

OptionsHawk

OPTIONS HAWK DAILY MARKET 5/21/2020

Sector Leaders

Aerospace

Retail

Housing

Stock Gainers

LB 15.7%

BJ 14%

HZO 10.1%

CVTI 9.9%

AINV 9.5%

FOCS 8.9%

MSB 7.7%

Volatility Gainers

- SONO
- TECD
- EGHT
- ECOM
- ADMA
- CRON

High Call Volume

- SONO
- BJ
- EGHT
- AZN
- HUYA
- PSTG

Bullish Options

- BA
- MDB
- TWLO
- SPOT
- BABA
- EGHT
- LB
- INCY
- MSFT
- FN
- FB

Sector Laggards

Gold Miners

Solar

Semi's

Stock Losers

HUYA -13.3%

RUTH -12%

MRNA -9.5%

FLXN -9.5%

ONEM -8.5%

ENPH -8.3%

FVRR -8.3%

Volatility Losers

- PRTY
- SRNE
- LB
- CAR
- TTWO
- M

High Put Volume

- DT
- PTLA
- CSTM
- TTWO
- MNK
- BDX

Bearish Options

- BDX
- DHI
- ZBH
- AAL
- IGT
- APH
- HRB
- HAL
- SNA
- LEN
- WY

Market Review: Stocks were modestly lower overnight and into the open after reaching multi-week highs, pulling back some as US/China relations continue to worsen. Philly Fed improved a bit in May but still at very weak levels while Jobless Claims continued to rise sharply. Flash PMIs for May improved from April as well but remain in deep contraction. Retail was hot early after some more earnings reports and positive outlooks from the group while Tech rolled over early. Housing was another group that gained and Industrials held up well. Precious Metals were weak again while some momentum came out of growth areas like Biotech/Software and Semiconductors weak with China escalation. Buyers came back in around Noon as breadth moved back to positive. It was a fairly choppy day but buyers showed perseverance into early weakness. We have a very quiet schedule to close the week Friday but a bunch of Tech earnings tonight and tomorrow.

S&P Chart:



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

Options Action Trends: Calls were bought in size for large cap Tech ecommerce & cloud leaders **AMZN, BABA, FB** early as well as Software growth names **ECOM, TWLO, MDB, EGHT**. We saw some bearish action in Medial Device plays **BDX, ZBH**. There were also put buyers in Housing names **DHI, LEN**.

What's On Tap: Earnings from **BABA, PDD, DE**.

Trade Tracker Portfolio Changes:

- 1) **Spotlight:** Long **AKAM** June \$100 Calls \$2.50 – No Fill
- 2) **Spotlight:** Long **SNAP** July/August \$20 Calendar Call Spreads at \$0.65



Bulls Position in Incyte for Catalyst Heavy 2020

Ticker/Price: INCY (\$98.35)

Analysis:

Incyte (INCY) with bullish activity on 5/20 as the December \$105 OTM calls saw buyers of more than 500 at \$8.40 to \$8.60, good sized trade and late afternoon action rose to 875X, a name with 2250 June \$100 calls in open interest from buyers as well as some smaller September and January 2021 call buys. INCY shares are forming a great looking bull wedge on the four-hour chart while the weekly moving higher out of a long base after being a laggard 2017-2019, shares +8.7% YTD. The \$20.6B Biotech currently trades 23.65X Earnings and 9.2X Sales with a solid balance sheet having \$2B in cash. INCY forecasts see double digit revenue growth continuing in 2020 and 2021. It has four current revenue generating assets and a number of key programs in development. Jakafi, its lead contributor, continues to see strong growth, while Jakavi, Iclusig and Olumiant smaller contributors. Jakafi is seeing strong demand across each of its indications being GVHD, Polycythemia Vera and Myelofibrosis. INCY sees Pemigatinib and Capmatinib as the next two revenue sources, the former with a May 30th PDUFA and the latter partnered with Novartis. INCY's deep pipelines provide a long sustainable growth outlook through 2025. INCY spoke at RBC's Healthcare Conference on 5-19 which is an informative transcript read. Analysts have an average target of \$100 and short interest at 3% of the float has risen 60% Q/Q. Cantor raised its target to \$100 this week seeing the company as defensive against COVID-19 disruptions and sees the company set up for the year with tafasitamab a potential blockbuster drug over time. INCY also received Tabrecta approval ahead of schedule with potential \$500M sales with partner NVS. On 5/6 OpCo raised its target to \$120 after results while JPM downgraded on valuation. Piper with a \$110 target expects strength in shares to continue expecting a string of near-term product approvals. Hedge Fund ownership fell 4% in Q1 filings, Baker Brothers adding to its 17.55% weighted position and #2 holding.

