

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 4/1/2020

### Sector Leaders

#### Gold Miners

#### Bonds

#### Metals

### Stock Gainers

CRNC 20%

INSG 15%

APT 12.3%

APRN 11.6%

ASTE 9%

X 8.65%

KRA 8.2%

### Volatility Gainers

- NLY
- PLAY
- LVS
- HPQ
- IMMU
- UPS

### High Call Volume

- SKY
- BKR
- LW
- ABR
- CHRW
- AOBC

### Bullish Options

- MTCH
- X
- QCOM
- BABA
- BA
- RDS.A
- NSC
- UAL
- GLPG
- TME
- MRK

**Market Review:** Stocks were sharply lower to start Q2 after the support from Q1 rebalancing gave way and markets reversed off a key convergence of resistance levels on Monday. The news regarding cases/deaths with COVID-19 continues to worsen and likely to remain that way for the next two months. Uncertainty on the depth and length of the impact remains the investor focus. March ISM came in above expected but the Orders/Employment numbers weakest since 2009. We saw some life early in Tech names and Infrastructure plays. Gold and Bonds also had a strong bid in an allocation shift to safer assets. Banks continued to be weak while yield sensitive groups like REITS and Utility sold off hard. We are likely to see some ugly jobless claim numbers tomorrow and continue to watch further developments on the COVID-19 infection curve as the stimulus high starts to wear off.

### S&P Chart:



Resistance	Support
2,640	2,335
2,720	2,270
2,830	2,100

**Options Action Trends:** We saw bearish flow in riskier Bond ETFs today with LQD/HYG. Activity in individual names remained very quiet.

**What's On Tap:** Jobless Claims, ISM NY, and Factory Orders.

### Trade Tracker Portfolio Changes:

- No Changes

### Sector Laggards

#### REITS

#### Banks

#### Utility

### Stock Losers

SRG -20%

CIR -19.4%

CWH -18%

CCL -18%

KTB -17%

PAYS -16%

CONN -16%

### Volatility Losers

- APA
- BB
- SU
- CCL
- OMI
- PDD

### High Put Volume

- AER
- LYG
- FTV
- TUR
- BILL
- LEVI

### Bearish Options

- DB
- BMV
- SQ
- WD
- F
- BBBY
- AMD
- AER
- ALGN
- HYG
- OKE



## Capital One Spreads See Positive Reward/Risk Set-Up

**Ticker/Price:** COF (\$50.40)

### Analysis:

**Capital One (COF)** large trade on 3/31 was selling June \$42.50 puts 4500X to buy the September \$60 calls 4500X at around a \$1 debit per spread. COF also has 1200 May \$47.50 calls bought in open interest and 1700 of the \$55 calls, lacking much open interest in the April expiration. COF did have a buyer of 4000 September \$55 puts to open on 3/17. The \$25.8B credit card company trades less than 5X Earnings and 0.47X Book with a 2.97% dividend yield. COF shares on recent lows tested a key volume support from 2010/2011 and held that level at \$37 before recovering with the market back to \$50. COF signed an agreement with Wal-Mart recently as a key relationship. COF credit performance has been very strong though the recent move in markets has likely disrupted trends. Analysts have an average target of \$100 on shares with short interest low at 1.3% of the float. OpCo upgraded shares to Outperform with a \$66 target last week seeing it positioned to weather the storm in this environment and win market share. On 3/20 Nomura raised shares to Buy with a \$105 target expecting peak infections in May and abate by July, reducing estimates but seeing significant value to shares. RW Baird named it a Fresh Pick on 2/26 seeing the sell-off overdone with the move in interest rates and noting fundamentals are solid. Hedge Fund ownership fell 1.7% in Q4 filings, Aristotle a top holder that added to its position.

### Hawk Vision:



**Hawk's Perspective:** COF is a compelling value and this is a nice structure, though selling an upside call against would allow to enter the trade for a net credit, a more comfortable structure in my opinion.

