

OptionsHawk

OPTIONS HAWK DAILY MARKET 4/7/2020

Sector Leaders

Oil Services

Banks

Housing

Stock Gainers

CAL 52%

WES 42%

GIII 34%

MAC 32.7%

SKT 30%

GCO 27%

KSS 27%

Volatility Gainers

- IQ
- BBY
- SAN
- JWN
- UAL
- WES

High Call Volume

- NTR
- TWO
- MDP
- LFC
- FND
- MTN

Bullish Options

- FANG
- BA
- MTCH
- NEE
- DUK
- CPRI
- NTR
- EPD
- AXP
- JPM
- WORK

Sector Laggards

Bonds

Software

Gold

Stock Losers

SEAC -24%

CIM -18.5%

GLNG -17.5%

APT -14%

OMI -10%

ATRA -10%

CODX -9%

Volatility Losers

- AMC
- SABR
- MO
- PLAY
- CNK
- NWL

High Put Volume

- GSX
- SABR
- LEVI
- INFY
- ATH
- IQ

Bearish Options

- GM
- FIVE
- KSS
- PLD
- GSX
- ATH
- BZUN
- IRM
- ZG
- IQ
- LYV

Market Review: Stocks were higher once again overnight with some optimism of the outbreak slowing as well as a large stimulus plan out of Japan. Oil was modestly higher with a deal seen this week on output curbs. We saw the most strength in laggard groups like Energy, Homebuilders, and Banks while a lot of the Travel & Leisure names also opened strong. It remained a headline-driven tape with NY COVID-19 daily updates showing less optimism today, and stimulus headlines were also active as the Fed looks to support the economy. Bonds and Gold were the worst performing groups but growth areas like Software/Biotech also lagged sharply. The S&P moved back above its 200 week moving average and the high rejected near March and May 2019 support levels, also the 9 week EMA. The schedule remains light with an eye on Thursday's jobless claims and Powell speaking, and daily COVID-19 updates at the hotspots.

S&P Chart:



Resistance	Support
2,750	2,635
2,830	2,445
2,945	2,300

Options Action Trends: We saw some bullish positioning in Ag names, after a large put sale in CF yesterday we saw FMC puts sold today and NTR calls bought. Overall, similar to equity markets, volume remains very light.

What's On Tap: EIA Data and FOMC Minutes.

Trade Tracker Portfolio Changes:

- 1) No Changes



CSX Call Buyer Sees Bottom Holding

Ticker/Price: CSX (\$61)

Analysis:

CSX Corp (CSX) closed strong on 4/6 higher by nearly 8% and earlier in the session with buyers of the August \$67.50 calls \$3.05 to \$3.50 with more than 2500X trading on the day. CSX is one of the early reporters traditionally and will announce results on 4/22. Shares pulled back and held a familiar support zone from 2017/2018 in March, rebounding off the \$47 level and now into a volume pocket with room up to \$68.50 near-term. The \$43.8B Rail trades 12.65X Earnings, 10X EBITDA, and 18X FCF with a 1.83% dividend yield. CSX is certain to face volume headwinds with the recent economic slowdown but has been an industry leader in FCF (FCF Yield 6.6%) and one of the first movers to precision rail with it reaching all-time record low in operating ratio recently. CSX's network reaches most of the Midwest and East Coast and Chemicals/Coal account for its largest revenue source followed by Intermodal, Auto and Ag, so some exposure to weak end-markets. Analysts have an average target of \$71.50 on shares and short interest low at 1% of the float near a multi-year low. Stifel is resuming shares at Buy with a \$71 target citing strong cash flows and a health balance sheet enabling it to weather the current storm, and having a no-nonsense management team. Wolfe upgraded shares to Outperform on 3/27 with a \$70 target and Evercore the same on 3/26 with a \$68 target. Hedge Fund ownership fell 11% in Q4 filings, a concentrated holding for Steadfast Capital, Soroban Capital and Edgepoint.

Hawk Vision:



Hawk's Perspective: CSX has made a strong move off lows and tough for me to see a strong bull case for Rails right now, so not overly interested in tailing this one.