Hawk Vision:



Hawk's Perspective: INCY checks all the boxes with solid fundamentals, strong chart, and bullish flows while also a Baker Brother's favorite, so definitely like this set up versus the 34 EMA.

Confidence Ranking: \$\$\$



Large Bullish Trade Sees Sonos Recovering

Ticker/Price: SONO (\$9.75)

Analysis:

Sonos (SONO) with 10,000 January \$12.50 calls bought this morning up to \$1.45, aggressive buy, and still has 2700 July \$10 calls in OI from buyers in March while 1000 January \$10 short puts also in OI and seeing value at these levels. SONO shares are trading in a bull flag under \$10.50 and coiled just above YTD VPOC with a move higher into the gap targeting \$12.50 and the 200-EMA. The \$1.05B company trades 44.5X earnings, 0.8X sales, and 21X FCF with little-to-no debt. SONO is coming off a strong quarter and likely benefiting from the Shelter-in-Place policies as drive-time share is being usurped and they noted listening hours up 48% Y/Y in April. Early Q3 trends have been strong as they expect both their major US and European distributors to replenish inventories now that restrictions are being lifted. SONO continued to gain share in both US and UK households while their DTC efforts are paying huge dividends up 32% in Q2 overall and up 400% in April, the first month of Q3, despite less promotional efforts. SONO has always been product-driven and three big launches expected in 2020 including more voice-automation, a premium smart soundbar, and more. In April the company announced a new radio venture offering an ad-support, streaming service exclusively through their platform which connects over 60,000 radio stations and original programming. Analysts have an average target for shares of \$15.50. Raymond James positive on their radio venture noting that it could drive multiples significantly higher. The firm thinks any sign of success for Sonos Radio is essentially a free option on a high-growth, high-margin profit stream. Short interest is 3.2%, down from around 9.7% in February. Hedge fund ownership fell 8% in Q1.

Hawk Vision:



Hawk's Perspective: SONO valuation looks attractive down here and think this base is a nice one to trade against for a name that has strong future potential.

Confidence Ranking: \$\$



Qualcomm Bull Position as Shares Consolidate

Ticker/Price: QCOM (\$78.40)

Analysis:

Qualcomm (QCOM) with 1300 July \$75 calls opening \$6.50/\$6.60 and buyers remain active near \$6.40 into some weakness with volume now above 2000X on the morning. QCOM has not seen much activity recently and a lot of positions in May expired, but a name with plenty of open interest, balanced with 278,000 calls and 285,000 puts. QCOM shares consolidating in this \$74/\$80.40 high volume range and sitting just above YTD VPOC and looking to work back into some free space and make a run to \$87. The \$95.6B Semi trades 14X Earnings, 4.77X Sales and 22.5X FCF with a 3.22% yield. The company will speak 5-26 at the Cowen Tech Conference. QCOM includes its licensing business QTL and its QCT semiconductor business and considered a leader in the upcoming 5G revolution. QCOM expects to see 1.5X content on 5G devices versus 4G. QCOM is also targeting to reach a 20% market share in the strong RF market. Analysts have an average target near \$90 with short interest low at 1.1% of the float and declining. Canaccord out this morning with a Buy rating and \$102 target noting QCOM is positioned well from the 5G investment cycle and sees a strong earnings recovery in 2021. JPM raised its target to \$100 in late April citing resilient margins. On 5-8 Bloomberg noted QCOM's strengthening relationship with Apple. Hedge Fund ownership fell 7.55% in Q1 filings, Matrix Capital has a large concentrated position, Merian Global added to its position, and Appaloosa and Druckenmiller took new positions.

Hawk Vision:



Hawk's Perspective: QCOM is a favored 5G play and watching for a 200 day MA breakout to initiate a position, a name that can get to \$100 quickly.

