

OptionsHawk

OPTIONS HAWK DAILY MARKET 4/14/2020

Sector Leaders

Solar

Software

Semi's

Stock Gainers

SPCE 17.5%

YETI 16.5%

RGS 15%

INSG 14.25%

IOVA 14%

FUN 12%

MDGL 11.5%

Volatility Gainers

- GME
- GSX
- ADT
- UPS
- OR
- MLNX

High Call Volume

- OR
- APTV
- GDS
- CIM
- LLNW
- VKTX

Bullish Options

- FSLR
- CCJ
- GDS
- OR
- AMZN
- LULU
- SE
- EXPE
- AMD
- PDD
- GLUU

Sector Laggards

Energy

Banks

Bonds

Stock Losers

AUDC -14%

XENT -13%

MSB -12%

PLAY -9.5%

SM -9.4%

CTSO -8%

ORA -8%

Volatility Losers

- CHK
- SM
- F
- I
- AMC
- APA

High Put Volume

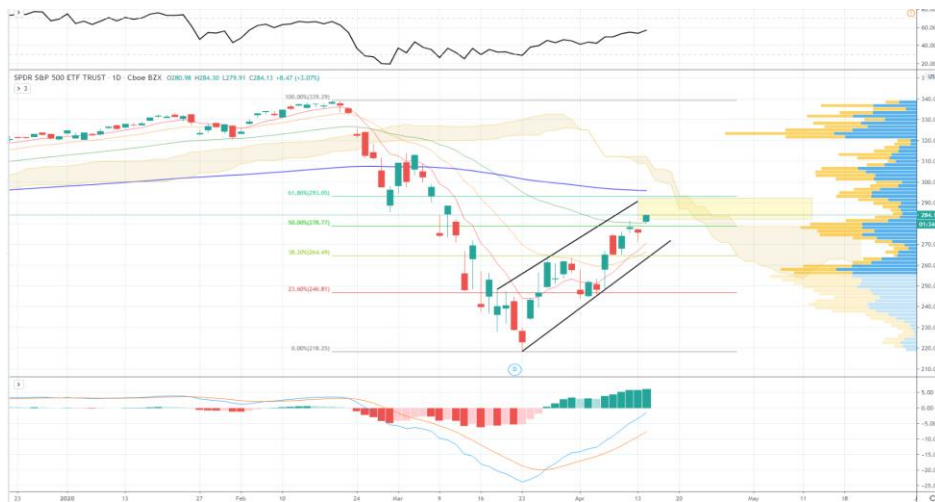
- RUTH
- IPG
- LCI
- NYT
- ADT
- HTHT

Bearish Options

- GT
- DE
- GME
- BIIB
- PENN
- MS
- BA
- M
- WB
- MGM
-

Market Review: Stocks were higher overnight and into the open with talks of soft re-opening of economies though Asian countries showing second waves and lack of immunity developing is a concern for any real hope of getting over the crisis any time soon. Earnings season kicked off with a solid report from J&J while JP Morgan showing the sharply worsening conditions in the US economy. The IMF slashed its global growth forecasts seeing the likelihood of a very bad recession in 2020 but rebounding with 5.8% growth in 2021. The President continued to push forward the narrative that he will decide when to re-open the economy which seems to be the market focus right now. We had a strong open but breadth started to fade after the opening hour. We bounced mid-morning and make a move back to new highs for the session around 2pm before stalling out and consolidating in a narrow range. The 50-MA just above in focus now at 2,882. Tech lead strength with strong moves across Software and Semiconductors while Energy & banks returned to being laggards. Some weakness in credit card names like AmEx, Capital One, and Discover with Wells Fargo's comments on slowing trends.

S&P Chart:



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

Options Action Trends: Activity was very quiet into the strong open without a lot of high impact directional trading with markets overbought. Call sales were popular in financials with action across **WFC, HBAN,** and **MS.**

What's On Tap: Mortgage Applications, Retail Sales, Industrial Production, Business Inventories and Fed Beige Book. Earnings from **UNH, BAC, ASML, C, GS, SCHW, PNC.**

Trade Tracker Portfolio Changes:

- 1) No Changes



Bullish Positioning in STAAR Surgical

Ticker/Price: STAA (\$35.1)

Analysis:

STAAR Surgical (STAA) with 1570 June \$37 calls unusually active on 4/13 with buyers at \$2 to \$2.10. STAA still has 3000 June \$40/\$25 collars in open interest tied to long stock and 3000 September \$50/\$34 bull risk reversals that opened on 1/15. STAA came out with strong guidance for Q1 on 4/13 but withdrew FY20 guidance like many companies as it has suspended production due to the pandemic. STAA has put in a triple bottom on the weekly chart near the \$23 level and has rebounded nicely, needing to clear \$37 for an implied move to \$51. STAA is currently trading 66X Earnings and 10X Sales with a debt-free balance sheet. STAA has been a disruptor in the vision correction industry and the company continues to invest in R&D. Gross Margins have steadily risen to near 75% and operating margins inflected positive in 2018 and hit 8.5% in 2019. The company is forecasting 25% revenue CAGR through 2022 and 35% ICL unit growth CAGR with continued profitability improvements, cash flow generation and a strengthening balance sheet. Refractive Surgery is the future and quickly replacing LASIK and STAA is targeting two large markets in Myopia and Presbyopia. The number of cases of each is quickly rising and the Refractive market TAM seen at \$6B which compares to a \$16B Contact Lens market and \$48B Eyeglass market. ICL has just a 1% market share in the US compared to 23% in Japan and 14% in China. Today, refractive surgery really encompasses about 4 million eye procedures, but the opportunity is far greater. There are 35 million myopes who really pass all of the criteria in terms of interest, age, ability to pay, demographics, and even more in presbyopia. There are over 55 million presbyopes. So STAAR has a huge opportunity with this wave to lens-based technology. Analysts have an average target on shares of \$46 and short interest at 6% of the float is down 30% Q/Q. STAA has not seen any recent analyst coverage, BTIG calling it a top pick for 2020 expecting upside to growth targets with increased penetration of existing markets, entry into new markets, new products and new indications. Hedge Fund ownership rose 1.3% in Q4 filings.

Hawk Vision:



Hawk's Perspective: STAA is one of my favorite small cap growth med-tech names, and certainly to see some near-term headwinds, but current pattern targets a move to \$44.

Confidence Ranking: \$\$



Palo Alto Bulls See Resurgence in Shares

Ticker/Price: PANW (\$183)

Analysis:

Palo Alto Networks (PANW) with two bullish trades on 4/13 as 200 September \$180 calls opened above \$20 and 1000 of the June \$190 calls opened for \$10.25. PANW has 2000 April \$180 calls in open interest that bought on 4/6 and 3000 June \$200 calls that opened in a buy-write on 3/6. PANW shares are down 23% YTD but have rebounded the last month with \$200 likely resistance followed by the 200 MA at \$214. The \$17.55B network security leader trades 31X Earnings, 19.7X FCF and 5X EV/Sales with a lot of cash on the balance sheet to manage through tougher times. PANW has been active with bolt-on acquisitions and announced a \$420M deal for CloudGenix recently that accelerates its efforts to integrate SD-WAN with Prisma Access and closes a competitive gap. PANW remains a long-term leader in the cloud security market which is seen with a 21.2% CAGR through 2022. PANW has transitioned to a multi-platform company, 3 different platforms, one around cloud security, one around enterprise security, and one around AI and ML deployed to cybersecurity. Prisma for cloud security, Cortex for endpoint and SOAR and then Strata for core firewall. It sees a \$72.6B TAM for 2022. Palo Alto with a sizable insider buy on 11-27 from CEO Nikesh Arora of 25,000 shares at \$221.54, a greater than \$5.5M buy. Arora joined PANW in 2018 after spent 14 years at Google in a business development role before moving on to Softbank where he was considered Masa Son's successor. On 3/4 a Director bought around \$3M in stock in the \$179.75 to \$188.60 range. Analysts have an average target of \$212.50 and short interest at 6% of the float has nearly doubled over the last quarter. Rosenblatt upgraded shares to Buy with a \$225 target on 4/13 seeing it benefitting from the work-from-home trend with recent positive industry checks and seeing upside from its VPN solution. It notes "Overall, we believe that the company has the right vision and product strategy to be one of the best-positioned vendors in an increasingly complex hybrid environment, which is the reality today. With the company likely seeing incremental business from COVID-19 over the next few years, we have higher confidence that it can meet its 3-year plan that calls for 20% billings and revenue growth." Deutsche Bank noted the uptick in Firewall demand due to remote access increasing though sees the prospect of deal delays, and cut its target to \$180 on 4/1. Stifel out positive 3/31 on the latest M&A deal and has a Buy rating with a \$280 target, and sees this as another step in Palo's increasingly aggressive efforts in evolving its solution stack away from traditional appliances toward more flexible and scalable cloud-delivered solutions. Hedge Fund ownership rose 1.7% in Q4 filings, Cadian Capital and Hound Partners reducing concentrated stakes but still large holders, while Farallon added to its position, and Alyeska and Highline started new concentrated positions.

