

# OptionsHawk

**OPTIONS HAWK DAILY MARKET 5/6/2020**

## Sector Leaders

Solar

Semi's

Software

## Stock Gainers

MGNX 90%

LPSN 29.6%

MELI 20%

MED 19.5%

BYND 17%

HZNP 16%

MODN 14.5%

## Volatility Gainers

- HTZ
- CRWD
- CFX
- TWO
- UAL
- MD

## High Call Volume

- ECL
- FOLD
- CHGG
- AXTA
- PH
- GDDY

## Bullish Options

- TSM
- SBUX
- ECL
- SGEM
- TGTX
- LULU
- CRWD
- GDDY
- SE
- GDS
- MTCH

**Market Review:** Stocks worked higher overnight and positive into the open though stalled near Tuesday's high, a number of strong earnings reports coming from Tech names while other groups seeing weakness. The Eurozone economic forecasts for 2020 were very sombering. We pulled back early with 1 week and 1 month VWAPs near 2840 holding firm and then rallied a bit as Bonds came under pressure. Tech continues to show leadership with Semiconductors and Software climbing along with Chinese Internet. Weakness was seen in the traditional laggards Banks & Energy. A move under 2790 would break momentum for the S&P, conversely above 2950 starts the path to 3000. The employment picture in focus the rest of the week with Jobless Claims tomorrow and Jobs Report on Friday while a number of key earnings reports continue to be released. The tentative reopening of the US economy and fallout are the overwhelming focus for markets.

## S&P Chart:



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

**Options Action Trends:** We saw very little activity again today, the Payment leaders SQ/PYPL drawing some more bull flow the one exception. Software and internet remain spots of bullish activity while a dearth of action in other sectors. We saw some bear risk reversal spreads at a ratio for June in consumer hurt names like CNK/SEAS/SIX.

**What's On Tap:** Jobless Claims and Consumer Credit. Earnings from DHR, BKI, LIN, UTX, FIS, BDX, BKNG, UBER, DLR, MNST, CTSB, MSI, BLL, OTIS, MCHP, HLT AND MORE.

## Trade Tracker Portfolio Changes:

- 1) No Changes
- 2)

## Sector Laggards

Energy

Banks

Bonds

## Stock Losers

NLS -20%

INGN -17.5%

ANDE -15.4%

BCO -12%

PINS -12%

SILK -11.4%

BG -10.8%

## Volatility Losers

- ENPH
- NYT
- DHT
- STNG
- FLIR
- MTCH

## High Put Volume

- CYH
- MAT
- NUS
- CHGG
- KDP
- AGN

## Bearish Options

- EA
- SHOP
- OXY
- ANET
- RNG
- WY
- AAL
- FE
- HTZ
- BBY
- MED



## Chipotle Bulls See Leadership Position Expanding

**Ticker/Price:** CMG (\$870)

### Analysis:

**Chipotle (CMG)** with 485 September \$1060 calls bought to open this afternoon \$25 to \$26.90 and also with 250 June \$875 calls trading to open, a name with little notable open interest, the September \$875/\$850 bull put spreads in OI from a 3/11 trade and seen some OTM January 2021 call buys, volumes tend to be low and come with very steeply priced contracts. CMG shares have been flagging tightly the last few weeks in a very narrow range with an explosive look, and recovering sharply from March weakness back near record highs. The \$24.5B restaurant trades 47.55X Earnings, 4.3X Sales and 65.55X FCF and one of the stronger growth names in the industry where we are likely to see a lot of closures among peers. CMG growth estimates have come down for 2020 seen as a flat year while 2021 seen at 16.8% growth Y/Y. CMG is more resilient to many peers with its takeout/delivery model and its investments in digital the last few years left it better strategically positioned and could lead to further share gains. CMG has around 100 restaurants closed that are mainly inside malls and shopping centers as well as 17 Europe locations. Q1 digital sales grew 81% year-over-year to \$372 million, a record level, and reached 26.3% of total sales. CMG announced a successful national delivery partnership with Uber Eats that is helping drive new customers and greater frequency. CMG was running at +14% comps through February. Since the beginning of April, in-store ordering is down around 75%, while delivery is up about 150%, and order ahead is up nearly 120%, highlighting the importance of its digital platform. BMO raised to Perform with a \$780 target on 4/23 seeing the brand emerging strongly in a reopen scenario. Cowen on 4/22 raised its target to \$950 saying the story is firmly on track and remains a top pick. SunTrust raised its target to \$946 citing strong comps, a healthy balance sheet, and potential to find dislocations in the real estate market. RW Baird raised its target to \$950 noting Q2 comps running ahead of estimates and confident in the underlying story. Piper called it the highest conviction long in the industry and CSFB moved its target to \$940 as the best growth story along with strong EPS growth and margin expansion opportunities. Hedge Fund ownership declined 5.15% in Q4 filings.

