

OptionsHawk

OPTIONS HAWK DAILY MARKET 4/13/2020

Sector Leaders

Gold Miners

Retail

Semi's

Stock Gainers

CTSO 22.5%

PSTI 19%

CEMI 18.2%

MNOV 17%

DOMO 13.5%

TCRR 11%

CVNA 10.7%

Volatility Gainers

- AMC
- SM
- BCRX
- AAL
- TUP
- OI

High Call Volume

- OI
- IPG
- GD
- DOMO
- NXST
- BSX

Bullish Options

- AMGN
- NEWT
- EBAY
- TSLA
- AMZN
- BMY
- FUN
- ACM
- CRM
- FEYE
- FB

Sector Laggards

Housing

Banks

Tech

Stock Losers

SABR -22%

EXPR -17%

MDP -16%

CYH -15.5%

CCS -15%

RCL -14.2%

FOXF -13.5%

Volatility Losers

- NYMT
- SLB
- UBER
- ET
- HAL
- PSTI

High Put Volume

- SYF
- HTHT
- SABR
- H
- SYY
- EPD

Bearish Options

- RCL
- CAKE
- DAL
- HOG
- EXPE
- SDC
- SYY
- SYF
- COF
-

Market Review: Stocks opened the week modestly lower recovering some into the open following the Holiday weekend, Oil near flat after the OPEC production cut, and markets now weighing when the economy will re-open, and the potential health crisis continuing. Markets sold off throughout the morning with Gold and Bonds showing some strength with signs of a risk-off move while Semiconductors held up well in Tech. Financials, Housing, Industrials and Aerospace were among the groups sold off the hardest. The schedule is light tomorrow for economic data and will start to focus on commentary coming out of the early earnings season reports. The S&P has pulled off its major volume node resistance and 50% retracement but remains above the 8 day MA with bulls in control of short-term momentum within a bearish intermediate trend.

S&P Chart:



Resistance	Support
2,800	2,650
2,890	2,500
3,020	2,450

Options Action Trends: In early action there was notable closing of bullish trades across a variety of names. We also saw large opening June call sales in Banks **MS/WFC**. We also then saw large opening call sales in Industrials like **UNP/GD**. There was bullish positioning in Internet large caps **AMZN, NFLX, BABA** and **FB**.

What's On Tap: Import/Export Prices and Fed Speakers.

Trade Tracker Portfolio Changes:

- 1) No Changes



Unusual Buyer of American Water Calls

Ticker/Price: AWK (\$131.75)

Analysis:

American Water Works (AWK) with unusual 850 September \$155 calls opening on the day aggressively at \$2.65 to \$3.30, a name with scattered call open interest buys throughout September strikes but nothing too large previously. AWK shares corrected in March to retest a key top from 2017 that acted as support and shares have bounced strongly, back above all key moving averages and just ten points off new highs. The \$23.55B leading water and wastewater utility continues to trade at a premium valuation of 17X EV/EBITDA, 29.6X Earnings and 3.7X Book while offering just a 1.6% dividend yield. AWK is seeing the top-line grow steadily near 5% while EPS seen rising 6.7% in FY20 and 10% in FY21. The company is well capitalized with Debt to EBITDA at 5X but a 4.7X EBITDA/Interest ratio and unlikely to see much disruption from COVID-19. AWK is one of the fastest growing Utilities in the US and intends to invest over \$20B in capital the next ten years for water quality and infrastructure. It also plans to continue acquisitions in a fragmented national water and wastewater landscape. It also has a 7-8% rate base CAGR. Analysts have an average target of \$135 and short interest low at 2.3% of the float. AWK's CEO retired effective 4/1/2020. On 2/20 RW Baird raised its target to \$139 as the company continues to execute on its growth strategy. UBS cut shares to Neutral in early February but with a \$148 target noting it still has best-in-class characteristics. Hedge Fund ownership rose 1.1% in Q4 filings, Pictet Asset Mgmt. and Impax Asset Mgmt. top concentrated holders.

