

OptionsHawk

OPTIONS HAWK DAILY MARKET 4/17/2020

Sector Leaders

Banks

Energy

Aerospace

Stock Gainers

LOVE 23%

DK 17%

MINI 17%

TSG 17%

MRNA 16.7%

CAI 16%

KRA 16%

Volatility Gainers

- CODX
- RDS.A
- LLNW
- EBAY
- EA
- ACM

High Call Volume

- GDS
- LLNW
- SPR
- FLR
- ACM
- NTRS

Bullish Options

- DAL
- DRI
- SPR
- LULU
- UNH
- ACIW
- DBX
- GDS
- BILI
- MDT
-

Market Review: Stocks were sharply higher overnight and into the open following details of the plan to reopen the economy and also a promising treatment from Gilead (GILD) boosted optimism/sentiment. The S&P faded early off the highs seen in early March level and just under its downward sloping 20 week moving average. We also saw Banks and Energy lead which was the opposite of the rest of the rally, and thus IWM led strength. We did see breadth remain strong into the morning pullback off highs. It was a fairly quiet session and catalysts start next week with a slew of earnings and should continue to see more insight into the economy re-opening, curve flattening, and treatment options.

S&P Chart:



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

Options Action Trends:

What's On Tap: Looking ahead to next week the earnings schedule is packed and it should be an interesting reporting season with the focus on balance sheets, access to credit and impact from COVID-19. On the economic front the week kicks off with Chicago Fed on Monday, and otherwise a light schedule until April Flash PMI numbers Thursday and on Friday Durable Goods Orders and Consumer Confidence.

Trade Tracker Portfolio Changes:

- 1) No Changes

Sector Laggards

Gold Miners

Bonds

Semi's

Stock Losers

CUTR -19%

LLNW -10%

MTSC -8.5%

AMED -8.2%

NET -6.6%

APT -7%

WORK -5.7%

Volatility Losers

- GPRO
- BCRX
- SEAS
- BRKR
- CVM
- KRNT

High Put Volume

- WES
- MTG
- KSU
- BPMC
- DLPH
- PVH

Bearish Options

- EDU
- CHTR
- MET
- SINA
- KSU
- APD
-



Bulls Load Up on Gilead Calls for COVID-19 Treatment

Ticker/Price: GILD (\$76.5)

Analysis:

Gilead (GILD) on 4/16 with massive positioning in August call options with 8000 of the \$80 strike, 12,000 of the \$85 strike, 6,250 of the \$87.5 strike and even 8000 of the \$110 strike trading with size lots bought. The activity follows monthly of a lot of activity across multiple months and upside strikes as GILD has a potential treatment option for COVID-19. GILD shares have consolidated since February in a \$68/\$80 range with potential to breakout and target \$92 or even back to 2016 levels near \$100. The \$95B Biotech trades 11.7X Earnings, 4.27X Sales and 18.8X FCF with a 3.65% yield and a large cash hoard it has been putting to use recently, including a \$5B deal for Forty Seven (FTSV), giving it access to lead product candidate magrolimab which is being tested as a treatment for several cancers, including myelodysplastic syndrome, acute myeloid leukemia and diffuse large B-cell lymphoma. GILD has been focusing on a broader move into Oncology with its core HIV/Hepatitis business contracting in recent years. Analysts have an average target of \$75 and short interest at 1.9% of the float has been rising the last few weeks. Piper upgraded to Overweight on 3-20 expecting remdesivir to be approved by the FDA for treatment of COVID-19 with capacity to ramp and treat millions of patients, and although not expecting to profit from the pandemic, if it is a recurring virus it could be a multi-billion dollar franchise opportunity. STAT is reporting on 4/16 after the close that rapid recoveries are being seen by patients treated. Bloomberg reported last night Gilead was eyeing a stake in Arcus (RCUS) which has many relevant proof-of-concept readouts for Arcus in both its adenosine antagonist and its anti-TIGIT. Citi and JPM both out saying data in COVID-19 appears very promising. Cantor raised its target to \$86 on 4/6. Hedge Fund ownership rose modestly in Q4 filings, notable concentrated holders include Partner Fund, Sanders Capital and Parnassus.

Hawk Vision:



Hawk's Perspective: GILD shares rocketed higher after hours on reports of strong efficacy in severely ill patients, so if not in with the live signals yesterday, likely not worth chasing now hitting \$89.

