

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 6/1/2020

### Sector Leaders

Banks

Metals

REITS

### Stock Gainers

NVGS 29%

COTY 19.5%

WRTC 17.5%

AAXN 14.7%

GPS 13%

CPRI 12.6%

KTB 12.3%

### Volatility Gainers

- WRTC
- VSTO
- AAXN
- DKNG
- CLDR
- STAY

### High Call Volume

- NCR
- FLEX
- STAY
- OI
- AJRD
- AZN

### Bullish Options

- GOLD
- AJRD
- NCR
- SFIX
- TMUS
- SNAP
- OI
- WELL
- SNE
- ZNGA
- LYFT

**Market Review:** Stocks recovered off overnight lows into the open amid unrest in the US countered by China showing some economic expansion returning. US economic data came in a bit light with May ISM at 43.1, rising from April, but below estimates. Stocks held green through the morning, though modestly, and top leaders were weaker groups like Banks, Metals, and REITS while Tech leadership paused though overall market breadth hit highs late morning. Tech will see some high-growth earnings reports this week. Stocks continued strength into early afternoon pushing back to recent highs, and positive start to the week with a light schedule tomorrow and much of the focus on economies reopening, US/China talks, and Civil Unrest in the US and Hong Kong.

S&P Chart:



Resistance	Support
3,050	2,835
3,140	2,790
3,250	2,660

**Options Action Trends:** Call buyers targeted gold miners early with **NEM, KGC, GOLD**. The ride-hailing names **LYFT, UBER** each saw large bullish longer term positioning.

**What's On Tap:** ISM NY Index. Earnings from **ZM, CRWD, HQY, MDLA, CBRL, DKS, AMBA**.

**Trade Tracker Portfolio Changes:**

- 1) **Spotlight:** Long SNE January \$72.5 Calls \$3.20 – Unfilled
- 2) Closed TSLA Call Spreads \$14.50 (Opened \$10)

### Sector Laggards

Bonds

Biotech

Tech

### Stock Losers

HATP -14%

PFE -8.4%

CGC -7.35%

KPTI -6.6%

SNP -6%

AVEO -5.4%

ATHM -4.8%

### Volatility Losers

- PRTY
- HTZ
- UAL
- COTY
- ZNGA
- FEYE

### High Put Volume

- NRG
- FTI
- VNO
- HRB
- MOS
- AAXN

### Bearish Options

- RCL
- PFGC
- MRNA
- KL
- FTI
- VNO
- CAT
- AAXN
- PLNT
-



## Unusual Call Buying in Sci-Play

**Ticker/Price:** SCPL (\$14)

### Analysis:

**Sci-Play (SCPL)** trading 45X average calls today early with buyers of 1,250 July \$15 calls from \$1 up to \$1.40 and follows 2,800 July \$12.50 calls bought for \$2.10 on Friday in unusual action. SCPL does not have any other notable open interest. Shares have been strong since mid-March and flagging just above a 1-year base breakout at \$13. SCPL debuted in early 2019 after separating from Scientific Games and the May run above \$11 broke the IPO downtrend, a key transition we often track. The \$1.68B company trades 11.9X earnings and 3.6X sales with virtually no debt and a strong, high-margin, high cash flow business producing mobile games. SCPL is a big beneficiary of the shelter-in-place policies and Zynga's (ZNGA) \$1.8B deal for Peak today shows continued appetite for growth in the space. SCPL focuses on social casino games and expanding into more casual gaming with slots and bingo, a much larger overall TAM with better monetization trends. Their core games continue to expand their user base with 2.6M DAU in Q1 and 7.5M MAU and mobile penetration of 85%. SCPL is generating record monthly revenues and payer conversion rates which is helping drive margin growth towards their long-term goal of 35%+. SCPL sees a lot of long-term opportunity in the \$84B mobile gaming market as social casino games continue to see better monetization and engagement in iOS surveys than others. They see international expansion and potentially M&A as possible growth engines going forward. Short interest is 1.4% and near the lowest it has been since its spin off. Hedge fund ownership rose 2.88% in Q1. Whitefort Capital and Natahala Capital both buyers. SCPL has seen a lot of insider buying in the last 12 months including in February from the CEO and COB. Analysts have an average target for shares of \$12.75. Stephens raising their PT to \$14 on 5-12 and Sun Trust with a \$11 PT in April citing easing comps, a clean balance sheet, supportive valuation, some optionality.

### Hawk Vision:



**Hawk's Perspective:** SCPL was a small cap highlighted in March as an attractive value and continues to work well here, expecting even more highs with this activity.