**Confidence Ranking:** \$\$



## Equinix Bullish Trade Sees Room for Further Upside

**Ticker/Price:** EQIX (\$624.50)

### Analysis:

**Equinix (EQIX)** with 500 May \$660 calls opening on 3/31 as April calls adjusted and follows 300 September \$600 calls bought to open for \$1.6M on 3/25. EQIX also has 1500 June \$500 puts sitting in open interest from a trade on 3/9. EQIX shares rebounded sharply after testing its 89 week MA and a retest of its 2017 high and shares now back near new highs. The \$55B Company is a top provider of interconnected data centers and continues to see strong demand as companies migrate to digital. EQIX shares trade 25X FFO and yield a 1.65% dividend. EQIX is seeing strong growth as digital transformation accelerates and interconnection is critical. EQIX is coming off a quarter with record digital media bookings and strength in gaming, publishing and ecommerce. It sees a lot of potential not just as a data center company but as a tech company solving problems with continuous new services added. Analysts have an average target of \$665 and short interest is low at 1.5% of the float. On 2/24 Raymond James raised its target to \$742 as the best large cap play in the space. Citi raised its target to \$710 after an encouraging outlook for 2020 and sees margin improvement ahead. Hedge Fund ownership rose 6.9% in Q4 filings, Edgewood a top concentrated holder as is Sustainable Growth and Winslow Capital. EQIX is ESG friendly with 90% of its energy consumption covered by renewable resources.

### Hawk Vision:



**Hawk's Perspective:** EQIX has quickly jumped 120 points but a name to keep in mind as a name with little negative impact from the current crisis that is a more stable name to own.

**Confidence Ranking:** \$\$





## Option Traders See KeySight Lows Holding

Ticker/Price: KEYS (\$83.50)

### Analysis:

**Keysight Tech (KEYS)** yesterday with an opening seller of 1000 August \$82.50 puts for \$8.50, confident in the current base and willing buyer just below yesterday's range. KEYS has recently seen sellers in the Nov. \$70 puts and still has some May \$90 short puts in OI that are underwater. Shares are back at the low-end of weekly cloud support and well-above trend support from the 2016 lows. The 50% retracement of the rally from the Dec. 2018 base is right at \$81.50. The \$17.27B company trades 15.7X earnings, 3.9X sales, and 20.7X FCF with a solid cash position and limited debt. KEYS has high-single digit revenue growth and EPS expected up 20% in FY22. KEYS provides electronic testing and measurement equipment like oscilloscopes, network analyzers, and spectrum analyzers used by wireless communications, industrial, and semiconductor markets. They were critical in the development and implementation of 4G LTE, allowing carriers to provide faster more efficient data-rates and expected to play a huge role in 5G as well. KEYS was spun out of Agilent (A) and has spent a lot of time in recent years positioned itself into higher-margin businesses with commercial solutions now a bigger part of the mix while their first-to-market 5G products will help them gain share. KEYS has a \$17.5B addressable market with \$8.5B in commercial communications, \$4.2B in aerospace, and \$4.8B in electronic industrial. 5G is the main driver while semiconductors and automotive also growing markets. Analysts have an average target for shares of \$114.50. Stifel positive on 3-18 noting demand should pick up as COVID's impact scales back most of the risk over the short term lies on the supply and operations side, and that demand for many long-term trends the company sells into remain intact. Citi positive on 3-4 with KEYS as the best way to play 5G. Credit Suisse positive on 3-4 noting that growth has a long runway given that KEYS had Y/Y growth in 15 straight quarters with 4G's rollout and 5G's window is opening 2020-2023 with 400G still in the early innings. Regarding COVID, they note that it while a near-term global pause in 5G rollouts might be extended, it allows the supply chain to adjust to any over exuberance in 2H 2019 5G handset builds which may end up being a net positive. Short interest is 6.2% and near multi-year highs. Hedge fund ownership fell 2.3% in Q4.

### Hawk Vision:



**Hawk's Perspective:** KEYS is a name I have liked but with 5G being pushed back and a weak market, a name prefer to buy in the low \$60's if it can get there with the current technical view showing a large volume pocket.

