

OptionsHawk

OPTIONS HAWK DAILY MARKET 4/3/2020

Sector Leaders

Staples

Materials

Healthcare

Stock Gainers

ENIA 16%

ARNC 13.5%

LVGO 10%

APA 9.7%

NG 8.5%

ETSY 8%

Volatility Gainers

- COOP
- TWO
- GOGO
- GSX
- FRO
- TNK
- DHT

High Call Volume

- TGNA
- AERI
- CNNE
- LADR
- SCI
- WYND
- BBIO

Bullish Options

- LYV
- T
- LB
- HRL
- WY
- BA
- EDU
- ALGN
- WCC
- SHAK

Market Review: Global markets were mixed to finish the week with crude oil higher by 10% as Russia and Saudi Arabia prepare for an emergency meeting on Monday. China also continued with stimulus efforts to support small banks. The jobs report was much worse than forecast with a decline of 701k and unemployment up to 4.4%. average hourly earnings up slightly. And, while shocking, the numbers likely don't tell the full story of job losses as we're only in the earliest stages of some significant furloughs in hospitality and retail. ISM non-manufacturing was surprisingly strong at 52.5 vs 43.0 but did show slower deliveries. The S&P 500 (SPX) opened the day right at weekly VWAP and yesterday's highs and failed to make a strong push through with weakness settling in for much of the day. Breadth was weak all session long with cumulative TICK declining steadily. The declining 20-MA remains a brick wall at 2,515 and risk-off looks to remain in focus as long as the COVID-19 situations remains fluid.

S&P Chart (Daily):



Resistance	Support
2,640	2,335
2,720	2,270
2,830	2,100

Options Action Trends: Bearish flows continued into the energy rally with **COP, XOM, PXD** again in focus.

What's On Tap: Next week will be very quiet with the focus again mainly on COVID-19 updates. We'll get FOMC Minutes, Stress Tests are due for Banks, more industrial data in Europe which will be undoubtedly awful, and the first look at Michigan Confidence for April. Earnings in focus will be **SMPL, LEVI** and **MSM**.

Trade Tracker Portfolio Changes:

- 1) None

Sector Laggards

Financials

Energy

Utilities

Stock Losers

MIC -27%

GSX -15%

RDN -14.8%

PII -14.5%

IMMU -13.5%

NLY -12.8%

Volatility Losers

- GNW
- LK
- CHWY
- NCLH
- OXY
- HAL
- X

High Put Volume

- NOAH
- MTSI
- HTHT
- COOP
- GSX
- LEVI
- DECK

Bearish Options

- W
- GSX
- PK
- MAR
- COP
- XOM
- PXD
- PHG
- UBER
- IQ



Broadcom Bullish Trades on Attractive Valuation

Ticker/Price: AVGO (\$237)

Analysis:

Broadcom (AVGO) seeing a lot of options activity this week and on 4/2 the April \$220 synthetic long opened 900X, the April 9th (W) \$220 and \$230 calls opened 500X, and January \$220 puts traded a large 1600X block tied to long stock. AVGO has also recently seen the June \$240 puts sold to open 1000X, the June \$230 calls bought to open 800X, and still has notable bullish open interest in January 2021. The \$95B Tech company continues to screen as one of the most attractive, a strong Semiconductor company that has been transitioning more to software. AVGO shares have rebounded to the middle of a multi-year range and \$253 a key resistance volume node. Shares trade 9.35X Earnings, 4.2X Sales and 19.2X FCF with a 5.2% dividend yield. AVGO does carry plenty of debt but also has strong liquidity ratios and ample cash flow. AVGO has been shopping its RF unit and could see news there this week. Semiconductor Solutions still account for 77% of sales with Networking, Broadband, Enterprise Storage, Wireless and Industrial main segments while Infrastructure Software includes Mainframe, Enterprise, Cyber Security (Symantec Deal), and Storage Area Networking. On 3-13 AVGO pulled its full year guidance on lack of visibility, like most companies. Analysts have an average target of \$293 and short interest at 1.1% of the float has declined to multi-year lows. BMO upgraded to Outperform on 3-16 with a \$330 target seeing attractive valuation on a FCF basis. KeyBanc earlier this week adjusted its target up to \$290 seeing it well positioned to weather the COVID-19 storm with exposure to datacenter infrastructure and broadband access, both areas with strong demand trends from the work from home push. Barclays reduced its target to \$320 on 3/13 noting the debt load has led to underperformance in shares but the current high yield and diversified business model makes it attractive to own. Loop Capital upgraded to Buy on 3/13 seeing it well positioned when markets stabilize. Hedge Fund ownership fell 2% in Q4 filings, notable concentrated holders include Coatue Mgmt., Lyrical, and Cantillon.

