

OptionsHawk

OPTIONS HAWK DAILY MARKET 5/5/2020

Sector Leaders

Energy

Housing

Software

Stock Gainers

PTLA 130%

AKBA 35%

CHGG 27.5%

EVER 25%

TGTX 25%

W 21.6%

ADUS 20.8%

Volatility Gainers

- CLVS
- MYGN
- TCO
- NCLH
- WLL
- NYT

High Call Volume

- CHGG
- FLWS
- WSM
- SMAR
- DVA
- VSTO

Bullish Options

- SNAP
- DVA
- WORK
- FITB
- HD
- TSLA
- PDD
- KMB
- EXPE
- REGN
- BURL

Market Review: Stocks were higher overnight and into the open with a 10% surge higher in Crude Oil grabbing headlines with reopening seen spurring demand. The April ISM Services number came in a bit above expected though firmly in contraction from the COVID-19 impact. Markets stayed strong through the morning, the 21 day MA bounce yesterday with follow-through, led by Energy and Housing while Software continued to lead growth names and Semiconductors rebounded. Momentum faded a bit as we ran into the upper value area and ahead of an active week of earnings reports. We also have the ADP Employment report tomorrow and Jobs Report coming Friday. Overall the low yesterday that held the key 21 day MA and just near the 55 MA as well remains in focus, a violation of that low would likely coincide with a NYSI sell signal and be a sign for further caution.

S&P Chart:



Resistance	Support
3,000	2,835
3,020	2,770
3,135	2,660

Options Action Trends: It was an extremely slow day without a lot of size positioning, no major new trends emerged across flows.

What's On Tap: ADP Employment and EIA Data. Earnings from NVO, PYPL, TMUS, CVS, SHOP, ZTS, EQIX, GPN, WM, ALL, MET, SQ, GM, ALXN, WCN, ANSS, AWK, and RNG.

Trade Tracker Portfolio Changes:

- 1) No Changes
- 2)

Sector Laggards

Bonds

Gold

Consumer Staples

Stock Losers

ITRI -10%

NCLH -18.5%

WRK -13.1%

CODI -11%

INSW -9.7%

BLMN -9%

TNK -8%

Volatility Losers

- STNG
- CAR
- UNVR
- ADVM
- AKBA
- CRUS

High Put Volume

- NYT
- CCK
- W
- HTZ
- WEN
- MYOK

Bearish Options

- PYPL
- TCOM
- WEN
- MAR
- VIAC
- PHG
- NYT
- ADSK
- GOLD
- TGT
-



Automatic Data Calls Bought as Shares Consolidate

Ticker/Price: ADP (\$144.50)

Analysis:

Automatic Data (ADP) with 625 June \$145 calls bought on 5/4 \$6.50 to \$6.75 for around \$450,000, a good sized trade in a name that sees little activity, though has 560 May \$140 calls remaining in OI. ADP shares traded in a narrow range most of April consolidating between \$135 and \$145 and looking to potentially break out into a low volume pocket that extends back to \$165. The \$63.3B human capital management company trades 24.3X Earnings, 4.3X Sales and 43X FCF with a 2.6% dividend yield and very strong balance sheet. ADP has been making a push towards technology with its innovation plan and the HCM market is estimates at \$150B globally growing 5-6% and is seeing many secular changes across key categories. ADP is growing a complete suite of HCM solutions and is a market leading provider of HRO solutions using its scale to expand. ADP has less exposure to small businesses than peers and 75% of the Fortune 500 utilize ADP solutions. ADP is a strong FCF story with expanding margins and ROIC above 20% each of the last three years. Analysts have an average target of \$156 on shares with short interest low at 1.3% of the float. On 4/24 Cowen lowered its target to \$158 from \$195 seeing it as a relative safe-haven but lacks near term catalysts, seeing the near-term pullback attractive to long-term investors. JP Morgan cut its target to \$159 from \$189 on 4/15 concerned with estimates. Pershing Square exited its stake in February while Polen Capital, Winslow Capital Cedar Rock, DSM Capital and FundSmith are all top concentrated owners.

Hawk Vision:



Hawk's Perspective: ADP is a quality defensive name and has a nice easy reward/risk trade set-up in this range.

Confidence Ranking: \$\$



Kimberly Clark Bulls Active into Modest Pullback

Ticker/Price: KMB (\$138)

Analysis:

Kimberly Clark (KMB) buyers coming in for 1375 June 5th (W) \$138 calls \$4.30, coming off strong quarter, and follows some recent bullish action with May \$135 puts sold 1000X and buyers in May \$145 calls. KMB also has seen July \$125 puts sold to open 1150X and smaller call buying across January 2021 but lacks major open interest. KMB shares have pulled back a bit the past week as a move has been seen away from safer consumer staples names but coming up on support near \$135, and longer term looking to work out of this \$133/\$141 range for a move up to new highs at \$150.

