

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 4/24/2020

### Sector Leaders

Tech

Consumer Goods

Healthcare

### Stock Gainers

WWE 18%

BYND 12.25%

W 10%

PIZZA 7.8%

OZK 7.5%

### Volatility Gainers

- ACC
- VBIV
- HTZ
- CLVS
- PLAY
- W
- SNY
- ZM

### High Call Volume

- OUT
- MFA
- CERS
- LLNW
- DBI
- WLL
- NVRO
- AGI

### Bullish Options

- LULU
- WYNN
- LB
- PLAY
- EXPE
- DE
- GPS
- MO
- PZZA

### Sector Laggards

Utilities

Materials

Financials

### Stock Losers

EHTH -8.8%

XP -8%

SPG -5.5%

TCO -5.5%

STNE -4%

### Volatility Losers

- NBR
- CBL
- WLL
- LPI
- BHC
- CRC
- WWE

### High Put Volume

- HTHT
- BILL
- TCO
- NVRO
- DISCA
- ATH
- WGO
- HTZ
- AN
- FE

### Bearish Options

- NVRO
- TSM
- TSLA
- BA
- BAP
- AAL
- SQ
- DAL
- 

**Market Review:** Global markets were quiet overnight, Europe and Asia down slightly and snapping weekly winning streaks. News was slow but earnings the focus with outlook for INTC weighing a bit, although the quarter was strong overall. The President is reportedly weighing extending social distancing guidelines through “early Summer” when they expire next week. Oil was higher by about 3.5% in early trading, starting to settle a bit after a crazy start to the week. The final Michigan Consumer sentiment reading for April was revised slightly higher to 71.8 vs 71. Durable Goods fell 14.4% in March, worse than the 10% consensus, but did show some uptick in business spending (although April another story). The S&P rallied a bit into the open but failed at yesterday’s mid-point at 2808 and pared gains back near VWAP from the overnight session. We found support mid-day and based before breaking higher and moving above that earlier level. Breadth also improved into the afternoon with cumulative TICK swinging positive around 2pm.

S&P Chart:



Resistance	Support
2885	2785
2900	2660
3020	2635

**Options Action Trends:** Both LVS and WYNN saw size call buying in the afternoon ahead of Macau data next week.

**What's On Tap:** Next week is easily the busiest calendar of the last couple months with US GDP, China PMIs, US Manufacturing ISM, and three Central Bank Meetings (BOJ, FOMC, ECB). Earnings will also peak with key reports from NXPI, CAT, MMM, PEP, MRK, PFE, UPS, AKAM, AMD, GOOGL, MDLZ, SBUX, BA, GD, GE, MA, NSC, EBAY, FB, MSFT, NOW, QCOM, CMCSA, COP, DOW, KHC, MCD, TWTR, TXT, AAPL, AMGN, AMZN, GILD, V, CL, CVX, EL, HON, XOM and many more.

### Trade Tracker Portfolio Changes:

- 1) No Changes



## Verint Spreads Position for Separation

**Ticker/Price:** VRNT \$41.25

### Analysis:

**Verint (VRNT)** yesterday with another 500 December \$45/\$55 call spreads bought and continues to build in open interest with 2,700 since 4/13. Yesterday's spreads also sold the \$35 puts while the December \$30 puts with 2,700 sold to open in OI from previous positions as well. The December \$60/\$70 call spread was bought in January with the \$50 puts sold to open, 1000X, which remains in OI. Shares are forming a bullish triangle after pulling back 45% from the February highs to multi-year volume support and bouncing. A move above \$44 and into a low-volume gap can have a quick move back to \$52. The \$2.58B software company trades 2.5X EV/sales and 6.5X cash with strong FCF. Their Current Ratio is 1.4X with Net Debt / EBITDA of 2.9X and they've been deleveraging since early 2018. Verint is a software company that focuses on customer engagement management, security and business analytics across large data sets. In December, the company announced a split with Customer Engagement and Cyber Security set to be two new companies. They also announced a \$200M minority investment from APAX Partners with another \$200M to be invested post-split. The former business assists call centers, back-office, branches, and other business units by simplifying customer-to-business interactions which allows them to make more informed decisions, more quickly and greatly increases retention, repeat business, and ROI. They do more than 3B customer interactions per year. Their Cyber Intelligence business uses AI to help businesses collect, analyze and investigate threats within a company's network. They have end-market exposure to large industrials as well as government. Last quarter was weak due to guidance being pulled due to COVID-19 as well as some contracts being pushed out into Q2 but overall enterprise cloud shift remains strong with Cloud Contracts TCV over \$1M up 93% and a growing list of partners like AMZN, FIVN, CRM, MSFT, and TWLO. Overall cloud revenue is now 46.4% vs 22.5% in 2019 while recurring revenue is 75.7%. The company continues to see their cloud transition complete within three years. Analysts have an average target for shares of \$59.50. Needham with a \$53 PT on 4-1 as the firm expects VRNT to show improved fundamentals as it transitions to more profitable business models in its segments. It should also benefit when it emerges from the current difficult environment with the spinout of its CI business also remaining on track. Short interest is 3.4% and down from 7% in June. Hedge fund ownership fell 5% in Q4. Activist RGM Capital a top holder with 2.4M shares, their second largest and a 7.65% weight. VRNT has potential catalysts upcoming from a pending tax ruling from both the IRS and ITA in Israel for the separation.

