

OptionsHawk

OPTIONS HAWK DAILY MARKET 5/19/2020

Sector Leaders

Gold Miners

Solar

Software

Stock Gainers

DY 24.5%

FLXN 13%

PENN 12.4%

PLCE 11.6%

OSTK 11.6%

JYNT 10.5%

DOMO 9%

Volatility Gainers

- DVAX
- MITT
- BHC
- RESI
- PINS
- FSCT

High Call Volume

- DVAX
- SRNE
- TECK
- AAP
- PPG
- HPQ

Bullish Options

- PDD
- IRM
- BX
- TECK
- PRGS
- NEM
- UNP
- CREE
- AAP
- RTX
- GPN
- MA

Market Review: Stocks pulled in modestly after a sharp rally to open the week without any major incremental news overnight, markets boosted recently by Fed speak and vaccine optimism along with the reopening of states. The dip was bought early and breadth pushed stronger through the morning. We saw Software return to leadership after a brief pause while strength was also seen in Semiconductors for overall Tech leadership, also some positive moves in Metals. Energy and Banks returned to laggard status while Biotech also fell back some. The S&P remains just under the 200 day moving average which could prove as resistance coming from below and seeing reward/risk shift back to less attractive here across markets with plenty of uncertainty remaining in 2020. FOMC Minutes on tap for tomorrow though with so much recent Fed speak, unlikely to see a surprise, while PMIs to keep an eye on later this week for signs of improvement.

S&P Chart:



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

Options Action Trends: We saw size bull risk reversals for September in leading Industrial names **UNP, RTX**. We also highlighted bullish August risk reversals in payment leaders **MA, GPN**. The regional gamers were active again with call buying, specifically **PENN, ERI**.

What's On Tap: EIA Energy Data and FOMC Minutes. Earnings from **LOW, TGT, ADI, ZTO, SNPS, MCK, CPRT, TTWO, EXPE, NDSN**.

Trade Tracker Portfolio Changes:

- 1) No Changes

Sector Laggards

Energy

Biotech

Banks

Stock Losers

SRNE -18%

GOSS -16%

ALTC -13%

VIR -11.5%

TPTX -10%

MODN -9.5%

CVNA -8.75%

Volatility Losers

- SRNE
- NAT
- HTZ
- IQ
- GRPN
- GPS

High Put Volume

- NOV
- JEF
- STLD
- URBN
- GPN
- MNK

Bearish Options

- ADSK
- UAL
- GILD
- LUV
- MNK
- STLD
- FTCH
- TRGP
- XOM
- CLVS
- AER



Livongo Bulls Position for Upside Long Term

Ticker/Price: LVGO (\$59)

Analysis:

Livongo Health (LVGO) with an interesting long-term bullish bet on 5/18 as June 2022 \$60 calls traded 845X with no former open interest, a name that has also seen action in August and November calls including 900 of the August \$70 calls that opened on 5/12 in a calendar spreads with June calls. LVGO has been a top performer in 2020 with shares up 135% YTD in a parabolic move structure with the strong thematic push to virtual healthcare offerings. Livongo is a tech-enabled platform that leverages AI and behavioral science to empower people with chronic disease, helping them lead better and healthier lives. Their product suite uses a cell-connected blood glucose meter to check levels and then can give individuals feedback such as intraday improvements and longer-term lifestyle changes. LVGO also has reach into hypertension, prediabetes, and weight management. Chronic disease represents ~90% of healthcare spending in the U.S. Livongo estimates its addressable TAM is ~\$50B, and that estimate is likely conservative as it only accounts for 2 of the 4 conditions Livongo marketed products currently serve. Livongo was built to scale. Key distribution partnerships, the stewardship of an extremely experienced management team and an addressable TAM of ~\$50B underlie Livongo's 2018 reported revenue growth of 122% and in 2019 growth of 148.7%. They have a recurring revenue model with most contracts between 1- and 3-years in length. They have a 95.9% retention rate for members and a dollar-based-retention rate of 113.8%. LVGO markets their product through employee health plans and government entities like Medicare Advantage. Remote monitoring is rapidly becoming the new standard in health and care. Livongo's connected technology allows members to track vital signs of interest in maintaining health. The ability for both personalized care as well as broad population surveillance will become critical going forward as an early warning and monitoring system for the health care system at large and a way to efficiently deliver care to those who need it most exactly when and where they need it. The \$6B company now trades 18X EV/Sales. In Q1 it added 380 new clients taking the total to 1,252, up 44% Q/Q and saw strong growth in member enrollment as well as demand in the pipeline. As the number of employee health management programs continue to grow, large employers are increasingly challenged to organize and manage these programs for their employees and LVGO is a key partner option. Livongo announced a deal with the Government Employees Health Association, covering about 2M individuals. Analysts have an average target of \$55.50 on shares with short interest down 35% Q/Q to 10% of the float. On 5/7 Canaccord raised its target to \$65 as results demonstrated the model is scaling is sustaining profitability is around the corner in 2021, saying investors should ride the momentum for the long term opportunity. Piper raised its target to \$55 seeing remote patient monitoring part of the new normal. Hedge Fund ownership jumped 15% in Q1 filings.