**Confidence Ranking:** \$\$



## Unusual Call Buying in Aerojet as Space Exploration in Focus

Ticker/Price: AJRD (\$45)

### Analysis:

**Aerojet Rocketdyne (AJRD)** seeing a sharp rise in IV today with IV30 up nearly 20% and calls running 4800 for the morning, already 57X daily average, the July \$45 calls with buyers active 2550X near \$3 while 2000 June \$40 puts are sold to open for \$0.50. On 5/21 the November \$45 calls with unusual buys of 425X. AJRD shares pulled back in March with the market but held right at long term trend support, shares now working back towards the 200 MA and looking to clear a range that targets a move back to \$50. The \$3.43B maker of rocket propulsion systems and air-breathing hypersonic engines trades 22.2X Earnings, 1.75X Sales and 15.8X FCF. After some Aerospace M&A deals earlier this year I featured AJRD as the best-in-class name with impressive profitability growth, high margins and leading FCF margins. They remain one of the only pure-play names on hypersonic growth and space propulsion after peer Orbital (OA) was acquired. In May AJRD received a \$1.79B contract from NASA for 18 RS-25 rocket engines to support deep space exploration. The DoD is prioritizing next generation programs core to AJRD such as hypersonics and missile defense. NASA plans for U.S. Astronaut return to Moon in 2024 require use of AJRD launch and in-space propulsion. Analysts have an average target of \$52.50 and short interest at 6.6% of the float is down 25% Q/Q. RBC started shares Perform on 5/20 with a \$45 target, concerns on premium valuation in a competitive landscape. In March Raytheon struck a \$1B strategic sourcing deal with AJRD. Hedge Fund ownership was flat in Q1 filings.

### Hawk Vision:



**Hawk's Perspective:** AJRD has been a long-time smaller cap favorite and continue to see it well positioned in the Defense group, a top name to own.

**Confidence Ranking:** \$\$





## Bausch Health Calls Continue Accumulation as Shares Break Resistance

**Ticker/Price:** BHC (\$19.40)

### Analysis:

**Bausch Health (BHC)** with another 3,325 January 2022 \$30 OTM calls bought today up to \$2.70 and spot where 6,350 have been bought the last two sessions. BHC has also seen buyers in the July \$17 calls recently and on 5/7 the January \$15 calls bought 5000X up to \$3.75 and the October \$15 calls bought 3300X up to \$3.15. Shares were coiled to kick off the week above its 8-EMA and breaking out today above \$19.25 of a wide base that stretches back to mid-March. BHC has room in the near-term up to \$23 and the 200-MA and \$25 a big volume node from the last three years. The \$6.6B drug maker has underperformed the recent rebound in the S&P given its leverage but strong FCF and trading 0.77X sales and 3.5X FY22 earnings with high-teens growth forecast. Today's flows are likely targeting strategic actions such as a break up or business spin off to unlock value. The company's eye care business, Bausch & Lomb, has been highlighted as an attractive stand alone business given its long-term margin potential. JP Morgan in February noted that management commentary has suggested they were more amenable to a split and becoming a matter of 'when' not 'if'. BHC's core business has struggled and likely headwinds if we stay in a prolonged recessionary environment. Analysts have an average target for shares of \$32. HCW in March with a \$50 PT noting that concerns over debt are overblown as their debt repayment has been timely and proactive with no mandatory amortization now due until 2022. Short interest is 5.6% but well off of 2017 highs near 15%. Hedge fund ownership rose 4% in Q1. Paulson adding 5M shares and now with 25M total, their largest position and a 13.6% weight. Redwood Capital, Glenview, and Point72 all notable holders as well who added, the two former are 5% holders. Insiders also active in the name. The CEO Joe Papa bought \$1.5M in stock in 2019 around \$23.

### Hawk Vision:



**Hawk's Perspective:** BHC was a top set-up into the week that triggered early and a lot of call buying lately, looking good for a run to its 200 MA.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**S&P (SPY)** buyers of 25,000 June 29th (W) \$282 puts for \$3.25 to \$3.40. **SPY** buyers of 4000 June 26th (W) \$303 calls to open \$7.60 to \$8.30

**Brazil (EWZ)** spread sold 7500 July \$27 calls and bought 7500 December \$28 calls, net \$1.34

**Russell (IWM)** buyers of 2500 October \$150 calls this morning. **IWM** also with 4000 August \$135 puts sold to open today \$6.95 to \$6.87

**NASDAQ (QQQ)** trade bought 10,000 August \$220 puts \$7.50 and sold 20,000 December \$190 puts \$7.15. **QQQ** trading 9000 October/November \$220 put calendar spreads to open, likely targeting Election volatility

