in early February that buyout talks have been progressing

**Dillard's (DDS)** with 1,000 May \$70 puts bought for \$3.60 today with the recent strength, although shares back under the 200-day

**The Gap (GPS)** with 5,800 June \$27 calls opening for \$1.27 today in a buy-write

**Omnicom (OMC)** roll to 1,750 May \$70 puts that open \$1.59

**Liberty (LBTYA)** higher with 5000 July \$30 calls bought \$0.60

**Abercrombie (ANF)** buyer of 4,000 June \$28 puts for \$3.60 to \$3.70 into strength, name which still has 10,000 August \$30 puts in OI from buyers on 3/11

**Lululemon (LULU)** earnings tonight and trader buys the April \$150/\$160 call spread 1,500X3,000 for \$0.35 debit

**Lumber Liquidators (LL)** size buys come in for 4,000 May \$11 puts \$1.15 to \$1.25

**Shutterfly (SFLY)** higher after June \$40 calls bought \$3.50 offer and 500 June \$45 calls \$1.55

**SeaWorld (SEAS)** buy-write sells 2,000 September \$27 calls for \$1.95

## Consumer Staples

**P&G (PG)** with 10,000 April \$98 puts sold to open for \$0.35

**Cronos (CRON)** with 10,000 July \$18 puts opening \$2.99 to \$3.05 today as some April \$24 puts adjust

## Energy

**Halliburton (HAL)** with 3,000 May \$25 puts sold to open today for \$0.38, Goldman starting at Buy recently with a \$42 PT

**SunPower (SPWR)** stock replacement sells 2,000 June \$6 puts to open this morning, their Capital Markets Day ongoing today

**Philips 66 (PSX)** buyer of 560 January 2021 \$97.50 calls for \$11.60 as some January 2020 calls adjust, remains coiled above its 50-day

## Financials

**Goldman Sachs (GS)** buyers of 2,150 July \$195 calls up to \$8.80 today

**Morgan Stanley (MS)** large buy 9,000 July \$44 calls \$1.43

**Bank of America (BAC)** with 2,000 September \$27 calls opening \$1.90 to \$2.00 today, earnings on 4-16 and farther out has CCAR results in June

**Wells Fargo (WFC)** with 3,250 January 2021 \$35 puts opening \$1.73

**Essential Properties (EPRT)** buyer of 1,500 October \$20 calls for \$1.03 in a stock replacement, a strong \$1.1B REIT which focuses on single-tenant properties for retail like restaurants, c-stores, and others

**Cardtonic (CATM)** buyer 650 May \$40 puts to open \$6.30. **CATM** trading 6,500 of those May \$40 puts as the June \$35 puts look to be adjusting

**US Bancorp (USB)** the September \$50 calls bought 1,050X for \$1.58, spread against some \$55 calls which may be rolling back

**Cushman and Wakefield (CWK)** stock replacement buys 1,500 April \$17.50 calls for \$1 today, shares back at the 50-day MA after pricing a secondary at \$17.75 recently.

**Legg Mason (LM)** with opening sales of 1,000 November \$24 puts for \$0.92, follows 5,000 of the \$22 puts sold recently

## Healthcare

**CVS Health (CVS)** into weakness with 28,500 April \$50 puts sold to open down to \$0.52

**Centene (CNC)** shares lower after its mega-deal for WellCare (WCG) and seeing 1,440 September \$55 calls open into weakness up to \$3.20. **CNC** now seeing 3,000 September \$50/\$40 put spreads open. **CNC** another spread sold 2,500 June \$57.5 calls and bought \$52.5/\$42.5 put spreads

**Willis Towers (WLTW)** heading higher, a name that jumped on M&A reports earlier this month that were later denied, and today 100 July \$160 calls opening \$19.80 as April roll

**Health Innovations (HIIQ)** weak name but 3,000 December \$30/\$45 call spreads open for \$4.05

**Biogen (BIIB)** trades another 2,000 May \$250/\$275 bear call spreads

**Amarin (AMRN)** the September \$24/\$33 call spread bought 1,000X2,000 for \$0.60, name which has been discussed as an M&A target

**Cara Therapeutics (CARA)** buyers of 1,175 June \$17.50 puts bought or \$2.30 to open today. CARA has Phase 3 data in CKD in Q2

**Takeda (TAK)** seeing 10,000 April \$20 calls close today and roll out to July which open for \$2.00, Goldman starting at Buy last week as they see upside into the Shire integration

**Bausch Health (BHC)** buyers today of 1,250 May \$25 puts for \$1.79 to \$1.91

**PRA Health (PRAH)** buyer of 500 October \$95 puts for \$5.00 today to open, a series of lower highs since November and the July \$95 puts bought 600X recently

**Exact Sciences (EXAS)** the April 5th (W) \$86 puts bought 730X today from \$2.00 to \$2.10

**Sarepta (SRPT)** the June \$120 puts opening 600X today for \$14.19 as some April puts adjust, recent call sales in the name

**Pfizer (PFE)** buyer of 2,500 January 2021 \$42 puts to open \$4.50

**Smith & Nephew (SNN)** buyer of 1,000 May \$40 calls for \$1.35 today

**Humana (HUM)** now also with 1,000 May \$285 calls bought for \$2.90

**Walgreen Boots (WBA)** earnings on 4-2 and today buyers active for 1,000 April \$61.50 puts up to \$1.76, Loop Capital cautious today noting that POTUS's drug transparency push will also hurt the middlemen