Hawk Vision:



Hawk's Perspective: AWK is a high quality play in Utility and always prefer the Water/Alternative niche plays, not much of an options momentum play, but a quality own.

Confidence Ranking: \$\$



Bullish Positioning in PPG Despite Headwinds

Ticker/Price: PPG (\$97)

Analysis:

PPG Industries (PPG) on 4/9 with 750 May \$100/\$115 call spreads opening which followed a 3/31 trade that opened 2800 August \$95/\$70 bull risk reversals at small debts. PPG also has 2500 April \$105 short puts sitting in open interest while 2700 bearish May \$110 puts bought in October continue to hold in OI. The \$22B coating company trades 17.9X trailing earnings, 13.7X FY19 EV/EBITDA, and 18.45X FCF with a 2.2% dividend yield and 6.9% FCF yield. PPG does carry debt with DEBT/EBITDA at 1.95X, but healthy with a 1.4X current ratio and EBITDA/Interest ratio at 23.3X. It has less than \$2B obligations through 2024. PPG is a leader across its main markets of consumer products, construction, industrial, and transportation. PPG has been active over the years with acquisitions and could still have interest in Axalta (AXTA) as the industry continues to consolidate. PPG will likely face headwinds from the slowdown in production for Auto/Aero but does have strong after-market businesses. Analysts have an average target of \$113 and short interest down 32% Q/Q to just 1.7% of the float. JP Morgan cautious lowering its target to \$80 from \$121 on sharply contracting demand in the recessionary environment but does see positives for cash flow due to lower inventory and raw material costs as Oil has moved lower. SunTrust on 3/31 lowering its target to \$92 from \$127 and sees longer term upside from economic stimulus efforts and higher margins. Hedge Fund ownership fell 1.1% in Q4 filings, Aristotle adding to its concentrated large position. PPG shares tested and held a major volume node on the March lows and since have recovered with resistance likely near the \$105 level.

Hawk Vision:



Hawk's Perspective: PPG does not look great from a fundamental perspective though could easily move back to \$115 over the next few weeks. SHW is the preferred coatings play.

Confidence Ranking: \$\$



Harley Davidson Puts Accumulate on Business Woes

Ticker/Price: HOG (\$21.10)

Analysis:

Harley Davidson (HOG) shares rallied 12% on Friday in a short-squeeze tape and the May \$20 puts active all day with more than 4000X bought, the May \$17 puts with 2700X bought, and late day November \$21 puts were bought 500X. HOG shares have been in a downtrend for years as business conditions have been poor and is not in a position of strength into a recessionary environment. Shares could easily make a move back to 2009 levels below \$10. HOG is trading 15.6X FY19 EV/EBITDA and 7.1X trailing earnings with an 8% dividend yield that may need to be suspended or lowered. HOG's debt obligations is the major concern, a Debt/EBITDA ratio of 9.5X, Operating Cash Flow Coverage ratio of 0.26X, and \$1.45B obligations due in 2020. HOG has been trying to build the next generation of riders but its efforts to this point have fallen short as delivery numbers have been weak. Analysts have an average target of \$30 and short interest has fallen back to 9% of the float. Argus downgraded shares to Hold on 4/6 with the company closing stores and stopping production, an update on liquidity expected on 4/28 with earnings. HOG is also in the middle of a CEO change and the COO announced departure on 3/30. RBC cut to Underperform on 3/16 with a \$17 target, down from \$36, seeing uncertain demand exacerbating the company's structural challenges. Hedge Fund ownership rose 7% in Q4 filings.

Hawk Vision:



Hawk's Perspective: HOG is a complete mess and think trading it short versus \$23 stop gives a nice reward/risk with downside to \$9.