Confidence Ranking: \$\$



Bullish Reward to Risk Seen in Dunkin' for 2H Recovery

Ticker/Price: DNKN (\$58.3)

Analysis:

Dunkin' Brands Group (DNKN) with an unusual large trade on 4/16 as September \$60/\$47.5 bullish risk reversals opened around a debit of \$1 to \$1.15 and no other real notable open interest in the name. The \$4.6B quick service restaurant trades 19.1X trailing earnings, 3.35X Sales and 33.6X FCF with a 2.9% dividend yield. DNKN shares are down 27% YTD and bottomed in late March retesting a major volume node and 61.8% Fibonacci of its lifetime range, the \$49 level should be strong support. A move above \$58 near-term sets up for a run to \$65. DNKN's blueprint for growth has involved modernization with its menu and convenience and making big investments in digital. Espresso has been a major recent growth driver while cold brew been another strong growth initiative. Analysts have an average target of \$65 and short interest at 3.5% of the float is down 10% Q/Q and hitting a three-year low. CSFB upgraded shares to Outperform from Underperform on 4/13 with a \$67 target seeing the pure-play franchised business as an attractive model and sees limited risk of mass closures. It also notes it may benefit from incremental digital sales after the outbreak due to its investments and sees its value perception attractive in a recessionary environment. Cleveland Research also out saying US sales trends have likely bottomed out at -30% to -40% the last few weeks. RW Baird has a \$67 target and Outperform rating seeing risk/reward attractive seeing structural improvements in the business supporting a rebound in sales momentum into 2H20 and 2021. BTIG on 3/18 noted the company is flush with cash and its business model will allow it to weather the storm better than other operators seeing it well capitalized for twelve months out. Hedge Fund ownership rose 5.4% in Q4 filings, no notable top holders.

Hawk Vision:



Hawk's Perspective: DNKN looks good against the \$48 level as it starts a new uptrend, a favored name in a tough QSR space with its strong business model.

Confidence Ranking: \$\$



PayPal Bulls Position for Strong Earnings

Ticker/Price: PYPL (\$108.30)

Analysis:

PayPal (PYPL) yesterday with buyers of 6,000 May \$110 calls up to \$5.50 to open in the afternoon and later 1,000 October \$85 puts sold to open for \$4.45. PYPL has seen a lot of bullish flows into the recent rebounding including 1,500 May \$115 calls bought on 4/15, 900 August \$110 calls bought on 4/14, and buyers in the Jan. \$110 calls and June \$97.50 calls in early April. Shares pulled back to breakout support from early 2019 around \$90 and the 38.2% Fibonacci of the four-year bull run and now back above the 200-MA and bullish 8/20 crossover late last week as momentum shifts. A move above \$120 and out of this multi-month channel targets \$150. The \$127.16B company trades 26.56X earnings, 7.15X sales and 11.8X cash with limited debt and ample liquidity. PYPL gave a Q1 update in late February seeing revenues on the low-end of guidance but did note that stronger results across their diversified business is partially offsetting the pressure on SMB. PYPL will undoubtedly see some volume issues in Q1 as they have exposure to merchants like Airbnb, Uber, Live Nation and others in the travel/leisure space through Braintree. But, increases in e-commerce spending during the shutdown as well as a greatly expanded mix into areas like food delivery, crowdfunding, online donations, mobile gaming, streaming video, and more will all see volume boosts. Venmo volumes could also see an incremental boost as the government's new Emergency Money for the People Act introduced on 4/15 specifically mentions PYPL as a method to get government payments to individuals. Analysts have an average target for shares of \$125. Stephens positive on 4-9 noting that recent Fed assistance is positive as it has additional small and medium business help. Wedbush with a \$120 PT on 4-6, somewhat cautious on brick-and-mortar SMB spending but did note that PYPL will likely gain incremental share in eCommerce CNP volumes, especially as online orders capture a larger portion of payments-related transaction flow and that the company's consumer-facing platform will likely benefit from incremental P2P volumes. Short interest is 1.2%. Hedge fund ownership rose 1.6% in Q4. Lone Pine, Point72, Tiger Global, Melvin Capital and Eminence Capital all notable buys.

Hawk Vision:



Hawk's Perspective: PYPL indicated to open this morning above the key \$110 level and remains a likely winner out of this crisis with room to \$117 near-term.

