

OptionsHawk

OPTIONS HAWK DAILY MARKET 4/1/2019

Sector Leaders

Gaming

Metals

Banks

Stock Gainers

IO 12.3%

VFF 9.4%

TTM 9.1%

HOV 8.65%

DLPH 8.65%

BBD 8.5%

ROKU 7.9%

Volatility Gainers

• WTW

• GRUB

• YETI

• W

• UAA

• EXPE

High Call Volume

• KAR

• UBS

• DRV

• CVE

• TELL

• CTXS

Bullish Options

• HLF

• CVE

• MDR

• BKNG

• MSFT

• HUYA

• M

• FDX

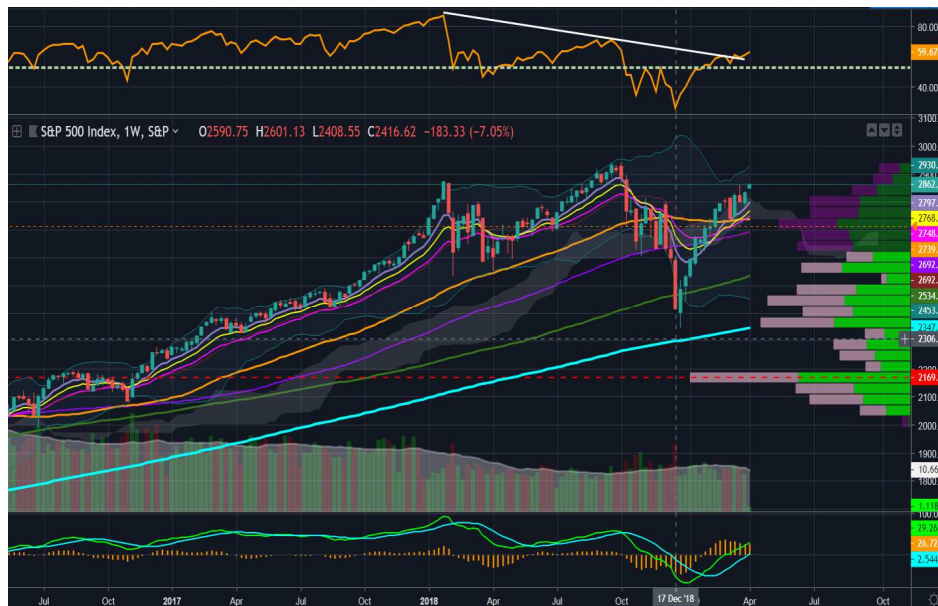
• AMD

• MCHP

• NUAN

Market Review: Stocks started the week/quarter/month with a strong gap higher after a big positive surprise in Chinese data showing stimulus efforts starting to work, and yields rebounded modestly. Retail Sales data in the US came in weaker than expected but February ISM Manufacturing surpassed estimates. Stocks stalled the morning rally back near the March highs, strength led by a lot of China driven groups like Gaming, Metals, and Semiconductors. We saw weakness in the safety/yield groups that are bond proxies like Utility, REITS and Consumer Goods. Stocks pushed higher in the early afternoon as Bonds continued to come under pressure and some positive US/China Macro boosting sentiment while active managers came into the month under-invested. We have some more economic data tomorrow but overall a slow two weeks of catalysts until earnings season starts back up.

S&P Chart:



Resistance	Support
2,865	2,795
2,900	2,775
2,915	2,755

Options Action Trends: There were no major sector themes on the day, a clear bullish bias to the positioning once again.

What's On Tap: Durable Goods Orders, Vehicle Sales, and ISM NY.