### Hawk Vision:



**Hawk's Perspective:** CMG alert is set for a range breakout and see this heading above \$1000, best story in Restaurants.

**Confidence Ranking:** \$\$



## Prologis a Favored REIT with Bullish Activity

Ticker/Price: PLD (\$87.75)

### Analysis:

**Prologis (PLD)** with 4,100 July \$75 puts sold to open yesterday for \$2.25 and name with 1,000 May \$80 short puts in OI as well as 1200 May \$90 calls. PLD also has bullish open interest in the August \$100 calls from January. Shares are flagging just below the February highs after a big rebound and a move above \$92.50 sets up for a run to \$100+. Longer-term, PLD is one of the steadiest names in the space with a big breakout in early 2019 above the 2006 highs that measures to \$125. The \$66B REIT trades 24X FFO and 2.44X book with a 2.65% yield. They have a strong balance sheet with \$4.8B in liquidity, minimal near-term maturities, and a 4X Debt/EBITDA. They have little concern around cash flows with 95%+ of rents paid on time in April. PLD focuses on real estate for logistics, a huge area of growth given the shift towards faster shipping options and e-commerce fulfillment. The group has seen rental rates surge within locations tied to more urban city centers and high-barrier markets where PLD is a leader (17% city vs 6% peers). PLD sees coronavirus driving higher inventories in both the near-term and intermediate-term as more lessors seek space due to creditor liquidations and other build-ups. CEO Hamid Moghadam said on their earnings calls that he expects inventories up 5% to 10% after COVID-19 with growth set to double in the next four to five years. Analysts have an average target for shares of \$94.50. Deutsche Bank with a \$90 PT while MSCO positive mid-April citing balance sheet, liquidity strength, and the view that growth in e-commerce volumes resulting from COVID-19 restrictions is likely to be more beneficial to the Industrial REITs running warehouses than parcel delivery companies. Short interest is 1%. Hedge fund ownership rose 3.5% in Q4.

### Hawk Vision:



**Hawk's Perspective:** PLD has always screened favorably to peers and like its positioning in logistics/warehouses, a top name to own.

Confidence Ranking: \$\$





## Bulls Position in Ecolab for Reopening Demand Surge

Ticker/Price: ECL (\$193)