Confidence Ranking: \$\$



Waste Management Bullish Positions as Recession Proof Business

Ticker/Price: WM (\$99.85)

Analysis:

Waste Management (WM) with buyers on Friday of 785 October \$105 calls for around \$7.00 and follows 1,000 October \$65 puts sold to open earlier in the week. WM has been popular with short puts including the July \$120 and \$115 strikes from Feb/March that are underwater. Shares pulled back to the 200-week MA and basing over the last month. Friday's close put shares back above their 20-day MA and above \$104 has room to run back to \$115 and a high-volume node from early March. VWAP from the February highs is at \$103 and YTD VWAP is above at \$107.25. The \$42.4B company trades 22X earnings and 2.7X sales with a 2% yield. They have over \$3.5B in cash on hand, strong FCF, a Current Ratio of 2X and Net Debt/ EBITDA of 2.3X. Waste collection is likely one of the more resilient areas given their focus on long-term contracts and WM has been operating without disruption as collection deemed an essential service. They likely see some commercial volumes dip due to closures they'll be offset by higher volumes in healthcare waste solutions while residential also likely higher-than-normal as people shelter-in-place. Also, WM is more landfill-forward than peers and 'special waste' is 30% of landfill volumes while their exposure to energy is only around 1%, less than others. WM is waiting for the closure of their deal for ADSW and now pushed out to mid-to-late Q2. They anticipate DOJ approval soon. Analysts have an average target for shares of \$122. RBC downgrading to Neutral on 4-9 as they think COVID-19 will have an impact on commercial and industrial volumes, with residential experiencing a slight benefit. BMO positive on 3-31 as waste companies may be better positioned than other businesses to withstand the downturn and WM a standout given the company's strong balance sheet and free cash flow generation providing "more than adequate protection." UBS upgrading to Buy on 3-4 citing the companies' free cash flow yield spread relative to the 10-year Treasury rate. OpCo upgrading to Buy on 2-28 behind pricing discipline, margin resiliency, healthy free cash flow generation and opportunistic M&A. Short interest is 0.9%. Hedge fund ownership fell 4%. Valinor a buyer of 550k shares, a new 4% position.

Hawk Vision:



Hawk's Perspective: WM triggered a breakout of its base last week and remains a very strong business and one of the safer names to own longer term.

Confidence Ranking: \$\$



Large Put Buyer in Sysco into Rebound

Ticker/Price: SYY (\$47)

Analysis:

Sysco (SYY) with buyers of more than 5,650 May \$40 puts this morning up to \$2.70 to open and follows buyers recently of more than 2800 August \$40 puts as well. SYY does have 1000 May \$50 calls in OI and had some short puts open in late March but most have closed and are no longer in OI. Shares were showing relative weakness before COVID-19 having peaked in December and have rebounded to the 38.2% Fibonacci of the move lower at \$50. SYY is also struggling to move past the VWAP from 2/3 earnings move lower. A move under \$42.50 has pressure back to \$30. The \$25.29B company trades 14X earnings, 0.42X sales, and 48X cash with a 3.6% yield. They have a levered balance sheet with Net Debt/EBITDA at 2.6X and a Current Ratio of 1.2X, largely due to a string of M&A deals over the last decade. SYY has clear headwinds in the current environment with their ties to foodservice, especially restaurants, which likely remain shuttered for another four-to-six weeks. They recently pulled their 3-year growth plan as it relied heavily on acquisitions (nine alone in the last two years), customer-facing investments and technology, and expansion Internationally where they've underperformed. SYY likely continues to see pressure on guidance and earnings as the recovery and re-opening of the global economy expected to be more gradual than many expect, especially in social settings. Analysts have an average target for shares of \$73. Jefferies positive on 3-26 longer-term seeing shares gains as COVID-19 is contained and lives return to normal. They note new CEO has articulated a strong desire to aggressively seek out new opportunities. Argus downgrading to Hold on 3-21 citing headwinds from restaurant closures, integrating recent deals in Europe, and Brexit. Short interest is 2%. Hedge fund ownership fell 4% in Q4. Eminence Capital selling their entire 1.3M share position while Trian Fund remains a top holder with 23.6M shares.