KMB is coming off a quarter of 11% organic growth with increased consumer demand for its products. The \$46.8B company trades 17.6X Earnings, 2.5X Sales and yields 3.15%. KMB has suspended buybacks and withdrew 2020 guidance. KMB owns major brands like Huggies, Kleenex, Kotex, Cottonelle and Scott. It introduced its K-C Strategy 2022 in January to deliver growth and improve costs with the goal of 1-3% organic sales growth, EPS growth mid-single digits, maintain a strong ROIC near 26% current level, and increase the dividend. It wants to elevate the core brands and strengthen its presence in Emerging Markets. Analysts have an average target of \$147 and short interest is 1.6% of the float, down 35% Q/Q. Jefferies raised shares to Buy on 3/30 with a \$149 target citing stronger sales and moderating commodity costs with room for multiple expansion. Hedge Fund ownership fell 2.7% in Q4 filings and lacks any real notable concentrated holders.

Hawk Vision:



Hawk's Perspective: KMB is a favored defensive name and should be positioned well over the next year in this pantry hoarding environment.

Confidence Ranking: \$\$



CrowdStrike Bulls See Momentum Continuing

Ticker/Price: CRWD (\$72.85)

Analysis:

Crowd-Strike (CRWD) with an opening seller of 2,500 October \$45 puts today for \$1.60 and popular strategy in the strong name. Today's action is admittedly pretty far OTM but CRWD has a lot of near-the-money flows including sellers in the October \$72.50 puts recently and buyers in the October \$65 calls for more than \$1.1M on 4/16. CRWD has a lot of OTM call open interest as well including buyers in late April in the May \$80 calls, July \$90 calls, and June \$100 calls. Shares are run strong since early-March and working out of an 8-month base recently above \$67.50 which aligns with yesterday's low. The longer-term move targets \$90.50 and shares traded as high as \$100 in July 2019. The \$15.3B company trades 16.5X cash and 20X EV/sales with mid-20% revenue growth and a strong ramp in profitability coming in the next 2-3 years. CRWD is coming off a strong quarter with 90% subscription growth, strong cash flows and COVID-19 proving not to be a barrier to new deals. The company is one of many benefiting from more widespread Work-from-Home policies during the pandemic as companies look to secure a wider array of devices. CRWD is expanding their Falcon Prevent product for Home Use, especially across ransomware which has been prevalent, while also introducing Burst Licensing for remote workers. Analysts have an average target for shares of \$76. BTIG raising their PT to \$80 on 5-1 noting that WFH is expanding their TAM while driving an acceleration in adoption of cloud form factors and pushing faster migrations away from Broadcom's (AVGO) Symantec. The firm thinks CRWD is in the sweet spot of their growth cycle. Short interest is 1.5% and steadily lower since December when it was 4.5%. Hedge fund ownership is down around 3% but Element Capital a new 7% weight position and Point72 continues to add and now over 2.1M shares.

Hawk Vision:



Hawk's Perspective: CRWD has remained a favorite since our bullish write-up on 3/11 on the continuous options flow and continues to see that, clearly a preferred smart money play in cyber security.

Confidence Ranking: \$\$



Fifth Third Bancorp Bull Looks for Rebound

Ticker/Price: FITB (\$17.8)

Analysis:

Fifth Third Bancorp (FITB) with 1,850 June \$15 calls being bought today up to \$3.60 and follows some OTM November \$25 call buys last week. FITB has seen some size insider buying lately as well with a director buying \$1M in stock on 3/13 at \$16.90 and the Chief Risk Officer buying \$100,000 in stock at \$16. FITB has some mixed open interest with a lot expiring in May including 3,500 May \$19 calls bought in mid-March while 3500 August \$17 short calls are in OI, rolled back from the \$26 calls and potentially a stock over-write. Shares are trading in a rising channel from the March lows with room up to \$22+ in the near-term. The \$13.2B company trades 8X earnings and 0.65X book with a 6.12% yield and a strong cash balance. The company affirmed their capital return plan remains on-track despite COVID-19 while NII will be stable. FITB has low exposure to more “at-risk” areas like non-essential retail and healthcare with just 12% of their overall C&I loan book while the majority of those loans written have been to larger companies with access to capital during the current stress. Net-charge offs were near historically low-levels in March and their consumer/mortgage portfolios are heavily-weighted to super-prime customers with 90% secured and more than 55% with a 750 FICO or higher. FITB closed on their merger with MB Financial in November and sees significant opportunity longer-term to grow into commercial loans, wealth management, and asset-based lending. Analysts have an average target for shares of \$25. DA Davidson with a Buy rating and \$19 PT in late March. The firm cites their deep discount to peers and expects that to narrow given their unique characteristics including a structured securities portfolio with meaningfully lower prepayment risk and buyback opportunities. BAML positive yesterday noting they aren’t getting enough credit for their reserve building and potential for an expense plan. Short interest is 1.9%.