Confidence Ranking: \$\$



Dropbox Bulls See Limited Downside to Undervalued Shares

Ticker/Price: DBX (\$19)

Analysis:

DropBox (DBX) opening sales 950 October \$19 puts at \$2.70 this morning and volume approaching 3000X on the day with the latest sales at \$2.65. DBX still has large size call buys in July \$20 and \$21 strikes for 17,000X combined, positions that opened 2/7 and 2/13. Shares jumped sharply last quarter on earnings with a strong outlook as new management turns the company around and has aggressive plans for margin expansion, also launching its smart workspace and should see a major opportunity from the work from home movement, including its HelloSign product which competes with DocuSign (DOCU). Paying users ended 2019 at 14.3 mln, up from 12.7 mln at the end of 2018. Average revenue per paying user was \$125.00 vs \$119.61 for the same period last year. DBX also announced a \$600M buyback. DBX shares have been sideways in a narrow range the last two months and sit just under the 200 MA currently, looking to clear \$19.65 for a run to \$25 or higher. The \$7.95B collaboration platform provider trades 3.7X FY20 EV/Sales with a lot of cash and little debt. Analysts have an average target near \$28 and short interest at 4.6% of the float has fallen 25% Q/Q. DBX will next report in early May. Goldman cut shares to Sell with a \$17 target on 3/26 citing outsized exposure to small and midsize customers with risk of increased churn in the installed base with lower cost alternatives from Microsoft One-Drive. Canaccord sees shares undervalued and has a \$30 target with fundamental execution improving, and Deutsche Bank also with a \$30 target on a thesis-changing Q4 with strong operating margin and FCF guidance. Hedge Fund ownership rose 4% in Q4 filings, Salesforce (CRM) has an \$88M stake.

Hawk Vision:



Hawk's Perspective: DBX is a stock I am liking more in 2020 and looks ready to clear this 200 MA and leave this long sideways range behind, name I own for the longer term potential.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Utility (XLU) with 2000 June 2021 \$57 puts sold to open for \$6.90

Materials (XLB) with 2500 June 2021 \$50 puts sold to open \$6.70

Russell (IWM) with nearly 20,000 May 22nd (W) \$132 OTM calls bought aggressive this morning \$3.10+, also trading over 20,000 of the May \$130 calls with large lot buys. **IWM** seeing 3900 December \$134/\$97 bull risk reversals open this afternoon, also a buyer of 6500 July \$133 calls for \$4.67

Banks (KBE) opening seller 4000 September \$27 puts for \$3.39

Gold Miners (GDJ) seeing 5000 September \$30 calls open \$4.15 and 5000 January 2022 \$35 calls open \$5.35 in stock replacements

NASDAQ (QQQ) June \$213 puts open 4000X at \$12.11

Dow Jones (DIA) options generally quiet seeing 6000 June \$230 puts bought this afternoon \$12.05 for \$7.5M

Consumer Discretionary/Services

New Oriental (EDU) with 1200 May \$115 puts bought \$9.55 to \$10, seen calls close all week too

Nordstrom (JWN) with 1000 October \$25 calls bought \$2.55 to open

Lululemon (LULU) with 1,000 May 1st (W) \$210 calls bought up to \$13 today. **LULU** also with 2000 next week \$230 OTM calls being bought

Charter (CHTR) nearly 500 May 1st (W) \$490 puts being bought \$18 to \$18.50, earnings 5-1

Six Flags (SIX) opening seller 5000 September \$25 calls \$1.40 to \$1.25

Penn Gaming (PENN) buyer 500 October \$11 calls for \$6.30. **PENN** also seeing 3200 October \$10 puts open \$2.55 to \$2.70

Darden (DRI) buyer 815 May \$65 calls early \$5.80 to \$5.90

Cheesecake Factory (CAKE) opening sale 1000 July \$15 puts for \$2

Disney (DIS) opening sale 2000 May 1st (W) \$103 puts \$3.15

Dollar Tree (DLTR) opening sale 2500 May \$65 puts \$0.74

TJX Co (TJX) buyer 580 January \$42.5 ITM calls \$10.35

NY Times (NYT) with October \$21/\$18 put spread opening 2000X3000

Consumer Goods

Energy

Valero (VLO) with 10,000 January \$35 puts sold to open this morning \$4.65 to \$4.30