Confidence Ranking: \$\$



## Galapagos Bull Sticks with Positive Outlook

**Ticker/Price:** GLPG (\$188)

### Analysis:

**Galapagos NV (GLPG)** with 2,000 July \$240 calls opening this morning for \$5.83, trader taking profits on the May \$170 calls and adjusting for further upside. GLPG has seen buyers in the July \$300 calls, 500X, and the December \$310 calls earlier this year, 500X, and both remain in OI looking for significant outperformance in 2020. GLPG pulled back to re-test a big breakout spot around \$120 recently and rebounding strong back above its 200-day MA and 50% marker of the recent move. GLPG has a small volume gap here back to \$210 and positive momentum recently back above the 5-year value area high. The \$10.64B biotech focuses on small molecule medicines with a deep pipeline across RA, Crohn's disease, and ulcerative colitis. Inflammatory conditions like RA remain one of the most sought-after areas in biotech given their wide reach and potential sales peak. Their primary drug is filgotinib which has Phase 3 data due in the 2H. The program is being done in collaboration with Gilead (GILD) who took a notable stake in the company which included a \$1.5B equity investment and \$3.95B private investment. GLPG keeps EU royalties but has 20% remaining to GILD. Short interest is 4%. Hedge fund ownership fell 25% in Q4 but Rock Springs Capital, Aquilo Capital, and Baker Bros holders. GILD has 20.6M shares. Analysts have an average target for shares of \$226. Jefferies upgrading to Buy on 3-30, the analyst is optimistic that the upcoming filgotinib Phase 3 SELECTION ulcerative colitis data will be positive and suspects filgotinib will be at least be on par with Xeljanz' efficacy, but with a potentially best-in-class safety profile. They forecast a \$6B worldwide peak sales. RBC upgrading to Neutral on 3-18, noting that despite some risks their pipeline and strong balance sheet should offer the company greater optionality and staying power.

### Hawk Vision:



**Hawk's Perspective:** GLPG is a name that should be fairly market-agnostic and trade on Co-specific news, a healthy looking Biotech that is a likely long-term winner.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**Russell 2000 (IWM)** with the December \$120/\$150 call spread bought 7,500X15,000 for \$6.15. **IWM** with 12,500 January \$120/\$90 bull risk reversals opening for net credits

**High Yield (HYG)** session lows and July \$75 calls opening 5500X with bid-side sales, also seeing May 1st (W) \$70/\$62 put spreads open 10,000X

**Blotech (IBB)** with 8000 June \$94 puts sold to buy the June \$120 calls at a \$1.60 net credit, willing buyer IBB back at March support lows and owning upside

**Financials (XLF)** with 8000 September \$19 puts bought to open today near \$2.13

**Treasury (TLT)** with 6000 September \$140 puts bought \$2 to \$2.02 to open

**Investment Grade Bonds (LQD)** also with 20,000 May \$115/\$105 put spreads opening as bears reload positions on riskier bonds today

**S&P (SPY)** with June \$280/\$200 bull risk reversals opening earlier today 45,000X at \$1.13 net credit. **S&P (SPY)** June \$246 puts actively accumulating since midday, up to 30,000X

**Consumer Staples (XLP)** buyer of 10,000 April \$52/\$47 put spreads for \$0.99 today, top exposure to PG, KO, PEP, WMT, MDLZ, and PM

## **Consumer Discretionary/Services**

**Chipotle (CMG)** June \$515/\$510 bull put spreads active early 1300X

**L Brands (LB)** buyer 1500 November \$7.50 puts to open \$2.20 offer

**Bed Bath & Beyond (BBBY)** buyer of 10,000 June \$4 puts for \$1.01

**Levi's (LEVI)** with 1500 October \$10 puts bought for \$1.45, tied to stock

**Live Nation (LYV)** stock replacement opened 500 July \$40 calls \$9.08

**Royal Caribbean (RCL)** nearly 1400 September \$12.50 puts sold to open \$3.10 bid

**Starbucks (SBUX)** with August \$62.5 calls opening near 500X here \$7.70 to \$7.75. **SBUX** another 500 Aug. \$62.50 calls bought this afternoon up to \$7.90

**Go-Daddy (GDDY)** with 725 April \$50 puts bought \$2.30 to \$2.50 today

**Kohls (KSS)** buyer of 1000 May \$12.50 puts for \$1.70 to \$1.90

**Darden (DRI)** off day lows with 3000 ITM April \$45 calls opening \$5.30 to \$5.60 range

**MGM (MGM)** opening sale 1000 January \$13 puts \$5.35 to \$5.30

**American Eagle (AEO)** ITM January 2022 \$5 calls opening 1000X at \$2.99 to \$3.18

**Carnival (CCL)** with 1000 January 2022 \$5 calls opening this afternoon for \$6.80

**Sinclair (SBGI)** buyers of 1450 September ITM \$17 puts up to \$6.40, carrying a lot of debt with some of their recent deals. **SBGI** also likely some major headwinds without sports as they just did a big deal for all those RSNs