### Analysis:

**EcoLab (ECL)** consolidating under resistance and 700 June \$210 calls are bought \$2.80 and volume up over 2400X now with buyers paying \$3, a name that sees very little options trading but long considered a high quality name. ECL had very positive outlook given exposure to food safety, water safety, and hygiene as a lot of public places look to invest more ahead of re-openings. Shares have a sloppy weekly chart now like many names and a move above YTD VPOC near \$197 can set up a return to new highs. ECL is a global leader in water, hygiene and energy technologies and services that protect people and vital resources. They deliver comprehensive programs, products and services to promote safe food, maintain clean environments, optimize water and energy use, and develop and improve operating efficiencies for customers in the food, healthcare, energy, hospitality and industrial markets in more than 170 countries around the world. It's cleaning and sanitizing programs and products, and pest elimination services, support customers in the foodservice, food and beverage processing, hospitality, healthcare, government and education, retail, textile care and commercial facilities management sectors. Its products and technologies are also used in water treatment, pollution control, energy conservation, oil production and refining, primary metals manufacturing, papermaking, mining and other industrial processes. ECL is mostly a recurring business model and capital light while increasingly leveraging digital capabilities to its business. ECL is planning to merge its Upstream Energy business with Apergy in a Reverse Morris Trust transaction. The \$57B Company currently trades 32X Earnings, 3.8X Sales and 50.85X FCF with a 0.97% dividend yield. Analysts have an average target of \$185 and short interest low at 1.2% of the float. Deutsche Bank cut its target to \$170 from \$220 on 3/20. Hedge Fund ownership rose 3% in Q4 filings, Edgewood a top concentrated holder.

### Hawk Vision:



**Hawk's Perspective:** ECL is a high quality compounder and traded to bargain prices in March, currently consolidating and a worthwhile investment in this changing environment.

Confidence Ranking: \$\$



## Call Spreads in Summit Eye Base Breakout

**Ticker/Price:** SUM (\$13.40)

### Analysis:

**Summit Materials (SUM)** with 5,000 August \$15/\$20 call spreads bought this afternoon for \$1.20, adjusting some May positioning that bought into the recent March lows, and later another 500 August \$15 calls bought \$1.65/\$1.75. SUM has little to no other notable OI but did have 1200 January 2022 max strike \$30 calls bought recently. SUM has recovered modestly off of the recent lows with a series of higher-highs and higher-lows. A breakout above \$15 and out of this multi-week volume node has room up to the 200-MA and \$20, ideal target for these spreads. The \$1.74B company trades 22X earnings, 0.77X sales, and 13.8X FCF with more than \$500M in available liquidity and the nearest debt maturities more than 3-years away. SUM saw April activity steady across all of their main markets as construction deemed an essential business while early Q2 reads are positive with highway projects greenlit in TX, MO, VA and GA while Kansas recently passed a new \$10B transportation bill. They're also seeing better pricing on cement and ready-mix with price hikes set for June 1. Analysts have an average target for shares of \$19 with 9 buy ratings, 6 hold and 1 sell. Stephens downgrading to Neutral on 4-30 citing lack of visibility on private construction demand, both residential and commercial. They're also concerned about future infrastructure demand as current projects wind down. Short interest is 8.9% and down from 16.8% in July. Hedge fund ownership fell 14.5% in Q4, activist Southeastern Asset Management selling their 12.8M share stake. Shares are back at a spot where insiders were very active in late 2018 including some big trades above our current range like a \$507,813 purchase from the CEO at \$16.25 and a \$750,823 buy from the COO at \$21.15. SUM would be a big beneficiary of any potential infrastructure spending, whether it is in the fourth stimulus bill or later and seemingly a bipartisan issue in the post-COVID world. In early April, Jefferies noting that SUM would outperform in a scenario where Speaker Pelosi could bring back the \$780B "Moving Forward" bill introduced in January.

### Hawk Vision:



**Hawk's Perspective:** SUM could trigger nicely above \$14.70 though VMC the high quality leader in this space and preferred name for exposure to infrastructure spending.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**Biotech (XBI)** with 3500 June \$105 calls sold to buy the \$93/\$83 put spreads

**Utility (XLU)** with 2650 December \$57 puts sold to open ITM \$6 to \$5.95

**NASDAQ (QQQ)** with 5000 January \$230 calls sold and the \$215 puts bought at net \$3.96, tied to stock as a collar

**Homebuilders (ITB)** flagging and 2500 October \$36 calls being bought \$4.70 to \$4.80 to open

**Russell (IWM)** with 26,000 June 5th (W) \$121/\$100 put spreads bought

## **Consumer Discretionary/Services**

**Electronic Arts (EA)** down 4.5% on results seeing 1490 June 5th (W) \$105 puts opening \$1.50. **EA** seeing 900 September \$115 ITM puts open \$9.40 to \$9.70