Hawk Vision:



Hawk's Perspective: LVGO is a true innovator in what is a massive and rapid growth market, a favorite name to own as a growth investor.

Confidence Ranking: \$\$



Unusual Upside Call Buying in Progress Software

Ticker/Price: PRGS (\$38)

Analysis:

Progress Software (PRGS) unusual 875 September \$45 OTM calls opening early \$1.15 to \$1.43 and in the opening 45 minutes now approaching 1450 contracts up to \$1.75 as IV rises in September, a name that will next report in late June and lacks notable open interest. PRGS made a strong move in January up near new highs and pulled back sharply in March, unable to recover as much as other Software peers and stuck in a range the last few weeks. Shares could see strong momentum on a move back above \$40. PRGS will hold its ProgressNEXT 2020 event on 6-14. The \$1.67B software Co. trades 13.2X Earnings, 4.2X EV/Sales and 16X FCF with a 1.78% yield, and unlike peers does carry plenty of debt. PRGS is a leader in application development and digital experience technologies to help enterprises building mission critical tools for IT operations. PRGS has a strong recurring model and has seen strong FCF and improving margins. It aims to double the size of the company within five years and actively seeks accretive M&A deals. PRGS' three operating segments are OpenEdge, Application Development/Deployment, and Data Connectivity & Integration. It announced an expanded collaboration with Microsoft Azure on 5/6. PRGS is coming off a strong quarter and sees little impact from COVID19, its deal for Ipswitch has performed very well. PRGS was mentioned as a Thomas Bravo takeover target back in 2016. Analysts have an average target of \$44 and short interest is low at 2.3% of the float. Benchmark raised its target to \$57 earlier this year noting the new strategy by management using M&A to drive growth and operating margin leverage, but overall not a lot of coverage. Hedge Fund ownership rose 8.2% in Q1 filings.

Hawk Vision:



Hawk's Perspective: PRGS looks good versus recent lows as it appears to be in the sweet spot for the new environment and acceleration in Tech spend, a sneaky value in Software.

Confidence Ranking: \$\$



Global Payments Bullish Spread Sees Positive Reward/Risk in Shares

Ticker/Price: GPN (\$184)

Analysis:

Global Payments (GPN) with 2,700 August \$195/\$165 bull risk reversals bought today for \$3.20 debit and set to be the largest position in open interest for the name. GPN had 325 December \$180 calls bought recently as well as some OTM Dec. calls from earlier in the year of note. Shares are clearing the 200-EMA this week and back near the 20-/50-MA bearish cross from March around \$195 which also aligns with the low-end of February value. GPN is also well clear of the YTD VWAP as well as VWAP from the February highs and set to resume the strong long-term trend. The \$53.92B company trades 23X earnings, 9X sales, and 48X FCF with a small yield. GPN has a strong cash balance and manageable debt while continuing to forecast around \$400M in additional synergies from the TSYS deal over the next year. GPN is coming off a strong quarter with trends improving in April and near-term margins far better than the Street was expecting. GPN likely sees trends continue to improve in Q2 amid more physical retail re-opening and potential for higher spending supported by stimulus checks. Longer-term, the company highlighted how many of their SMB clients are using COVID-19 to accelerate plans to move more online. Analysts have an average target for shares of \$195. RBC with a \$191 PT citing recent trends and its more resilient than expected business model amid a pivot by SMBs toward e-commerce and omni-channel opportunities. CSFB with a \$200 PT as the company remains well positioned to benefit from a favorable technology-led mix and they continue to expect a near-term return to M&A via vertical SaaS and/or processing assets. Short interest is 1.8%. Hedge fund ownership fell around 5% in Q1. Lone Pine Capital a notable buyer of another 1.75M shares and now with over 4.95M. In March, a director bought \$100,000 in stock at \$165.07

Hawk Vision:



Hawk's Perspective: GPN has long been a favorite in payment processor space and continue to favor it, breaking out nicely today.