Trade Tracker Portfolio Changes:

1. **Spotlight:** Long the LVS June \$62.50 Calls \$2.60 – No Fill
2. Closed UTX Calls \$5 (Opened \$2.75)

Sector Laggards

Gold Miners

REITS

Utility

Stock Losers

SCOR -22.2%

PBYI -10.2%

PCOM -9.6%

QTT -7.4%

AXSM -6.75%

INSP -6.7%

IRTC -6.1%

Volatility Losers

• NTEC

• AVEO

• DISH

• SIG

• NBEV

• DNR

High Put Volume

• ABMD

• HIG

• CTAS

• UPLD

• ATHM

• PLAY

Bearish Options

• NTAP

• LII

• NCR

• WDC

• VIAB

• AABA

• CNC

• NTEC

• PAAS

• ABMD

• CAH



Put Buyers See an End to the NetApp Rebound

Ticker/Price: NTAP (\$70)

Analysis:

NetApp (NTAP) bearish flow early with 1,500 June \$70 puts opening up to \$4.15, a name with minimal notable open interest outside of 1,775 January \$50 short puts. NTAP has rallied up to potential resistance at the upper weekly Bollinger Band and 144 day MA as well as back to a failed December level. The \$17.3B Tech storage Co. is coming off a weak quarter and trades 13.9X Earnings, 2.8X Sales and 19.5X FCF with a 2.3% yield. NTAP is coming off a 7% revenue growth year but sees a move back to 3-5% annual growth so the multiple may again compress. Analysts have an average target of \$78.50 and short interest elevated at 6% of the float in the high end of its 3 year range. Cross Research upgraded shares to Buy on 2-14. BMO lowered its target seeing a more cautionary spending environment though sees margin expansion continuing. Lake Street cut its target to \$69 after its latest report on spending slowdown in storage. JPM cut shares to Neutral after the quarter on questionable guidance and William Blair also downgraded on muted growth and a slower cloud ramp. Hedge Fund ownership fell 7.2% in Q4 filings.

Hawk Vision:



Trading Strategy: NTAP does look like an ideal fade candidate with its weak growth prospects though valuation/yield/FCF offer a fairly solid floor. The puts could be traded versus a stop at closing above \$72.

Confidence Ranking: \$\$



MicroChip Bulls Position for Upside

Ticker/Price: MCHP (\$86)

Analysis:

Microchip (MCHP) buyers today of 400 October \$85 calls for \$8.10 and follows 4,000 April \$87.50 calls on Friday and 1,000 May \$70 puts sold to open last week. MCHP has seen buyers in the July \$90, June \$90 and \$95 calls, and June \$82.50 short puts in recent weeks. MCHP still has some size January 2021 short puts in OI as well. Shares pulled back to the 13-week EMA after a strong run in early 2019 and moving out of a small downtrend today with a move over \$90 targeting the April 2018 highs. RSI is moving back above 50 on the daily timeframe while MACD is curling over bullish, plenty of room for extension up. The \$19.23B company trades 12.3X earnings, 3.8X sales, and 18.5X FCF with double-digit growth. MCHP sees 4.8% and 6.2% revenue growth through 2021 as they enter year two and three of their \$10B MicroSemi deal which expanded their scale in aerospace/defense and telecom, end-markets where MCHP was under-represented. MCHP is coming off a strong quarter with inventories stabilizing and their CEO calling the March quarter potentially the bottom of this cycle for the company. Analysts have an average target for shares of \$103 with 11 buy ratings and 6 hold ratings. Citi with a \$105 PT noting the company's business is bottoming given downside is decreasing and MCHP is shipping below consumption. They also see a US/China deal as a "bonanza" to business. Piper sees a strong 2H and noted on 3/21 that MCHP is gaining traction in recent checks. They have a \$130 PT. Short interest is 15.7%, fairly elevated, but down slightly from the February highs. Institutional ownership fell 9.8%. Lyrical Asset Management a top buyer of 4.2M shares. MCHP is trading back at a level where the COO bought \$1M in stock last year at \$84.10, a notable insider buy.

Hawk Vision:



Trading Strategy: MCHP is a name I have an alert in \$86.75 for a breakout, though the high short float keeps me hesitant considering there are better Semi names like ADI/XLNX.

