

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 4/22/2020

### Sector Leaders

Oil Services

Semi's

Software

### Stock Gainers

IMUX 30%

SNAP 28%

USNA 18%

MANH 17.8%

HCSG 17.5%

INO 15%

SALT 13.8%

### Volatility Gainers

- WLL
- LB
- CHWY
- PDD
- TGT
- AEO

### High Call Volume

- FLIR
- OI
- SMG
- AR
- LH
- EURN

### Bullish Options

- Z
- COF
- GRUB
- TWTR
- XPO
- PINS
- EXC
- CAT
- LULU
- ULTA
- CYBR

**Market Review:** Stocks were higher overnight and into the open after selling off the first two sessions of the week, boosted a bit by the Senate passing further small business financing while Oil volatility calmed and earnings have been not as bad as feared. Energy led strength with Oil bouncing 25% while Tech was also strong led by Software and Semiconductor rebounds. Bonds pulled in and Retail/Transports showed relative weakness. Breadth improved throughout the morning as S&P futures moved above one-week VWAP and the S&P moved above its 8 day moving average. Tomorrow should be a busy day with Jobless Claims and Flash PMI numbers as well as an active earnings schedule.

S&P Chart:



Resistance	Support
2,885	2,785
2,900	2,660
3,020	2,635

**Options Action Trends:** Size option trades remained limited though bearish flow returned to Department Store names **JWN, KSS, M**.

**What's On Tap:** Jobless Claims, April Flash PMI, and New Home Sales. Earnings from **INTC, LLY, UNP, BX, APD, EW, VRSN, COF, FE, HSY, CS, CTXS, ODFL, DPZ, TSCO, ALLE, POOL, MLNX** and **PHM**.

### Trade Tracker Portfolio Changes:

- 1) **Earnings Flow Trades** (Long **XLNX** June \$90/\$95 Call Spreads at \$2.15; Short **UNP** May \$130/\$125 Put Spread at \$1.15 Credit; Short **DPZ** May \$400/\$410 Call Spread at \$3.05 Credit)
- 2) **Spotlight:** Long **CVS** June \$65 Calls for \$2 – No Fill
- 3) Closed **KMB** Trade \$3.40 (Opened \$1.70)

### Sector Laggards

Bonds

Transports

Retail

### Stock Losers

LB -20.5%

AEO -16%

MESA -9.5%

BIIB -9.3%

RLI -8%

IBKR -7.7%

M -7%

### Volatility Losers

- AM
- AR
- SNAP
- NFLX
- JWN
- COF

### High Put Volume

- CORN
- CS
- CAR
- NAVI
- MTG
- BERY

### Bearish Options

- BP
- FCX
- M
- QCOM
- YNDX
- ADSK
- TSN
- DAL
- W
- CAR
- PCG



## Fortinet Bulls Active into Weakness

Ticker/Price: FTNT (\$101)

### Analysis:

**Fortinet (FTNT)** bullish action on 4/21 with 500 January \$105 calls bought in a stock replacement for more than \$800K, the January \$90 puts bought 500X tied to long stock, and 1000 May \$115 calls bought to open. FTNT does not have a lot of open interest of note, the September \$75 short puts sit in OI 1770X and May \$100/\$90 bull put spreads 1200X. FTNT has been a relatively stable performer until pulling back 10% on 4/21 but back to a key VPOC support and retesting an April breakout level. Shares remain not far from the \$121.80 highs earlier in February. FTNT will next report 5/6 and shares higher two of the last three reports. The \$19.3B leader in cyber-security trades 6X FY20 EV/Sales, 36.35X Earnings and 27X FCF with revenues seen rising 15-17% each of the next two years. FTNT is seen as a leader protecting two key secular trends in enterprise, the cloud and the move to edge computing. It sees a combination of Cloud Security, Endpoint Security, Network Security, and Security Infrastructure amounting to a \$60B TAM by 2023 at a 7% CAGR. Analysts have an average target of \$120 and short interest at 4.8% of the float has jumped 50% Q/Q. Piper noted outsized share gains after the latest report and success selling into large enterprises as well as strength of its Security Fabric platform. Moness Crespi noted on 2/7 increased diversification in the business and sees shares attractively valued, a Buy rating and \$133 target. Ray-Jay lowered its target to \$115 in early April but did note FTNT's lower cost solution versus PANW/CHKP may benefit in a recessionary environment.

### Hawk Vision:



**Hawk's Perspective:** FTNT is one of the more attractive valuation names that is also generating strong results, peers CRWD/OKTA trade much richer making FTNT a nice own.