Confidence Ranking: \$\$\$



Bullish American Express Options Positioning as Long Base Forms

Ticker/Price: AXP (\$89.75)

Analysis:

American Express (AXP) with 3,500 July \$75 puts sold to open today for \$1.95 to \$1.92 and follows late day buyers of 2,000 October \$90 calls yesterday for \$10.40 to \$10.50. AXP has seen bullish flows recently including 1000 January 2022 \$60 puts sold to open for \$7.90 on 5/14, 2,500 January \$65 puts sold to open on 5/13 around \$6.45, and 1,000 October \$80 puts sold to open around \$8 on 4/28. Shares have been basing around YTD VPOC since mid-March. AXP has been forming a series of higher-lows and lower-highs and a move above \$92 and out of the weekly wedge setting up for a run to \$110. The \$74.5B credit services company trades 12.78X earnings, 1.65X sales, and 3.5X book with over \$43.75 in cash per share on hand. AXP has lagged some peers given some of their exposure to travel rewards programs but they continue to have one of the lowest delinquency rates in the industry despite the turmoil in March. AXP has been cutting costs across enterprise while building reserves and focusing on investments in areas like acquiring merchant services, building out their China network, a premium product refresh strategy in consumer, and adding new digital capabilities. Analysts have an average target for shares of \$108. Baird positive on 5-11 citing their diversified business mix and management's focus on maintaining long-term investments despite the tough environment should position the company to exit the downturn as strong as ever. Short interest is 1.5% and up from 0.9% in early March. Hedge fund ownership was flat in Q1. Viking Global a new 3.87M share position. AXP saw a director by \$132,870 in stock on 2/13 at \$132.87, the first open market buy in three years.

Hawk Vision:



Hawk's Perspective: AXP base looks great vs that converging moving average support near \$85, good reward/risk set-up for sure.

Confidence Ranking: \$\$\$

Additional Options Flow

Market/ETFs

Treasury (TLT) buyer of 5000 July \$165 calls for \$4.04 against the \$170 and \$175 calls sold. TLT looking good vs. 162 here as moves above 8 MA

NASDAQ (QQQ) with 4500 July \$230/\$185 put spreads bought

Biotech (XBI) stock buyer collaring with 20,621 September \$130/\$96

Russell (IWM) buyer 2500 Sep. 30th (Q) \$130/\$110 put spreads for \$5.32

S&P (SPY) June 26th (W) \$255/\$240/\$225 put butterfly spreads opening 13,000X26,000 at \$0.44

Semiconductor (SMH) buy-write sold 1500 January 2022 \$180 calls for \$8.70

Retail (XRT) strongest group today and seeing 5000 September \$42/\$30 bull risk reversals open \$1.05

Consumer Discretionary/Services

Tiffany's (TIF) block of 1000 November \$125 calls sold to open for \$8

L Brands (LB) buyers active 4000 June \$14 calls \$1.58 to \$1.65

Tapestry (TPR) opening sale of 1,300 November \$12.50 puts for \$2.05

Tractor Supply (TSCO) strong performer seeing unusual action with 425 June 26th (W) \$108/\$120 call spreads bought

BJs Wholesale (BJ) strong move on earnings and today 1000 November \$25 puts sold to open \$1.25 to \$1.20

El Dorado (ERI) with 1600 December \$20 puts sold to open \$4.40 to \$4.20. **ERI** 1000 January \$50 calls bought \$4.95, looks to be rolling back \$60 calls

Bed Bath & Beyond (BBBY) buyers of 2850 June \$6.50 calls for \$0.85 to \$0.89

Starbucks (SBUX) sale of 1000 October \$80 puts for \$8.05 bid

Royal Caribbean (RCL) buyer of 1,400 September \$60 calls for \$3.95, stock replacement and bullish note from CSFB today

Omnicom (OMC) with 1000 October \$57.50 calls sold to open \$3.10 to \$2.90

Advance Auto (AAP) another 3,800 September \$140 calls being bought today \$11.60 to \$12.60

Consumer Goods

Turtle Beach (HEAR) spread buys 1000 October \$11 calls up to \$1.50 and sells 1800 October \$13 calls for \$0.92

Hanes (HBI) with 1,500 January 2022 \$13 calls sold to open today \$1.50

Medifast (MED) buyer of 600 September \$105 puts for \$20.50, still has some size in the September \$90 puts

Clorox (CLX) lows of the day with 850 June \$200 puts bought up to \$6.70

Energy

Halliburton (HAL) buyer 5000 June \$11.5/\$10 put spreads

Schlumberger (SLB) with 2000 January \$17.5 puts sold \$3.35 bid

Solar Edge (SEDG) buyer 250 August \$110 puts \$8.05

Financials

Fiserv (FISV) with 750 September \$90 puts sold to open \$4.70 to \$4.60, name with massive open interest in September call buys

Truist Financial (TFC) with 950 September \$32.5 ITM calls opening \$4.30 to \$4.40 today

Redfin (RDFN) with 2,000 June \$30 calls sold to open \$1.05 to \$1 into strength. **RDFN** opening sale 750 August \$27 puts for \$3.70