Confidence Ranking: \$\$



Bullish Positioning in International Flavors

Ticker/Price: IFF (\$131.75)

Analysis:

International Flavors & Fragrances (IFF) seeing the August \$110 puts sold to buy the \$135/\$155 call spread 750X for \$3.30 and already has bullish August spreads from last week that sold 3,500 of the \$110 puts to buy the \$130/\$140 call spread. IFF has seen some smaller, high-dollar trades in the December \$140 calls and August \$135 calls recently as well. Shares are hammering off of the 20-day MA today and back above its 8-day with the recent momentum taking it back to YTD VPOC around \$134.50. On the weekly, shares sit just below downtrend resistance from early 2019 with a move above \$140 setting up a run to \$155. The \$14.78B company trades 20.4X earnings and 2.85X sales with a 2.27% yield. IFF's business is split between both scent and taste additives with exposure to snack foods, beverages, consumer home care, disinfection and hygiene products. The company highlighted in Q1 how COVID-19 and the ensuing pantry stocking has benefited their business as a key part of the CPG supply chain while areas like food service are a smaller part of their overall mix. In December, the company announced a \$26.2B merger with DuPont's nutrition unit that will create a new consumer leader through an RMT with cost savings of more than \$300M. The New IFF will be a leading supplier to consumer, personal goods, and food industries. Analysts have an average target for shares of \$135. Wells Fargo upgrading to Overweight on 4-29 as the company's portfolio should hold up better than most in the chemical universe in a deep recession while the DD deal will drive multiple expansion. Short interest is 13.7% and some elevation with the DD announcement. Hedge fund ownership fell 11% in Q1. Winder Investments, a private entity run by the family of Swedish packaging giant Tetra Laval, has amassed over 24M shares, a greater than 20% holding in the name.

Hawk Vision:



Hawk's Perspective: IFF is a likely synergy story set to play out the next few years and could definitely see multiple expansion, quality name worth a look.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Regional Banks (KRE) buyer of 7,290 July \$31/\$26 put spreads for \$1.04

Energy (XLE) with 3000 January \$42/\$35 bull risk reversals opening at \$0.97 credit

NASDAQ (QQQ) opening buy 2000 July \$238 calls \$5.03 offer. **QQQ** with 5000 June 5th (W) \$225/\$210 put spreads bought to open for \$2.60

High Yield (HYG) opening seller 10,000 September \$73 puts today \$1.52.

S&P (SPY) with 8400 October \$295 synthetic long positions open as Sep. 30th (Q) \$230 synthetics adjust where 19,000 are in OI. **SPY** buy-write with 5000 Oct. \$320 calls sold \$6.03

Treasury (TLT) buyer of 5,000 July \$175/\$185 call spreads for \$0.68

Banks (KBE) with 4000 January 2022 \$25 puts sold to open for \$3.94

Consumer Discretionary/Services

Disney (DIS) another 1,000 September \$115/\$135 call spreads bought into weakness early, paying \$6.89

Advanced Auto (AAP) sweep buyers 3965 September \$40 calls \$12.80 to \$13.90 with shares pulling back some, up 5% after earnings

Dish (DISH) with 1395 December \$20 puts sold to open \$2.20

Home Depot (HD) down modestly after results, seeing 600 January 2022 \$240 puts sold to open \$40.90 for \$2.5M.

Stitch Fix (SFIX) buyers of 475 December \$21 calls up to 5.13 as some June positions adjust, strong run in shares lately

EI Dorado (ERI) with 6750 May 29th (W) \$30 calls active with buyers near \$2 this morning, name with a lot of bullish positioning last two weeks

ActiVision (ATVI) with 1500 June 2021 \$50 puts being sold to open down to \$2.43

Marriott (MAR) stock replacement sells 750 January \$60 puts to open \$5.42

L Brands (LB) continues to draw bullish flows today with 460 ITM January 2022 \$10 calls bought \$7

Capri (CPRI) with 1000 August \$12.50 puts sold to open today \$1.80 to \$1.75

SeaWorld (SEAS) with 2,000 December \$8 puts sold to open this afternoon \$1.10 to \$1

DineEquity (DIN) unusual buyer 300 December \$65 calls \$4.20 offer

Yum China (YUMC) with 1,000 October \$47.50 calls being bought this afternoon up to \$5.30, nice flat forming under new highs

Consumer Goods

CostCo (COST) 2250 next week \$340 OTM calls active early after the **WMT** numbers, coiled name will report 5-28