Hawk Vision:



Hawk's Perspective: SYY looks to be set for an extended period of weakness, and a move below the trend off lows and 21 MA at \$42 would likely start a new leg lower.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Semiconductor (SMH) large opening buy 7000 January \$145 OTM calls up to \$7.10

Russell (IWM) more bullish risk reversals opening today with 18,000 September \$120 puts being sold and 10,000 of the \$140 calls being bought. **IWM** also a buy-write sells 6500 December \$140 calls \$5.17

S&P (SPY) with 18,000 June 30th (Q) \$241 puts opening around \$9.20 to \$9.45 today

NASDAQ (QQQ) buyer 2000 May 22nd (W) \$199 puts at \$10 earlier today, and this afternoon June \$177 puts opening \$5.575

Gold (GLD) seller of 6000 January \$166 calls for \$12.80 in a buy-write today

Gold Miner (GDX) spread buys 30,000 September \$140 calls near \$1.63 and sells 20,000 of the July \$45 calls \$0.52

Consumer Discretionary/Services

Royal Caribbean (RCL) weak open and 1000 each of the May 1st (W) \$41 and \$40 puts opening

Cheesecake Factory (CAKE) with 795 July \$12.50 puts bought up to \$1.45

Yum China (YUMC) with 825 July \$45 calls opening this morning between \$4.00 and \$4.30, although smaller retail-sized lots

Canada Goose (GOOS) with 1700 May \$22.50 calls bought \$1.15 to \$1.30

Cedar Fair (FUN), amusement park operator, with 1000 May \$25 calls opening \$1.45 to \$1.48

Target (TGT) with 20,000 June \$120 calls sold to open \$1.63, popular strategy today

Six Flags (SIX) with 600 May \$15 calls bought for \$2.05, similar to **FUN**

NY Times (NYT) the May \$31 calls being bought 950X today up to \$2.69, shares basing in a multi-week range under the 200-MA at \$32.25

Disney (DIS) with over 9,750 June \$125 calls sold to open down to \$1.32

Tractor Supply (TSCO) opening sellers of 1300 October \$65 puts at \$3.20

Wynn (WYNN) opening seller 1000 May \$72.50 calls for \$7

Charter (CHTR) strong name today and likely to benefit from broadband usage seeing 500 May \$475 calls open \$24 to \$25

Children's Place (PLCE) trader closing the May 1st (W) \$24 calls 1250X and opening spread that buys the May 8th (W) \$26 calls for \$2.80 and sells the May 22nd (W) \$20 puts for \$1.81

Consumer Goods

Core-Mark (CORE) buyers of 400 May \$30 calls up to \$2.50 today, name that trades around 5 calls per day on average. The \$1.35B company is a food distributor to convenience stores and has held up well, back above its 200-MA on Friday. They have earnings on 5-8.

Wal-Mart (WMT) with 1750 September \$125 calls sold to open \$8.45, likely writing versus stock holding

Pepsi (PEP) with 5,000 May \$140 calls sold to open today down to \$1.51

Herbalife (HLF) another 2900 May \$35 puts trading today up to \$5.90, looks to be adding to the more than 7,000 in OI

WW (WW) with 3,000 July \$30 calls sold to buy the \$17.50/\$12.50 put spread for a small debit

Energy

Energy Transfer (ET) with 35,000 May 8th (W) \$6 calls opening \$0.50 to \$0.52, adjusting the April \$5.50 calls from early April

Enterprise (EPD) buyer 6000 May \$16/\$14 put spreads

Cimarex (XEC) with 2,500 September \$22.50/\$30 call spreads bought for \$1.85

Halliburton (HAL) with 5000 January \$7.50 puts sold to open \$2.17

Financials

Newtek (NEWT) unusual activity early with 975 September \$20 calls bought \$0.95 to \$1.20 to open and now bid at \$1.30. **NEWT** has a market cap of \$312M and trades 7.4X trailing earnings though a levered balance sheet. **NEWT** is a business development company providing financial and business services to small and medium sized businesses as well as investing in early stage businesses. The CEO has actively been buying shares through March.

