

# OptionsHawk

**OPTIONS HAWK DAILY MARKET 5/18/2020**

## Sector Leaders

Energy

Banks

Transports

## Stock Gainers

NVAX 33%

VIR 27%

MRNA 23%

PBF 23%

MEOH 21.7%

MTSC 21%

RHP 21%

## Volatility Gainers

- RESI
- MRNA
- INO
- AEO
- HOME
- INVA

## High Call Volume

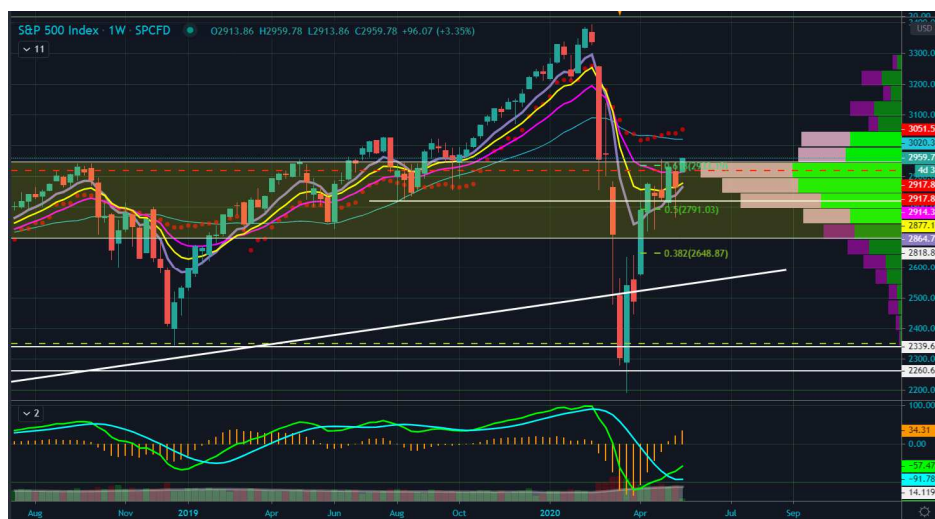
- SRNE
- AEO
- BJ
- EGHT
- OI
- DKNB

## Bullish Options

- BKNG
- SLB
- FSLR
- AEO
- CVS
- BIG
- JD
- TECK
- PYPL
- MRNA
- RTX

**Market Review:** Stocks were sharply higher to start the week back towards the 2900 level, boosted by comments by the Fed's Powell over the weekend as well as some positive returns to normalcy across economies. Energy and Metals were notable leaders overseas. We saw some risk-on with markets climbing throughout the morning and pullbacks in Bonds and Gold Miners, though recent Tech momentum also lagged a bit finally. Leadership in gainers came from the weaker groups like Banks, Energy, Transports, and Housing. We saw this due to some optimism around a potential COVID-19 vaccine causing rotation shifts. The S&P worked through April highs and above a major volume node, the 200 day moving average looming just overhead near 3000. Tomorrow we get some housing data and Retail earnings, a fairly quiet period over the next few weeks where Macro data will be in focus.

## S&P Chart:



Resistance	Support
3,000	2,835
3,050	2,790
3,140	2,660

**Options Action Trends:** We saw call buyers in Retail for a second straight session with names like **BIG, LB, AEO**. Opening call sellers active in August in large cap names like **PG, KO, MRK**.

**What's On Tap:** Building Permits and Housing Starts. Earnings from **WMT, HD, NTES, AAP, KSS**.

## Trade Tracker Portfolio Changes:

- 1) No Changes

## Sector Laggards

Bonds

Gold Miners

Internet

## Stock Losers

FSCT -25%

DHT -9%

W -7.5%

CHGG -5%

UPWK -5%

BCRX -4%

AU -3.4%

## Volatility Losers

- HTZ
- SRNE
- MNK
- NAT
- PCG
- DKNB

## High Put Volume

- ARNA
- CIT
- COF
- CAR
- IFF
- APO

## Bearish Options

- BRK.B
- KKR
- EBAY
- TECO
- KBH
- GE
- ARNC
- EA
- WHR
-



## Bullish Call Buy in Raytheon tech

Ticker/Price: RTX (\$57.50)