Peloton (PTON) opening buyer of 1,000 January 2022 \$60 calls for \$13.15. **PTON** also with 1,500 January 2022 \$40 puts sold to open \$13.50 to \$13.30

Energy

Matador (MTDR) buyer of stock sells 2,000 November \$15 calls for \$0.90 in a buy-write

Schlumberger (SLB) buyer of long stock opening 5,000 January \$25/\$15 collars today

Energy Transfer (ET) with 3500 October \$8 puts bought \$1.35, stock tied

Exxon (XOM) buyer 3000 July \$45 puts \$3.05 to \$3.15 earlier

Daqo New Energy (DQ) buyers of 1,000 June \$65 OTM calls for \$1.55 to \$1.75, nice base forming around the 200-day MA after pulling back from around \$80 in February; earnings tomorrow morning

Hess (HES) with 1300 June \$46 puts bought to open \$3.25 to \$3.40

Apache (APA) buyers of 3,000 June 12th (W) \$13 calls for \$0.67 to \$0.73

Financials

Iron Mountain (IRM) buyer 4000 July \$25 calls for \$0.65

Regency Centers (REG) with 800 January \$40 puts sold to open for \$5.80

Blackstone (BX) breaking out of a bull flag and 500 December \$62.50 calls bought \$3.50 to \$3.60

MasterCard (MA) seeing 1375 August \$305/\$260 bull risk reversals open near \$5.40 debits

Intercontinental (ICE) buyer of 650 September \$95 calls for \$6.66, adjusting a small buy in the June calls from mid-April with shares strong and back near new highs

Fiserv (FISV) today with 1,900 June \$100 puts bought for \$2.75, tied to long stock

Capital One (COF) with 3700 December \$57.50 puts opening \$8.78, spread with the July \$50 puts that may be adjusting from 5/14

Fidelity National (FNF) trade opens 2000 July \$28/\$24 bull risk reversals at \$0.90 debit. **FNF** now also with 2000 September \$28/\$24 bull risk reversals opening at \$0.90

Healthcare

Bausch Health (BHC) third day of hot call flow with 13,000 May 29th (W) \$18 calls active early

AbbVie (ABBV) buyer of 550 July \$95 ITM puts for \$7.60 to \$7.70, spread with sales of the \$75 puts for \$0.90

Gilead (GILD) the June \$72.50/\$67.50 put ratio spread bought ,6400X12,800 for \$0.68 with more remdesivir data due soon

Global Blood (GBT) with 540 July \$80 calls sold to open \$3.30 to \$3.10 today

Cara Therapeutics (CARA) buyers of 1000 June \$15 calls for \$1.50 to \$1.55 ahead of their Q2 update for their Atopic dermatitis treatment

Sarepta (SRPT) opening buyer of 1,000 July \$165 calls for \$6.20, shares clearing a downtrend from the 2018 highs

Agilent (A) opening sale 1000 July \$75 puts \$1.90, earnings 5-21

ResMed (RMD) with 300 July \$155 puts sold to open \$5.70

Industrials

Keysight Tech (KEYS) opening sale of 500 June \$85 puts for \$1.47

Union Pacific (UNP) buyer of the September \$170/\$145 bull risk reversal for \$1.20 debit, 3775X

Raytheon Tech (RTX) buyer of the September \$60/\$50 bull risk reversal 3,000X for \$2.20 debit

Expeditors (EXPD) with 275 November \$75 calls bought \$5.40 to \$5.50

Marriott (MAR) stock replacement sells 750 January \$60 puts to open \$5.42

Polaris (PII) buyer of 600 June \$75/\$90 call spreads for \$7.23

Boeing (BA) with 5000 June \$135 synthetic long positions opening at \$0.46 credit, working out of a multi-week downtrend this week. BA also with 3000 June \$130 synthetics opening.

CSX (CSX) shares consolidating last few weeks under the 200 MA seeing 1975 June 5th (W) \$68 ITM puts sold to open today near \$2.40. **CSX** also opening seller of 600 November \$62.50 puts for \$5.20

Trinity (TRN) opening sellers of 700 October \$18 puts today from \$1.75 to 1.60

BorgWarner (BWA) buyers of the October \$30 calls 560X for \$3.40

AerCap (AER) spreads selling 5000 October \$42.50 calls and buying the \$25/\$17.50 put spreads net \$1.30 debit

Textron (TXT) with September \$30/\$35 call ratio spreads opening 1000X2000

Caterpillar (CAT) January \$110/\$80 ratio put spreads trades 1000X2000 at \$4.70