**Biogen (BIIB)** buyer of 400 January 2021 \$230 puts to open \$33 to \$33.10

### Industrials

**UPS** buyers of 1,000 May 3rd (W) \$115 calls for \$0.98 to \$1, reports 4-25

**Mitcham (MIND)** with 2,500 more September \$2.50 calls opening \$1.80 with 2,000 in OI

**Snap-On (SNA)** with 500 May \$150 puts bought to open \$4.90 to \$5

**Norfolk Southern (NSC)** buyer of the May 3rd (W) \$177.50/\$162.50 put spread today for \$2.94, 500X; captures earnings which should be around 4-24

**Invitation Homes (INVH)** strong name all year with 1,440 May \$25 calls bought up to \$0.45 where 2,110 are in OI. **INVH** is a \$12.67B company which trades 22.8X FFO, 1.5X book and 39X FCF with a 2.15% yield and 40% EPS growth expected in FY20. The company is growing revenues 2% to 4% annually with 4.7% renewal rental growth. INVH is an owner/operator of single-family rental homes in 17 markets. The company has over 80,000 homes and sees a lot of opportunity to expand in key markets like Western US and Florida which are growing above market pace. Occupancy rates are around 96%, up from 95.3%, and sees significant pent up demand likely moving into their target market over the next 1-2 years from millennials. Analysts have an average target for shares of \$25 with limited coverage. Raymond James with a \$27 PT. Institutional ownership rose 10.5%, Zimmer Partners a buyer of 2.8M shares and now with 7.87M. INVH had M&A speculation last year with Pulte (PHM) discussed as a potential buyer.

**XPO Logistics (XPO)** buyer of 700 April \$52.50 puts for \$2.80 today, tied to stock

**3M Co (MMM)** the May \$190 puts bought 1,356X today for \$2.13

**Kratos (KTOS)** with 2,000 August \$17.50 calls bought \$0.85 into weakness

### Materials

**Livent (LTHM)** with 500 October \$15 puts opening today for \$3.50, still has 2,500 of the April \$15 puts in open interest and weak chart coiled near new lows

**DowDuPont (DWDP)** the September \$55/\$50 bull risk reversal bought 2,000X today for \$0.20 net debit, shares weak but split in early April expected to unlock significant value

**Amyris (AMRS)** buyer of another 3,000 January \$5/\$10 call spreads for \$0.30, weak after they delayed their 10-k filing

**US Steel (X)** with 5,000 May \$19 puts bought this morning with April \$22 puts adjusting

**Rio Tinto (RIO)** buyers of 1,650 ITM October \$52.50 calls for \$7.60 today

**Darling Ingredients (DAR)** running to the highs of the day with 2,000 April \$22 calls bought earlier for \$0.20, unusual volume for the name which is consolidating in a big range under new highs

### Tech and Telecom

**Adobe (ADBE)** with 1,000 May \$270 calls trading \$7.50 mid-market early with 1,692 in OI, will confirm OI tomorrow, BAML positive after meeting with the Co.

**NXP Semi (NXPI)** 850 Apr \$87 calls opening into weakness \$2.95 to \$3. **NXPI** April \$87 calls up to 1350X

**JD.com (JD)** early action buying 5,000 April \$30.50 calls up to \$0.57. **JD** also with 1000 September \$30 calls bought up to \$3

**LiveRamp (RAMP)** with buyers of 1,650 April \$50 puts for \$0.70 today after some August put buys yesterday

**Salesforce (CRM)** buyer of 1,250 June \$160 calls up to \$7.70 with shares back at the 50-day MA. **CRM** also with buyers now of the June \$155 calls for \$9.00 to \$9.10, 1725X

**Netflix (NFLX)** with 1,000 April 12th (W) \$367.50 calls bought \$6.95 to \$7.70 to open

**Applied Materials (AMAT)** buyer of 2,500 January \$42 calls \$3.65

**New Relic (NEWR)** unusual buy 225 December \$80 puts \$5.50

**Stone Co (STNE)** buyers of 1,680 April \$44 calls for \$2.15 to \$2.40 as IV climbs, strong earnings move which is being consolidated under \$44

**Crown Castle (CCI)** buyer of the July \$120/\$105 ratio put spreads 1000X2000 similar to recent AMT trades

**Cloudera (CLDR)** with 10,950 January \$7.50 puts sold to open today \$0.55 to \$0.50

**Taiwan Semi (TSM)** buyers of 3,500 April \$39 puts \$0.65

**Iridium (IRDM)** breaking down with 3,150 July \$25 puts opening up to \$2.60

**Roku (ROKU)** with 1,000 May 3rd (W) \$65 calls opening as April 5th (W) calls adjust

**Tableau (DATA)** buyer of 1,500 May \$120 calls \$9.40 in a stock replacement with shares back to YTD lower value range, a name with nearly 10,000 October \$120 long calls in open interest

**Zynga (ZNGA)** with 25,000 May 3rd (W) \$5.50 calls opening \$0.12, should capture next earnings

**Twitter (TWTR)** with 2,000 ITM September \$34 puts sold to open today for \$4.95 in a stock replacement, up to the 200-day MA this week where it stalled

**Grub Hub (GRUB)** the September \$60 puts sold to open over 600X today between \$6.00 and \$5.80

**Interactive (IAC)** stock replacement opens 500 October \$250 calls at \$7

**Ctrip.com (CTRP)** with 1,000 January \$47 calls sold today for \$3.40 in a buy-write

**Synaptics (SYNA)** another 3,696 April \$35 calls trading today for \$1.60, looks to be adding to yesterday's trades

**Kemet (KEM)** the June \$12 calls bought 1,500X for \$5.00 to \$5.10 with shares back at recent support

**DropBox (DBX)** block of 1,100 January 2021 \$20 puts opens \$4 mid-market



## Utility

### **Disclaimer:**

#### **Not Investment Advice or Recommendation**

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