### Analysis:

**Raytheon Tech (RTX)** buyer 1000 November \$60 calls to open \$5.60 in a single lot, the new combination of Raytheon and United Tech after spinning out Carrier and Otis. RTX has not seen much options flow of note outside of 15,000 June \$80 calls sold to open that are now trading near zero. RTX shares have been lagging given the Aerospace/Defense exposure and may have put in a higher low last week, rising 9% this morning and a channel up potentially forming with room up towards \$70 near-term. The \$81.7B Company trades 13.7X Earnings, 24.8X FCF and 12X EV/EBITDA with a strong 3.6% dividend yield. RTX beat estimates back on 5/7 and cited its strong balance sheet, industry-leading technologies across commercial aerospace and defense, and its cost cutting plans. RTX is slated to speak at the Electrical Products Group Conference this week. RTX sees a return to pre COVID\_19 levels by 2022. Analysts have an average target of \$75 with short interest low at 1.2% of the float. Jefferies and CSFB out with \$80 and \$81 targets earlier in May reiterating positive stances. UBs started Buy with an \$81 target in April noting attractive valuation and free cash flows. Goldman at Buy and \$76 target seeing little impact to the legacy defense business which aligns well with Pentagon modernization strategy and concerns with commercial aerospace already reflected in shares while a third of Raytheon's revenue is generated from the aerospace aftermarket and this end-market's secular growth, recurring revenue and pricing power all equate to high margins, returns, and free cash that compound over time. RTX sees \$1B in cost synergies by year 4. Hedge Fund ownership down 5% in Q1 filings, though Laurion and Jensen added to large concentrated positions and Third Point remains a top holder.

### Hawk Vision:



**Hawk's Perspective:** RTX looks to finally be working out of a downtrend and remains a favorite fundamental story combining three favored companies (UTX, COL, RTN), though Aerospace exposure a concern, becoming a value/yield own.

Confidence Ranking: \$\$



## Bullish Action in Big Lots into Quarterly Results

Ticker/Price: BIG (\$29.85)

### Analysis:

**Big Lots (BIG)** aggressive early buyer of 5,000 June \$30 calls up to \$3.10 and name with little notable open interest currently although does have 1000 July \$22.50 short puts from late April. Shares are looking to clear a multi-week base today above \$30 after breaking out of a downtrend from the 2018 highs recently. On the longer-term look, BIG has a volume gap back to around \$40 and eyeing a move above weekly cloud resistance for the first time since March 2018. The \$1.11B discount retailer trades 8X earnings, 0.2X sales, and 21X cash with a 4.2% yield and limited debt without any notable short-term maturities. BIG also just raised \$550M in cash from a sale-leaseback of some distribution centers. BIG is an activist situation with Macellum and Ancora Advisors taking an 11% stake in March and pushing for a refreshed board and a more clearly established monetization plan for their stores beyond even the recent action. They see as much as \$6/share in EPS power for the company from the current \$2.80/share as they improve operations. BIG gave a very positive sales update in late April with positive comps in both March and April as well as a significant acceleration late into the quarter. Analysts have an average target for shares of \$22.50. Piper upgrading to Buy on 5-1 seeing them as a long-term beneficiary of COVID-19 with increased retail closures and more closeout opportunities.

Telsey upgraded to Outperform on 5-4 with more confidence in their strategic transformation plan and financial position which will allow them to aggressively buy back stock and materially boost 2021 EPS. Short interest is 19.5% and sitting at 4-year lows, steadily lower since 2017. Hedge fund ownership was flat last quarter. Maverick Capital taking a new stake. The last notable insider buy was right around current levels in 2018 when the CEO bought \$250,000 in stock at \$29.46.

### Hawk Vision:



**Hawk's Perspective:** BIG is extended near-term but may be a surprising winner out of this current environment with its discount model.

Confidence Ranking: \$\$





## Rambus Unusual Call ITM Buy

**Ticker/Price:** RMBS (\$15.55)

### Analysis:

**Rambus (RMBS)** with early buyers of 1,500 July \$12 ITM calls up to \$3.60 and volumes now running over 3,000X and over 12X average. RMBS has little other notable open interest but did see 1750 August \$15 calls bought that remain in OI. Shares are sitting just below a flag breakout at \$15.80 from the earnings gap higher in early May with a measured target to \$17.50 and out of a big seven-year range. The \$1.66B company trades 13.7X earnings, 6.9X sales, and 12.8X FCF with virtually no debt. RMBS has a Current Ratio of 8.5X. RMBS expects high-single digit growth and likely sees revisions throughout the year given the surge in demand for data center and cloud growth due to remote work. They continue to win new security design contracts from tier-1 chipmakers and recently launched an 800G security solution for 5G networking an area that will continue to see spending in the near-term even if 5G devices get pushed out. RMBS has long-term tailwinds from their deep IP portfolio which continues to grow in areas like memory architectures, high-speed serial links, and embedded security which are critical to the development of major thematic trends like AI, edge computing, IoT, and ADAS. Analysts have an average target for shares of \$17. Deutsche Bank raising their PT to \$17 on 5-5 as it continues to benefit from growth and share gains in its buffer-chip business. They also note that RMBS has seen customer demand remaining robust and they have a high mix of fixed licensing contracts which gives them strong visibility. Short interest is 2.9% and sitting at 10-year lows. Hedge fund ownership rose 7.7% in Q1.