**Starbucks (SBUX)** buyers 2000 May \$74.50 calls \$1.38 offer. **Starbucks (SBUX)** with 4500 June \$77.5 synthetic short positions opening at \$3.75

**Lululemon (LULU)** buyers of 500 May \$222.50 calls up to \$6.40 today, shares consolidating above its 200-MA

**Wendy's (WEN)** the June \$20/\$23 call spread bought 1,000X2,000 to open post-earnings

**Best Buy (BBY)** seeing 2500 June \$55/\$40 put spreads bought for \$0.97, also seeing June \$80/\$85 call ratio spreads open 1970X2,760

**AMC Networks (AMCX)** basing for a few weeks nicely seeing 1175 September \$22.50 puts sold to open \$2.85 to \$2.70

**Bed Bath (BBBY)** with 5,000 November \$3 puts sold to buy the \$8/\$11 call spread for no cost

**Cinemark (CNK)** similar spread sells 1,500 June \$17.50 calls for \$0.65 to buy 450 June \$12.50 puts for \$2.10/\$2.15

**SeaWorld (SEAS)** similar spreads selling 1,500 June \$17 calls for \$0.95 to \$0.85 and buying 500 June \$12 puts for \$1.30/\$1.40, earnings on 5-8

**Six Flags (SIX)** with 1300 June \$22.50 calls sold to buy the \$17.50 puts 425X. **SIX** also seeing 700 September \$22.50 calls bought for \$3.67, the \$35 calls adjusting back

**Cracker Barrel (CBRL)** buyers of 525 May \$90 puts from \$6.80 to \$7.00

**Angie's (ANGI)** opening seller of 1370 August \$7.50 puts for \$1.78 into earnings

**PVH Corp (PVH)** spread sells 750 June \$25 puts to buy the \$45/\$55 call spread 750X1,500

**Decker (DECK)** opening seller 250 June \$140 puts at \$9.80

**Eldorado (ERI)** with 5,000 June \$20/\$30 call spreads bought for \$2.15

## **Consumer Goods**

**Medifast (MED)** strong climb today and 600 September \$95 puts are bought \$18.20 to open

**Pepsi (PEP)** the July \$145 ITM puts sold to open 1000X for \$15.50, follows the 2,000 July \$140 puts sold recently; nice consolidation around its 200-MA

**Nu-Skin (NUS)** with 2000 May \$25/\$20 put spreads bought \$0.90, earnings tonight

**Aramark (ARMK)** the June \$29 calls being sold 1000X for \$0.50 to buy 400 June \$22 puts for \$1.47

**Yeti (YETI)** with 2,000 November \$30 calls sold for \$4.30 with stock, earnings tomorrow morning

**Archer Daniels Midland (ADM)** with 850 June \$35 puts sold to open \$2.25 to \$2.15

**Performance Food (PFGC)** with 1,500 September \$30/\$35 call spreads bought for \$1.25

### Energy

**Occidental Petro (OXY)** buyers active early 4000 June \$15 puts \$2.11 to \$2.20

**Equinor (EQNR)** with 2,000 October \$10 puts bought up to \$1.25, unusual size for the European oil major into earnings on 5-7. **EQNR** recently cut their dividend, one of few majors to do so, and reports recently they're looking at more asset sales amid the oil price crash

**Marathon Oil (MRO)** opening sale 2800 January \$5 puts \$1.34

### Financials

**PayPal (PYPL)** buyers active early 2000 June \$135 calls \$3.30 to \$3.35, earnings tonight

**Square (SQ)** with 3000 January 2022 \$60 puts sold to open \$13.70 as January 2021 adjust out

**Fact-Set (FDS)** moving to lows with 800 June \$270 puts opening up to \$15.50, stock tied

**AIG** buyer 2500 June \$25 calls for \$1.24 in stock replacement

**Ares Management (ARES)** spreads today are selling the December \$40 calls to buy the \$30/\$20 put spread, 360X, a lot of retail and energy exposure