Hawk Vision:



Hawk’s Perspective: FITB is a quality regional bank though overall a tough group to have a lot of faith in for this environment and find better opportunities in other industries.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Gold (GLD) buyer of 10,000 July \$180/\$200 call spreads for \$1.01 to open. **GLD** also today 3600 November \$180 calls sold \$5.05 in a buy-write

NASDAQ (QQQ) seeing more July \$170/\$150 put spreads trade as June adjust more. **QQQ** opening seller of 6000 July \$200 puts for \$6.51

Gold Miners (GDX) opening sale 4000 September \$37 calls \$3.05 bid

Russell (IWM) with 10,000 September \$116/\$96 put spreads bought for \$4.20. **IWM** 6000 Dec \$135 calls sold \$10.51 in a buy-write

Semiconductor (SMH) with 4000 May 29th (W) \$125 puts bought to open with the \$140 calls sold in bear risk reversals at \$0.72 debit

Retail (XRT) with 3500 September \$35/\$25 put spreads bought

Consumer Discretionary/Services

Zynga (ZNGA) with 5500 January \$7 calls opening \$1.68 in a stock replacement

Wendy's (WEN) with 5000 May \$20/\$19 bear risk reversals opening \$0.80 debit into earnings tomorrow

Home Depot (HD) with 1000 September \$235/\$250 call spreads bought as September three-way spreads adjust

NY Times (NYT) with 10,000 May \$31 puts bought up to \$0.90 to open into earnings tomorrow

Burlington (BURL) spread buys 1,000 June \$180 calls around \$15 and sells 2,000 September \$220 calls for \$7

Target (TGT) the May 22nd (W) \$105 puts bought \$2.36 as some May puts roll out into 5-20 earnings

Glu Mobile (GLUU) with 1,350 January 2022 \$10 calls bought \$2.38 to \$2.40 as the January \$7 calls adjust higher into 5-7 earnings

Papa Johns (PZZA) with 550 October \$90 OTM calls sold to open \$4.70 to \$4.30 ahead of earnings, may be overwriting stock with the big run in shares recently

El Pollo Loco (LOCO) buyers of 500 December \$10 ITM calls for \$3.70 to \$3.90, name which has recovered well back above its 200-MA.

eBay (EBAY) IV popped earlier today with May \$41 calls active \$0.62 to \$0.82 with 24,000X on the day

WingStop (WING) with 315 January \$155 calls bought today above \$10.40, name benefiting from delivery/take-out model

Liberty (LBTYK) with 5600 May \$22 calls bought \$0.45/\$0.50 with the **TEF** merger talks

Chipotle (CMG) with 485 September \$1060 calls bought to open this afternoon \$25 to \$26.90

Consumer Goods

International Flavors (IFF) with the May \$135/\$145 call ratio spread opening 2000X4000 at \$1.95 debit

P&G (PG) with 1200 May 22nd (W) \$115 calls bought today near \$3.80

Peloton (PTON) buyer 6500 May \$37.50 calls for \$2.50

Sally Beauty (SBH) with 2000 May \$10 puts sold to open this morning \$0.90 to \$0.80, earnings tomorrow morning

Energy

Conoco (COP) with 1000 June \$43 calls bought \$2.76, adjusting some ITM weekly calls

Valero (VLO) seeing 4850 January \$95 calls sold to open today \$2.40

Total SA (TOT) with 1500 June \$35 puts sold to open today \$1.90 to \$2

ONEOK (OKE) with 2000 January 2022 \$50 calls being bought \$3.30 to \$3.50 to open today

Continental Resources (CLR) with 7000 December \$5 puts sold to open \$0.55 today

Philips 66 (PSX) buyer 500 November \$72.50 puts to open \$10.3

Financials

PayPal (PYPL) seeing 915 October \$140 calls sold to open early near \$6.90 and seeing 1200 of the \$110 puts bought \$7.15

Marsh & McLennan (MMC) with 1500 June \$85 puts sold to open \$1.25

Aflac (AFL) with 1450 August \$30 puts bought \$1.80 to \$1.84

Truist Financial (TFC) with 4500 December \$40 calls bought to open \$3.24 with the \$30/\$25 put spreads sold to open 4500X at \$1.25 credit