Hawk Vision:



Hawk's Perspective: PANW looks like it held the lower end of a monthly channel pattern, and though the name has experienced some missteps I think it is still a leader in a strong industry and like owning the name.

Confidence Ranking: \$\$



Unusual Call Buying in NuVasive

Ticker/Price: NUVA (\$55.35)

Analysis:

Nuvasive (NUVA) yesterday with 325 May \$60 calls bought aggressively for \$4.50 and name with bullish open interest including 1,800 December \$60 calls from 3/27 bought for more than \$900k. NUVA has 600 April \$55 calls expiring this week and some small June \$50 calls in OI from buyers in early March. Shares have rallied nearly 100% off the March lows and now back at 2020 VWAP around \$58 as well as above the 50% retracement of the yearly range. NUVA has a small volume gap here back to \$64 and the 200-MA. Longer-term, shares held the 61.8% Fibonacci of the big bull run from 2012 to 2020. The \$2.88B med-tech company trades 19.82X earnings and 2.45X sales with minimal debt and a Current Ratio of 3.7X. NUVA produces minimally invasive surgical products for spinal surgery with a focus on fusion applications. The company is coming off a strong quarter with 10% growth in hardware sales led by adoption of their X360 system. NUVA has been developing a robotic surgery application, Pulse, which has had its commercial launch pushed back again with first-in-person tests expected by year-end. The FDA cleared the platform in July. CEO Chris Barry said in March that delay could have positive long-term effects as a slow, smooth release is better than rushing the system out. Analysts have an average target for shares of \$73.25. Baird upgrading to Buy on 4-8 expecting the company will likely make internal progress with Pulse Robotic development efforts which will narrow the lead on competitors. CSFB with a \$74 PT citing new product launches and solid overall execution. Short interest is 7%. Hedge fund ownership rose marginally in Q4. Anchor Capital and Hood River notable owners.

Hawk Vision:



Hawk's Perspective: NUVA is a favorite small med-tech M&A target in my view but also tough to buy after this sharp rally knowing elective procedures are being delayed and trading near 20X earnings.

Confidence Ranking: \$\$



Herbalife Puts Accumulate into Q1 Update

Ticker/Price: HLF \$31.85

Analysis:

Herbalife (HLF) relative weakness today after rebounding to the declining 50-MA and the May \$35 put open interest rising again today to over 10,000X as buyers continue to add in size up to \$5.90. HLF has seen bearish flow accumulate over the last two months including action recently in the May \$30 puts, January 2022 \$17.50 puts, and August \$25 puts. The recent bear pennant back up to the \$31.75 level and just shy of the 50% retracement has support around \$30 and a breakdown targets a return back to the lows around \$22.50. MACD is back around zero and momentum waning a bit in the short-term. The \$4.77B company trades 9.37X earnings, 1X sales, and 13.5X FCF. HLF hasn't updated guidance since February earnings and still expecting mid-single digit revenue growth in FY21, albeit likely optimistic given the shutdowns in the US and abroad. HLF likely sees near-term pressure from the spread of coronavirus in both the US and China as their business model is reliant on both person-to-person sales as well as the financial strength of their individual network which may see a setback. HLF also likely faces headwinds during Chinese New Year which is one of their strongest seasonal periods. HLF has been ramping investments in China as they expand their plant square footage and potential supply disruptions in Hunan in focus. Analysts have an average target for shares of \$34. HLF hasn't had a lot of recent analyst coverage. Short interest is 3.2%. Hedge fund ownership fell 4% in Q4. Lone Pine a buyer of 1.7M shares while Carl Icahn remains the top holder with 35M shares.

Hawk Vision:



Hawk's Perspective: We haven't seen updates from either of the big MLM plays in China (USNA or HLF) and have to imagine given the nature of their businesses they'll see sharp slowdowns in Q1. I think HLF under \$30 is a nice short opportunity vs that declining 50-MA but given the overall market strength, patience on the signal key.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

NASDAQ (QQQ) block of 10,000 June 30th (Q) \$230 calls opens \$3.40 in stock replacement. **QQQ** with 4000 June \$208 puts bought \$11.35 to \$11.42 to open with NASDAQ historically extended/overbought near-term

S&P (SPY) May \$268 puts active with opening buys into early strength with 8250X trading. **SPY** also seeing bullish action with 5000 July \$303 calls bought to open early up to \$7

Consumer Discretionary (XLY) the May \$107/\$92 put spread bought 7500X today for \$3.15, adjusting some April puts. XLY top holdings include AMZN at more than 23% (earnings 4/23) and then HD, MCD, NKE, SBUX, LOW and TJX