**Volatility Index (VIX)** seeing 7500 October \$45/\$65 and November \$40/\$60 call spreads trade to open

## **Consumer Discretionary/Services**

**Extended Stay (STAY)** buyer of 3,000 July \$11 calls up to \$1.60, name that has long been discussed as a potential to go private and recent stake from both Blackstone and Starwood

**Royal Caribbean (RCL)** buyer 1000 July \$45 puts \$3.70

**VF Corp (VFC)** opening sale 600 July \$57.5 puts \$4.10 to \$3.90 and above 1500X later in the session

**GameStop (GME)** rallying with 5500 October \$4.50 puts being sold to open today

**Zynga (ZNGA)** with 7500 January 2022 \$12/\$17 call spreads bought to open with shares higher after its \$1.8B deal this morning

**Wynn (WYNN)** buyer of 1000 July \$90/\$110 call spreads for \$5.65, coiled name and could get some momentum with the re-openings

**Las Vegas Sands (LVS)** with 1,700 August \$40 puts sold to open around \$2.05 to \$2

**Home Depot (HD)** 1475 July \$225 puts sold to open \$3.35 to \$3.30

**Disney (DIS)** with 2000 July 10th (W) \$120 calls active with buyers \$5.15 to \$5.35

**Planet Fitness (PLNT)** with 500 January 2022 \$62.50 puts bought \$17.05 and then \$17.50, a lot of concerns over long-term strength of the business due to COVID-19 trends

**Penn Gaming (PENN)** buyer 1000 July \$39 calls for \$2 to open

**Decker Outdoors (DECK)** with 700 January \$230 calls being bought to open this afternoon \$16.00 to \$16.30, one of the stronger retail names nearing new highs

## **Consumer Goods**

**Sony (SNE)** buyers 2000 June \$68 calls up to \$1

**McDonald's (MCD)** buy-write sold 1000 July \$195 calls for \$3

**Tyson (TSN)** looking to emerge out of a multi-week tight range and 1300 January \$80 ITM puts being sold to open for \$19.70 today

**Dine Equity (DIN)** spread buys 1200 September \$50 calls for \$8.20 and sells 1200 of the December \$40 puts for \$7.60

**Wrap Technologies (WRTC)** highlighted pre-market as a potential mover today on the ongoing protests/rioting and this afternoon buyers of more than 3,000 July \$10 calls from \$1.00 to \$1.60, smaller lots however

## Energy

**FMC Tech (FTI)** with 1000 January \$10 puts opening \$3.50 as the \$20 puts adjust

## Financials

**NCR Corp (NCR)** unusual 4500 June \$20 calls bought \$0.50 to \$0.90 as IV surges higher

**CME Group (CME)** with 700 June 12th (W) \$170 puts sold to open for \$1.15 to \$1

**PayPal (PYPL)** with 630 September \$140 puts bought today \$6.60 to \$6.65

**SL Green (SLG)** with 1000 November \$60 calls sold to open for \$2.10, potential weakness from commercial rent issues in NY

**Assurant (AIZ)** the December \$70 short puts now trading over 1,000X on the day down to \$2.55, the \$6.17B insurance company trading 9.6X earnings and 1.16X book with a 2.5% yield

**Santander Consumer (SC)** with 545 July \$19 puts sold to open today from \$2.30 to \$2.25

## Healthcare

**Welltower (WELL)** buyer of 5,000 September \$55 calls for \$4.50, closing 2,500 of the Sept. \$45 calls and adjusting higher

**Seres Therapeutics (MCRB)** with 1,000 July \$5 puts bought for \$2 to \$2.05 with Phase 3 data due mid-year in recurrent CDI.

**AstraZeneca (AZN)** with 1000 October \$52.50 puts sold to open for \$3.30 which follows the surge in weekly call buying

**Argenx (ARGX)** recent big gainer with 350 December \$240 calls opening today \$25.80 as October calls adjust out

**Adaptimmune (ADAP)** with 2,000 July \$12.50/\$17.50 call spreads bought for \$1.70, follows put sellers on Friday into strength following ASCO data

**Zimmer (ZBH)** with 330 December \$130 straddles sold to open for \$27.90

**Pfizer (PFE)** with 1,500 January \$36 calls bought for \$2.52, adjusting back some \$39 calls into weakness

**Perkin Elmer (PKI)** with 1,000 December \$110 calls sold for \$6 in a buy-write with long stock

**Bausch (BHC)** also now 2000 January 2022 \$27 calls bought \$3.50/\$3.55 offer to open

## Industrials

**United Rentals (URI)** with 750 July \$140 straddles sold to open for \$20

**BorgWarner (BWA)** buyer of 500 October \$35 calls for \$3, recently amended their deal agreement with **Delphi (DLPH)**