### Hawk Vision:



**Hawk's Perspective:** RMBS is a good looking value and positioned well for strength, interesting activity today should put it on your radar.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**Russell (IWM)** stock replacement opens 3500 December \$145 calls \$6.62

**Silver (SLV)** with 7450 October \$16 puts bought \$1.78 into strength. **SLV** today with a block of 10,000 January \$22 puts sold to open for \$6.70

**Russell Growth (IWO)** with 2000 July \$174 puts sold to open \$5.70/\$5.80

**Communication (XLC)** with 3000 January \$50 puts sold to open \$3.90

**Biotech (IBB)** buyer of the June \$127.50/\$120 put spread for \$1.50 today, over 4500X

**High Yield (HYG)** buyer 37,400 June \$81 calls bought \$0.75, the Fed buying Bond ETFs

**Gold (GLD)** with 2,250 August \$170/\$155 bull risk reversals bought for \$1.25 in a stock replacement

## **Consumer Discretionary/Services**

**American Eagle (AEO)** buyers 15,000 June \$9 calls \$0.65 to \$0.80

**L Brands (LB)** the August \$12.50 calls with another 4,000 bought up to \$2.90

**Sabre (SABR)** with 2,500 October \$10/\$15 call spreads active again around \$0.53, travel related name that has over 27,000 June \$7.50 calls in OI

**Penn (PENN)** with 2250 July \$21 calls sold to open \$3.20 to \$3.10

**eBay (EBAY)** with 1000 June \$44 puts bought ITM \$2.63

**World Wrestling (WWE)** with 700 June \$40 calls opening \$5.30 to \$5.40

**Lowe's (LOW)** sellers of 2,000 June \$130 calls from \$1.60 to \$1.50

**Live Nation (LYV)** buyer of 1,000 July \$47.50 calls from \$5.60 to \$5.70

**Electronic Arts (EA)** with 900 July \$105 calls opening \$12.525 ITM, below theoretical fair value of \$13.05. **EA** also seeing 1000 December \$115/\$105 put spreads open for \$4.01

**Marriott (MAR)** opening sale 600 January \$70 puts \$8.01

**Darden (DRI)** with 1,000 January \$50 puts sold to open \$6.00 to \$5.80, some trading as stock replacements

**Sinclair (SBGI)** buyers of 400 December \$18 calls from \$3.40 to \$3.50, they have political ad tailwinds into the election but also benefit greatly from sports returning after their big RSN buy last year

## **Consumer Goods**

**P&G (PG)** with 8000 August \$125 calls sold to open \$2 to \$1.90

**Sally Beauty (SBH)** buyers active for 1,200 June \$10 calls from \$1.15 to \$1.40 as shares break out of a multi-month base

**Yeti (YETI)** opening sale 1800 January \$20 puts \$1.95

**Peloton (PTON)** finally pulling back a bit down 7% but seeing 3250 January \$75 calls bought \$4 to \$4.20 into lows

**Colgate (CL)** with 1000 January 2022 \$70 puts sold to open today \$10.45 to \$10.35

## Energy

**Schlumberger (SLB)** with nearly 2000 June \$18 calls bought \$1.02 to \$1.08 early with shares working out of long bottoming pattern. **SLB** also now with 1800 November \$15 puts sold to open down to \$1.96

**First Solar (FSLR)** buyers active early 1190 June \$42.5 calls aggressive \$1.60 offer

**Parsley Energy (PE)** with 2000 January 2022 \$15 calls opening \$1.45 as the \$10 calls adjust

**Marathon Petroleum (MPC)** with 10,000 June \$37.50 calls sold to open for \$1.10

**Enphase Energy (ENPH)** buyer of stock sells 1,250 June \$65 calls to open for \$3.91 to \$3.98

**Occidental (OXY)** with 10,000 November \$11 puts sold to open for \$1.74

**Exxon (XOM)** afternoon buyer of 2,000 June 5th (W) \$44 puts for \$1.19 to \$1.23

## Financials

**Berkshire Hathaway (BRK.B)** seeing June \$200, \$185 and \$180 puts adjust to September \$170 puts and December \$195 and \$175 puts