**Fidelity (FIS)** with 580 May \$130/\$120 put spreads opening today ahead of earnings tomorrow, paying \$2.05

### Healthcare

**DaVita (DVA)** strong move up 5.2% seeing 1000 July \$85 calls sold to open \$4.50. **DVA** also with 750 January \$85 calls sold to open now for \$10

**Mednax (MD)** buyers 1800 May \$15 calls \$0.65 to \$0.95 as IV climbs sharply, earnings tomorrow morning

**Seattle Genetics (SGEN)** with 3000 September \$125 synthetic longs opening as May \$120 calls adjust

**TG Therapeutics (TGTx)** with 1,500 August \$20/\$19 bull risk reversals opening \$1.20 credit

**AMN Healthcare (AMN)** with 1000 May \$45 calls bought \$1.80 to open, earnings 5-11 and has 3300 of the \$50 calls in OI

**Amicus (FOLD)** with 3000 July \$12 calls sold to open down to \$1.25

**Danaher (DHR)** with 1850 May \$160 calls sold to open ITM today into earnings

**Adverum Bio (ADVM)** with 850 September \$20 puts bought to open tied to stock, big two day run

**Arena (ARNA)** with 300 August \$45 synthetic long opening as May \$45 calls adjust

**Syndax Pharma (SNDX)** with 750 June \$22.50/\$15 bull risk reversals opening for \$1.50, consolidating in a bull flag after data

### Industrials

**Toll Brothers (TOL)** buyer 1000 June \$30/\$33 call spreads for \$0.50

**American Air (AAL)** another 5,000 January 2022 \$3 puts bought today up to \$1.54, spot where 27,000 have opened recently and considered most 'at-risk' of the majors given their balance sheet

**United (UAL)** with 10,000 January \$15 puts opening \$3.20 with stock

**Hertz (HTZ)** buyer of 39,500 January \$1 puts for \$0.66 and spread with a sale of the \$6 calls for \$0.70, bankruptcy looming. **HTZ** with 2250 May 29th (W) \$1.50 puts bought also

**Ruger (RGR)** stock replacement opens 1000 May \$50 calls \$4.60 into earnings tonight

**Parker Hannifin (PH)** the June \$155 calls opening 1850X for \$9.00 as the May \$140 calls adjust higher again, sold to open on 4-17 and likely extending a buy-write

**Colfax (CFX)** with 2000 May \$25 calls bought \$0.70 to \$0.75, earnings tomorrow morning

**Boeing (BA)** with 1000 January \$85 puts bought \$11.35, stock tied

**Polaris (PII)** with 1,250 September \$50 puts bought \$3.60

**Raytheon Tech (RTX)** with 5500 weekly \$58 puts sold to open \$1 to \$0.95 into earnings tomorrow, seeing limited downside

**Tutor Perini (TPC)** now with 3600 December \$2.50 puts opening \$0.55/\$0.60, struggling E&C company even when markets/economies were good, though valuation washed out

**United Rentals (URI)** the September \$110/\$120/\$130 call butterfly spread opening 500X1,000 today

**Southwest (LUV)** with 1,000 December \$25 calls bought \$5.50 this afternoon

### **Materials**

**Barrick (GOLD)** with 1800 December \$20 puts bought \$1.28

**Franco Nevada (FNV)** buyer 500 July \$155 calls \$6.30 offer

### **Tech and Telecom**

**Taiwan Semi (TSM)** with 1200 May 29th (W) \$54 calls bought \$1.05 to \$1.10. **TSM** May 29th (W) calls over 3150X, would capture NVDA earnings, a customer they have been ramping 7nm and 5nm GPU production for recently