Morgan Stanley (MS) with 10,000 June \$50 calls sold to open down to \$0.50 with shares just below the 50-MA

Wells Fargo (WFC) with 20,000 June \$40 calls sold to open \$0.47, similar to the **MS** trade. **Citi (C)** with 10,000 June \$60 calls sold as well. **WFC** buyer 4000 July \$32.50 straddles, **C** moving off lows with 11,000 Apr \$49 calls active in size lots

JP Morgan (JPM) opening sale 2000 May \$90 puts for \$3.25 into earnings this week

Bank of America (BAC) stock replacement buys 5,500 December \$26 calls for \$2.60 ahead of earnings this week

Synchrony (SYF) buyer 6000 January 2022 \$10 puts for \$2.15 as April \$16 puts sell to open 3000X at \$0.55

Square (SQ) with 2,000 June 2020 \$40 puts opening for \$5.75 tied to stock

Invesco Mortgage (IVR) with 3,000 July \$5 calls sold to open \$1.10

Chimera (CIM) opening seller 2100 June \$7 puts for \$1.23

Capital One (COF) seeing 1385 Apr. 24th (W) \$55 puts open today. **COF** also 500 January \$55 puts opening \$10.75 to \$11

Grupo Financiero (GGAL) buyer of 2,250 May \$7.50 calls for \$0.60/\$0.70

Healthcare

Amgen (AMGN) early action with 900 Apr. 24th (W) \$220 calls opening near \$5.60. **AMGN** bull flag on hourly, watch break above 218.25 with 1075 next week \$220 calls active early

Axsome (AXSM) with 2000 May \$62.5/\$80 bear call spreads opening at \$2.70 credit

Boston Scientific (BSX) with 630 January 2022 \$33 ITM calls opening \$8.80 to \$9

Iovance (IOVA) remaining coiled and 1000 May \$35 calls opening \$3.10 as the April \$30 adjust. **IOVA** May \$35 calls up to 3000X with some more adjustments

Bristol Myers (BMY) opening seller 3000 October \$60 puts for \$6 ITM

Smile Direct (SDC) with 4500 May 1st (W) \$4 puts bought this morning from \$0.60/\$0.70, looking to capture earnings and shares near a breakdown

Invitae (NVTA) with 1,000 June 2022 \$22.50 calls opening today for \$3.60, adjusting some January calls, some far OTM June 2022 \$40 calls bought last week

Zoetis (ZTS) with 350 July \$125 puts opening \$10.60 to \$10.70

Catasys (CATS) unusual 950 November \$22.50 calls opening \$4.50 to \$4.60 with shares strong

Abbott (ABT) April \$83/\$79 put ratio spreads opening 4000X8000 into earnings 4-16

Biohaven (BHVN) with 400 July \$30 calls bought today \$7.50 to \$7.80

CVS Health (CVS) clean multi-week basing pattern seeing 1700 June \$57.5 calls open \$4.70 in a stock replacement

Adverum (ADVM) with 950 January \$10 puts bought today \$2.75 to \$2.80, tied to stock ahead of their Phase 1 update in wet-AMD on 5/4

NuVasive (NUVA) unusual buy 325 upside May \$60 calls \$4 to \$4.50, well above theoretical value

Industrials

Harley Davidson (HOG) with 500 November \$16 puts bought \$3.12 to open this morning. **HOG** another 1500 May \$20 puts bought up to \$2.64, spot with 4000 in OI from Friday

Tesla (TSLA) buyers this morning of 1270 Apr. 24th (W) \$680 calls up to \$10.65

Union Pacific (UNP) with 12,000 June \$165 calls sold to open \$2.96. **UNP** aggressive buyer 400 next week \$145 calls at \$7.10 offer, earnings 4-23