**Caterpillar (CAT)** buyer of the July \$115/\$105 put spread 3,625X for \$2.50

**Axon (AAXN)** with 700 December \$90/\$85 bear risk reversals opening for \$1.80 debit into strength. **AAXN** also with 1400 September \$70 puts sold to buy the \$100/\$120 call spreads

**Fastenal (FAST)** with 1,250 July \$40 puts bought for \$1.53 with long stock

## Materials

**Barrick (GOLD)** buyer 3000 July \$28 calls \$0.55 to \$0.65 on the open

**Kinross (KGC)** also with near 2,000 July \$6 calls being bought from the open, \$0.97 to \$1, with both **GOLD** and **NEM**

**Owens Illinois (OI)** buyers of 2,000 June \$9 calls for \$0.40 into the early highs and now also 2,000 August \$9 calls bought up to \$1.05

**Avantor (AVTR)** with 750 November \$17.50 calls sold to open for \$3.00 and follows the November \$20 call sales on Friday

**Rio Tinto (RIO)** with 1500 October \$52.50 calls opening \$5.41 as June \$50 adjust

**PPG Industries (PPG)** opening seller 325 November \$90 puts \$5.10

### Tech and Telecom

**AutoDesk (ADSK)** with 2000 OTM June \$220 calls active with buyers early. **ADSK** June \$220 calls staying hot trading up to 6000X now with an Analyst Day this week a likely catalyst

**Google (GOOGL)** a favorite set-up into the week seeing 1775 June 12th (W) \$1500 calls active with buyers \$6+ in some good sized lots

**Interactive (IAC)** near range breakout seeing 770 June \$180 calls with buyers this morning, may be adjusting \$250 strike

**Match (MTCH)** with 4,000 June \$95 calls sold to open \$1.85 to \$1.70 into strength, likely call overwrite

**T-Mobile (TMUS)** a favorite set-up and 1100 June 12th (W) \$101 calls with opening buys

**Service Now (NOW)** with 740 June 2022 \$320 puts sold to open for from \$56.50 to \$54, near \$4M trade and willing to own stock right around the rising 50-MA

**AT&T (T)** buyer 2500 January \$31 puts \$3.40 tied to stock. **T** also with 7,000 August \$30 puts bought for \$1.55, tied to stock

**Lyft (LYFT)** with 3,000 January 2022 \$30/\$65 call spreads bought for \$8.60 and spread with a sale of the \$25 puts 4,000X for \$6.35

**Spotify (SPOT)** with 540 January \$220 calls opening, rolling July \$200 and looks to extend a buy-write

**Ambarella (AMBA)** buyer of 1,300 June \$63 calls for \$2 into earnings tomorrow afternoon

**NXP Semi (NXPI)** strong Semi today seeing 1470 next week \$102 calls bought to open

**GrubHub (GRUB)** buyer 1300 June \$63 calls \$1.65 offer

**Coupa (COUP)** opening sales 1600 January \$260 calls down to \$29.80

**Uber (UBER)** stock replacement sells 4,000 January 2022 \$28 puts for \$5.80 in a stock replacement today

**Z-Scaler (ZS)** big winner last week on earnings seeing 400 November \$115 calls open today \$11.80 to \$12.20

**Universal Display (OLED)** with 400 December \$95 puts sold to open for \$5.30, coiled name with its 50-day just below

**VMware (VMW)** with 700 July 180/175/135/130 Iron Condors opening

**Snap (SNAP)** breaking out today and 900 ITM July \$23 puts sold to open \$4.25. **SNAP** June 12th (W) \$19 calls adjusting to June \$19.50 where 12,300 trading

**Alibaba (BABA)** buy-writes selling 2675 August \$235 calls today for \$3.05

**Twitter (TWTR)** buyers today of 1,300 December \$32 calls up to \$4.90, smaller lots all morning

**HP (HPQ)** jumpy at highs with 15,000 Jan. 2022 \$17 calls opening near \$2.15

**Nuance (NUAN)** with 1500 January \$27 calls opening \$1.57

**Avalara (AVLR)** buyer 525 January \$125 puts ITM to open \$28.60. **AVLR** also now 1000 July \$125 calls open \$3.60 offer

**NVIDIA (NVDA)** with 1000 June 26th (W) \$330 puts bought \$8.10 to \$8.40 this afternoon

## Utility

### **Disclaimer:**

#### **Not Investment Advice or Recommendation**

*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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