Confidence Ranking: \$\$



Baidu Bulls Build Positions as China Internet Strengthens

Ticker/Price: BIDU (\$170.50)

Analysis:

Baidu (BIDU) with another 1,625 May \$170 calls bought today up to \$8.45 and recent size buys in the June \$175 calls, May \$180 and \$190 calls, and June \$180 short puts. BIDU has seen the September \$175 calls with buyers recently as well. Shares have lagged peers in 2019 but looking to work out of a narrow bull wedge above \$175. BIDU has a high-volume node at \$190 and then room back to \$220 above with RSI strengthening back above 50 and MACD turning higher back above zero. Longer-term, shares pulled back to key support from 2015/2016 around \$160 and held. The \$57.3B company trades 13.97X earnings, 3.78X sales, and 2.77X cash with FY20 estimates looking for 30% EPS growth and 16% revenue growth. The company topped estimates last quarter with active marketing customers growing 15% and app-based DAUs up 24% Y/Y. BIDU has a lot of exposure to big, forward-looking trends like autonomous driving, big data, cloud and AI, the latter of which they've invested heavily in to improve Search, their voice assistance, and other areas. They also see a big runway into smart homes. Analysts have an average target for shares of \$245 with 14 buy ratings and 3 hold ratings. Susquehanna positive on 2/25 noting that while concerns exist about spending levels, the company is setting themselves up for a strong 2H and 2020 run. Their core business has shown resiliency despite macro issues and they are set to emerge as the dominant player in Search, owner of the top video assets in the country, and a market leader in AI. Short interest is 1.5% and down from around 2% in early 2019. Institutional ownership rose 13%.

Hawk Vision:



Trading Strategy: BIDU has been a laggard to JD/BABA/BZUN/MOMO but if it clears \$175 it could make a run. Shares look quite cheap on valuation considering the growth is still solid and its exposure to multiple positive secular growth trends.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Emerging Markets (EEM) with 40,000 June \$40.50 puts bought to open \$0.54/\$0.55

S&P (SPY) with 13,000 July \$272 puts opening into morning strength, nearly \$6M. **SPY** also with 5,000 June 28th (Q) \$275 puts opening \$4.35 spread versus the \$250 puts. **SPY** May 1st (W) \$286/\$291 call spreads bought 10,000X to open. **SPY** Dec. \$280 puts opened 19,080X today as \$250 puts adjusted

NASDAQ (QQQ) April 26th (W) \$183 calls with 20,000 opening near \$2.09 this morning

REITS (IYR) with 4,150 June \$84 puts opening near \$1.33. **IYR** also with 10,000 May \$85 puts bought to open today for \$0.97

Real Estate Bear 3X (DRV) unusual 4,550 November \$8 calls opening today up to \$0.70

Wheat (WEAT) buyer of 978 October \$4 calls \$1.40 offer

Biotech (XBI) seeing 10,000 May \$100 calls sold to buy the \$85/\$79 put spreads, common hedging strategy

Industrials (XLI) buyer of 5,000 June \$80 calls to open today \$0.71 to \$0.74

Treasury (TLT) big fade today and 7500 May/September \$120 put calendar spreads open for \$1.17, nice structure

Saudi Arabia (KSA) ETF remains a strong one and today 3,000 September \$34/\$36 call spreads bought

Energy (XLE) large buyer of 35,000 January \$60 puts for \$2.11 at CBOE earlier

Consumer Discretionary

SeaWorld (SEAS) the September \$25/\$33 call spread bought another 1,250X2,500 today for \$1.80. **SEAS** also with a stock buyer collaring with 1,000 January \$30/\$22

Wing-Stop (WING) buyer of 525 May \$80 calls \$2.65 offer

Macy's (M) buyers of 3,825 April 26th (W) \$24 calls for \$1.10 to \$1.15

Best Buy (BBY) with 450 January 2021 \$100/\$55 bull risk reversals opening at net credits