**KKR & Co (KKR)** buyer of 5,000 July \$23 puts for \$1.10

**Fiserv (FISV)** buyer of 500 September \$110 calls for \$7.45 to \$7.50, over 13,500 September \$105 calls bought recently

**PayPal (PYPL)** June 5th (W) \$145 calls up over 2500X on the day for over \$1.6M

**Capital One (COF)** over 25,000 June \$45 puts sold to open down to \$0.56

**Red Rock (RRR)** with 2,000 June \$10 calls sold to open down to \$1, offered out from \$1.25 early and similar to **PENN**

**AIG** buyer 400 January 2022 \$20 ITM calls \$11.90 offer

**Square (SQ)** with 1125 January 2022 \$85 calls sold to open \$18.50 to \$18

**Bank of NY (BK)** buyer of 1,000 June \$35/\$30 bull risk reversals for a small debit

**Chubb (CB)** opening sellers of 1,840 June \$95 puts for \$1.95 to \$1.90

**TransUnion (TRU)** with 1600 June \$80 straddles sold for \$6.80, tied to stock

**CIT Group (CIT)** buyer of 1,540 Jan. 2021 \$22 calls for \$1.95

**Regency (REG)** with 1000 January \$35 puts being sold to open \$3.80 to \$3.40

**Capital One (COF)** with 2800 December \$50 puts bought \$5.65 tied to stock

## Healthcare

**CVS Health (CVS)** nearing bullish bottoming base breakout and 1150 November \$65 calls bought early \$5.30 to \$5.35, recent August \$65 call accumulation

**IronWood (IRWD)** unusual buys 1200 November \$15 calls \$0.60 offer

**Hill-Rom (HRC)** with 900 June \$95 puts sold to open today \$1.40 to \$1.35, UBS conference this week

**Moderna (MRNA)** with nearly 1500 July \$90 calls bought \$12.50 offer to open

**Merck (MRK)** seller of 9,395 August \$85 calls for \$1.79, gapping higher and then faded today

**Guardant (GH)** buyer 400 June \$100/\$115 call spreads for \$5.45

**DaVita (DVA)** with 400 October \$785 calls sold to open \$6.10 to \$6

**Zoetis (ZTS)** ITM June \$120 calls opening 300X at \$12.50 to \$12.75

**I-Rhythm (IRTC)** strong name seeing unusual 250 August \$140 calls open up to \$15 today

**Novavax (NVAX)** another hot vaccine name with 1000 January \$55 puts being sold to open down to \$24.30 today

**Arena (ARNA)** with opening sellers of 1500 October \$38 puts today, bullish note this morning

**Gilead (GILD)** buyer 7000 August \$85 calls \$2.43 offer, more data expected by month end

**Livongo Health (LVGO)** with unusual action in June 2022 as the \$60 calls opening 830X \$19.70 to \$20.

**Amarin (AMRN)** with 10,000 August \$7 puts sold to open for \$1

**Arcturus (ARCT)** strong today up over 17% and afternoon buyers of 435 July \$60 calls for \$6.22 to \$6.80

**Walgreens (WBA)** buyers of 1000 June \$41 calls for \$1.15 to \$1.18

### **Industrials**

**Avis (CAR)** spread sells 10,000 August \$9 puts for \$2 and buys the \$17/\$27 call spreads 10,000X for \$2

**General Motors (GM)** earlier with July \$26 calls opening 2200X as the \$24 calls adjust, also seeing 5000 July \$26 puts sold \$2.95 to open in stock replacement. **GM** buyer 5000 January \$30 calls here \$2

**3M Co (MMM)** with 1,212 September \$160 calls sold today for \$3.10, another likely overwrite

**General Electric (GE)** with 100,000 December \$7 calls sold to open \$0.80/\$0.81. **GE** also with 40,000 December \$6 puts bought \$0.98 to open