Confidence Ranking: \$\$



## Unusual Bullish Spread in Chinese Wealth Management Company

Ticker/Price: NOAH (\$23.30)

### Analysis:

**Noah Holding (NOAH)** with an unusual large trade on 4/20 as 10,000 of the June \$20 puts were sold to buy 10,000 of the September \$35 calls at around a \$0.07 debit and becomes the only significant open interest in the name. NOAH shares recently hit the lowest level since 2017 but trying to base at a key VPOC and above \$25 have room to run. The \$1.5B Chinese wealth management company is trading 10X Earnings and 2.1X Cash. NOAH reported on 3/24 and registered clients rose 12.9% Y/Y while active clients fell 4.3%. Analysts have an average target of \$34 on shares and short interest is 8.6% of the float. Citi upgraded shares to Buy on 3/30 with a \$33.50 target seeing attractive reward/risk as the progress in standardizing the product ramp-up is better than expected and concerns over the uncertainties from the Camsing product transformation look priced into shares. Hedge Fund ownership rose 7.4% in Q4 filings.

### Hawk Vision:



**Hawk's Perspective:** NOAH activity is quite unusual and a spread that could pay off in a big way for those comfortable owning the name at \$20. The reward/risk looks quite favorable at these levels.

Confidence Ranking: \$\$



## Large Put Seller Sees an Attractive Level for Southwest Air

**Ticker/Price:** LUV (\$30.1)

### Analysis:

**Southwest Air (LUV)** with a vote of confidence on 4/21 as 10,000 January \$20 puts were sold to open for \$2.60 and comes a week ahead of its quarterly earnings report. LUV has plenty of open interest as Airlines have been actively traded but mostly mixed flows and this trade stands out among the rest, outside of 3000 September \$55 puts that bought on 1/24/2020 and remain in OI. Shares are attempting to base above the \$30 level and showing some bullish RSI divergences. The \$16.9B regional airliner trades 7.35X trailing earnings, 1.65X Book and has likely the healthiest balance sheet in the industry as well as a 2.32% yield. Analysts have an average target of \$44.50 and short interest is low at 1.9% of the float and down 48% Q/Q. Cowen upgraded shares to Outperform on 3/25 while significantly reducing 2020 and 2021 estimates to account for traffic declines from COVID-19. It notes “Southwest is arguably the most successful airline of all time and has survived through other crises and come out stronger. With many airlines retreating in the near-term, Southwest will be in a position to drive outsized share shift and growth once the coronavirus passes.” SIG upgraded shares to Positive recently with a \$41 target as a reflection of the solid balance sheet and favorable travel mix though sees it being a few years before travel fully returns to 2019 levels. Hedge Fund ownership fell 3.6% in Q4 filings, Berkshire announced a sale of shares recently.

### Hawk Vision:



**Hawk's Perspective:** LUV feels like the safest own among the airlines, while DAL the top operator, the focus on balance sheet strength currently. This strategy leaves potential for shares to fall another 35% so clearly not an indication to buy the stock, but gives us a level of note, or for those interested in put sales, a contract to target.

**Confidence Ranking:** \$\$



## Bulls Active in Small Grocer

Ticker/Price: SFM (\$20.45)

### Analysis:

**Sprouts Farmers Market (SFM)** with 3,500 September \$20 calls bought yesterday for \$2.70 up to \$2.95 to open and follows 1,750 May \$20 calls bought on 4/17 and sellers of the Sept. \$20 puts recently. SFM also had buyers of over 4,500 June \$22.50 calls in late December which remain in OI. SFM has been a relative strength name since mid-February and testing new 2020 highs yesterday. The 8- and 20-EMA have been supportive on the recent run higher and a sustained move above \$20.75 and out of a weekly base targets \$25 and multi-year VPOC. The \$2.37B company trades 14.94X earnings, 0.42X sales, and 13.75X FCF. They see mid-single digit EPS growth and low-double digit sales growth in FY21 and FY22. Net Debt/EBITDA is 2.9X and they've been working on reducing their leverage over the last year from 4.7X. SFM is in the middle of a turnaround after appointing a new CEO in June 2019 who has shifted focus towards more competitive pricing and marketing to a smaller, but more loyal base. Prior to COVID19, the early has been flat-to-low growth in traffic but higher margins and better ticket size. Now, they're also likely benefitting from a surge in traffic due to pantry loading. SFM is also shifting strategy towards less square footage and more small-stores which allows them to target more densely populated areas in both new and existing markets, simplify their supply chain, and lower costs. Analysts have an average target for shares of \$21. Oppenheimer upgrading to Outperform on 4-21 citing the recent grocery boom, potential ongoing benefits from increased at home food consumption, and likely adverse impacts from a U.S. recession. BMO upgraded to Neutral on 3-18 while Gordon Haskett upgrading to Buy on 3-16 citing the heightened consumer stock up activity. Short interest is 5.5%, down from 11% in December. Hedge fund ownership rose 4.65% in Q4. Insiders active in the name over the last two years including a more than \$2M buy from a director in late 2018 at \$22.83.