Hawk Vision:



Hawk's Perspective: HD fits the high quality grouping and a Retailer less impacted from an accelerated shift to Online and store closures. The \$175 is a key level to be trading against on a weekly closing basis.

Confidence Ranking: \$\$



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Duke Energy Long-Term Call Buy Sees Rebound

Ticker/Price: DUK (\$79.35)

Analysis:

Duke Energy (DUK) with a buyer of 1000 January \$85 calls to open on 4/2 at \$4.75 which follows the October \$85 calls bought 600X to open on 4/1. DUK also has notable call open interest in April and June. The \$58B Utility leader is down 15% YTD and currently trades 14.2X Earnings, 1.27X Book and yields a 4.87% dividend. DUK has a Debt/EBITDA ratio of 5.5X. DUK shares are holding just above an eight year trend support this week. DUK has been undergoing a massive shift in recent years as they retire coal assets and other underperforming areas and modernize their grid including expansion of natural gas infrastructure and EV pilot programs. They have committed to spending \$37B through 2023 and targeting 4-6% EPS CAGR. DUK also has a potential positive catalyst from a recent SCOTUS decision to hear a case involving the Atlantic Coast Pipeline. Evercore noting on 10-7 that the decision to hear the case is a positive for DUK who is one of the largest co-owners in the ACP. A decision will be mid-2020. DUK's main presence is in Florida, Carolina's, Kentucky, Illinois, and Indiana. Analysts have an average target of \$102 and short interest is 5.4% of the float. On 2/24 Vertical Research started coverage at Buy with a \$112 target. On 2/18 CSFB upgraded shares to Outperform with a \$108 target, raising estimates for higher rate-base growth. Hedge Fund ownership jumped 10.7% in Q4 filings.

Hawk Vision:



Hawk's Perspective: DUK is one of the better financially strong Utility names and offers a solid yield for anyone wanting to gain exposure to the sector.

Confidence Ranking: \$\$



Barrick Bulls Position for More Upside

Ticker/Price: GOLD \$19.85

Analysis:

Barrick (GOLD) with more than 12,500 May \$17 puts sold to open the last two days with another 3,500 added yesterday and follows buyers of more than 8,000 Sept. \$21 calls, 10,000 September \$20 calls, and 3,500 June \$23 calls in February. The June \$20 calls have also accumulated over 11,500 over the last two months. GOLD is starting to work out of a small consolidation after basing the 8-EMA this week and new 1-year highs just above at \$22. Shares have been volatile but holding up well relative to peers and move over \$22 sets up a big technical breakout on the weekly of a five-year base. The measured move targets \$35. The \$36B gold miner trades 25X earnings and 3.7X sales with strong operating margins. GOLD has seen their Debt/EBITDA drop to 0.5X as they aggressively pay down long-term obligations while cash generation improved in Q4. GOLD has been curtailing non-essential projects while many of their main mines remain operational. They unveiled a 10-year plan on 3-26 wherein they are targeting 5M oz of production per year while their Nevada JV will be a center-piece of future growth given the number of tier 1 assets it holds and potential for expansion. Analysts have an average target for shares of \$18. Deutsche Bank raising their PT on 3-26 as they're the best operator in the group and will generate significant cash in a rising gold environment (they forecast \$1800/oz). UBS upgrading to Buy on 3-13 seeing upside as a defensive name with gold well supported given the low interest rates and negative GDP revisions. Short interest is 1.27%. Hedge fund ownership rose 1.6% in Q4. Driehaus Capital and Moore Capital notable buyers.