Waste Management (WM) with 500 October \$75 puts sold to open for \$2.95 to \$2.75, follows the call activity on Friday

General Dynamics (GD) with 10,000 May \$155 calls sold to open for \$1.20

Aecom (ACM) with 5000 May \$35/\$27.5 bull risk reversals opening \$0.70 debit, name with M&A discussions earlier this year and potential beneficiary of an Infrastructure bill

DR Horton (DHI) buyer 500 January \$45 calls \$5.10 to \$5.15

Fiat (FCAU) buyer 2000 June \$7 calls \$1.65 after January call spreads in size last week

Honeywell (HON) with 10,000 June \$165 calls sold to open \$1.57

Materials

Teck (TECK) with 1000 May \$7 calls opening \$1.30

Barrick (GOLD) with 1000 May \$23 puts sold to open for \$1.77 to \$1.74. **GOLD** over 1800 May \$25 calls also bought today up to \$1.05

Kraton (KRA) with 1240 July \$12.50 calls bought up to \$1.10 and follows buyers in the \$10 calls last week

Franco Nevada (FNV) just below new 1-year highs and today 500 October \$130 calls bought for \$11

Tech and Telecom

Analog Devices (ADI) with 6,000 May \$110 calls sold for \$1.60 to \$1.53, likely overwrite and common in the name

Broadcom (AVGO) opening sale 2500 May \$280 calls \$5.05

Expedia (EXPE) buyers of 2900 October \$25 puts aggressively to open \$2.15 to \$2.25 with shares at \$60

Amazon (AMZN) with 1000 July \$2000 calls opening for \$20M, the \$1900 calls adjusting. **AMZN** January 2021 \$3000 far OTM calls with 1650X being bought to open this morning. **AMZN** now seeing 700 May \$2030 calls roll to June \$2150 calls and July rolls up over 2300X

Verizon (VZ) with 20,000 May \$60 calls sold to open \$0.60 to \$0.58 as large cap call sales very popular all session

Salesforce (CRM) the August \$135 calls opening 12,000X today for \$26.02 as the May \$155 calls from early January roll out

Fire-Eye (FEYE) with 3000 June \$11 calls opening \$1.14 as April \$10.50 adjust

Palo Alto (PANW) upgraded this morning seeing 200 September \$180 calls open \$20.80. **PANW** now with a buyer of 1000 June \$190 calls to open \$10.25

American Tower (AMT) with 440 July \$280 calls bought today \$8.20

Facebook (FB) unusual upside calls bought today with 12,000 January 2022 \$350 calls \$1.39 to \$1.45 opening, strike is more than 100% from spot. FB a \$500B company trading 9X cash with no debt.

Netflix (NFLX) with over 1000 November \$560 OTM calls active with buyers this morning

Alibaba (BABA) with 15,000 February 2021 \$250/\$290 call spreads bought for \$3.73 seeing long-term upside in the name trading around \$200. **BABA** sale 1500 Sep \$235 calls to open \$3.20

Pinduoduo (PDD) opening sale 1000 May \$40 puts \$1.85, name that holds up well

Fortinet (FTNT) with 1000 September \$75 puts sold to open \$3.80 to \$3.70

TI (TXN) seeing 1550 May 22nd (W) \$110 puts opening \$8.46 as April puts adjust. **TXN** also with 500 September \$95 puts bought \$7.60+

Smart-Sheet (SMAR) opening seller of 200 ITM November \$50 puts for \$11.70

Utility

Dominion Energy (D) with 10,000 July \$90 calls sold to open from \$2.05 to \$1.96

Duke Energy (DUK) similar to **D** seeing 10,000 June \$100 calls sold for \$1.01, likely stock overwrite into strength

Sempra (SRE) another Utility with opening call sales, the May \$145 for near 10,000X at \$1.05

Next-Era Partners (NEP) with 1500 October \$45 calls opening \$5.20, name seen a good amount of call buys and working out of narrow range to start the week

Disclaimer:

Not Investment Advice or Recommendation

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