### Hawk Vision:



**Hawk's Perspective:** SFM has long screened as a favorite in the grocer space and this appears to be its time to shine, and could carry shares higher for a while.

Confidence Ranking: \$\$



## Exelon Calls Accumulate ITM as Shares Look to Bottom

Ticker/Price: EXC (\$37.20)

### Analysis:

**Exelon (EXC)** with 1,125 June ITM \$32 calls bought today up to \$6.10 and also seeing 325 July \$30 calls bought up to \$8. EXC had 1,500 Jan. \$35 calls bought on 3/23 while the \$40 calls have over 1500 in OI as well. Shares have rebounded from recent lows near \$30 and significant multi-year support. EXC was working out of a big base before the sell-off in March and can catch some significant momentum on a move through \$50. The \$34.68B utility trades 12X earnings and 1X sales with a 4.3% yield. EXC sees revenues growing mid-single digits in FY22, up from flattish performance in FY20, given better forward rates and mix. EXC has undergone a multi-year investment push to modernize their grid which is leading to less downtime, higher retail renewal rates, customer adds and better margins. The company has a notable catalyst to watch in the Illinois state house. Current legislation (the CEPA) is being pushed that would allow the state's nuclear plants to sell clean capacity into the state's current procurement plan outlined in 2018, a major positive for EXC as the largest nuclear operator in the state. The CEPA should be voted on in June and would establish EXC's service territory with a 100% carbon-free goal. Analysts have an average target for shares of \$50. Argus lowering their PT to \$40 on 3-19 but remains long-term positive long-term in a recovery of industrial demand as well as the company's strong yield in the face of a low-rate environment. MSCO keeps EXC as a Top Pick given they would prefer "exposure to low carbon intensity and decarbonization." BMO starting at Buy in February, \$56 PT, while Guggenheim positive earlier in the year noting that the market has yet to price in upside for potential legislative wins or the recently-ordered PJM capacity market reforms. They note the ongoing lobbying probe remains a headwind that could also provide upside at a resolution. Short interest is 1% and down steadily since 2018. Hedge fund ownership rose 4.6% in Q4.

### Hawk Vision:



**Hawk's Perspective:** EXC setting an alert at \$38 level, a stable Utility with a nice yield and potential upside catalyst.

Confidence Ranking: \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**Biotech (XBI)** seeing 12,000 June \$85 puts bought \$4.15 to \$4.25

**Russell (IWM)** with 7500 December \$132/\$115 strangles sold to open for \$20.65. IWM also with 6000 September \$120 calls bought \$12.26 as 9000 June \$120 calls adjust

**Gold (GLD)** seeing 2445 December \$163 calls bought and 3000 of the \$191 calls sold

## **Consumer Discretionary/Services**

**Macy's (M)** with 3000 June \$5 puts bought \$1.02 offer and volume then ramps to 10,000X

**Las Vegas Sands (LVS)** with 3500 weekly \$43 calls opening \$1.32 as the \$44 adjust

**Hyatt Hotels (H)** the November \$30 puts being sold to open 1,400X from \$2.55 to \$2.45

**Activision (ATVI)** with 925 August \$67.50 calls sold to open \$5.45 to \$5.35. **ATVI** with 1800 November \$42.5 puts sold to open \$1.39 today

**Nordstrom (JWN)** with 2000 July \$17.5 puts bought \$3.70 to \$3.75 as Department stores remain in troubled waters

**Kohls (KSS)** with 750 October \$10 puts bought \$1.55 with the department store weakness

**Tractor Supply (TSCO)** buyer 1000 weekly \$93/\$88 put spreads for \$1.75 into earnings

**Lululemon (LULU)** coiling back above 8 MA seeing 385 September \$200/\$170 bull risk reversals open today near \$23 debit

**Huazhu (HTHT)** the June \$35/\$40 call spread bought 2250X for \$1 as shares work out of a base

**TAL Education (TAL)** seller of 1,500 November \$45 puts for \$5.20 in a stock replacement today

**Seaworld (SEAS)** with 3560 May 1st (W) \$13 puts opening as Apr. 24th (W) roll this position again

**L Brands (LB)** with 22,000 January \$10 calls opening \$3.47 as the \$15 calls adjust back. **LB** also with 2,500 May \$10 calls bought this afternoon \$1.20 to \$1.30 and 40,000 August \$10 calls