Consumer Discretionary/Services

Ross Stores (ROST) the November \$85/\$125 call spreads active today 325X650 for \$11.20 debit

Croc's (CROX) with 400 June \$20 calls opening \$4 to \$4.30

Wynn (WYNN) buy-write sold 900 September \$87.50 calls \$9.01

Lululemon (LULU) with 1,000 May 8th (W) \$200 calls opening \$13.30 to \$14.00 today as shares consolidate below the 200-day

GameStop (GME) with 5000 July \$6 ITM puts opening \$2.20+

Macy's (M) with 5,000 November \$6 puts bought this morning \$1.80 to \$1.82

Glu Mobile (GLUU) with 3,000 June \$6 calls bought today for \$1.36 to \$1.41, spread with 1,000 of the \$9 and \$10 calls; **GLUU** still has 6,000 June \$7 calls in OI from buyers in February

Eldorado (ERI) buyer of 2,000 May \$22.50 calls for \$2, adjusting some April \$17.50 calls

Dicks Sporting Goods (DKS) the May 22nd (W) \$25 puts bought 2,000X up to \$2.50. **DKS** also with 1000 May \$24 puts bought today around \$1.80/\$1.85. **DKS** also with 1000 May 22nd (W) \$27 puts bought up to \$3.40

Planet Fitness (PLNT) with 6,500 May \$60 calls sold to open for \$4.50

MGM with 10,000 May \$8 puts bought for \$0.25

TJX Co (TJX) with 1,000 Jan. 2022 \$47.50 puts sold to open for \$8.60. **TJX** the Jan. 2022 \$50 puts also sold \$9.90 to \$9.80

Stitch Fix (SFIX) with near 500 January \$13 calls bought today \$4.60 to \$5.05, big gap above back to \$20/\$21

Darden (DRI) the January 2022 \$60/\$100 call spread bought 900X today for \$12.70

Consumer Goods

Peloton (PTON) with 5500 July \$45 calls sold to open \$1.08

Kraft (KHC) buyer 3000 April \$29 calls \$0.32

McDonalds (MCD) with 1200 May \$185 straddles opening into earnings next week for \$17.85

Blue Apron (APRN) with 2,375 May \$10 calls opening between \$3.40 and \$3.50, the April calls rolling

Sysco (SYY) the May \$35 puts bought \$1.15 to \$1.30 to open today, a lot of bearish flows recently and profiled yesterday

Energy

First Solar (FSLR) with 1,000 May \$42.50 calls bought \$3.20 to \$3.35

Plug Power (PLUG) buyers opening near 4,000 May \$4 calls up to \$0.70

Conoco (COP) with 500 ITM June \$30 calls opening \$6.30 to \$6.50

Vivint Solar (VSLR) seeing 5,000 May \$8 puts open for \$2.37 today, the April \$8 short puts adjusting

Financials

Annaly Capital (NLY) opening sale 20,500 January \$3 puts \$0.31

Equitable Holdings (EQH) buyer of 2,000 May \$17.50 calls for \$0.83 as the April \$12.50 calls bought recently roll out

Morgan Stanley (MS) with 4000 June \$48 calls sold \$0.59 to open, also 1000 next week \$35 ITM calls selling to open

Wells Fargo (WFC) down 5.5% on earnings near lows, the July \$37.5 calls being sold to open 13,750X

Schwab (SCHW) spread selling 2350 January \$35 puts for \$5.21 and buying 4,700 of the \$45 calls for \$1.73

Synchrony (SYF) with another 5,500 January 2022 \$10 puts bought \$2.22 to \$2.23, some April puts adjusting, similar to yesterday

SVB Financial (SIVB) with 1,700 November \$220 calls sold to buy the \$120 puts for a small net debit, name exposed to a lot of SMB and startups

Huntington Bancshares (HBAN) the July \$8 calls sold to open 4350X from \$0.98 to \$0.97

AIG with 5000 May \$26 straddles opening for \$4.79 this morning, leans slightly bullish delta

Itau Unibanco (ITUB) with 1200 May \$8 ITM puts bought for \$3.66 as some April puts from mid-March roll out

PayPal (PYPL) over 875 August \$110 calls bought today for \$10.90 as the May \$92.50 calls adjust higher. **PYPL** also with 1200 May 8th (W) \$110/\$98 put spreads bought today for 5-6 earnings

Healthcare

Iovance (IOVA) with 2000 May \$40 calls sold to open \$2.80 to \$2.50

Stericycle (SRCL) unusual 300 November \$60 calls bought \$3.90 to \$4.50, paying well above theoretical value