Melco Resorts (MLCO) with 500 July \$21 calls opening today from \$3.70 to \$3.80, breaking out into some space today with the Macau data and China optimism

Capri (CPRI) the June \$50/\$40 bull risk reversal bought 1,000X for \$1.33 today, shares pulled back and basing above the 50-day MA

Lowe's (LOW) the April \$111 puts bought up to \$2.50 today 1,650X with shares falling sharply from the highs, will host an investor call tomorrow

Las Vegas Sands (LVS) higher by 3.25% today with the China enthusiasm and Macau data seeing 1,000 June \$62.50 puts sold to open for \$2.97 in a stock replacement

Scientific Games (SGMS) buyers of 1,185 OTM October \$29 calls today for \$1.45 and also 450 of the \$22 calls for \$3.40 to \$3.60

Omnicom (OMC) another 1,500 May \$72.50 puts bought today for \$2.20 where buyers were active on 3/20

The Gap (GPS) opening sale of 8,000 May \$27/\$24 strangles for \$1.05

Activision (ATVI) on the highs and IV higher with 8,500 April 12th (W) \$48 calls bought from \$0.72 to \$0.92

Consumer Staples

Herbalife (HLF) buyers of the May 10th (W) \$52 ITM calls for \$3.00 to \$3.05, 1725X, name which has seen recent put sales

Lamb Weston (LW) buyer of 1,500 May \$80 calls today ahead of earnings tomorrow morning

Estee Lauder (EL) trade opened 250 October \$165 ITM puts for \$11.50

Altria (MO) bull flag forming and midday with IV rising as 3,200 January \$60 calls bought \$2.96

Colgate (CL) weekly IV popped sharply with 2000 of the \$68.50 calls bought to open

Energy

Tellurian (TELL) strong run recently and today 4,500 May \$12.50 calls bought for \$0.75 as the April calls adjust out

Genovus (CVE) large roll of 20,010 April \$9 calls out to May \$10 calls

Petrobras (PBR) with 17,250 May \$15 puts being sold to open this morning from \$0.45 to \$0.44, shares setting up back near 1-year highs

McDermott (MDR) buyer of 1,000 May \$7 calls \$1.25 offer

Schlumberger (SLB) back over YTD VPOC today seeing buyers of 1,185 August \$45 calls \$2.60

California Resources (CRC) the April \$29 calls bought 2,100X up to \$1.00 here into the highs of the day

Devon Energy (DVN) buyer of 1,265 October \$27 puts into strength \$1.46

Oasis Petro (OAS) with 800 August \$4 ITM calls bought \$2.40 as Oil strengthens

Financials

PayPal (PYPL) with opening sales of 1,875 October \$80 puts today for \$1.35 to \$1.33. **PYPL** October \$120 calls opened 3,000X at \$3.25

UBS AG (UBS) with 5,000 August \$12.50 calls opening this morning \$0.40

NCR Corp (NCR) with 650 ITM January \$33 puts opening \$6.30 to \$6.40

Zions Bancorp (ZION) with 5,000 April \$48 calls bought today for \$48 for \$0.40 to \$0.45 into strength, earnings 4-22

Encore Capital (ECPG) trying to base the past two weeks and 750 December \$30 ITM puts sold to open today \$4.65

Ally Financial (ALLY) IV rising with 3,000 April \$28 puts bought up to \$0.60. **ALLY** also buyer of 2,500 September \$29 calls \$1.66 against a sale of the January \$35 calls \$0.61

GEO Group (GEO) with another 1,850 December \$15 puts bought \$1.07

Square (SQ) spread sold June \$85 calls to buy the \$70/\$60 put spreads 2200X

S&P Global (SPGI) strong flag breakout last two days and 1,400 January \$210 puts sold to open today for \$11.70

Region Financial (RF) buyer of 1250 August \$15 puts to open \$1.05

Wells Fargo (WFC) with 3,500 April 12th (W) \$48.50 at-the-money calls opening midday near \$0.95