**Marriott (MAR)** trading in a narrow range last two weeks with 2000 July \$90/\$65 bull risk reversals opening at \$0.25 debit

**Diamond Eagle (DEAC)** with 7500 August \$22.50 calls sold to open from \$2.00 to \$1.80 this afternoon

**Hilton (HLT)** afternoon spreads are selling the July \$77.50 calls to buy the \$60 puts for a net credit, 2000X, and potentially collaring stock

**Signet (SIG)** with 500 January \$9 puts bought \$3.60 today. **SIG** also with 3500 January \$3 puts bought \$0.50 offer in a sweep

**Ollie's Bargain Outlet (OLLI)** with 600 May \$62.50 puts bought \$4.60 to \$4.70 with shares back at the declining 200-MA

## **Consumer Goods**

**McDonald's (MCD)** with 1940 May \$195 calls being sold to open in buy-writes

**Tyson (TSN)** buyer 1000 May 8th (W) \$60/\$55 put spreads, earnings 5-4, and seeing a number of plants with production issues in the industry

**Anheuser Busch (BUD)** buyer 1000 June \$40 puts to open 43.10

**Keurig Dr. Pepper (KDP)** with 1,050 May \$27 puts bought up to \$1.50 today, earnings on 4-27

## Energy

**BP PLC (BP)** with 1200 January 2022 \$23 puts opening \$5.95 to \$6

**Range Resources (RRC)** lows of the day, first weak session in a while, with 770 May \$6.50 ITM puts bought for \$1.55 to \$1.65

**Kinder Morgan (KMI)** with 3500 May 1st (W) 415 calls opening \$0.44, earnings tonight

**Petrobras (PBR)** buyer of 10,000 Jan 2022 \$12/\$17 call spreads for \$0.43

**Exxon (XOM)** buyers of 3,500 September \$37.50 puts for \$4.05 to \$4.15, stock tied

**Chevron (CVX)** with 1500 May \$83 calls opening near \$6.05 today in stock replacements, earnings 5-1

**Hess Corp (HES)** buyer of the November \$37.50 puts 750X for \$7.70 as the Aug. \$40 puts adjusting again

**Williams (WMB)** with 5500 July \$23 OTM calls being bought today near \$0.44

**Enbridge (ENB)** seeing 2750 November \$30 calls sold to open \$2.75 to \$2.70

## Financials

**Zillow (Z)** buyers here 2,950 May \$40 calls \$3.42 to \$3.45 after its business update and working off key trend support, spot where 5000X bought on 3/23 in bull risk reversals. **Zillow (Z)** afternoon buyer of 1,250 August \$45/\$60 call spreads for \$3.55

**CME Group (CME)** with 1500 June \$220 calls sold \$1.10 in a buy-write

**Capital One (COF)** buyer of 1,025 June \$62.50/\$75 call spreads for \$1.60 into earnings tomorrow night. **COF** buyer 400 September \$47.50 puts for \$7.20 to \$7.25. **COF** also with 800 September \$55/\$70 call spreads bought this afternoon for \$4.58

**Equifax (EFX)** with 400 October \$85 puts sold to open today \$3.60 to \$3.40

**Hartford (HIG)** with 1000 May 1st (W) \$37 puts opening as the \$39 puts adjust

**Wells Fargo (WFC)** with 4100 October \$17.5 puts sold \$1.05 to open

**Western Union (WU)** with 2700 November \$13 puts sold to open \$0.70

**Synchrony Financial (SYF)** with 7000 June \$17/\$13 bull risk reversals opening \$0.45 debit, shares working out of a small base

## Healthcare

**Abbott (ABT)** flagging after strong move and 1350 weekly \$93 calls opening near \$2.20 here

**Gilead (GILD)** with 2000 November \$85 calls sold to open \$8.35

**AMN Healthcare Services (AMN)** buyer 850 May \$55 calls \$2.50 to \$2.75, earnings 5-11, and a name that could see a demand surge

**HCA (HCA)** buyer of 1000 May 1st (W) \$115 calls to open for \$2

**Steris (STE)** May \$150/\$135 ratio put spreads open 500X1000

**Ionis Pharma (IONS)** buyers of 500 May \$52.50 calls for \$3.80 to \$4.30 today, red to green move after **BIIB's** report

## Industrials

**United (UAL)** the May \$27 calls bought 2,000X for \$3.35 to \$3.40, the \$35 calls adjusting back in strikes. **United (UAL)** trading the January \$30/\$50 call ratio spreads 2000X4000. **UAL** May 1st (W) \$26/\$29 call ratio opening 5000X10,000