**KB Homes (KBH)** buyer 1000 June \$28/\$23 put spreads \$1.47

**Carrier Global (CARR)** opening sale of 1000 July \$18 calls for \$1.01

**Hertz (HTZ)** buyer of 11,400 October \$3/\$1 put spreads for \$1.30 into strength

**Tesla (TSLA)** trading 1000 July \$750/\$800 call spreads.

**Boeing (BA)** opening sales this morning September \$100 puts \$8.75

**Camping World (CWH)** mid-afternoon buyer of 2,000 June \$16 puts for \$1.25 to \$1.35 into strength

**Lennar (LEN)** with 1000 June \$52.5/\$47.5 put spreads bought into Housing data tomorrow

**Whirlpool (WHR)** buyer of 1,000 June \$115/\$105 put spreads for \$2.99, AHAM data showing shipments down 10% in April and Cleveland Research cautious on Friday

### **Materials**

**Owen Illinois (OI)** unusual buyer 1000 December \$10 calls for \$0.75

**Dow Chemical (DOW)** opening sale 1000 December \$40 calls for \$3.50

**Teck (TECK)** with 8000 June \$10 calls active \$0.55 to open

**FMC (FMC)** with 2000 June \$100 calls being sold to open \$1.31

**DuPont (DD)** seller of 1000 October \$40 puts to buy 1000 of the \$55/\$65 call spreads

**Nutrien (NTR)** with 1,000 January \$35 calls bought today \$2.90 to \$3

### **Tech and Telecom**

**Booking (BKNG)** trading \$2.2M in weekly \$1500 calls early with **EXPE** reporting this week

**JD.com (JD)** with 2000 September \$55 calls bought \$4.20 to open in stock replacements. **JD.com (JD)** the November \$65 calls being bought 2,200 up to \$3.50, the \$60 calls look to be rolling up

**Nuance (NUAN)** buyer of 500 January \$21 calls for \$2.50

**Yandex (YNDX)** opening sale 1300 November \$40 calls for \$5.10 bid

**Qorvo (QRVO)** with 800 June \$105 OTM calls bought \$2.50 to \$2.60, coming off real strong quarter

**8X8 (EGHT)** early buys 2000 June \$17.50 calls \$0.75 to \$0.80 into recent earnings sell-off. **EGHT** now also trades 2000 June \$17.5/\$15 bull risk reversals at \$0.20 debit

**Western Digital (WDC)** buyers 1175 July \$42.50 calls near \$3

**Dell Tech (DELL)** buyer of 5,000 June \$47.50 calls for \$1.15, rolling up 2,500 of the June \$42.50 calls, emerging out of a narrow range

**Forescout (FSCT)** the July \$25/\$30 call spread bought 1,000X2,000 for \$1.55 into the weakness, deal appears to be breaking with Advent not proceeding with closing and the two sides remain talking

**Crowd-Strike (CRWD)** buyers of 1,350 June 5th (W) \$80 calls up to \$4.75 today targeting 6-2 earnings. **CRWD** 1500 December \$50 puts bought with stock

**Alibaba (BABA)** buy-write sells 3500 December \$240 calls for \$11.50

**Anaplan (PLAN)** opening sellers of 580 June \$41 puts from \$2.30 to \$2.15

**Palo Alto (PANW)** block of 1838 weekly \$240 calls open \$5.06, earnings this week

**Applied Material (AMAT)** with 5000 July \$42.50 puts sold to open \$0.87 to \$0.85

**Z-Scaler (ZS)** with 500 July \$75 calls bought to open near \$8.20

**DataDog (DDOG)** with 1140 October \$90 calls sold to open \$3.80 to \$3.70

**Carvana (CVNA)** with 740 November \$45 puts sold to open \$5.40 to \$5.20

**Maxim (MXIM)** sale of 2700 June \$55 straddles for \$4.35 tied to long stock

**NVIDIA (NVDA)** seeing June \$350/\$345 bull put spreads active 1000X, also July \$370 calls with 1165X opening as July \$350 adjust up.

**Micron (MU)** with 10,000 June \$47 calls bought up to \$2.08 this morning

**Advanced Micro (AMD)** with 1400 January 2022 \$85 calls sold to open \$6.85

**T-Mobile (TMUS)** \$1M position opens 500 Jan. 2022 \$95 calls as the \$85 adjust up

**VeriSign (VRSN)** recent bullish chart stand-out seeing 400 December \$210 puts sold to open this afternoon near \$18.55

**Lyft (LYFT)** buyer of the January \$35/\$25 strangle 2,875X at \$9.80, tied to stock

**Splunk (SPLK)** reporting this week, late day seller of 500 January 2022 \$230 calls for \$12.50 in a buy-write

### Utility



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*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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