CoStar (CSGP) buyer 200 June \$630 puts to open \$23 to \$23.30

Berkshire Hathaway (BRK.B) with 1,000 June 5th (W) \$175 puts sold to open for \$3

Square (SQ) with 1000 January 2022 \$85 puts sold to open \$23.53

Stone-Co (STNE) buyers 4000 next week \$27 calls for \$0.70, earnings 5-26

Chubb (CB) another 500 August \$110 calls bought \$10 looking to add to the buys on 5/8

Healthcare

Becton Dickinson (BDX) with 815 July \$240/\$230 put spreads bought early

Zimmer Biomet (ZBH) buyer of 500 June \$125/\$115 put spreads for \$3.44 after Medtronic's (MDT) report

Incyte (INCY) trading 670 December \$105 calls early \$9.20 to \$9.30, look to be adding to positions opened yesterday

J&J (JNJ) starting to break lower to bottom of range but seeing 1500 December \$155 calls bought to day \$6.35 to \$6.40

Syndax Pharma (SNDX) buyer of 1,000 July \$25/\$35 call spreads with the \$15 puts sold to open, small net debit

HCA Corp (HCA) with 1000 next week \$110 calls opening \$2.20 to \$2.34

BioCryst (BCRX) July IV up sharply today with buyers active 14,000 OTM \$9 calls, spot where 8000 opened yesterday. BCRX shares flagging nicely on the daily with recent momentum across the vaccine names. BCRX does have 16% of its float short, JMP with a \$10 target on 5-6 citing 12/3/20 PDUFA for Berotralstat as the key 2020 event though BCRX recently with impressive BCX9930 data which will have more data n Q3. BCRX also has dosing underway in a COVID-19 antiviral program. BCRX's Galidesivir shares the same mechanism of action as Gilead's remdesivir.

Teva Pharma (TEVA) spread sells 500 December \$9 puts to buy the \$13/\$18 call ratio spread 1,000X2,000

E-Health (EHTH) strong all session and one of the better weekly chart set-ups, seeing August \$190/\$150/\$115/\$90 Iron Condors open 450X

Industrials

Boeing (BA) size buy early 1000 next week \$130 calls \$9.60. BA positive initiation at RBC today, sees strong growth in 2021 as passenger traffic resumes on commercial air

DR Horton (DHI) with 1000 June \$50 puts bought \$1.55 to \$1.60

American Air (AAL) trade opens 5000 July/August \$7 calendar put spreads \$0.92

Polaris (PII) buyers earlier of near 600 June \$85 calls for \$3.70 to \$4.20

Lennar (LEN) with June \$57.5/\$52.5 put ratios opening 2000X3000

Deere (DE) with 1325 June \$135/\$125 put spreads bought today ahead of earnings, paying \$2.28

Copa (CPA) with 735 June \$40 puts sold to open today for \$3.30 and some earlier spread with a small buy of 200 July \$45 calls

Raytheon Tech (RTX) buyer of 500 June \$55.50 calls for \$5.70 to \$5.80

Century Communities (CCS) spreads are selling the September \$25 puts to buy the \$30 calls in risk reversals for \$0.85

Harley (HOG) buyer 1000 July \$24/\$15 put spreads bought to open into recent short covering rally. **HOG** put spreads up to 5000X and may be replacing short stock positions

Waste Mgmt. (WM) with 500 January \$82.50 puts sold to open for \$3.90 to \$3.80

Thor (THO) buy-writes selling 500 December \$100 calls near \$9.45

Hertz (HTZ) with 4,000 July \$1.50 ITM calls sold to open \$1.70 to \$1.65

Tesla (TSLA) running this afternoon with 5000 June 12th (W) \$1000 calls hot starting at \$6.60 and now already over \$9

Materials

Equinox Gold (EQX) with 500 October \$10 puts sold to open for \$2, name flagging not far from the February highs

Barrick Gold (GOLD) with 3,000 January \$26 calls bought \$4.05 to open. **GOLD** also with 1500 January \$29 calls bought \$3.10

DuPont (DD) spreads are selling the October \$60 calls to buy the \$45/\$40 put spread for a net \$0.21 3,000X and likely collaring stock

Weyerhaeuser (WY) buyers of 880 October \$18 puts from \$1.65 to \$1.75 earlier, still has 1500 October \$21 puts in OI

Tech and Telecom

Mongo-DB (MDB) buyers 1380 June \$240 calls early \$6 to \$6.50, earnings 6-4

Twilio (TWLO) seeing 900 June \$200 calls active with buyers \$9.80 to \$10.20 offers as well, bullish flow continues

Alibaba (BABA) buyer 3000 September \$245 calls up to \$6.60 adjusting June \$225's. **BABA** also 1200 August \$240/\$190 bull risk reversals open \$2.42 credit. **BABA** opening seller 1000 December \$190 puts earlier for \$14.10.

