

OptionsHawk

OPTIONS HAWK DAILY MARKET 4/6/2020

Sector Leaders

Housing

Retail

Semi's

Stock Gainers

IMMU 100%

W 35.75%

DDS 29.4%

CODX 24%

ICHR 19%

ERI 22.5%

ABR 21%

Volatility Gainers

- CTL
- VIAC
- LEVI
- IMMU
- DAL
- LVS

High Call Volume

- NCR
- SNP
- SAN
- PETS
- STWD
- IMMU

Bullish Options

- COF
- AAL
- UPS
- W
- BABA
- MSFT
- RH
- GFI
- CSX
- DISH
- CF

Market Review: Stocks opened the week sharply higher on some indications COVID-19 is peaking in Europe and the curve is flattening in the US. Oil remained volatility with Saudi/Russia discussions ongoing and the US intervening. Most every group was higher in the opening hours with safety groups lagging and Bonds pulled in modestly as did the VIX. The biggest moves higher were once again in the most beaten up areas like Housing and Retail while Semiconductors and Biotech also very strong. The S&P moved back up towards recent resistance and the high end of the range while an 8/21 moving average bull crossover triggered but the 200 week moving average a resistance looming overhead. We have a light schedule tomorrow and investors will continue to focus on optimism on flattening the virus curve.

S&P Chart:



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

Options Action Trends: There were not a lot of high impact trades once again, limited positioning with the large gap open and liquidity remains poor. There was even a sharp slowdown in ETF options activity.

What's On Tap: JOLTs Job Openings and Consumer Credit.

Trade Tracker Portfolio Changes:

- 1) No Changes

Sector Laggards

Bonds

Energy

Gold

Stock Losers

LK -15%

ZM -7%

GGAL -6%

TDOC -5%

XEC -4%

CXO -3%

CLR -2.5%

Volatility Losers

- SAN
- TWO
- LK
- PLAY
- LB
- GRPN

High Put Volume

- MAT
- PK
- W
- GSX
- DISCA
- LEVI

Bearish Options

- MNK
- WYNN
- DELL
- IWM
- JWN
- PK
- EXPE
- DPZ
- DISCA
- XOM
- LYV



Pepsi Calls Accumulate, Relative Strength Name in Consumer Goods

Ticker/Price: PEP (\$124.65)

Analysis:

Pepsi (PEP) with some buyers active in June \$130 calls last week, a name that has seen opening sales in April \$135 and May \$130 calls recently expecting limited upside or willing to be called away on a stock position. PEP has some notable buys sitting in open interest on the call option side in June and July expirations. On the chart PEP shares have held up well remaining in a longer term uptrend and bounced sharply off 2017-2019 support. Shares are now back above the 2019 breakout level and lack much resistance to run up to \$130 near-term. The \$172B consumer goods leader trades pricey at 19.9X Earnings, 14.6X EBITDA and 2.6X Sales with a 3.07% dividend yield, a name that is likely seeing a demand surge on pantry stockpiling. PEP has a large portfolio of dominant brands with 54% Snacks and 46% Beverages. PEP has guided 2020 to 4% organic revenue growth and 7% core EPS growth while it continues to invest in the business, has \$2B of repurchases planned, and expects to strengthen the portfolio via more acquisitions. Analysts have an average target of \$140 on shares with short interest low at 0.9% of the float. CSFB upgraded shares to Outperform on 3-27 with a \$144 target, citing a unique opportunity to own a high-quality asset at a discount with plenty of growth drivers after investing \$12B the past two years in higher advertising, capital spending and M&A. It sees PEP protected well near-term with a portfolio that skews favorably to the current environment and it also benefits from direct-store-delivery capabilities at a time of supply shocks. PEP announced a \$3.85B deal for Rockstar Energy Beverages earlier in March to further position it in the strongly growing energy drink space. Goldman out last week with a Conviction Buy rating and \$140 target noting stable fundamentals and a positive reward/risk. Morgan Stanley raised shares to Overweight with a \$132 target on 3/23, RBC also upgraded to Outperform with a \$153 target, and Guggenheim raised to Buy with a \$134 target. Hedge Fund ownership fell 1.6% in Q4 filings, Magellan and Fundsmith top holders.

Hawk Vision:



Hawk's Perspective: PEP is a quality name that should maintain its quality results, a spread like the May/June \$130 calendar call spread under \$2 looks like an attractive way to play it here.

Confidence Ranking: \$\$



Texas Roadhouse Bullish Trades as a Likely Casual Dining Survivor

Ticker/Price: TXRH (\$35.25)

Analysis:

Texas Roadhouse (TXRH) seeing the June calls active on Friday with 1,300 of the \$35 and later 1,500 of the \$40 calls trading on the day, the former from \$5.60 to \$5.70. TXRH recently had some smaller June \$40 puts sold and still has some Sept. calls in OI from buyers in late February. TXRH has traded back to the 61.8% Fibonacci of the massive run from 2008 onwards and also holding a big volume node from 2015. In the near-term, above \$40 can set up a run back to the 200-MA at \$54. The \$2.39B restaurant owner has been a best-in-class operator for years and trades cheap on valuation at 13X FY20 earnings with outstanding margins, strong historical comps with a well-capitalized balance sheet and zero debt. They drew down \$190M on their credit facility recently to boost their net cash to \$300M and halted their dividend, but not uncommon for companies in the current environment. TXRH has been running all of their locations at full or 'to-go' capacity and expanding curbside service. TXRH carries an advantage over peers with 484 of their 611 stores under company ownership, not franchised, which makes them less reliant on individual debt and potential for payments to slow down. They're also coming off a big cost-cutting program wherein they put in place better food cost controls and menu changes which have so far seen higher average tickets and little impact on their traffic base. Analysts have an average target for shares of \$63.50. Gordon Haskett upgrading to Buy on 3-25 while Loop Capital with a \$66 PT positive on the company's ability to manage its margins, with its incremental pricing changes in March. Short interest is 7.3%, flat over the last year. Hedge fund ownership fell 2% in Q4. In May, a director bought nearly \$1M in stock at \$52.51.

Hawk Vision:



Hawk's Perspective: TXRH is in a very difficult group to be long but definitely one of the better situations and a top name when there is a return to normalcy for the patient investor.

Confidence Ranking: \$\$



Bullish Trades in UPS as Shares Base

Ticker/Price: UPS (\$93.85)

Analysis:

United Parcel (UPS) bullish spread today sells the May \$85 puts to buy the October \$105/\$125 call spread 1,000X for a small net debit. UPS has seen nearly 3,000 June \$95 calls bought to open into recent weakness, more than \$1.5M in premium, while the January \$80 calls bought for \$1.1M on 3/10 and the May \$95 calls active with buyers last week. UPS also has a number of notable short puts in OI in October down to the \$80 strike. Shares have pulled back to the 2016 lows and key breakout spot from 2013 around \$87.50/\$90 where it has based for the last six weeks. UPS with a positive RSI divergence into the recent re-test of that low and a move above has two small gaps to focus on including one back to the February VPOC at \$103.50 and another to \$117.50 from early 2020. The \$79.87B company trades 11X FY21 EPS estimates and 0.82X FY21 sales. UPS will undoubtedly take down estimates and report a big Y/Y drop later this month with about half their overall volumes dependent on B2B but likely a bigger buffer than others due to expanding B2C shipments and e-commerce ramp from both existing and new entrants into the space. They also benefit from AMZN's recent demand surge with the e-commerce leader around 20% of UPS overall volumes. The company has exposure to Europe and Asia as well, the latter already seeing a rebound in volumes with peer DHL noting two weeks ago they're back to near full capacity. UPS is well-capitalized with \$5.2B in cash on hand and a revolver of \$4.5B that they have yet to draw on. They could also halt their dividend (~4% yield) and buyback (\$1B) to give themselves more liquidity flexibility. Analysts have an average target for shares of \$120. Stifel upgrading to Buy on 3-10 as one of the names most interesting names in the group due to its "healthy" cash generation, steadier earnings and cash flow profile than peers. Short interest is 1.6%. Hedge fund ownership fell 4% in Q4. Twin Tree Management a buyer of call options while Boston Partners and Clearbridge notable holders.

Hawk Vision:



Hawk's Perspective: UPS is a high quality operator and would like to see it move through the \$96 level, a name that can withstand an economic drought.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Volatility Index (VIX) opening sale of 15,000 June \$32.50 puts down to \$4.91 with VIX off less than 5% on big market gap up

NASDAQ (QQQ) block of 20,000 April \$204 calls bought \$0.94 offer

S&P (SPY) with 11,624 December 2021 \$305 calls opening \$14.27 offer

Consumer Discretionary/Services

Charter (CHTR) buyer 200 June \$475 calls for \$5.65

Wynn (WYNN) with 1200 April \$52 puts being bought this morning. **WYNN** also 575 January 2022 \$85 calls bought to open up to \$12.50 this morning

Penn National (PENN) buyer of 2,000 April \$13 calls for \$0.75, adjusting higher the April \$11 calls

Nordstrom (JWN) buyer of 2,000 July \$17.50 puts for \$4.35, rolling down the \$25 puts

Park Hotel (PK) with 1900 October \$5 puts opening up to \$1.50. **PK** also with 1000 May \$5 puts bought this morning

Domino's Pizza (DPZ) buyer of 500 May 1st (W) \$345 ITM puts to open for \$25

Dillard's (DDS) more than 625 January \$20 puts sold to open this morning from \$4.50 to \$3.50

Discovery (DISCA) with 3,000 July \$20 puts opening \$2.42 to \$2.57 this morning, some April \$25 and \$22.50 puts adjusting from recent buys

Hyatt (H) the April \$50 calls opening 2000X today for \$1.09, adjusting back the \$60 short calls from recently

RH (RH) with 1000 January \$100 calls bought \$28.50 to open after announcing layoffs this morning

MGM buyers of 2,000 May \$15 calls this afternoon up to \$1.14

Extended Stay America (STAY) with 1650 May \$7 calls bought this afternoon \$1.05 to \$1.10

Stitch-Fix (SFIX) with 2750 September \$15 calls sold to open \$1.65 and 1100 of the \$12 calls sold to open \$2.75

Dish Network (DISH) aggressive buy 2700 January 2022 \$25 calls \$5.70 offer

Ross Stores (ROST) buyer of 500 May \$90 calls today \$4.20 to \$4.30

eBay (EBAY) with 7800 June \$32 calls opening \$1.74 in a stock replacement

Viacom (VIAC) day highs with 5000 January \$22.50 calls opening \$1.05 to \$1.19 today

Electronic Arts (EA) with the June \$110/\$120 call spread bought 900X1800 for \$1.50

Dine Brands (DIN) buyers of 950 June \$35 calls up to \$2.75, owner/operator of Applebees and IHOP restaurants

Consumer Goods

Peloton (PTON) the April \$29 calls with 1,470 bought early up to \$2.38

Keurig Dr. Pepper (KDP) with near 600 July \$23 puts sold today for \$1.35, shares flagging in a narrow range

Yum Brands (YUM) the May \$70/\$80 call spread bought to open 1,000X2,000 for \$2.45

Energy

Diamondback (FANG) with 1,000 June \$25/\$15 put spreads bought for \$2.92, some \$20 puts adjusting

Exxon (XOM) buyer of 3,500 May \$37.50/\$32.50 put spreads for \$1.35

EOG Resources (EOG) the May \$37.50/\$32.50 put spread bought for \$1.88, 1700X

Schlumberger (SLB) stock replacement sells 7,000 January \$15 puts for \$4.00

National Oilwell Varco (NOV) with 5000 May \$10/\$8 put spreads opening for \$0.73

Financials

Capital One (COF) recent bullish put sales and call buys seeing 100 September \$35 and \$37.5 calls bought to open \$15.41 and \$13.50 this morning

NCR Corp (NCR) with 600 May \$20 calls opening for \$2.38, adjusting out of the April \$15 calls with shares clearing a small bull flag

HR Block (HRB) buyer 1500 July \$10 puts for \$0.98

One Main (OMF) with 500 May \$15 calls opening \$3.60 to \$3.80 ITM, RBC positive recently as their focus is mostly on the non-prime personal market which should outperform

HSBC buyer of 3,500 September \$26 calls for \$1.96, stock replacement

US Bancorp (USB) with 1250 January 2022 \$45 calls opening \$2.75

Realty Income (O) with 1000 May \$35 puts opening \$0.97

Tanger Factory Outlet (SKT) buyers of 1,450 June \$6 puts up to \$1.60 into the 27% move higher today

Marsh and McLennan (MMC) with 1200 May \$75 puts sold to open \$1.95

Healthcare

Mallinckrodt (MNK) with 5000 July \$2.50 puts opening \$1.38 as April adjust

Exact Sciences (EXAS) with 500 deep ITM January 2022 \$90 puts opening at \$40

Axsome Therapeutics (AXSM) sellers of 2,000 September \$85 calls for \$7.40 to \$6.80 into strength today

Zogenix (ZGNX) with 2000 May \$25 calls sold \$1 to open

Smile Direct (SDC) stock and IV ramping with 8000 April \$4.50 calls bought up to \$0.55

Bristol Myers (BMY) with 2400 November \$45 puts open \$1.86. **BMY** also today 1600 January \$57.50 calls bought \$5.30 to \$5.45

Charles River Labs (CRL) with 750 May \$135 calls bought for \$10.34, adjusting higher the 500 May \$105 calls bought recently

Sage Therapeutic (SAGE) with 550 December \$35 calls opening \$6.80 to \$7.25

CVS Health (CVS) sweep buyer 1500 June \$57.50 calls \$3.80 offer

Industrials

ABB Ltd (ABB) with 1000 September \$19 puts sold \$2.50 bids to open

Hollsys Auto (HOLI) with 3500 May \$12.5 puts being sold to open \$0.60 to \$0.55

CarGurus (CARG) buyers of 1,000 April \$17.50 calls up to \$1.15

American Air (AAL) with 10,000 January \$10 calls bought \$3.35 to \$3.39. **AAL** also with 2000 January 022 \$8 puts bought \$3.50 to \$3.60 to open

Adient (ADNT) the January \$18 calls bought today 1250X around \$1.10 as the \$25 calls look to be rolling back; originally opened in spreads with the \$35 calls and \$13 puts sold

Heico (HEI) buyer 500 May \$80 calls \$5.60 and sells 300 of the \$90 calls \$1.57

CSX Corp (CSX) buyer 1200 August \$67.50 calls \$3.10 to \$3.20 offers, room above \$62 to \$68.5

Waste Mgmt. (WM) with 1000 October \$65 puts sold to open down to \$2.40

GOL Linhas (GOL) with 2500 October \$2 puts opening at \$0.50

Carvana (CVNA) with 400 November \$55 puts bought \$19.70 to \$20.30 to open

Materials

Gold Fields (GFI) buyers of 11,500 October \$6 calls for \$1.26 to \$1.29

CF Industries (CF) with 5,500 January \$25 puts sold to open for \$4.15 in a stock replacement

Tech and Telecom

Adobe (ADBE) April \$320 calls being sold to open 4000X early

Cisco (CSCO) with 1,375 April \$39 calls bought for \$2.08 as some weekly calls roll, near a flag breakout today

MongoDB (MDB) spreads are selling the January \$190 calls to buy the August \$105/\$80 put spread this morning, net credit on the spreads opening 900X and similar protective spreads seen in a lot of names on Friday afternoon

Dell Tech (DELL) buyers of 2300 May \$30 puts up to \$0.85 into the early highs

TI (TXN) with 1000 May \$115 calls sold to open for \$2.02, adjusting the April \$140 short calls from February that are near zero

Broadcom (AVGO) sale of 400 May \$260 calls \$11.39 in a buy-write

Facebook (FB) seeing 2000 June \$160 calls active \$12.50 to \$12.80 range this morning, nearing bull 8/21 MA crossover, will confirm OI change tomorrow

Twitter (TWTR) with 3,000 May \$26 calls sold for \$1.59 in a buy-write

Advanced Micro (AMD) with 2550 January 2022 \$60 ITM puts opening this morning \$21.50 to \$22 range

Wayfair (W) opening seller of 10,000 April \$50 puts from \$1.70 to \$1.50, big gap higher on their sales update today

Ebix (EBIX) buyer 500 June \$17.50 calls \$1.20

Micron (MU) with 1750 October \$45 calls sold to open down to \$6.60

Citrix (CTXS) spread sells 1000 June \$105 puts \$2.22 and buys 1000 September \$140 puts \$12.57

Alibaba (BABA) with 3500 June 2021 \$245/\$175 bull risk reversals opening this morning for a net credit

Microsoft (MSFT) with 3500 May 1st (W) \$160 calls active with buyers this morning, large lot bought for \$7.80

MagnaChip (MX) the May \$12.50 calls bought 2500X for \$0.40 today, recently reached a deal to sell their Foundry business

Netflix (NFLX) buyer of stock sells 5,395 May \$400 calls for \$13.25 to open in a buy-write

Z-Scaler (ZS) with 1850 August \$40 puts sold to open \$1.65

HP (HPQ) spread sold 1500 August \$12 puts \$0.84 and bought the \$17/\$22 call ratio spread 1500X3000X at \$0.78, so net credit on the spread

Pinterest (PINS) with 2500 January \$10 calls opening deep ITM for \$6, stock replacement

Pure Storage (PSTG) buyers here 4500 January \$5 puts \$0.40 offer

Fastly (FSLY) the May \$19/\$15 put spread bought 645X today for \$1.40

Palo Alto (PANW) with 2000 April \$180 OTM calls bought \$1.50 offer this afternoon

Skyworks (SWKS) buyers of 900 May \$90 calls for \$6.20 to \$6.50

Utility

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.

Content is for informational and educational purposes only. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors. **Gold Fields (GFI)** buyers of 11,500 October \$6 calls for \$1.26 to \$1.29