Livongo Health (LVGO) with the May \$40 calls bought for \$2.18/\$2.19 today, over 1000X, as some April \$25 calls roll up

DexCom (DXCM) stock replacement buys 1,000 January \$230/\$200 bull risk reversals today for \$61.00

Staar Surgical (STAA) more bullish flows with 750 September \$35 puts sold to open for \$4.50 this afternoon

Alexion (ALXN) similarly with 700 September \$90 puts sold to open today in stock replacements for \$6.49

Sage Therapeutics (SAGE) stock replacement sells 800 January \$25 puts for \$6.29

Industrials

General Motors (GM) opening sale 5000 September \$24 puts \$3.95

Deere (DE) fading early with 1200 September \$95 puts opening \$3.40 to \$3.50. **DE** also with 500 June \$105 puts bought today \$2.77 to \$3.10

Boeing (BA) with 1150 June 2021 \$250/\$150 bear risk reversals opening

Raytheon Tech (RTX) with 10,000 June \$80 calls sold to open for \$0.77. **RTX** also with 3,450 May \$60 puts sold to open today down to \$2.30

Honeywell (HON) with 600 September \$95 puts being sold to open today from \$4.00 to \$3.85

General Electric (GE) with over 16,000 January \$4 puts sold to open today around \$0.35

Crane Co (CR) buyers of 545 June \$60 calls today for \$2.10

Materials

Cameco (CCJ) trading nearly 20,000 June \$10 calls with the \$7 strike adjusting

Osisko Gold Royalties (OR) with 1,275 July \$7.50 calls bought \$2.15 to \$2.45 today, a \$1.42B Canadian gold play with royalties from around 135 different mines in the US, Canada, and Chile

Nucor (NUE) buyer of 2,200 October \$42.50 puts for \$7.10, looks to be replacing a short stock position with shares back at the declining 50-MA

US Steel (X) with over 2,200 October ITM \$14 puts opening today \$7.25 to \$7.30

Tech and Telecom

GDS Holdings (GDS) opening buyer of 2,000 May \$60 calls around \$1.55 to \$1.60, rolling up 750 April \$50 calls. **GDS** now also 1750 May \$50 puts bought \$2.20 to \$2.35

Coupa (COUP) trading 680 May 1st (W) \$140/\$160 call spreads after the upgrade this morning

Amazon (AMZN) seeing 1000 August \$2000 ITM calls open for \$35M, rolling up \$1900 calls

Sea Ltd (SE) buyers of 1,000 August \$50 calls for \$5.70 to \$5.90

VeriSign (VRSN) with 300 May \$210 calls opening, earnings 4-23, and the April \$200 adjusting

Expedia (EXPE) working off the lows with 3,500 January 2022 \$100 calls bought up to \$7.50. **EXPE** Jan. 2022 calls over 10,700X now with a block at \$7.90

Pinduoduo (PDD) buyer 1000 May \$45 calls to open aggressive above offer \$1.90

Advanced Micro (AMD) opening sale 1000 June \$57.5 ITM puts for \$7.15, also seeing 3000 May 1st (W) \$55 calls active with buyers. **AMD** also with over 3,500 June \$52.50 calls opening today around \$7

Weibo (WB) with 5000 July \$45 puts opening \$10.70 that look to be replacing a short stock position

Comcast (CMCSA) with 2500 May \$37.50 puts opening \$1.86 in a stock replacement and also seeing some April \$37.50 put sales this morning

Discovery (DISCA) with 3,000 July \$25 puts bought \$4.10 to \$4.20

Grub Hub (GRUB) with 2,000 May \$35 puts opening \$1.95 to \$2.05 this afternoon ahead of 5-6 earnings, failed at the 50-MA on Friday and still has almost 16% short

Avaya (AVYA) the June \$10 calls bought 2,000X for \$1.00 to \$1.08, rolling out of some April \$7.50 calls

Omnicom (OMC) the May \$55 puts bought 1000X for \$3.00 and spread with sales of 1,000 May \$50 puts and 1,000 May \$47.50 puts; Publicis CEO today talking a big pullback in ad sales

Carvana (CVNA) the August \$90/\$120 call spread bought 1250X for \$10.74, some deep ITM put sales yesterday

Wayfair (W) buyers of 500 May \$95 ITM puts this afternoon for \$18.70 to \$19.30

Utility

Next-Era (NEE) the June \$210 puts sold to open for \$7.00 to \$6.80 this afternoon, over 1290X. **NEE** also with another 400 January \$250 calls bought today

Xcel Energy (XEL) with 500 October \$60 puts sold to open for \$4.10

Disclaimer:

Not Investment Advice or Recommendation

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