### Hawk Vision:



**Hawk's Perspective:** VRNT is an interesting, under-followed story with their split, potential IRS rulings and investments from APAX nice long-term catalysts to watch. Alert set at \$43.50.

**Confidence Ranking:** \$\$



## Bank of America Long-Term Bulls Buy into Weakness

**Ticker/Price:** BAC \$21.87

### Analysis:

**Bank of America (BAC)** with 8,800 December \$24/\$30 call spreads for \$1.75 and selling the \$16/\$14 bull put spread for \$0.45. Yesterday's flows follow 10,000 June 2021 \$25/\$30 call spreads bought on 4/15, buyer of 5,500 December \$26 calls on 4/13, and 7500 August \$25 ITM puts sold for \$3.85 on 4/8. Shares are forming a narrow multi-week range under \$24 and back at VWAP from the March lows this week. A move above \$23.50 sets up a range breakout that has room to \$26 and YTD VWAP. Longer-term, a big low-volume extends up to \$31. The \$197B financial trades 9.6X earnings and 0.81X book with a 3.3% yield. They recently reported a mixed quarter given all the macro challenges but NII stable as their balance sheet grew significantly. BAC has a strong consumer banking business but not immune to challenges from consumer pressures. They continue to see room for consolidation and market share gains longer-term, especially as they target younger demographics and build out their digital-first approach. They continue to expand physical locations as well with a target of 90% coverage by 2021. Analysts have an average target for shares of \$29.50. DA Davidson with a \$26 PT in mid-April citing their superior NII, lower credit risk, and relative valuation to book value. They think BAC has been a leader in de-risking its balance sheet since the mortgage crisis, especially in mortgages and credit card debt, two areas of focus in the current crisis. Short interest is 1.1%. Hedge fund ownership fell 2.5%. Berkshire Hathaway with 925M shares, their second largest position, while Aristotle Capital a big buyer of 9.9M shares. Shares are back at a level where insiders were last active in 2016 when a director bought \$595,000 in stock at \$23.81 and another bought \$500,000 in stock at \$20.14.

### Hawk Vision:



**Hawk's Perspective:** BAC sets up nicely for a move above \$23 and think the balance sheet is very strong and can withstand a slowdown better than feared. Overall, banks may be a tough trade with rates low and the high-level of macro uncertainty. Given some of the flows detailed this week, a potential long US, short Canada financials pair may be of interest.

**Confidence Ranking:** \$\$



## Momenta Unusual Open Interest

Ticker/Price: MNTA \$30.97

### Analysis:

**Momenta Pharmaceuticals (MNTA)** setting up well with 6,200 June \$35 calls in open interest pricing right around where buyers opened in late January for \$3.10 to \$3.80 and then another 1,500 bought \$3.50 on 2/28. MNTA has no other open interest of note. Shares have held up well (slightly better than XBI since the March lows) and consolidating just below a multi-month breakout at the 2018 high of \$34. The \$3.47B biotech focuses on novel therapies for patients with rare diseases. MNTA has a pair of legacy generics in product that support their pipeline, one for Copaxone and the other an Eylea candidate) and \$540M in cash. They have three drug candidates in development with the near-term focus on M254, a hypersialylated immunoglobulin G or IgG. M254 is looking to replace intravenous IG or IVIg for the treatment of inflammatory disorders as MNTA think it is more potent and thus a better option. In early trials, M254 has shown to be 10X of conventional IVIg. They think it has potential to be a \$6B product across neurological and other autoimmune disorders. The other notable catalysts for MNTA include late-stage trials for M281, anti-FcRn antibody for the treatment of autoimmune hemolytic anemia, hemolytic disease of fetus and newborn, and myasthenia gravis (MG). The first two indications won't have data until 2021, pushed back due to COVID-19, but Phase 2 data in MG is expected in Q3. Myasthenia gravis is a neuromuscular disease which is characterized by rapid weakness and a breakdown in communication for the muscles. Commercialization for all three is expected between 2022 and 2023. Short interest in MNTA is 3.1%, near multi-year lows, while hedge fund ownership jumped 25.5% in Q4 with a big lineup of holders including Redmile, Farallon, RA Capital, Point72, Perceptive Advisors, Ghost Tree, and Peregrine Capital. Analysts have an average target for shares of \$37.25. Piper positive in February seeing M254 as a potential game-changer. They believe the ITP market could be greater than \$2B. HCW has a \$38 PT for shares. They think M254 has potential to become a mainstay of therapy for a range of autoimmune diseases and is increasingly confident that it can capture "significant share" of the existing IVIg market.