WPX Energy (EPX) opening seller 30,000 November \$2 puts for \$0.31

Marathon Petro (MPC) with 1200 May 29th (W) \$27 calls \$1.35 offer

Enterprise Product (EPD) afternoon buyers 4500 January \$18 calls \$1.75 to \$2 looking to add to OI

Financials

Citi (C) buyer 2100 September \$25 puts for \$1.30

AIG (AIG) opening sale 6000 January \$10 puts for \$0.78

Deutsche Bank (DB) opening seller 6000 May \$6 puts \$0.37 to \$0.36

Progressive (PGR) with 2775 May \$72.50 puts sold to open \$1.34

Goldman (GS) opening sale 500 January 2022 \$170 puts for \$31.96

PayPal (PYPL) with 1300 September \$115 puts sold to open ITM at \$14 in a stock replacement

MasterCard (MA) with 11,000 May \$260 synthetic long positions opening at \$3 credit

Healthcare

Gilead (GILD) fading a bit but May \$80 puts being sold to open 6000X. **GILD** seeing 5000 June \$100 calls with buy side flows in some larger lots today

Shockwave (SWAV) seeing 720 July \$45 calls open \$2.78 to \$3.20, adjusting April calls

United Health (UNH) with 1,600 May \$260 calls opening \$36.79 in stock replacement

J&J (JNJ) with 6700 July \$155 calls bought \$5.90 as May \$150 calls that bought back on 2/21 adjust

EcoLab (ECL) with 2000 May \$195 OTM calls sold to open near \$2

Medtronic (MDT) opening buy 1790 May 22nd (W) \$104 calls for \$3.68 at the CBOE

HCA Corp (HCA) with 500 September \$115/\$100 put spreads opening

Aurinia Pharma (AUPH) with 3000 July \$13 short puts closing and the \$15 puts sell 3000X to open \$1.65 while 6000 of the \$23 calls are bought for \$0.45

Illumina (ILMN) unusual 730 May \$350 far OTM calls bought today \$1.75 to \$2.50, also 90 June \$340 calls for \$7.40

Arcturus (ARCT) unusual 690 June \$22.50 calls opening \$1.75 to \$2.15, name with limited open interest. ARCT shares are consolidating just below a breakout level near \$19. The \$233M Biotech focuses on liver and respiratory diseases with RNA medicines. It announced a pact with Singapore-based Duke-NUS Medical school to develop a vaccine for COVID-19. It recently did a secondary offering at \$17 for 4.118M shares. HC Wainwright raised its target to \$26 this week noting Arcturus expects to dose the first healthy volunteer with its lead development compound ARCT-810 for the treatment of ornithine transcarbamylase deficiency, thus transitioning to one of a handful of clinical stage messenger RNA companies. It will initiate its human trial for COVID-19 vaccine trial this Summer, called LUNAR-COV19. On 3/18 RW Baird called it the best value in the COVID-19 vaccine space, a \$26 target.

ABIOMED (ABMD) with 600 May \$200 calls bought \$1.85 to \$2.25 fairly far OTM

Zimmer Bio (ZBH) buyer 600 May \$125 calls \$2.70 to \$2.85

Varian (VAR) buyer 500 May \$110 puts \$5.20 to \$5.35

Bruker (BRKR) moving higher since a morning buy of 3000 May \$45 calls near \$0.30 to open, far OTM, a \$5.6B maker of diagnostic solutions that could see some COVID-19 related news

Anthem (ANTM) with 635 May \$260 calls bought \$19.51 as April \$240 adjust

Insulet (PODD) buyer 450 May \$210/\$220 call spreads for \$3.90

Qiagen (QGEN) with 4000 May \$42 calls opening \$0.45

Industrials

Delta (DAL) buyer 1200 June \$24 calls \$4 after some size call buys yesterday, best in class airline trying to base

Fluor (FLR) with 2400 January \$7.50 ITM calls opening \$2 to \$2.15 in opening sales

Spirit Aero (SPR) buyers active 2775 May \$22.5 calls up to \$3.40 as shares work off a nice base, positive on the Boeing news

Aecom (ACM) bullish spread is buying 5,000 May \$35 calls for \$1.76 and selling the June \$27.50 puts to open for \$1.26, reported merger talks in March with WSP

General Motors (GM) with 1100 January 2022 \$18 calls opening \$7.45 in a stock replacement

Tesla (TSLA) with 1600 August \$700 calls opening, around a \$29M position, as April \$590 calls adjust. **TSLA** also around 2500 May 1st (W) \$695 puts being sold to open down to \$40