**Avis (CAR)** with 9500 November \$10 puts opening \$3.25 as May \$10 puts adjust



**XPO Logistics (XPO)** spread selling 2000 May \$52.5 puts to buy the \$62.5/\$70 call spreads. **XPO** also with 500 November \$80 calls bought \$5

**Caterpillar (CAT)** seeing 2200 August \$130/\$80 bull risk reversals open at debits near \$0.69, follows large Jan. call buy yesterday

**Knight Transportation (KNX)** buyers of 800 August \$35 calls from \$3.60 to \$3.80, shares down 1% on earnings today

**Virgin Galactic (SPCE)** moving back near session highs with 1,500 May \$19 calls bought up to \$2.50

**Northrop Grumman (NOC)** stock buyer with 500 January \$370/\$300 collars, reports 4-29

**Johnson Controls (JCI)** with 1,000 January \$25 puts sold to open for \$3.45

**Southwest (LUV)** with 3,000 weekly \$30 puts bought \$1.05 to \$1.50 this afternoon

**Navistar (NAV)** breaking out of long base with 2500 October \$26 calls bought aggressive \$2.45 offer to open, comes ahead of Volvo earnings tomorrow morning

**Pulte (PHM)** buyers 1350 May 1st (W) \$25 calls \$1.15 to open, earnings tomorrow morning

### Materials

**Scott's Miracle Gro (SMG)** the May \$130 calls bought 1,000X for \$1.80 to \$1.90, could benefit from the Stay at Home orders as more people focus on upkeep

**Nutrien (NTR)** buyer of 665 January \$30 puts for \$3.40, running into the declining 50-MA recently

**DuPont (DD)** with 1000 January \$45/\$35 bull risk reversals opening for a \$0.53 credit after delivering solid preliminary numbers this week and working out of a long base

**Arcleor (MT)** buyer of 1000 January \$11 calls for \$1.35

### Tech and Telecom

**Qualcomm (QCOM)** with 2000 May 1st (W) \$73 puts bought \$3.30 to \$3.40

**Grub-Hub (GRUB)** buyers active 2800 May 1st (W) \$44 calls up to \$1.75 with strong food delivery trends being seen. **GRUB** popping even higher now w/ those calls over 5500X

**Yandex (YNDX)** buyer of 2000 May 1st (W) \$34 puts to open up to \$1.38

**Expedia (EXPE)** with July \$65/\$80 call ratio spreads trading 880X1680, news of a private investment

**Wayfair (W)** with 800 June \$100 puts opening \$18.67 as May \$70 puts adjust

**Autodesk (ADSK)** with 500 June \$170/\$130 put spreads bought this morning after bearish flows all week in it

**Twitter (TWTR)** seeing 1175 June \$22 ITM calls open this morning near \$6.10

**Tower Semi (TSEM)** with 2,000 October \$15 puts sold to open for \$1.30, the July position adjusting

**Pinterest (PINS)** with 2,500 May \$18 calls bought between \$2.15 and \$2.20

**Splunk (SPLK)** opening seller of 590 far OTM September \$90 puts \$4.60 defining a level willing to be long

**NetApp (NTAP)** opening sale 2000 January \$40 ITM puts for \$7.75

**Juniper (JNPR)** buyer 2800 October \$22 puts \$2.20 tied to stock

**Analog Devices (ADI)** buy-write sells 2100 May \$108 calls for \$1.80

**Gogo Wireless (GOGO)** with 5000 August \$2 calls sold to open \$0.40 to \$0.30, name impacted by air travel slowdown

**Cree (CREE)** buyer of 500 May 29th (W) \$37.50 calls for \$3.18, some April 24th (W) calls adjusting down into 4-29 earnings

**Cyber-Ark (CYBR)** buyer of 500 OTM December \$115 calls for \$7 this afternoon, basing under \$100 and the 50-MA

**Wayfair (W)** the May 1st (W) \$85 puts bought 600X from \$3.60 to \$3.70

**TI (TXN)** opening sale 1000 June \$95 puts \$2.94

**Etsy (ETSY)** with 1300 June \$40 puts sold to open \$1.45

**American Tower (AMT)** with 500 June \$260/\$200 bull risk reversals opening for \$11.10

**Five-9 (FIVN)** with 750 July \$110 calls opening \$3.32 as May \$85 calls take profits and leave a runner. FIVN also seeing July \$95/\$70 ratio put spreads open 750X2000

### Utility

**Next-Era (NEE)** with 1,350 May \$270 calls bought \$1.70 to \$1.75 as it looks to clear a multi-week range

### **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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