Healthcare

Centene (CNC) with 6,000 September \$52.50/\$42.50 put spreads bought today for \$3.15, shares rebounding from weakness following their WellCare deal. **CNC** also with the September \$60/\$67.50 call spread bought 2,000X for \$1.70

Illumina (ILMN) with 150 September \$300 puts sold to open \$19.80 to \$19.40

Align Tech (ALGN) buyer of 500 May \$290 calls \$16.59 against sales of April \$315 calls. **ALGN** another 500 May \$290 calls opening here for \$15.32 these spread against the April \$305 calls at \$1.92

Intec Pharma (NTEC) fading with 4,000 October \$7.50 puts opening today for \$2.90. NTEC has Phase 3 data due mid-year in advanced Parkinson's disease

ABIOMED (ABMD) weak med-tech name lately and today 4,550 May \$250/\$220 put spreads open for \$4.39

Clovis (CLVS) with 2,000 May \$25/\$33 bear call spreads opening today for \$1.50, strategy seen in a number of Biotechs recently

Health Insurance Innovations (HIQ) buyer of 965 August \$29 calls for \$4.80 today into weakness

Sarepta (SRPT) stock replacement opens 500 August \$130 calls \$12.80 offer

Cardinal Health (CAH) with 700 September \$57.50 puts opening \$9.20 to \$9.30

Mirati (MRTX) with 2,000 June \$85 calls sold to open today for \$4.90 to \$4.80, shares down over 8% today and breaking a strong uptrend. MRTX shares weak today after Amgen had pre-clinical data for their KRASi agnt AMG510 at AACR. MRTX will present on 4/3.

CVS Health (CVS) with 10,000 May \$57.50 calls opening \$0.94, look to be adjusting \$60 strike calls

Covetrus (CVET) buyer of 2,000 May \$35 calls for \$1.15 to open, shares on the highs of the day. The recent animal health spin from Henry Schein has traded weak since its debut and trades 44.6X earnings and 0.92X sales. Raymond James out with an Outperform and \$45 PT recently

ThermoFisher (TMO) with 1,000 January \$310 calls sold today for \$8.45 against long stock

Mallinckrodt (MNK) block of 5,000 January \$25 puts bought for \$5.80 after some smaller lots at \$5.70 looking to add to size OI

Elanco (ELAN) with 600 May \$31 calls opening today for \$2.50 to \$2.60, adjusting out some April \$32.50 calls

Industrials

Borg Warner (BWA) with 300 October \$42.50 calls bought \$2.10 offer

Fed-Ex (FDX) strengthening despite downgrade this morning and 3,000 April \$185/\$195 call spreads opening

Fluor (FLR) buyers of 2,000 April \$39 calls \$0.50 offer

PACCAR (PCAR) buyer of 250 August \$70 calls \$3.50

Coherent (COHR) buyer of 750 April \$155 calls for \$2.95 to \$3.10 today to open, stock on the highs and breaking out of a bull flag above the 200-day MA

Polaris (PII) trade opens 1000 April \$85 puts \$1.75

DR Horton (DHI) block of 3,000 May \$40 puts opened \$1.40, also seeing 2,500 August \$44 calls with buyers

Aptiva (APTV) with 1,135 May \$77.50 puts opening \$1.56

Macquarie Infrastructure (MIC) jumpy as 2,000 May \$42.50 calls are bought up to \$1.05

Norfolk Southern (NSC) with 1,280 September \$210 calls opening \$4.80 to \$4.90 today after BAML upgraded this morning

Manitowoc (MTW) buyer of 2,000 September \$14 puts for \$0.95, laggard since early 2018

AerCap (AER) buyer of 2,000 December \$42.50 puts for \$2.15 today, the October \$42.50 puts with over 4,000 bought recently

Materials

Cliffs (CLF) working out of base and 5,000 May \$10 puts sold to open for \$0.55

Linde (LIN) buyer of 2,500 April \$175 puts for \$2.05 to \$2.25 into new post-merger highs today