Confidence Ranking: \$\$



Citrix Puts Bought After Surge in Shares

Ticker/Price: CTXS (\$147)

Analysis:

Citrix Systems (CTXS) with a spread on 4/6 that sold 1000 June \$105 puts at \$2.22 to buy 1000 September \$140 puts at \$12.57. CTXS options have been active lately seeing a lot of puts bought in stock-tied trades and does have 2800 April \$150 calls in open interest from a buyer on 3/27. CTXS has been a winner as a work from home play with shares +27% YTD though shares potentially hitting a peak as trend extension off the 2017 and 2018 highs was hit today as shares hit record highs. The \$17.5B Tech company that provides various cloud-based sharing and storage solutions and customized workflows is now trading 6X EV/Sales, 22.8X Earnings and 32.56X FCF with a 0.89X Debt/Equity ratio. CTXS estimates currently expect just 2.5% revenue growth in 2020 and EPS seen down Y/Y, though a name that has been shifting to a subscription model with 58% of total product bookings as of 2019. It has a diversified customer base and some exposure to verticals being shut down, so could impact results negatively with all of the lay-offs. CTXS has long-term goals of 33-35% operating margins and 8-10% annual revenue growth. Analysts have an average target of \$130 and short interest is at 4.8% of the float. Deutsche Bank raised its target on shares to \$175 this morning and last week Ray-Jay upped its target to \$155 as a beneficiary of the work from home environment. MSCO recently upgraded to Overweight with a \$160 target seeing rising demand catalyzing the next leg of the subscription transition and sees \$10/share FCF by 2022. Hedge Fund ownership fell 14% in Q4 filings, Elliott remains a top holder but did sell a portion of its position while Scopia picked up a new concentrated stake.

Hawk Vision:



Hawk's Perspective: CTXS seems to be more of a hype move and see little evidence it will be able to report numbers to justify the move in shares. Watch for a move below \$137 for the start of a reversal.

Confidence Ranking: \$\$



Discovery Puts Accumulate on Debt Obligation Concerns

Ticker/Price: DISCA (\$19.65)

Analysis:

Discovery (DISCA) buyer yesterday of 3,000 July \$20 puts for \$2.50, a more than \$800k buy, and comes with some April \$22.50 and \$25 puts adjusting down. DISCA recently had 2,850 October \$17.50 puts for more than \$675k that remain in OI. DISCA with a weak bounce yesterday unable to reclaim the 20-MA with much of the market making the same move. A move under recent support and bear flag lows at \$18.25 has a measured move to \$14. Longer-term, DISCA sits right at multi-year support at \$16. The \$9.86B company trades 5X FY20 estimates and 0.9X sales with a significant amount of debt – around \$15.4B and doubled since 2017 when they acquired Scripps Networks. They have a \$2.5B credit facility to draw on. DISCA was the international distributor for the Olympics this Summer and the delay pushes back a potential recovery in international operations to 2021 while also leading them to lower EBITDA by around \$200M on the shift. DISCA's pay-tv networks include TLC, HGTV, and Food Network to Travel Channel, OWN, Animal Planet, DIY, and more. The company has also been assembling sports programming like the rights to GolfTV and Eurosport, both likely to see advertising impacted heavily by the lack of live sports. DISCA is also playing catch-up in the streaming world with a series of DTC products rolling out in 2020, but developing and expanding those products will weigh on profitability in 2020. Analysts have an average target for shares of \$31.50. MKM cutting estimates on 3-31 but noting it remains an "attractive" free cash flow play since its networks - particularly Food Network and HGTV - have a good propensity to hold up well during the more difficult economic periods. Barrington with a \$34 PT noting that while they view Q4 as mixed, the analyst continues to like the company from a longer-term point of view. Short interest is 4.4%. Hedge fund ownership fell 1.65% in Q4. In November, a director bought \$4.5M in stock at \$28 while John Malone bought \$75M at \$28.

Hawk Vision:



Hawk's Perspective: DISCA has barely rebounded which is an ominous sign, and likely a name that comes under even more pressure.

Confidence Ranking: \$\$



Next-Era Energy Calls Bought as Best in Class Utility Bases

Ticker/Price: NEE (\$236)

Analysis:

Next-Era Energy (NEE) with buyers of 1,265 May \$260 calls today from \$5.00 to \$6.00 and name popular with put sales recently including 2,000 April \$250 puts sold back on 2/25 that are a bit underwater. NEE also has seen buyers in the September calls, although smaller size remains in OI. Shares are back above the 200-MA today after dipping down to the 50% retracement of the big bull trend from the 2016 lows around \$190. Shares also held a high-volume node from 2018 around \$180. A move above \$250 in the near-term puts new 52-week highs back in play above \$280 and a measured run up to \$300. The \$117B utility trades 3X book and 23X FY21 earnings with a 2.4% yield. They generate about \$8B in cash flows last year and their debt position, while rising recently due to some deals, is primarily longer-maturity and manageable. They sold \$1.1B in 5-year notes through their Florida Power and Light business on 3-26 as well. NEE is a leader in renewable energy generation with wind and solar in focus. They've been one of the most consistent names in the space while also pursuing a number of bolt-on M&A deals to expand their footprint. Analysts have an average target for shares of \$245. BMO starting at Outperform in February. Short interest is 1.4%. Hedge fund ownership fell 2.65% in Q4. Insiders active in March in the name with two different directors buying stock. On 3/11 and 3/12 one bought \$450k at \$212.50 to \$243 while another bought \$880k at \$220. On 4-3, media reports speculated the company was working with advisors on a bid for Evergy (EVRG).

Hawk Vision:



Hawk's Perspective: NEE has long been our preferred Utility stock to own, and continues to act and operate as the best in class name.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Russell (IWM) May puts active early with 8000 of the May \$111 opening, may be adjusting \$107 strike. **IWM** stock replacement opened 4000 December \$113 calls \$14.45. **IWM** also with 3500 January \$115 puts opening \$12.10 to \$12.75 today. **IWM** with 11,500 May 22nd (W) \$110/\$100 put spreads opening

NASDAQ (QQQ) with 5000 May \$183 puts bought \$4.55 to open in opening 15 minutes

S&P (SPY) buyer 1000 October \$290 calls \$14.25, look to be adjusting \$280 calls. **SPY** earlier a buyer of 5000 May 1st (W) \$67 puts for \$10.06. **SPY** 8800 May 1st (W) \$287.5 calls bought \$3.26 to open as well that appear to adjust July \$300 calls

Healthcare (XLV) with 5,000 May \$93 calls bought for \$3.55 in a stock replacement, exposure is highest to **JNJ, UNH, MRK, PFE, ABT, and BMY**

High Yield (HYG) with 100,000 May \$74/\$71 put spreads opening today with April spreads adjusting

Vanguard Real Estate (VNQ) sweep buys 4450 January \$60 puts to open \$4.90 to \$5 offers after it retested a key support break this week

Consumer Discretionary/Services

Comcast (CMCSA) opening sale 4000 Apr. \$35 puts \$0.42

Match (MTCH) with 2000 June \$80/\$60 bull risk reversals opening at \$1.20 net credit

Darden (DRI) with 1,540 October \$80 calls sold around \$6.00 in buy-writes today, rolling out the May \$55 short calls

Five Below (FIVE) the May \$60 puts bought for \$1.97, 1000X, as the \$55 puts adjust back

Kohls (KSS) buyer of 850 May \$17.50 puts up to \$2.40 and some weekly puts also active into strength

Floor & Decor (FND) with 1000 May \$32.50 calls sold for \$2.90 to \$2.67 in a buy-write this morning, TAG this morning expecting delays/cancellations in large home projects

Capri (CPRI) another 1000 August \$12.50 calls bought today \$3.60 to \$3.80, spot that has seen sizable accumulation

MGM buyer of 5,000 June \$9 puts for \$1.20, tied to stock

Colgate Palmolive (CL) stock replacement sells 500 deep ITM Jan \$85 puts for \$16.98 today

Texas Roadhouse (TXRH) with 1,000 June \$45 calls opening for \$6.50, adjusting higher the \$35 calls bought on Friday

Target (TGT) with 800 January 2022 \$70 puts sold to open \$6.85

TJX Co (TJX) buyer 1500 January \$47.50 puts at \$8, stock-tied

Consumer Goods

Costco (COST) nearly 1000 June \$345 calls sold to open \$3.85 to \$3.7

McDonald's (MCD) with 1500 June \$150 puts opening \$4.90 to \$4.95

Energy

Diamondback (FANG) into large gap and 900 September \$60 OTM calls bought \$2.50 to \$3. **FANG** also with 750 January \$60 calls bought this morning \$4.00. **Diamondback (FANG)** the May \$30/\$25 put spread bought 3,000X for \$1.97, some April puts from 3/26 adjusting

Enterprise Products (EPD) with 3500 May \$17 calls bought \$0.70 offer to open

Conoco (COP) stock replacement sells 3,000 January \$35 puts for \$7.55 to open today

Williams (WMB) with 1,700 May 22nd (W) \$15 ITM calls opening up to \$2 with shares breaking out of a bull flag

Sun Run (RUN) with 2,500 July \$14 calls sold for \$1.10 to \$1.07 to open in a buy-write. **RUN** 1500 May \$12 calls open \$1.04

Concho (CXO) with 960 September \$35 puts bought \$4.20 to \$4.50 to open

Pioneer Natural (PXD) the May \$75/\$60 put spread bought 400X800 into the lows for \$1.70

Financials

Citi (C) today with 1200 June 2021 \$52.5/\$40 collars opening, also an opening seller of 1000 July \$40 puts for \$4.25 in a stock replacement

Morgan Stanley (MS) buyers of 1,000 June \$34 puts up to \$2.44 into strength. **MS** also with 1000 May \$39 calls opening today \$2.75 to \$2.80. **MS** also with 2000 May \$42 calls sold in a buy-write

Marsh & McLennan (MMC) with 1,100 May \$80 puts sold to open for \$2.10, similar to the May \$75 puts sold yesterday

Ally Financial (ALLY) with 1,500 September \$20/\$25 call spreads bought for \$1.15 with the May \$12 puts sold for \$0.94

Athene (ATH) the August \$22.50/\$17.50 put spread bought 1500X for \$1.79

American Express (AXP) buyer of 1,000 October \$110 calls for \$4.46, adjusting some July \$140 calls bought earlier this year. **AXP** also with 1100 October \$85 puts opening \$10.25 to \$10.50 earlier today

Blackstone (BX) the September \$52.50/\$40 bull risk reversal opening today 1475X for \$1.09. **BX** also with 1,500 Sept. \$50 puts opening for \$7.90 tied to long stock

Iron Mountain (IRM) buyers of the May \$27.50 puts over 5,000X from \$3.60 to \$3.80

JP Morgan (JPM) with 6,000 December \$110 calls bought today \$5.40 to \$5.50

Equifax (EFX) with 650 May \$120 calls bought for \$8.37, the April \$110 calls adjusting

Nasdaq (NDAQ) bullish flow with 300 September \$100 calls opening \$12 to \$12.30

PayPal (PYPL) with 1000 January \$110 calls bought \$12.15 as a stock replacement

Healthcare

Nevro (NVRO) sale of 600 May \$90 puts at \$2.22 and buys 600 of the \$110/\$130 call spreads for \$5.01

Stericycle (SRCL) unusual 285 December \$55 calls bought \$4.10 to open

Iovance (IOVA) now with 1650 June \$35 calls bought for \$4.50, looks to be adding to over 9,000 in OI

Steris (STE) the May \$155 calls opening 650X for \$7.32 as the April \$135 calls close 500X and adjust

Biogen (BIIB) with 500 July \$420 calls opening for \$5.45 to \$5.55 as the January \$450 calls from December adjust back ahead of critical Alzheimer's data. **BIIB** now with 500 May \$350 calls opening \$7.57 as 250 January \$300 adjust

China Biologic (CBPO) the May \$105/\$115 call spread bought 525X for \$2.36

Axsome (AXSM) with 1000 May \$70 calls opening today \$3.40 to \$3.60

Blueprint (BPMC) the May \$60/\$45 put spread bought 1,500X for \$3.70

Boston Scientific (BSX) more bullish flow with 5000 May \$30 puts being sold \$0.72 and the August \$40 calls bought \$1.30

Industrials

Boeing (BA) the May 1st (W) \$160 calls opening up to \$19.35 today, over 3000X, as the \$110 calls roll up. **BA** also with 5000 May \$160 calls opening today as the \$110 calls from 3/18 adjust

General Motors (GM) three September \$16 puts bought 5,000X for \$1.65

Thor Industries (THO) 1,000 May \$50 calls sold to open from \$2.80 to \$2.75

CSX Corp (CSX) with 1,000 April 24th (W) \$60 puts bought for \$1.88, adjusting back some of the \$55 puts bought recently

Illinois Tool (ITW) buyer 420 January \$145 puts to open \$19.10

Fiat Chrysler (FCAU) spread buys 20,000 January \$8.54 calls at \$1.20/\$1.21, sells 26,000 of the \$11.54 calls for \$0.37

Aptiva (APTV) with 1500 August \$65/\$80 call spreads opening as the May \$50 calls opened on 3/18 start adjusting

IntelSat (I) block of 15,000 June \$2 calls opens \$0.27, spread with the \$3 calls sold for \$0.12

Materials

DuPont (DD) buyers of 750 May \$37.50 calls for \$3.15 with shares working out of a base

Gold Fields (GFI) another 3,000 October \$6 calls bought today \$1.22 where over 10,000 opened yesterday

Vale SA (VALE) with 5,000 May 1st (W) \$8.50 puts sold to open for \$0.66

Nutrien (NTR) over 12,000 June \$40 calls trading this morning with buyers up to \$1.45

FMC Corp (FMC) with 1,200 October \$72.50 puts sold to open today from \$7.20 to \$6.90

Newmont (NEM) opening sale 750 ITM January \$65 puts for \$17.92

Kinross (KGC) stock replacement opens 5,000 November \$4.50 calls for \$1.38 on the PHLX

Archer Daniel (ADM) buyer 1500 June \$30 puts for \$0.97

Tech and Telecom

Alibaba (BABA) with 10,000 June \$205 calls opening as the \$200 calls adjust

Uber (UBER) the May \$25/\$18 put spread being bought 2,000X for \$1.60

Hollysys (HOLI) another 1550 May \$12.50 puts sold to open today where 5700 were sold yesterday in unusual action, an \$834M provider of automation and control tech products in China

Zillow (ZG) with 800 August \$40 puts bought for \$9.75, adjusting some May \$40 puts and fading off the 200-day this morning

Microchip (MCHP) buyers of 1,700 June \$77.50 calls up to \$5.69 as some May calls adjust

Baozun (BZUN) with 3,000 OTM October \$15 puts bought today for \$0.50

Alteryx (AYX) spreads today are selling the June 2021 \$160 calls and buying the August \$85/\$65 put spread, 1700X and similar to many others in the last couple days likely collaring stock

Prologis (PLD) with 1,000 May \$80/\$65 put spreads bought for \$3.20, shares right back at the 200-MA

GSX Techedu (GSX) over 2,000 May \$30 puts bought today up to \$4.50. **GSX** also 1000 July \$35 puts bought today \$7.60 to \$9.20

Uber (UBER) the May \$25/\$18 put spread being bought 2,000X for \$1.60

Atlassian (TEAM) the April \$120 puts sold to open 2500X today from \$1.30 to \$1.25

Cree (CREE) with 1000 June \$37.50 puts opening near \$4.10

Slack (WORK) with 785 ITM May \$20 calls bought today up to \$4.75

Avalara (AVLR) with 250 November \$80 calls opening \$10.50 to \$11 range

Ubiquiti (UI) with 500 May \$155 puts bought up to \$14.20 today, CSFB note this morning that the recent warning from **CRNT** has negative read-throughs to UI

Corning (GLW) this afternoon with 1400 November \$22 calls opening \$2 to \$2.07 range

Salesforce (CRM) block of 2500 May \$160 calls sold \$3.38 to open

Twilio (TWLO) stock replacement opens 1230 April 24th (W) \$95 calls \$1.99. **TWLO** Apr 24th (W) \$95 calls nearing 4800X

NVIDIA (NVDA) rejected at 2020 upper value level today and reversed, seeing nearly 2500 July \$235 puts open that look to be adjusting June \$200 puts

Utility

Duke Energy (DUK) with 1000 May \$90 calls opening \$1.15 as the April \$95 calls adjust

Disclaimer:

Not Investment Advice or Recommendation

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