Amazon (AMZN) July \$2800 calls hot this morning some size lots bought \$29.80 to \$31 range

AMD also trading 7000 June 5th (W) \$58 calls to open including block of 3200 at \$1.08

8x8 (EGHT) trading 14,000 calls in the opening hour with IV30 up 24%, been a disappointing name in a hot space, already size June call open interest and 8500 of the \$17.50 active this morning, 1500 July \$17.5 and also 2350 November \$17.5 calls bought \$1.40 to \$2.10

Pinduoduo (PDD) buyer of 1,500 May 29th (W) \$67 calls for \$1.95 into weakness, earnings tomorrow morning

Spotify (SPOT) buyer of 700 July \$175 ITM calls for \$22.55, adjusting some now deep ITM weekly calls bought back on 5/14. **SPOT** also with 500 June 5th (W) \$180 puts bought \$2.70 to \$2.80 into strength

Channel Advisor (ECOM) with 3,500 June \$15 calls being bought for \$0.45

Micron (MU) with 1600 June 12th (W) 445.50 calls sold \$2.12 to open

Microsoft (MSFT) interesting action with 5000 July 2nd (W) \$197.50 calls bought \$2 to \$2.05

Fabrinet (FN) unusual volume trading today with 725 June \$65 calls bought from \$1.85 up to \$2.35 to open, almost 75X average. The \$2.37B maker of optical packaging and other manufacturing services for circuit board assembly trades 15.5X earnings with high-single digit growth. Stifel positive on 5-5 citing demand drivers and an industry-leading position which will help them post COVID-19.

Facebook (FB) options remain very active today after strength this week, The January 2022 \$290 calls opening 1350X near \$22.75, the December \$245 calls with 1365X being bought, and 3000 January \$350 calls bought \$2.16 to \$2.26. **Facebook (FB)** buyer of 1,750 January 2022 \$265 calls for \$14.95, stock replacement

Sea Ltd (SE) the July \$75 calls bought 725X up to \$5.10. **Sea (SE)** sale 1300 January 2022 \$85 calls \$15.40 in a buy write

Baozun (BZUN) buyer of 600 July \$28 calls for \$2.95 to \$3 into weakness, earnings 6-2

Amphenol (APH) the July \$95 puts bought 500X for \$8.20

Netflix (NFLX) trading August \$485/\$580 call spreads to open 825X

Roku (ROKU) buyer 700 October \$175 calls \$5.30 to \$5.40

Pure Storage (PSTG) with 3,500 November \$20 calls sold to open today from \$1.35 down to \$1.25

Cloudera (CLDR) buyers active for 2800 July \$10 calls up to \$0.85, name Icahn remains heavily invested in

Qualcomm (QCOM) now also with 800 August \$80 puts sold to open for \$7.36

Okta (OKTA) buyer 260 January \$180 puts \$25.40

Tech Data (TECD) with 2800 September \$140 calls opening \$3.50, adjusting June \$85 short puts

Crown Castle (CCI) spread is buying 1,600 October \$150 calls for \$11.50 and selling 2,880 of the \$170 calls for \$3.35

NVIDIA (NVDA) with 2,350 August \$360 calls sold to open from \$35.70 to \$34.10

Trip.com (TCOM) with another 1000 January \$25 puts sold for \$3.40 to open as some June positions adjust

JD.com (JD) with 15,000 September \$55 calls bought up to \$5.15 ahead of **Alibaba's (BABA)** report

Veeva (VEEV) buyer 500 September \$170 puts \$7.70 to \$7.80, name that has gotten quite rich on valuation for its growth

AT&T (T) with 5000 September \$32 calls bought \$0.94 to open

DocuSign (DOCU) seeing 1,390 January \$160 calls open today in buy-writes

Bill.com (BILL) block 15,625 June \$90 puts opens \$23, could be related to potential offering

Uber (UBER) large buys 15,000 September \$42 calls \$1.77 to \$1.91 this afternoon. **UBER** sale of 3415 September \$46 calls to open \$1.05 as well today

Utility

PG&E (PCG) with 5000 July \$13/\$17 call spreads bought for \$1.15 as some June calls adjust

Disclaimer:**Not Investment Advice or Recommendation**

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