**Canada Goose (GOOS)** with 2000 weekly \$20 puts opening here up to \$2

## **Consumer Goods**

**British American Tobacco (BTI)** with 500 January \$30 puts bought \$2.60 to \$2.65

**Lamb Weston (LW)** with 1500 April \$50 calls sold to open down to \$2.60

**ConAgra (CAG)** opening sale 3000 January \$23 puts \$2.05 as a pantry stockpile name

**CostCo (COST)** working on strong reversal candle today and seeing 1500 next week \$300 calls open up to \$3

**Aramark (ARMK)** with 1500 April \$21 puts bought for 3.70 to \$4.00, name tied to the service/hospitality industry which has been effectively shut down

**P&G (PG)** also seeing 1000 October \$125 calls bought to open \$4.30 to \$4.50 after earlier opening May call sales

**Phillip Morris (PM)** buyer 2000 January \$72.50 puts \$11.45 vs. stock

### Energy

**Scorpio Tankers (STNG)** with 500 October \$18 puts sold to open today for \$5.40, March one of the best month for tanker rates in over a year per BTIG

**Royal Dutch (RDS.A)** strong Energy name last two weeks and out of range this morning with July \$45 calls actively bought 3000X at \$0.85 to \$1

**Baker Hughes (BKR)** buy-write sold 10,000 January \$25 calls for \$0.20

**Valero (VLO)** stock replacement opens 1000 January \$50 calls \$5.70

**ONEOK (OKE)** with 7500 July \$15 puts opening up to \$2.41. **OKE** also with 4000 April \$19/\$16 put spreads bought as the \$23/\$20 spreads move down

**Holly Frontier (HFC)** buyer of stock sells 1000 January 2022 \$40 calls for \$1.40 in a buy-write

**Schlumberger (SLB)** midday opening sale 5000 May \$10 puts at \$0.90

### Financials

**Square (SQ)** with 2000 May \$37.50 puts opening \$2.03 to \$2.16, name at risk with small business exposure and lending. **SQ** also with 1700 January \$47.50 puts opening for \$9.40, tied to stock

**Walker Dunlop (WD)** unusual 1325 August \$22.50 puts opening \$1.90. **WD** also 1300 November \$22.50 puts bought \$2.40. **WD** is a levered name dealing with real estate loans, so reason for concern

**Wells Fargo (WFC)** with 2150 June \$22.50 puts sold to open down to \$1.65

**Citi (C)** opening seller 1000 January \$27.50 puts for \$3.20

**Simon Property (SPG)** seeing 2500 April \$45 puts open up to \$3.30

**Prospect Capital (PSEC)** with 15,000 August \$4 puts bought for \$0.75, adjusting down 7500 of the \$5 puts, name with some high-risk debt exposure

**Capital One (COF)** opening sale 5000 June \$35 puts down to \$2.40, follows bull spreads yesterday

**MSCI (MSCI)** with 100 September \$220 puts opening \$17.70

**Fiserv (FISV)** spreads today are buying the May \$90/\$105 call spread and selling the \$75 puts 500X

### Healthcare

**Bristol Myers (BMY)** buyer 1000 April \$56 ITM puts \$3.45

**Immunomedics (IMMU)** buyers of 1000 August \$8 puts for \$1.55 to \$1.90 with shares back near recent lows

**Align (ALGN)** seeing 235 January \$160 puts bought to open this morning \$34.50 to \$35.10

**CVS Health (CVS)** with 2000 May \$62.50 calls bought \$2.30 and the April \$62.5 sold 2000X at \$0.85 in a calendar spread

**Merck (MRK)** buyers of 1,150 October \$77.50 calls today \$4.00 to \$4.15

**Varian Medical (VAR)** buyer of 750 April \$100 puts for \$8.99, rolling down some \$110 puts

**Veeva (VEEV)** options active this afternoon, the June \$170 calls with 1200 trading \$7.50 to open on \$6.50-\$8.80 true bid-ask, so a bit below \$7.75 theoretical midpoint, while 1000 September \$185/\$190 bear call spreads opening as well

**Abbott Labs (ABT)** buyer 2300 January \$75 puts \$10.40 tied to stock

### **Industrials**

**Ford (F)** buyer 10,000 April 24th (W) \$4.50 puts after size May \$6 puts bought yesterday. **F** also seeing 25,000 May \$5 puts open as April adjust