Hawk Vision:



Hawk's Perspective: GOLD is a quality name in the space and prefer it to many others given their optionality and high quality asset base. It started to make its move a bit yesterday and would prefer to target a pullback to \$17.75/\$18 and the recent range low.

Confidence Ranking: \$\$



Salesforce Bulls Position for Turnaround Summer

Ticker/Price: CRM \$133

Analysis:

Salesforce (CRM) yesterday with 1900 June \$145/\$105 bull risk reversals opening for \$4.30 debit and follows 1275 May \$150 calls bought on 3/27 and 2,000 June \$160/\$125 bull risk reversals bought on 3/23. CRM has also seen over 5,000 June \$150 calls bought since 3/13 while the May \$155 calls with over 12,000 accumulating. Shares are down around 30% from the recent highs and failing this week to make a concerted push through the declining 20-MA. CRM held the 2018 lows around \$120 recently and remains in a strong longer-term uptrend above trend support from the 2016/2017 low. The \$127B software leader trades 7.4X EV/sales and strong balance sheet that is net cash by more than \$3B with solid FCF. CRM sees mid-20% EPS growth and high-teens revenue growth the next two years, although concern over potential for business transformations or spending to slow down due to COVID-19 in the near-term. CRM is positioned with 93% deferred revenue giving them better long-term visibility while the majority of contracts, especially high-dollar deals, are signed for multi-year periods, so the company noting recently they expect minimal disruption. CRM has long been an M&A-focused company but the departure of co-CEO Keith Block, the primary dealmaker, may make them slow down in the near-term and focus on integration and expanding margins which many view as a net positive in the current environment. Analysts have an average target for shares of \$199.50. Argus with a \$215 PT on 2-27 positive on the company's positioning to exploit the secular trends in enterprise software toward enterprise digital transformation focused on customer experience and software-as-a-service cloud solutions. Raymond James with a \$230 PT noting the Vlocity acquisition gives them a broader presence in a number key verticals and looks like a home run. Short interest is 1.5%. Hedge fund ownership rose 1.8% in Q4. Polen Capital a big buyer of 3M shares. Director Susan Wojcicki a buyer of stock on 3/24 at \$150.42.

Hawk Vision:



Hawk's Perspective: CRM is tough because while it is one of those companies you'd love to buy and hold for the long-term, they're undoubtedly going to have problems in the near-term as companies and SMB pull back on spending. I'm a bystander at this time for either more constructive price action and news flow or a move back near the March lows and closer to those short puts for a longer hold

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

NASDAQ (QQQ) block of 5750 May \$174 puts bought \$6.66 to open, and sold 11,500 of the \$145 puts \$1.82

S&P (SPY) with the April 24th (W) \$245/\$230 ratio put spreads opening 5,000X10,000. **SPY** sweep buys 2300 June 2021 \$255 calls \$29.41 offer

Blotech (XBI) with 3500 May \$75/\$65 put spreads opening as April positions adjust

Treasury (TLT) with 5000 May \$175/\$185 call spreads opening \$1.59 as April spreads adjust

Russell (IWM) trade opens 12,250 June/December \$105 call calendar spreads for \$4.10

Consumer Goods/Services

L Brands (LB) January \$15 calls 12,500X bought early as it appears August \$17.50 adjusting

Levi's (LEVI) with 2,500 April \$10 puts opening up to \$1.00 into earnings next week, 4-7, and weak, albeit short, history

Live Nation (LYV) with 1375 April \$27.50 puts bought up to \$2.70. **LYV** with 2000 May \$25 puts sold to open down to \$4.43.

LYV the May \$20 puts now with 3,500 sold to open down to \$2.82

Unilever (UN) the August \$45 puts bought 1300X from \$2.95 to \$3.00

Wayfair (W) IV rising as another 2,000 May \$45 puts bought up to \$11.20. **Wayfair (W)** also with 625 August \$75 puts bought this morning up to \$34.00

Viacom (VIAC) weak breaking low end of range and 1600 May 22nd (W) \$13 puts opening

Marriott (MAR) buyers of 1000 January 2022 \$35 puts for \$9.00 today, continues to see pressure as more countries extend shelter orders

El Dorado (ERI) with 550 September \$12.50/\$5 bull risk reversals opening for \$1.85, Caesars deal reportedly delayed but not off

Wyndham (WYND) with 1,000 April \$20 calls sold to open for \$2.00 to \$1.55, adjusting down some May \$45 short calls

Huazhu (HTHT) with 1,000 May \$25 puts bought up to \$1.00 and the \$22.50 puts up over 3,000X

Decker Outdoors (DECK) the April \$110/\$100 put spread bought 500X1,000 at no cost

Vail (MTN) breaking down today and near 500 July \$115 puts bought up to \$15

Kohls (KSS) buyers of the July \$15 puts 600X for \$4.90, follows some call sellers yesterday

Wynn (WYNN) the May \$55 calls opening \$6.00 to \$6.10 this morning as well

Las Vegas Sands (LVS) the May \$40 calls opening 2,500X from \$3.95 to \$4.00

Petmed Express (PETS) buyers of 1,000 May \$30 calls for \$2.40/\$2.55, some April calls may be adjusting

Beyond Meat (BYND) sellers of 2,500 May \$55 puts this afternoon down to \$6.00

MGM this afternoon with 4,000 May \$11 puts opening for \$2.45 tied to stock

Energy

BP with 1,000 July \$32 ITM puts opening this morning \$7.75 to \$7.90 into the OPEC meeting on Monday. **BP** this afternoon also seeing 1000 July \$25 puts bought \$3.60 to \$3.70

Pioneer Natural (PXD) rolling over with 800 April \$72 puts bought for \$6

Chevron (CVX) with 2000 April \$70 puts opening for \$2.88 today tied to long stock

Halliburton (HAL) the May \$7/\$6 put spread bought 20,000X for \$0.50

DHT Holdings (DHT) buyers of the May \$5 calls over 1450X up to \$1.30

Conoco (COP) now with 1000 January \$25 puts bought up to \$4.50 and follows another 1000 April \$33 puts bought up to \$2.89 this morning

Enterprise Products (EPD) the September \$18 calls sold 8000X for \$1.10 in a buy-write

Teekay (TNK) buyers of 400 May \$17.50 puts for \$3.50 to open, tankers holding up recently with crude around \$20 but have pulled back the last two days

Devon Energy (DVN) with 65,000 October \$5 puts sold to open this afternoon for \$0.98 to \$0.88

Financials

Cannae (CNNE) with 1,000 May \$30 calls bought \$1.70 as the \$35 calls adjust back

SQ also seeing 2,000 June \$57.50 puts roll down to open 4,500 June \$42.50 puts today for \$6.50

Region Financial (RF) with 1,000 May \$9 puts bought today \$1.44 to \$1.45, earnings 4-17

Capital One (COF) bullish spreads this afternoon are buying the May \$45 call for \$3.09 and selling the May \$37.50 puts for \$3.50, over 5700X

Stone (STNE) buyer of 500 ITM July \$22 puts for \$5.90 to \$6.00

Healthcare

Pfizer (PFE) with 10,000 June \$36 calls sold \$0.91 to open

Align Tech (ALGN) with 1500 May \$190 short puts opening as April \$190 that opened 2/28 adjust

Benefytt Tech (BFYT) buyers today of 1,000 May \$18 calls from \$2.90 to \$3.00

Gilead (GILD) near session highs and 10,000 April \$70/\$62.50 put spreads opening for \$1.14

Teledoc (TDOC) with 1,000 January \$240 calls sold to buy the October \$150/\$120 put spread, likely collaring stock

Aerie Pharma (AERI) with 2,000 May \$15 calls sold to open for \$1.00 to \$0.70

Mylan (MYL) the October \$17.50/\$22.50 call spread bought 500X1,000 today; still expecting their deal with **PFE** by mid-year

Bridge Bio (BBIO) buyers of 1,250 April \$20 puts this afternoon for \$1.10 to \$1.54, some May calls closing earlier as well

Inovio (INO) stock replacement opened 2,500 May \$4 calls earlier for \$3.80, very coiled name that has run in March on COVID vaccine hopes

Industrials

Boeing (BA) next week \$130 calls seeing 1500X active w/ buyers

United (UAL) April \$20 puts up to 8000X and after closer examination buy flow paying up above \$1.50 now

Wesco (WCC) with 500 May \$22.50/\$30 call spreads bought today for \$1.81

Honeywell (HON) sellers of 1,000 January \$100 puts this morning from \$10.10 to \$9.85

Aramark (ARMK) with 1,000 May \$16/\$10 put spreads bought for \$1.90, continues to be challenged as hospitality / service industries are closed

Harley (HOG) with buyers of 2,275 May \$12 puts up to \$1.30, facing a number of headwinds

Tenneco (TEN) buyer of the October \$1 puts over 1375X with shares breaking down

Phillips (PHG) unusual buy 500 October \$45 puts to open ITM \$7.90 to \$8.

General Electric (GE) afternoon buyer of 20,000 August \$7 calls for \$1.05 to \$1.08

Thor Industries (THO) with 666 April \$35 puts bought up to \$2.60 today, carrying a lot of debt with their deal for Hymer last year

Old Dominion (ODFL) the April \$110 puts sold to buy the \$125/\$135 call spread 1500X

Materials

Weyerhaeuser (WY) with 650 May \$15 ITM calls opening \$1.80

Rio Tinto (RIO) buyer 1100 May \$47.50 puts \$4.10

Albemarle (ALB) the May \$50/\$40 put spread bought 500X as the April \$50 puts close 1000X

Tech and Telecom

Dell Tech (DELL) buyers of 1400 May \$30 puts from \$1.23 to \$1.26

Charter (CHTR) another 500 April \$420 puts trading today for \$13.95, spot where 1,000 bought yesterday and may be adding to OI

Z-Scaler (ZS) trading 1000 January \$50 calls this morning \$19 to \$19.20, will need to confirm OI as may be closing

New Oriental (EDU) buyer 250 October \$110 calls \$12.50 offer. **EDU** Oct. \$110 calls jump to 2500X now with big block bought aggressively \$13.50

Etsy (ETSY) with 1000 next week \$40 puts opening \$2.55

Oracle (ORCL) with 1500 September \$50 puts sold to open for \$5.75 in a stock replacement

Zillow (Z) the April \$29/\$25 put spread bought 1,000X2,000

Okta (OKTA) spreads are selling the January \$150 calls for \$7.48 and buying the Sept. \$100/\$75 put spread today over 2000X and similar to **TDOC** earlier

MACOM Tech (MTSI) with another 5,000 May \$15 puts trading today for \$0.75 where 4,000 were bought this week

Juniper (JNPR) the April \$20.50 calls now trading over 2,500X on the afternoon as IV jumps

GDS Holdings (HDS) the May \$55 puts opening \$5.40 to \$5.50 today

Uber (UBER) with 3,000 April \$21 puts bought up to \$1.31 spread with the \$17 puts

IQIYI (IQ) with 2,000 September \$17.50 puts bought for \$2.71 to \$2.88 with shares forming a bear flag

AT&T (T) stock replacement opens 3,200 January \$23 calls for \$5.90

GSX Techedu (GSX) buyers of 1000 May \$35 puts here up to \$6.40, under pressure since the Luckin (LK) announcement as a China-based high flier

eBay (EBAY) the June \$25 puts sold to open 3,500X for \$0.90

Pinduoduo (PDD) with 1500 OTM January 2022 \$60 bought for \$2.70 to \$2.85

Sea Ltd (SE) also with 11,500 April \$35 puts bought this afternoon up to \$0.80

Utility

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Not Investment Advice or Recommendation

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