Kansas City Southern (KSU) spread sells 1500 May 1st (W) \$150 calls to buy the \$135/\$125 put spread

JB Hunt (JBHT) with 1000 May \$110 calls sold to open for \$3.20

Parker Hannifin (PH) with 1875 May \$140 short calls opening as April \$135 adjust from a trade 3/31

Eaton (ETN) with 3,476 May \$85 short calls opening as April \$80 adjust, similar to the **PH** trade

Echo Logistics (ECHO) unusual 2000 May \$17.5 calls opening \$1.60 to \$1.83

Carvana (CVNA) with 600 May 8th (W) \$70 calls opening \$13.67 as April \$73 adjust, earnings 5-6

Materials

Tenaris (TS) buyers of 1,000 May \$12.50 puts for \$0.80 to \$0.90 into earnings on 4-29

International Paper (IP) buyer 892 May 22nd (W) \$33 calls for \$1.37 to open

Anglo-Gold (AU) with 1000 July \$20 puts sold to open \$2.10. **AU** also around 2000 Oct \$24 calls being sold to open now \$3.20

B2Gold (BTG) with 2000 October \$5 puts sold to open \$1.25 to \$1.20

Air Products (APD) with 385 September \$295 puts bought \$12.50 to \$12.80

Pan American Silver (PAAS) with 2000 July \$16 puts sold \$1.20 to open today

Tech and Telecom

ACI Worldwide (ACIW) up 6.5% and buyers active for 1,800 August \$30 calls from \$1.55 to \$1.75. The \$2.77B company provides software services for banks, merchants and other financial processing intermediaries. **ACIW** CEO bought 30,440 shares at \$24.59 in March for near \$750K

Tencent Music (TME) with 3000 January \$11 puts sold to open \$1.53

Apple (AAPL) seeing the May 1st (W) \$245/\$225/\$210 put fly open 7000X14,000, earnings 4-30

Microsoft (MSFT) with 4500 May 1st (W) \$175/\$162.5 put spreads bought

Advanced Micro (AMD) with 5000 June \$57.5 calls sold to open down to \$5.55

Sina (SINA) buyer 500 June \$40 puts \$6.40 offer in a sweep

Expedia (EXPE) buy-write sells 700 June \$70 calls \$6.46

Pinduoduo (PDD) buyer 1800 May \$49 OTM calls \$0.95

Bilibili (BILI) buyers active for 2700 May \$35 OTM calls today up to \$0.92 with shares near new highs, a top Gen-Z play

GDS Holding (GDS) with 3000 June \$65 calls opening \$2.42 as May \$60 adjust, also 1500 of the \$75 calls sold to open

Uber (UBER) seeing 13,000 May \$30 calls open, rolling April \$26 calls that opened 3/19 and 3/20. **UBER** now with 10,000 May \$28 synthetic long positions opening at \$0.15 credit

Adobe (ADBE) with 2300 May \$390 calls sold to open \$1.73

Limelight Networks (LLNW) with June \$6 calls bought 10,000X at \$1.18, the \$8 calls sold 5000X at \$0.48, and the \$5 puts sold to open 6000X at \$0.49

Citrix (CTXS) climbing all day and 600 June \$160 calls bought to open \$4.30 to \$4.70

KeySight (KEYS)with 1550 May \$87.5 puts sold to open \$1.62

Altice (ATUS) opening sale 6000 May \$20 puts for \$0.32

Box (BOX) opening sellers here 1165 September \$18 puts for \$3.70, similar to **DBX** action

Dell (DELL) opening sale 1000 January 2022 \$40 puts \$8.47. **DELL** also 1200 October \$45 calls sold \$3.90 in a buy-write

DocuSign (DOCU) strong 8 MA bounce and 1200 January \$120 calls active for \$10 this afternoon right at mid-market, likely writing versus stock

LAM (LRCX) Apr. 24th (W) IV running higher this afternoon with 3800 \$300 OTM calls active, earnings 4-22, higher 6 of last 7 reports

DropBox (DBX) also seeing a block of 3100 May \$19 calls bought \$1.50 to open this afternoon

Momo (MOMO) buyer 5000 October \$14.26 puts \$0.65

Utility

Dominion (D) with 1350 October \$80 calls opening around \$7.50 as July \$70 adjust

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Not Investment Advice or Recommendation

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