### Hawk Vision:



**Hawk's Perspective:** MNTA is a very interesting story and positioning into the name longer-term is attractive given the potential for M254 which I feel opens up to M&A, maybe from partner CSL Behring.

**Confidence Ranking:** \$\$





## Large Put Sale in Redfin Confident in Rebound

Ticker/Price: RDFN (\$18.7)

### Analysis:

**Redfin (RDFN)** with unusual activity on 4/23 as 2000 deep ITM August \$23 puts were sold to open \$7 to \$6.70. RDFN has not seen much recent positioning but does have 3000 August \$15 puts bought on 1/15 and 8000 May \$17 puts bought on 9/26/19 sitting in open interest. On the chart RDFN has formed an ascending triangle with \$19.20 a key breakout level with \$16.65 support and above can measure up to a move back to \$25. The \$1.76B real estate brokerage company operates online as one of the few competitors to Zillow (Z) and trades 1.7X FY20 EV/Sales with a cash-rich balance sheet. RDFN gave an update on 4/16 noting a return to home-buying demand and notes how well home prices have held firm. RDFN is targeting a massive \$85B real estate commissions industry in the US. It averages over 27M monthly visitors and has a long term goal of a complete digital closing process. RDFN customers save on average \$12,000 on a \$500,000 home using Redfin versus a traditional agent and also sells faster at better levels. Redfin also has innovative services like Concierge and Now for fixing up homes and buying homes outright immediately, both in limited markets currently but set to expand. It also offers Mortgage and Title services as a full solution to customers. Analysts have an average target of \$24 on shares and short interest at 13.8% of the float is falling quickly to a one-year low. Goldman lowered its target to \$16 on 3/27 with a Sell rating seeing the industry in a difficult position for a sharp drop in transaction volumes but may see some longer term share gains with request for agent-led video tours up 500%. Needham raised shares to Hold seeing it emerging stronger from the crisis with customers having greater seller price sensitivity and agent hunger. RDFN had been a strengthening margin story and was being praised for stellar Q4 results. Hedge Fund ownership rose 3.3% in Q4 filings, Jackson Square a notable top holder.

### Hawk Vision:



**Hawk's Perspective:** RDFN on watch for a move out of this consolidation, a name that screens quite cheap and in a return to normalcy should thrive with a major opportunity in RE.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**S&P (SPY)** with 6900 July \$281 straddles being sold to open for around \$25M

**Utility (XLU)** with 5500 May \$58 straddles sold to open for around \$3.92

**Russell (IWM)** with 20,000 June \$131 calls sold to open \$3.17 today in a large trade. IWM also seeing 2500 June \$123 calls bought near \$6.90 to open and 5000 ITM June \$110 calls opening \$15.34 in a stock replacement

**NASDAQ (QQQ)** large block 24,000 September \$190 puts bought \$11.46 to open this morning, over \$27M

## **Consumer Discretionary/Services**

**Lululemon (LULU)** early buys active 1000 May 8th (W) \$210 calls around \$10.80 to \$11.20 after size call buys in May 1st (W) and May 8th (W) already this week

**Wynn (WYNN)** buyers active early for 1600 June \$85 calls up to \$6.10 offer. **WYNN** also with next week's \$77/\$82 call spread bought 600X1,200, will get Macau data on Friday which is sure to be ugly but more important to see read on the last 10 days in March when casinos re-opened. **WYNN** also seeing 5000 January \$75/\$105 call spreads bought this afternoon for \$11.67

**L Brands (LB)** with another 2,500 January \$15/\$20 call spreads bought this morning for \$1.24

**Dave and Buster (PLAY)** buyers for 3000 next week \$12 calls \$0.65 to \$0.75

**Planet Fitness (PLNT)** spreads active today selling the June \$42.50 puts to buy the \$62.50/\$70 call spread 970X for a small debit

**Big Lots (BIG)** with 1,300 June \$22.50 calls sold to open for \$1.45

**Las Vegas Sands (LVS)** the May \$43/\$39 put spread bought 1,000X2,000 today, weak down around 5% this morning. **LVS** now with 15,000 June \$50 calls bought up to \$2.25

**Yeti (YETI)** moving to session highs with 1,500 May \$24.50 calls bought up to \$2.05 with earnings on 5-7; YETI flagging below its 50-MA and just above the prior range, cup and handle formation

**Wayfair (W)** the May \$120 puts being bought 1,000X from 15.30 to \$15.90 this afternoon

## **Consumer Goods**

**Altria (MO)** early move out of small base with 2000 next week \$40.50 calls bought \$0.69 to open, earnings 4-30

**Papa Johns (PZZA)** buyer of 1,000 OTM May \$85 calls for \$1.20 to \$1.50 today, earnings expected in early May and likely another beneficiary of the shelter in place

**Coca Cola (KO)** stock replacement sells 1,500 July \$45 puts for \$2.80

**Unilever (UL)** with 400 ITM November \$52.5 puts sold to open for \$5.50. **UL** also with 330 Nov. \$47.50 puts sold to open this morning, \$3.30

**Grocery Outlet (GO)** strong today and 700 July \$35 calls active with buyers up to \$3.10, theme this week

**Starbucks (SBUX)** buyer of 1,200 October \$82.50 calls for \$4.65 to \$4.80

**Pepsi (PEP)** opening sellers of 2,000 May \$141 calls for \$1.05 to \$1.02

**United Natural (UNFI)** with 1000 June \$12.50 calls bought up to \$1.65 today

**Hormel (HRL)** buyers of 1600 May \$48 calls up to \$0.90, potential pantry loading beneficiary

## Energy

**Enterprise Products (EPD)** the January \$15/\$13 bull risk reversal bought 2,000X today for \$2; forming a multi-week base under \$18 with room back up to \$22 near-term

**Parsley Energy (PE)** buyer of the September \$7.50/\$15 call spread 1,500X3,000 for \$1.45

**Chesapeake (CHK)** buyer of 1,425 January 2022 \$10 puts today from \$7.00 to \$7.50

**Concho (CXO)** with 1200 May 29th (W) \$54 calls sold for \$3.80 in a buy-write

## Financials

**Credicorp (BAP)** with 400 June \$140 calls sold to open today \$8.00 to \$7.20

**Comerica (CMA)** with 615 July \$25 deep ITM calls opening around \$9 this morning

**Square (SQ)** buyer 1700 December \$55 puts to open \$8.59

**Bank of America (BAC)** stock replacement sells 4,000 August 20 puts for \$2.01

**MasterCard (MA)** stock replacement sells 400 August \$235 puts for \$17.88

**Athene (ATH)** buyer of 1,700 June \$22.50 puts for \$2.70, rolling the May \$40 and \$45 puts from December which are deep ITM

**Goldman (GS)** buyer of 1,000 May \$185 calls for \$3.70 to \$3.80

**Schwab (SCHW)** buyers earlier of 1,875 May \$36 puts for \$2.10 to \$2.30, shares have run right back to the declining 50-day

**Citi (C)** stock replacement sells 2,000 December \$35 puts for \$4.50

**One Main Financial (OMF)** with 2,000 OTM August \$10 puts bought for \$1.05 today, big bear flag forming into earnings on 4-27

**JP Morgan (JPM)** with 1,400 ITM May \$87 calls opening today from \$5.65 to \$5.70; **JPM** also with 1,500 July \$90 puts sold to open for \$9.35 in a stock replacement

**Aon (AON)** earnings on 5-1 and today 585 May \$185 calls being bought \$2.90 to \$3.00

## Healthcare

**Nevro (NVRO)** spreads again selling the June \$135 calls to buy the \$110/\$100 put spread, 1000X

**Uniqure (QURE)** with 500 June \$80 calls bought today up to \$2.05 with the relative strength

**Abbott Labs (ABT)** with 2,500 August \$110 calls sold for \$2.13 in a buy-write; **BDX** similar with the June \$290 calls sold

**Invitae (NVTI)** moving to the highs of the day with 1,200 December \$15 calls bought up to \$5.20, strong ramp in IV with earnings on 5-5

**Baxter (BAX)** buyers of 640 June 5th (W) \$92 calls for \$4.85 to \$4.90, some weekly calls rolling out into earnings

## Industrials

**Deere (DE)** buyers 740 June \$140 calls \$8.65 offer to open in early action

**Tesla (TSLA)** with 500 May 1st (W) \$745 calls opening \$35, below theoretical value. **Tesla (TSLA)** seeing unusual buying 1,650 May 22nd (W) \$1200 far OTM calls above \$6 this morning

**IAA (IAA)** buyer of 1000 June \$30 puts \$2 to open, a \$4.8B auto auction company

**Delta (DAL)** with 3,000 May 29th (W) \$25 calls sold to open \$1.22 to \$1.19

**American Air (AAL)** buyer of 20,000 January \$7 puts for \$1.95 with stock, same trade as yesterday. **AAL** also with 2850 November \$5 puts bought \$1+ this morning

**Union Pacific (UNP)** seeing around 500 September \$170/\$130 bull risk reversals open. **UNP** also seeing another 2,200 June \$130 puts sold to open down to \$2.65

**Hertz (HTZ)** another 17,000 January \$3 puts bought up to \$1.50 today, report they're working on a debt restructuring with advisors

**Southwest (LUV)** stock and IV ramping with 1000 May \$31.50 calls bought for \$1.40

**Raytheon Tech (RTX)** with 500 June 2021 \$55 puts sold to open for \$7.95 in a stock replacement, earnings on 5-7 and the first look at strategy for the NewCo post spins

**Emerson (EMR)** stock replacement sells 5,000 September \$45 puts for \$3.10

### Materials

**Harmony Gold (HMY)** with 3000 August \$4 puts sold to open \$0.90 and **Osisko Gold (OR)** with 2000 October \$7.50 puts sold \$0.96 to open, two small gold miners

**Barrick (GOLD)** with 4000 September \$27 puts bought \$3.38 to open. **GOLD** today also with 1500 Sept. \$25 puts sold for \$2.37 in a stock replacement

**Dow (DOW)** buyer of 1,000 January \$27.50 puts for \$4.40, tied to stock

**Ball Corp (BLL)** buyers of 800 May \$65 puts for \$3.00 to \$3.30 today with earnings on 5-7, peer **CCK** some weakness after results this week

### Tech and Telecom

**Expedia (EXPE)** with 2,000 January \$70/\$55 bull risk reversals opening for \$1.80, JMP positive this morning on travel resumption and their recent equity raise. **EXPE** stock replacement sells 1,400 July \$60 puts for \$7.40

**Taiwan Semi (TSM)** with 2800 May 1st (W) \$51 puts bought \$0.65

**HUYA (HUYA)** with 1,200 July \$16 calls bought up to \$1.80 today, live streaming videogames a big space likely during the shutdown

**Tencent Music (TME)** the June \$11 puts sold to open 3000X for \$0.90, stock replacement

**Twilio (TWLO)** seeing 600 January 2022 \$105 puts open near \$25.50

**Intel (INTC)** with 1000 February 2021 \$60 calls bought this morning \$6.15 to \$6.45 range

**eBay (EBAY)** with 2,000 July \$38 puts bought from \$2.55 to \$2.57 into strength, earnings 4-29

**Coupa Software (COUP)** with 450 May 29th (W) \$162.50 calls bought today \$11.95 to \$12.30 as some weekly calls adjust

**Salesforce (CRM)** now with 1,500 November \$140 puts sold for \$12.77 in stock replacements, follows the 500 July \$150 puts sold for \$11.27 earlier

**Crowd-Strike (CRWD)** with 700 OTM December \$100 calls bought for \$5.20 and 250 of the \$105 calls bought \$4.30 into strength

**Echostar (SATS)** with 600 October \$30 calls bought for \$4.38, adjusting some July \$45 calls bought in February and 4,000 in OI so could see more adjust

**Microsoft (MSFT)** IV rising as the stock pares some gains and 15,000 May \$172.50 puts bought up to \$7.25. **MSFT** also with 1,000 March 2021 \$165 puts opening for \$19.70 to \$20



**ST Micro (STM)** moving back near session highs and 2,685 November \$25 calls being bought up to \$4.10, shares starting to move out of a bull flag today and crossed back above the 50- and 200-MA this week.

**Cornerstone On Demand (CSOD)** buyers today of 1,150 May \$32.50 calls for \$1.10 to \$1.15, coiled chart into 5-11 earnings

**Crown (CCI)** sellers of 800 May \$150 puts for \$2.45 to \$2.40 this afternoon

**Zscaler (ZS)** buyer of 950 June \$75 calls up to \$4, some weekly calls adjusting higher

### Utility

**Exelon (EXC)** with 700 May \$34 calls opening \$3.20 to \$3.45 today, earnings expected soon and outlined catalysts in the name earlier this week

#### **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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