Tech and Telecom

Microsoft (MSFT) with 10,000 April 12th (W) call spreads closing and opening 10,000 of the April 26th (W) \$120/\$126 call spreads

Booking (BKNG) the May 3rd (W) \$1,830/\$1,850 call spread opening 1,000X today for \$5, shares consolidating in a range under \$1,780 and the 50-day MA

Huya (HUYA) with 1,000 July \$30 puts opening, sold to open \$5 to \$4.90. **HUYA** also with 500 August \$32.50 puts sold to open today \$6.70

Spotify (SPOT) buyer of 200 January 2021 \$125 ITM calls for \$41.30

Western Digital (WDC) buyer of 600 January 2021 \$52.50 puts bought \$12.60 to \$12.70

Upland Software (UPLD) the May \$45 calls being sold today for \$1.65 to buy the \$40 puts for \$1.95, small net debit 525X into strength

Alarm.com (ALRM) with 525 June \$67.50 calls opening \$3.50

Trade Desk (TTD) buyer of 600 April 26th (W) \$220 calls for \$4

Xilinx (XLNX) with 1,000 April \$128 puts sold to open down to \$2.34, popular approach in it recently. **XLNX** also with 1,000 May \$125 puts sold to open \$4.55

GDS Holding (GDS) strong bull flag consolidation seeing 1,000 September \$50/\$25 bear risk reversals open, likely collaring stock

Advanced Micro (AMD) buyer of 1,000 November \$31 OTM calls to open

Pan American Silver (PAAS) with 4,000 May \$13 puts bought \$0.55 to open

Nvidia (NVDA) with 1,000 ITM January 2021 \$155 calls opening today for \$54.85

Nuance (NUAN) buyer of 10,000 January \$20 call for \$0.95 today in a stock replacement, shares flagging in a narrow range

Analog Devices (ADI) with 1,000 April 26th (W) \$110 calls opening \$1.68 today

Survey Monkey (SVMK) hot name recently and traders willing to buy on a minor dip, seeing 2,500 May \$17.50 puts sold to open today down to \$1

Teradyne (TER) with 725 July \$39 calls bought to open today up to \$4.50, strong move today and moving out of a multi-week range

Atlassian (TEAM) opening sale of 2,375 May \$90 puts

American Tower (AMT) with 950 May \$190 puts bought today for \$3.80 into recent strength, bearish engulfing today

Twilio (TWLO) bull flag and 100 July \$160 ITM puts sold to open for \$36.35 today

JD.com (JD) strong name the past week with 7500 June \$32 calls bought today, a spot many April calls are rolling to

Intel (INTC) block of 3,000 January \$55 puts opened for \$5.03

Stone Co (STNE) lower today by 3% after preliminary results for Q1 and a 17.5M share offering but seeing 4,500 April \$34 puts sold to open for \$0.45

NXP Semi (NXPI) afternoon buyer 1,000 July \$105 calls \$2.73, also 1,300 July \$95 puts opening \$7.40 to \$7.50

Forescout Tech (FSCT) with an opening sale of 750 November \$40 puts for \$5.10 today, strong name which is pulling back. The \$1.86B software company trades 5.94X EV/sales and 16.25X cash with estimates for 27% and 20% revenue growth through 2020. UBS raising their PT to \$52 on 3/5 citing the company's opportunity in connected device growth and they think little credit has been given for its purpose-built platform for device visibility and control.

Plantronics (PLT) with 500 May \$45 calls bought today from \$4.05 to \$4.20

Tableau (DATA) afternoon action with 985 May 3rd (W) \$130 calls opening \$6 to \$6.30

NetEase (NTES) with 595 June \$265 calls opening this afternoon with Chinese names strong, moving out of a 1 year downtrend

Utility

Disclaimer:

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.

Content is for informational and educational purposes only. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors.