

OptionsHawk

OPTIONS HAWK DAILY MARKET 5/11/2020

Sector Leaders

Biotech

Software

Retail

Stock Gainers

MYOK 65%

QDEL 27.5%

CYTK 25%

EIGR 25%

MGNX 22.5%

ALLK 16%

NVAX 16%

Volatility Gainers

- NERV
- MRNA
- PLAY
- EDIT
- CAR
- SABR

High Call Volume

- LOGI
- LEG
- EGHT
- AGIO
- KDP
- CGEN

Bullish Options

- TWLO
- AAL
- EXEL
- HRL
- KDP
- LOGI
- LULU
- JD
- VRTX
- HUM
- KNX

Sector Laggards

Metals

Banks

Aerospace

Stock Losers

SALT -17.5%

DXPE -13%

XHR -11.5%

CAR -11.4%

UAA -10.8%

VVI -10.6%

CAI -9.4%

Volatility Losers

- MYOK
- WLL
- CPE
- LB
- UA
- ON

High Put Volume

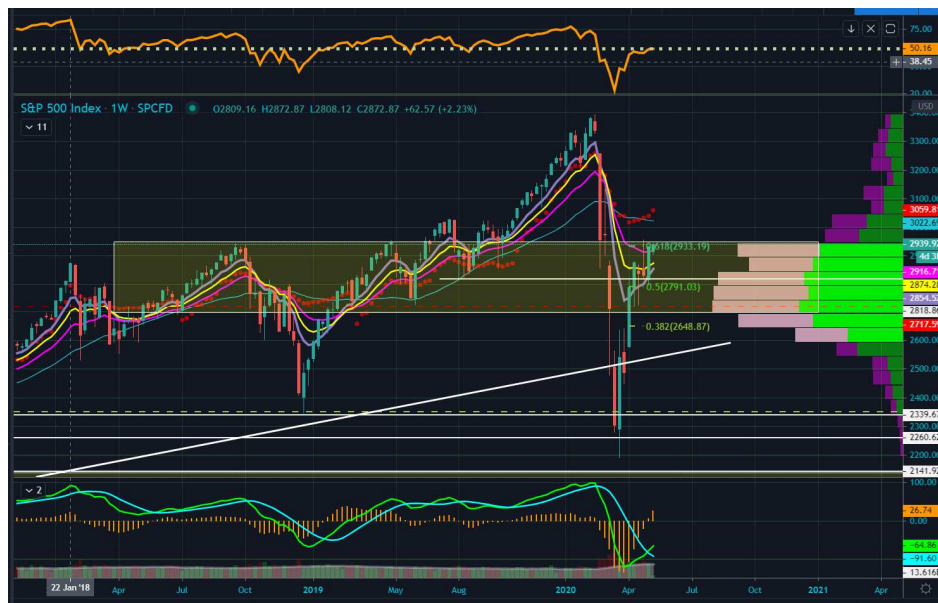
- MYOK
- CNP
- BYD
- SMAR
- WY
- SRG

Bearish Options

- MT
- QCOM
- PYPL
- TGT
- HLF
- GE
- SPG
- SHAK
- CAR
- OLLI
-

Market Review: Stocks were lower to start the week of May options expiration, mixed virus data over the weekend as US states start to reopen despite cases continuing to rise ex-NY, while PBOC continues to pump the market with plans of stimulus. Markets climbed off lows steadily into midday although breadth was not confirming the bounce. Strength was once again led by Software while Biotech was also very strong, two key momentum/growth areas. There was also plenty of weakness in Financials, Metals, and Industrials. Markets continued to climb and breadth turned positive midday. The schedule is looking light most of the week without any major catalysts, markets watching Fed commentary, Macro data, and COVID-19 rates as earnings season tails off.

S&P Chart:



Resistance	Support
2,950	2,835
3,000	2,790
3,125	2,660

Options Action Trends: There was a good amount of flow today, some unusual activity buying June calls in Truckers **KNX/WERN**. There was also plenty of call buying in ecommerce names like **MELI, OSTK, W, CHWY**. Software continued to draw more bullish flow.

What's On Tap: Inflation Data and Fed Speakers. Earnings from **XP, IR, ADPT, CVLT** and **VSH**.

Trade Tracker Portfolio Changes:

- 1) Closed **DBX** Call Spreads \$1.55 (Opened at \$1)



Bulls Position in Toll Brothers for Housing Recovery

Ticker/Price: TOL (\$27.35)

Analysis:

Toll Brothers (TOL) with 4500 January \$28 calls bought \$4.65 to \$4.70 to open on 5/8 that follows the purchase of 6500 January \$23 calls back on 3/30 and 3/31. TOL on 5/6 with a smaller trade that bought 2000 June \$30/\$33 call spreads with earnings expected 5-27. TOL shares came under heavy pressure in March and have rebounded well with a move out of its base last week and a volume pocket showing room to move back to \$34 though the 21 week moving average at \$31 potential resistance. The \$3.3B homebuilder trades 9X EV/EBITDA, 7.4X Earnings and 32.7X FCF with a 1.6% dividend yield. TOL is a higher-end provider noted as America's #1 luxury builder so its demographics likely more insulated from the current economic downturn. It also has a strong balance sheet with \$3B of liquidity. Like many builders it has focused on an evolving land acquisition strategy and quicker inventory turns. TOL builds in 23 states and more than 50 markets and has a growing affordable luxury business of sub-\$500,000 homes now representing 21% of deliveries. TOL's markets are mainly focused on coastal states as well as strong markets like Arizona, Colorado, and Texas. TOL is coming off a quarter it executed poorly citing delayed closings in a few markets, notably Northern California where sixty missed closings were valued at \$67M but sees those delivering in Q2. It did cite strong demand with Q1 contracts +31% in units and +28% in dollars. TOL also remains active with acquisitions and three recent deals positioned it in dynamic markets like Atlanta, Nashville, Charleston, Greensboro and Myrtle Beach. Analysts have an average target near \$30 and short interest at 6% of the float which is down 20% Q/Q. On 4/15 Citi started shares Neutral with a \$25 target noting homebuilder share prices are at a historically attractive level following the coronavirus damage, and sees recoveries as 2021 visibility improves. Goldman cut shares to Sell with a \$17 target in early April citing a challenging operating environment and TOL's less defensive land position with high exposure to luxury price points. Wedbush with a note in early March noting comps will be easy for TOL in 2020 and sees profitability ramping into 2021 due to price increases, an Outperform rating and \$48 target. Hedge Fund ownership rose 1.26% in Q4 filings.

Hawk Vision:



Hawk's Perspective: TOL has nice rebound potential here even up to the 200 MA at \$36.25 and the 21 day a good level to trade against.

Confidence Ranking: \$\$



Lumentum Bulls Look for Resumption Higher after Earnings Consolidation

Ticker/Price: LITE (\$81.25)

Analysis:

Lumentum (LITE) strong run late with 1,500 June \$75 calls bought up to \$9.40, unusual size for the name which has little other notable open interest. Shares are consolidating in a bull flag above the 20- and 50-MA with a move over \$84 targeting recent highs around \$93. Longer-term, LITE pulled back to major volume support and a big node from 2017/2018 and bounced with a measured move to \$115. The \$6.34B company trades 14.24X earnings and 3.6X sales with near \$17/share in cash on hand. They have minimal near-term maturities with a 5.6X Current Ratio. LITE sees 10-11% revenue growth in FY22.

LITE manufactures and sells optical and photonic components such as optical transceivers, commercial lasers, and diode lasers. The company is in the sweet-spot of a number of big tech trends including biometrics, AR/VR, LiDAR, and data center.

They see near-term tailwinds from COVID-19 which is likely to shift more applications to the cloud and drive demand for more efficient, low-latency fiber optics. LITE expects some lumpiness as supply constraints in March were heightened due to COVID-19. They're coming off a strong quarter with data center demand bookings up 10% and chip revenue lifted by cloud and 5G demand. Analysts have an average target for shares of \$90.50. Craig-Hallum with a \$100 PT on 5-6 citing strong gross margins being driven by the optical business and very strong demand serving Telecom/Datacom. Piper with a \$100 PT as well noting that Lumentum continues to deliver on its promises of merger synergies. Short interest is 10.7%. Hedge fund ownership rose 18.75% in Q4. Hood River Capital a notable buyer.

Hawk Vision:



Hawk's Perspective: LITE is one of the stronger chip growth stories and alerts set for move out of this consolidation range.

Confidence Ranking: \$\$



Lear ITM Calls Position for Base Breakout

Ticker/Price: LEA (\$101.45)

Analysis:

Lear (LEA) with 1000 September \$85 calls opening on Friday for \$22.24, a sizable trade and only notable open interest in the name. Shares are near a cup-and-handle breakout after consolidating above the March/April range for the last two weeks. LEA is also looking to move back above cloud resistance for the first time since early January with a run above \$103 targeting \$112 and the 200-MA initially through a low volume node. The \$6.13B company has a strong balance sheet with the lowest leverage of the sector with Net Debt / EBITDA of 0.5X and no significant near-term maturities. Shares trade at 8.6X earnings, 0.3X sales, and 9X FCF. LEA is one of the most dominant global auto suppliers by revenue, eighth in the world, and number two in seating where they have nearly 75% of their exposure. Seating is considered widely to be one of the more defensive areas for suppliers due to its low capital intensity and less risk from EVs than something like powertrains. The company is coming off a strong quarter with FCF positive despite all of the coronavirus headwinds and one of the best quarters ever for outgrowth. The company was positive on production resuming soon in both North America and Europe while sales have likely bottomed and China is normalizing as the CPCA said this morning that overall trends are showing a quick recovery. They also noted that long-term megatrends remain intact. LEA is being proactive about potential opportunities emerging from the COVID-19 crisis and announced on Friday a strategic group to evaluate potential changes in the landscape including tech trends and how they impact their business. Analysts have an average target for shares of \$119. Goldman starting at Neutral on 4-12 noting that the shift toward SUVs/CUVs and away from sedans can help LEA to expand content per vehicle, but near-term is questionable due to COVID. Credit Suisse upgrading to Buy on 4-27 with a \$120 PT. They think LEA benefits from a strong balance sheet, leading stable share position, healthy free cash flow generation and less required spend on future technology/product exposures largely agnostic to AV/EV. Short interest is 3.8%. Hedge fund ownership fell 3% in Q4. Impala Partners, Carillon Tower, and Twin Tree are notable holders.

Hawk Vision:



Hawk's Perspective: LEA is one of the more stable and high quality names in Auto, though a tough group and APTV the preferred name. It would be more attractive back near \$93 and can trade versus \$89.

Confidence Ranking: \$\$



Unusual Call Buying Werner Trucking

Ticker/Price: WERN (\$43.20)

Analysis:

Werner (WERN) another trucker, like **KNX**, seeing call action with 810 June \$40 being bought up to \$4.10 and 400 of the \$45 calls seeing action \$1.40. WERN has rebounded sharply and back near record highs, surprising for a Trucking name. The \$2.83B trucker is +15% YTD and trades 18X Earnings, 7.3X EV/EBITDA, and yields 0.9%. WERN is coming off a relatively flat year in 2019 and sees revenues down 5% and EPS down 20% in 2020. WERN is speaking at the BAML Transportation Conference today. WERN has 51% exposure to Retail, 20% to Manufacturing, 17% to Food/Beverage and 12% to Logistics. WERN in late April on its call noted "March 2020 freight demand was comparable to March 2019, with demand strengthening the last two to three weeks of March 2020 due in part to increased replenishment shipments for necessity-based household products. Dedicated freight demand remained steady in first quarter 2020 with above normal demand in March for store replenishment." Werner Dedicated is 58% with 4,630 trucks while One-Way is 42% with Dry Van, Expedited, Cross Border and Temperature control. Analysts have an average target of \$43.35 and short interest is high at 12% of the float. Cowen raised its target to \$39 noting the company was more upbeat than peers after eight quarters of strong dedicated opportunities and bids. RW Baird upgraded in March to Outperform with a \$42 target favoring quality, asset based truckload models with logistic offerings citing a pick-up in spot truckload activity given supply chain disruptions. Hedge Fund ownership fell 5.45% in Q4 filings, a name with high insider ownership of 26%,

Hawk Vision:



Hawk's Perspective: WERN looks good out of this consolidation, the high short float a concern, but a name that has been delivering impressive numbers, while peer **KNX** has seen even larger bullish positioning, potentially we could see consolidation in the group.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Treasury (TLT) rolling over but is seeing buyers active for 4000 June \$162 calls today near \$4.90

Metals (XME) sale of 7000 January \$23/\$20 strangles for \$4.55

S&P (SPY) with 34,000 May 18th (W) \$297 calls bought to open \$1.67

NASDAQ (QQQ) leadership continues, afternoon buyer 2000 July \$223/\$234 call spreads. **QQQ** today also with a buyer 2000 June 30th (W) \$225 puts for \$8 and 2000 of the June \$228 ITM puts for \$8.28

Consumer Discretionary/Services

Lululemon (LULU) with 1000 May 22nd (W) \$250 calls with 1000X bought \$2.60

Dollar Tree (DLTR) with 1000 June \$80 calls bought \$3.30 to \$3.50 offers, earnings 5-28

Noodles & Co (NDLS) buyers of 1,685 November \$5 calls from \$1.10 to \$1.25

Shake Shack (SHAK) with 1300 June \$52.5 puts being bought up to \$4.20

Wendy's (WEN) with 1250 January \$23 calls sold \$2.87 to open

Marriott Vacations (VAC) the November \$65/\$55 put spread bought 1,000X for \$3.30

Bloomin' Brands (BLMN) with 600 December \$12.50/\$17.50 call spreads opening today for \$1.60

MSG Entertainment (MSGE) with 370 June \$75/\$65 bull risk reversals opening for \$6.80, recent carve out of MSG which holds their live event spaces like Radio City, the Beacon Theater, and the Forum.

Marriott (MAR) sweep buyer 1200 July \$105 OTM calls \$1.45 offer

Live Nation (LYV) buyer 1000 July \$45 OTM calls \$3.30 to \$3.60

Ollie's (OLLI) with the October \$70 puts opening 800X for \$8.90 and spread against 1,440 of the \$55 puts for \$3.40, earnings in early June

Home Depot (HD) the July \$185 puts sold to buy the \$240/\$260 call spread 4250X for \$5.94, adjusting higher some deep ITM August spreads before 5-19 earnings

Consumer Goods

Hormel (HRL) early base breakout with 1,275 June \$47.5 calls bought \$2 to \$2.10, could be an interesting play on the meat shortage

Keurig Dr. Pepper (KDP) buyers of 1,800 June \$26 calls up to \$1.30 to \$1.40, narrow flag forming around its 200-MA

Herbalife (HLF) buyer 3500 August \$35 puts \$3.15 offer

Target (TGT) spreads are selling the May 22nd (W) \$127 calls to buy the \$117/\$107 put spread 1500X into 5-20 earnings. **Target (TGT)** with 4000 June \$115/\$100 put spreads bought to open \$3.95

Leggett & Platt (LEG) buyer of 5,000 June \$30/\$22.50 bull risk reversals for \$0.80, follows the May call buys last week

Medifast (MED) dropping with 7700 September \$110 puts bought \$23.50 to \$25, adjusts out of September \$90 puts 3800X

Sprout's (SFM) with 2000 June \$25 calls bought today as May \$22.5 adjust, strong grocer play

Tyson (TSN) buyers 1175 January \$75 OTM calls today \$2.35 to \$2.65

Flower Food (FLO) with 4000 May \$22.50 puts bought \$0.65 offer late day, earnings 5-13

Energy

BP PLC (BP) the July \$20 calls bought 1,000X between \$4.30/\$4.35, follows other July bullish flows recently

Pioneer (PXD) with 400 December \$95 calls sold to open \$12.40

USA Compression (USAC) unusual 800 September \$10 calls bought today \$1.29 to \$1.35, a tough energy services group, but always screened as a top name

Financials

PayPal (PYPL) buyer 2850 July \$120 puts \$2.02 offer

Citizen Financial (CFG) unusual 620 July \$30 ITM puts sold to open \$8.90 to \$9.15 range

Discover Financial (DFS) with 1800 June \$47.50 calls bought \$1.05 offer to open

Zillow (Z) buyers of 1750 June \$40 puts today up to \$1.18, tied to long stock

Simon Property (SPG) seeing June \$60/\$45 put spreads adjust to \$50/\$35 for 2000X

Gaming & Leisure Properties (GLPI) the June \$31 calls bought 1880X for \$0.90, adjusting higher the May \$27 calls from 4/17

FleetCor (FLT) seeing 1000 August \$260 calls sold to open \$11.80 to \$11.30

Healthcare

Exelixis (EXEL) coiled biotech with 500 June \$24 calls bought today \$3.20 to \$3.40. **EXEL** now 2000 May \$28 calls bought \$0.35 to \$0.60

Myokardia (MYOK) opening seller 1000 June \$100 puts \$9.50 to \$9.40, strategy we often see in Biotech names that surge on data, showing a willingness to own lower

Vertex (VRTX) breaking out to new highs and 620 June \$280 calls bought \$12.20 offer

Humana (HUM) flagging tightly under highs with 250 January \$430 calls bought \$25 to \$25.60 to open

PetMed (PETS) with 500 January \$45 calls being bought \$3.80 offer

HCA Health (HCA) stock replacement buys 800 June \$115 calls for \$2.25, consolidating in a narrow range under YTD VWAP

Nektar Therapeutics (NKTR) buyer of 400 May 22nd (W) \$20 calls for \$2.71, rolling out the May \$20 calls bought on 1/17

Agios Pharma (AGIO) buyer of 750 June \$45 calls for \$2.25, the May calls rolling out from 3/23; today's flows follow a positive Piper note pre-market and 750 Aug. \$45 calls bought on 4/30

Abbott Labs (ABT) stock replacement sells 700 November \$92.50 puts for \$7.91 today into strength

Tandem (TNDM) aggressive buyer 445 November \$110 OTM calls \$8.60 offer

Arcturus Bio (ARCT) with 950 December \$30 calls bought up to \$20.50, shares looking to break out of a flag and continue the recent run

Cassava Bio (SAVA) with 900 June \$10 calls bought today for \$3.10 to \$3.30, adjusting out of some May calls from late January; HCW with a \$16 PT last week

Sarepta (SRPT) with 2695 June \$150 calls opening for \$4.20 as the May \$135 calls which accumulated from buyers in late December adjust

Quidel (QDEL) buyer 325 June \$175 ITM calls for \$35

Rite-Aid (RAD) buyers of 1,950 June \$13 calls this afternoon for \$1.85 to \$1.90

CVS Health (CVS) with 2500 August \$65 calls bought \$3.35 to \$3.38, will confirm OI change tomorrow

AstraZeneca (AZN) working back near record highs, strong Pharma performer, the June \$57.5 OTM calls with 3500X opening \$0.80 to \$0.85 today and also seeing 2550 of the June 5th (W) \$57 calls open \$0.60 to \$0.65

Industrials

American Air (AAL) with 15,000 May 29th (W) \$11 calls hot off the open

Emerson (EMR) with an opening sale 800 September \$55 puts at \$5.40

Avis (CAR) with 5500 August \$8 puts bought \$1.54 to \$1.57

Lithia Motors (LAD) buyer 250 June \$115 calls spread with \$125 and \$130 calls 250X each

HD Supply (HDS) with 1,000 September \$32.50 calls sold to buy the \$27.50/\$20 put spread, same spread as Friday