**Arista Networks (ANET)** down 7.3% and 650 June \$170 puts open \$3.10 to \$3.20

**Shopify (SHOP)** the June/August \$620 put calendar spread opening 400X for \$32.29 into strength

**Mondo-DB (MDB)** with 635 August \$210 calls being sold to open \$8.20 to \$7.80

**HubSpot (HUBS)** with 800 June \$175 puts opening near \$14 tied to stock into earnings

**RingCentral (RNG)** earnings tonight and spread here buys 600 weekly \$225 puts for \$9.07 and sells the May \$180 puts for \$3.32

**Etsy (ETSY)** opening seller 1500 January \$35 puts for \$2

**AudioCodes (AUDC)** bullish spreads today are selling the December \$25 puts to buy the \$35/\$45 call spread, 500X to open and common strategy in the name. **AUDC** December spreads at 1750X on the day

**CrowdStrike (CRWD)** moving to highs with 1200 July \$85 calls being bought \$2.75

**Booking (BKNG)** to report this week and 100 July \$1560 calls sold \$51.98 in a buy-write

**Ericsson (ERIC)** with 12,000 June \$8 puts sold to open \$0.30 to \$0.28

**Go-Daddy (GDDY)** earnings tonight and 400 August \$70/\$95 call spreads bought for \$6.55; still has 1000 August \$67.50/\$95 call spreads in OI from buyers. **GDDY** may see a positive read-through as they are a customer of **VRSN** which recently noted good



demand for new registrations in Q1 and a slightly above-average renewal rate. **GDDY** also with 700 May \$65 puts bought up to \$1.55

**Sea (SE)** with 2000 OTM June \$70 calls bought \$1.55 to \$1.95

**Wix (WIX)** buy-write with 500 July \$165 calls at \$3.84

**Wayfair (W)** seller of 1,200 January 2022 \$200 calls for \$54, buy-write with long stock

**GDS Holding (GDS)** breaking out today, earnings 5-14, and 1250 September \$65 calls bought to open \$6.39

**Analog Devices (ADI)** with 1,000 June \$115 calls sold for \$2.25 with stock

**Coupa Software (COUP)** the June \$175/\$150/\$125 put butterfly bought 400X800 to open today with earnings in early June, max potential on a move back to the 50- and 200-MA as well as the recent breakout spot

**Atlassian (TEAM)** with 1000 December \$130 puts sold to open today \$8.90 to \$8.70

**Match Group (MTCH)** with 500 September \$80 calls opening post-earnings from \$11.65 to \$11.90

**Alteryx (AYX)** unusual trade into earnings with 2300 deep ITM June \$150/\$145 bull put spreads opening at \$3.91 credit

**Twilio (TWLO)** with 500 October \$100 puts sold to open \$7.50, adjusting from July. TWLO earnings tonight also with 1170 OTM May \$135 calls bought \$1.54 offer

**Pinduoduo (PDD)** with 1000 June \$43 puts bought to open \$2.45 offer

**Grub-Hub (GRUB)** spread sells 600 May 29th (W) \$55 calls to buy the \$47/\$37 put spreads, earnings tonight

**NICE (NICE)** earnings upcoming next week and today 550 May \$175 calls being bought \$2.80 to \$3.00, potential read-through from LPSN today with their InContact product

**Facebook (FB)** buyer 550 November \$210 puts today \$21.90

**Alibaba (BABA)** afternoon buyers 3000 June 5th (W) \$200 calls \$7.20

**Apple (AAPL)** seeing 7500 June \$305 calls bought \$11.45 to \$11.50 and 5000 of the \$305 puts sold to open \$14.45 to \$14.40

**Twitter (TWTR)** with 1150 December \$25 puts sold to open for \$3.20

**Uber (UBER)** the January \$32/\$39 call spread opening 1,000X5,000 for a net credit

#### Utility

**First Energy (FE)** near 1,000 June \$41/\$36 put spreads bought for \$1.40, consolidating in a small bear flag under its 50-day

**American Water Works (AWK)** opening seller 1350 June \$100 puts \$1.65

**Disclaimer:****Not Investment Advice or Recommendation**

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