Simon Property (SPG) with 1899 July \$45 puts being sold to open

Cincinnati Financial (CINF) with 880 December \$40 puts bought earlier for \$3.30, relative weakness over the last two weeks with shares at new lows. CINF has unique exposure to COVID-19 due to significant 'business interruption coverage' insurance which some courts may reportedly consider the virus as triggering

ProLogis (PLD) with 4100 July \$75 puts sold to open \$2.25, a top REIT play

Healthcare

DaVita (DVA) buyer 500 May \$77.50 calls at \$2.97 into earnings tonight

Bristol Myers (BMY) buyer of 10,000 May 29th (W) \$65 calls for \$0.54 as May \$65 adjust

Philips (PHG) with 400 July \$50 ITM puts bought \$7.40 to open

Universal Health (UHS) spread sells 1000 May \$105 calls to buy 1000 June \$110 calls at \$2.10 debit

Sarepta (SRPT) with 280 November \$150 calls bought today \$13.55/\$13.60

Bio-Rad (BIO) with 350 May \$470/\$430 bear risk reversals opening today into earnings tomorrow

Regeneron (REGN) with 1000 June \$525 calls opening \$61.50 as May \$525 adjust. **REGN** also with 550 August \$540 calls opening \$67 as the May \$525 calls roll

Avantor (AVTR) buyer of 500 June \$17.50 puts for \$1.70 into strength

Kura Oncology (KURA) the October \$17.50 calls being bought 460X up to \$2.20

Endo (ENDP) sale of 15,000 July \$5/\$4 strangles for \$1.30

Dexcom (DXCM) with 2000 June \$430 calls sold to open \$7.80 to \$7.90, may be writing versus stock holding after strong run

WellTower (WELL) the September \$55/\$42.50 bull risk reversal opening 2,500X today for no cost

Industrials

Jacob's Engineering (J) with 500 May \$80 puts bought \$2 to \$2.20 into earnings tomorrow afternoon

Tutor Perini (TPC) unusual 850 June \$7.50 calls bought \$1.20 to \$1.30

Avis Budget (CAR) down 6% on earnings and 2,000 January \$23 calls being sold for \$2 in a buy-write with stock

Tesla (TSLA) seeing 1200 June \$885 deep ITM puts sold to open \$138 to \$137.50 for \$17M. **TSLA** also with 1000 July \$705 puts sold to open today near \$69

Carvana (CVNA) weekly spread selling the \$95 calls to buy \$83/\$73 put spreads 1200X into earnings tomorrow night, may be protecting a stock position

Fed-Ex (FDX) the June \$115/\$100 put spread bought 1000X for \$3.75

Fiat Chrysler (FCAU) buyer 1200 September \$12 puts \$3.90 to \$4

United Parcel (UPS) seller of 2000 January \$105 calls \$4.90 in a buy-write

Materials

Vale SA (VALE) with 5000 December \$9 puts sold to open down \$1.96, adjusting some June short puts

US Steel (X) with 8000 June \$9 puts sold to open \$1.25 today

Ball (BLL) with 1375 June \$57.5 puts sold to open down to \$1, earnings 5-7

Tech and Telecom

Okta (OKTA) the May \$165 calls bought up to \$2.35 as the \$150 calls adjust higher, 500X, shares breaking out of a bull flag

Snap (SNAP) another 18,000 May \$18.50 calls being actively bought today up to \$0.38, chart highlight this morning. **SNAP** now with 1900 October \$18 calls bought up to \$2.50

Trip.com (TCOM) buyer 4500 May \$25/\$22 put spreads, adjusts out of the \$26 puts

Pinduoduo (PDD) with 3000 May \$49 calls bought \$2.75 to open

Autodesk (ADSK) with 500 June \$180 puts bought today for \$10.70 to \$10.80, looks to be adjusting back some \$170 puts bought recently

Expedia (EXPE) buyer of 15,600 January 2022 \$85 calls for \$13.85, adjusting back the \$100 calls

Sea (SE) breaking out today and 1,425 June \$65 calls bought up to \$2.10

Fire-Eye (FEYE) rising to highs with 9000 May \$10.50 calls active with buyers today

Splunk (SPLK) buyer 300 January 2022 \$200 OTM calls \$14.80 to \$15, strong today after partnership with Google Cloud

Atlassian (TEAM) strength continues and 600 December \$200 calls opening \$14.70 to \$15 this afternoon. **NOW** another Software name with call buyers this afternoon, Aug \$430 with 580X opening

Broadcom (AVGO) with 500 June 2021 \$300 calls sold \$27 in a buy-write

Pinterest (PINS) with 1475 August \$22 puts sold to open for \$3.70 as the May \$24 short puts adjust

Utility

Next-Era (NEE) with 1000 January 2022 \$310 calls sold for \$8.10 in a buy-write

Disclaimer:

Not Investment Advice or Recommendation

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