**Boeing (BA)** with the September \$170 calls opening 1400X at \$21 right on the open today

**AerCap (AER)** with 5000 July \$20/\$10 put spreads being bought as an aircraft lease name

**Fortive (FTV)** the June \$60/\$45 bear risk reversal active again today 1800X, spot where 2500 opened yesterday

**BorgWarner (BWA)** buyers of 475 July \$22.50 puts for \$2.70 to \$3.10, acquiring Delphi (DLPH) which likely compounds issues as they focus on a global auto slowdown

**Norfolk Southern (NSC)** some bullish flow with 480 September \$155 calls opening \$9.90 to \$10.20 this morning

**United (UAL)** down 11.2% on day lows with 2200 June \$37 calls bought \$3.15 offer to open

**Union Pacific (UNP)** spreads today are selling the April \$145 calls to buy the \$135/\$125 put spread 1250X, net \$1.85

**Heico (HEI)** buyers of 1300 May \$70 puts up to \$7.60 to open

**United Parcel (UPS)** with 2000 April \$95 calls opening for \$2.28, some April \$100 calls rolling back

**Lockheed Martin (LMT)** spread sells 1000 January \$410 calls to buy the \$300/\$280 put spread for a net credit, tied to long stock

**General Motors (GM)** buyer of 2,150 January 2022 \$20 puts for \$6.34, adjusting down some \$25 puts from 2/11, **GM** also 10,000 April \$16 puts opening here up to \$0.60

**Kansas City Southern (KSU)** buyer 1250 April \$130 calls \$3.05 to \$3.47 versus the \$140 calls

### **Materials**

**US Steel (X)** with 5000 next week \$6.50 calls being bought to open up to \$0.49. **X** short-term chart strong with volume pocket up to \$7.50, potential boost if any headway made for Infrastructure plan

**Barrick (GOLD)** with 4500 May \$17 puts sold to open down to \$0.75

**Masco (MAS)** the April \$41 short puts being bought back to close today, deep underwater, and rolling out to open 12,445 May \$30/\$26 bull risk reversals

**Martin Marietta (MLM)** stock replacement opens 1250 October \$140 puts for \$7.90 this afternoon

### **Tech and Telecom**

**Ring Central (RNG)** with 250 May \$190/\$165 put spreads opening



**Qualcomm (QCOM)** buyer 1000 May \$70 calls \$3.60

**Advanced Micro (AMD)** buyers 3500 October \$42.50 puts \$5.80 to \$5.85

**Alibaba (BABA)** with 1250 May \$160 ITM calls opening today from \$32.75 to \$32.95

**Bill.com (BILL)** with 1000 May \$25 puts sold to open this morning \$1.95 to \$1.90, recent IPO that traded as high as \$60+ in February

**Okta (OKTA)** buyer 1000 August \$95 puts for \$5.10 tied to stock

**Tencent Music (TME)** relative strength name seeing 3000 May \$11/\$12 call spreads bought

**Arista-Net (ANET)** with 600 January \$190 puts bought \$32.05 tied to stock

**Qorvo (QRVO)** buyer 435 August \$60 puts here for \$4

**Uber (UBER)** with 2850 September \$32 calls opening \$2.30+ as stock replacements. **UBER** with 5000 April \$22.50 puts bought \$1.47 to \$1.52

**Wayfair (W)** with 2,000 January 2022 \$80/\$120 call spreads bought for \$6.50. **W** now with 2000 May \$50 straddles opening

**Expedia (EXPE)** buy-write sells 1000 January \$70 calls for \$4.40

**Twitter (TWTR)** buyer 6000 April \$24 straddles

**T-Mobile (TMUS)** with 1000 January 2022 \$120 calls sold to open today from \$5.75 to \$5.40

**IBM** trade sells 1000 January 2021 \$130 calls and buys Jan. 2022 \$130 calls 1000X at \$2.20

**Lam Research (LRCX)** with 550 September \$170 puts opening up to \$13.65 this afternoon

**Coupa (COUP)** sweep buyer 900 May \$135 puts \$15 to \$15.30, and quickly rising to 1700X

**MACOM Tech (MTSI)** with 2000 May \$15 puts opening for \$0.95 and still has 3000 April \$15 puts in OI from buyers recently

### Utility

**Duke Energy (DUK)** with 600 October \$85 calls bought \$4 to \$4.30

**Dominion Energy (D)** with 500 May \$65 puts sold to open this afternoon for \$3.80 to \$3.60

**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.*

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