Camping World (CWH) with 1,000 December \$20 calls sold for \$2.40 in a buy-write with stock

Kratos (KTOS) the June \$15 calls rolling to August \$17.50 calls today 1200X for \$1.61/\$1.62

Deere (DE) spread today is buying 1,350 May 22nd (W) \$136 puts for \$4.41 and selling the June \$120 puts for \$2.47 ahead of 5-22 earnings

Materials

Weyerhaeuser (WY) with 4500 June \$16 puts sold to open \$0.30 to \$0.25. **WY** also seeing 1500 July \$15 ITM calls opening today

Arcelor Mittal (MT) into weakness buyers of 4200 May 22nd (W) \$9.50 calls up to \$0.59

US Steel (X) buyers of 4000 May 29th (W) \$8.50 calls for \$0.30 to \$0.35

DuPont (DD) trades 1000 January \$45/\$35 bull risk reversals at \$4.35 debit

Tech and Telecom

Twilio (TWLO) strength continues and 3500 May \$185 calls active early, Cisco reports this week and made some intriguing comments last Q on its call regarding TWLO. **TWLO** opening sale 1100 June 2022 \$120 puts for \$18.25

Qualcomm (QCOM) buyer 800 June 5th (W) \$80 puts \$3.30 to \$3.45

Logitech (LOGI) buyer 500 December \$55 calls \$4.40 to open, and seeing May calls hot this morning, reports tonight. **LOGI** a name that should see a boost from work from home, similar to HEAR, while offering many other components and having plenty of exposure to Gaming

JD.com (JD) with 1700 May 22nd (W) \$47 calls bought up to \$2.44 to open into earnings 5-15

Carvana (CVNA) with 5000 June \$65 puts sold to open for \$2.05

PagerDuty (PD) with 700 January \$30 calls sold for \$3.25 in a buy-write, strong run lately and earnings 6-4

Inphi (IPHI) with buyer of 300 October \$130 OTM calls for \$8 to open also seeing 580 July \$120 calls with opening sellers

Veeva Systems (VEEV) jump in front-month IV earlier with 4500 May \$200 calls active with buyers from \$1.65/\$1.70 early and up to \$2.40, although smaller lots. **VEEV** also now with 1000 December \$240 calls being sold to open \$10.90 to \$10.80

Wayfair (W) buyers of 3,000 May \$200 calls today from \$3.00 to \$3.60. **Wayfair (W)** with 2000 November \$145 puts sold to open \$25.50

Chewy (CHWY) with 2000 July \$40 calls opening \$4 to \$4.40

Grub-Hub (GRUB) buyer 1500 May \$45.5 puts \$1.75

Mongo Db (MDB) buyers of 1,000 June \$210 calls from \$6.50 to \$7.00, big multi-month breakout today above \$185

8x8 (EGHT) with 3000 May \$22.50 calls with buyers \$0.30 to \$0.55 into earnings 5-12, a lot of its peers saw strong quarters. **EGHT** also seeing 3200 June \$20 calls bought \$1.95 to \$2.20

ACM Research (ACMR) with 650 June \$55 calls bought for \$2.07 as the May \$40 calls adjust higher

Coupa (COUP) buyer 400 June \$210 calls \$17.50, earnings 6-8

Juniper (JNPR) opening sale 1000 November \$25 ITM puts for \$3.30

Alibaba (BABA) near day highs seeing 2500 June 5th (W) \$220 calls bought \$3.75 offer

Amazon (AMZN) buyer 600 July \$2420 calls for \$120.95, a \$7.3M position as the \$2300 calls adjust

Microsoft (MSFT) clearing recent highs and seeing 6900 June 26th (W) \$197.50 OTM calls active all day in smaller lots and sell-side flow, possibly writing versus stock

Utility

CenterPoint (CNP) with 3000 August \$15 puts opening \$0.86 as June \$15 adjust, also seeing 4100 December \$20/\$15 short strangles open for \$3

Hannon Armstrong (HASI) with 1500 December \$30 puts sold to open \$5.90

Disclaimer:

Not Investment Advice or Recommendation

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