United Rentals (URI) buyer of 1,000 July \$135 calls for \$7.70, stock replacement

Materials

US Steel (X) buyer 2000 July \$6 calls \$2 offer on the open

Newmont (NEM) moving higher today and 2,000 June \$75 calls bought up to \$1.35 as some weekly calls adjust

Teck (TECK) call buyers active again today for 10,000 June \$10.50 near \$0.50

PPG Industries (PPG) working to day highs with 2670 August \$95/\$85 bull risk reversals opening \$1.50 debit, name already with August \$95/\$70 bull risk reversals in OI 2700X from late March

Kraton (KRA) with 3,000 October \$15 calls bought for \$2.23, adjusting some July \$10 and \$12.50 calls out

Tech and Telecom

Cisco (CSCO) with 1,750 October \$39 puts sold to open early \$1.75 to \$1.70

Pinduoduo (PDD) buyer 1300 May 29th (W) \$75 calls \$3 offer into earnings 5-22. **PDD** also with 500 January \$85 calls bought \$7.13 in a stock replacement

Sea Ltd (SE) strong two-day run and today 1,290 June \$80 calls bought \$1.55

Intuit (INTU) with 1,375 June \$320 calls sold to open down to \$3 ahead of earnings on 5-21

AutoDesk (ADSK) with 500 June \$185 puts opening as the \$180 puts adjust

T-Mobile (TMUS) seller of 1,000 June \$90 puts for \$1.01 with talk this week that Softbank could see part of their stake

JD.com (JD) with 1500 January 2022 \$45 puts sold to open \$7.60

Cree (CREE) with 1000 December \$47.50 puts selling to open \$7.05 to \$6.90

BCE Inc (BCE) with 2,000 December \$45 calls sold to open today for \$0.90. **BCE** is seeing 1000 ITM December \$35 calls bought for \$6 to open today

Intel (INTC) buyers today of 2,000 June \$63 calls up to \$1.70 with shares nearing a multi-week range breakout

Alibaba (BABA) with 10,000 July \$220 calls bought as the \$210 calls adjust higher into strength. BABA also with 1000 June 5th (W) \$220 puts sold to open \$8.60, also 500 Dec. \$270 calls sold \$6.20 to open today

Nvidia (NVDA) with 1000 December \$400 calls bought \$37.42 to \$38 as the \$350 calls adjust. **NVDA** block 2000 June \$425 calls sold to open \$4.65

Datadog (DDOG) consolidating the earnings move well and today 400 August \$80 calls bought to open \$5.66 to \$5.70

Verint (VRNT) with 1000 December \$45 puts sold to open \$5.80 today, name with some size December bull risk reversals in OI

F-5 (FFIV) with 375 October \$160 OTM calls bought today \$6.35 to \$6.50 range

Tower Semi (TSEM) buyer of 1,300 January \$25 calls for \$1.40 and spread with sales of 550 January \$15 puts for \$0.90

Adobe Systems (ADBE) opening sale of 1,400 June \$410 calls for \$3.60 to \$3.45

Salesforce (CRM) strong today up 2.5% and sits just under YTD VPOC with earnings scheduled for 5-28. CRM with 3000 June \$177.50 straddles bought today for \$16.46

Slack (WORK) with 1,000 October \$27 puts sold to open for \$3.90

Analog Devices (ADI) with 7,200 July \$120 calls sold to open down to \$1.95 ahead of earnings, likely call overwrite. **ADI** also with 3500 July \$125 calls sold for \$1.00 to \$0.95

Wayfair (W) with 1775 January \$200 calls selling to open near \$27 against stock

Accenture (ACN) with 400 January 2022 \$200 calls opening \$25 as January 2021 adjust

Twitter (TWTR) buyers of 18,000 September \$35 calls for \$1.77

JD.com (JD) buyer of 10,000 August \$55 calls for \$5.68 in a stock replacement

Paylocity (PCTY) buyer of 500 June \$130/\$145 call spreads for \$3.60

Teradyne (TER) buyers of 850 June \$60 puts for \$2.50 this afternoon

Utility

Hawaiian Electric (HE) with 935 June \$40/\$35 bull risk reversals opening today for \$0.10, name that rarely trades options with less than 10 total per day on average. The \$4.22B utility trades with a 3.45% yield and a top position for ValueAct which added another 1.2M shares in Q1 as they recently got a board seat. ValueAct sees potential for HE to shift more quickly to renewable energy over the next decade

Next-Era Partners (NEP) buyer of 1,250 October \$50 calls for \$4.40 in a stock replacement

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