

OptionsHawk

OPTIONS HAWK DAILY MARKET 6/1/2019

Sector Leaders

Biotech

Gold/Silver

Metals

Stock Gainers

GNCA 53%

MRTX 35%

CY 24.6%

EE 14.4%

NKTR 12%

IOVA 9.25%

CODI 8.65%

Volatility Gainers

- NIO
- LK
- CDE
- BYND
- DOCU
- CAL

High Call Volume

- DAN
- CAL
- SFLY
- PRGO
- CBOE
- IMMU

Bullish Options

- GOOGL
- ADI
- NXPI
- NOW
- WMT
- TEAM
- CRM
- PRGO
- ROKU
- MA
- PLAN

Market Review: Stocks opened the week/month lower as escalating trade tensions continued to weigh on global markets which saw a further flight to safety trade with the Yen & Swiss Franc climbing along with Bonds around the World. M&A saw a strong uptick with a number of morning deals ranging from the REIT sector to Semiconductor to Utility. Stocks recovered early with improving breadth seeing allocations to beaten up trade-driven weakness industries while recent outperformers like Software saw outflows. US ISM Manufacturing continued to show expansion though came in below estimates. Stocks jumped midday after Bullard's comments on a rate cut being warranted near-term, a move which the markets immediately sold right back into. We saw breadth hang tough and some strong buy cluster hit the tape around 2pm but then rolled back over later that hour. Tomorrow we get minor data with Factory Orders and ISM NY.

S&P Chart:



Resistance	Support
2,855	2,750
2,890	2,720
3,950	2,650

Options Action Trends: We saw early buyers of July 5th (W) calls in Semi leaders **NXPI** and **ADI** after the CY M&A deal. High quality Software plays **NOW & TEAM** saw August calls bought in size trades.

What's On Tap: ISM New York and Factory Orders.

Trade Tracker Portfolio Changes:

1. Closed **KL** Calls \$2.90 (Opened \$2.50)
- 2.

Sector Laggards

Gaming

Media

Software

Stock Losers

FPRX -13%

TRUE -12%

CONN -11%

QTNT -9.8%

CNC -9.2%

CYBR -7%

DOCU -6.3%

Volatility Losers

- JCI
- BPMC
- MRTX
- S
- TIVO
- CARS

High Put Volume

- GES
- CMI
- PUMP
- EBIX
- MRTX
- BPMC

Bearish Options

- CGC
- PYPL
- CHK
- WYNN
- ALXN
- PUMP
- FLT
- TLT
- SQ
- CMI
- MRTX



Bulls Accumulate Calls in Wix.com

Ticker/Price: WIX (\$137.3)

Analysis:

Wix.com (WIX) has seen 2,000 June \$135 calls, 1,750 June \$140 calls, 1,700 July \$140 calls and 1,900 July \$150 calls open in the past month. WIX shares are +52% YTD and have one of the strongest trends in the market showing impressive relative strength the last two weeks forming a nice bull flag, one that measures to an upside target of \$165 on a move above \$141.25. The \$6.78B provider of a platform for web development trades 83.75X Earnings, 8.1X EV/Sales, and 61.25X FCF. WIX grew revenues 40-47% per year the last four years and now sees a 25% CAGR through 2021 with EPS seen reaching \$3/share in FY22 from \$1.07/share in FY17. Wix Code is seen as a big opportunity that has seen early traction that should start contribution to the top-line in 2020. WIX is seeing strength in all its key metrics like user growth, conversion and increased monetization. The average annual revenue per subscription is seen growing 25% in 2019. WIX subscriptions consist of 83% annual and 17% monthly giving nice visibility. WIX is also seeing strong growth expanding its services to International markets and new products are expanding its available TAM. Its new Corvid launch is seen expand its addressable market by 10X to \$300B as it becomes a full web solution platform with Marketing, Mobile, Customer Mgmt., and Communication. Analysts have an average target of \$141.50 on shares and short interest low at 3.9% of the float. BAML raised its target on shares to \$155 after the latest quarter seeing its incremental investments bearish fruit in 2H19. SunTrust has a \$154 target expecting double digit subscription growth and ARPU growing with benefits from Ascend and higher packaging/pricing. It sees upside to estimates with the new CS initiative and rollout/adoption of payments. Northland raised its target to \$160 after the quarter and Citi to \$155 both seeing progress on driving higher conversion rates. Hedge Fund ownership fell 10% in Q1 filings, but Jackson Square and Steadfast Capital added to positions.

Hawk Vision:



Trading Strategy: WIX has all the makings of a continued Internet winner and the chart sets up beautifully to be long stock or the calls over the next few months.

Confidence Ranking: \$\$\$



Carvana Bulls See Upside as Impressive Growth Accelerates

Ticker/Price: CVNA (\$57.89)

Analysis:

Carvana (CVNA) is seeing continuous bullish options flow into the recent pullback in shares with 2,100 August \$45 calls remaining in open interest, buyers of 2,000 August \$60 calls, the November \$80 calls with 1,600 bought, the 12,000 January 2021 \$50 calls in open interest from buys with some spread against the \$80 strike. CVNA did also have a buyer of 5,000 August \$50 puts on 5/23. CVNA shares showed impressive strength through April and are +77% YTD though pulling back 18% in May and near a re-test of the 2019 flag breakout level with \$56.75 key support. The \$9B company provides an e-commerce platform for buying and selling used cars and has emerged as the leader versus similar peers like **CARG & CARS**. CVNA is trading 2.5X EV/Sales and posted 135% and 127% revenue growth the last two years with 85% seen in 2019 and 53% in 2020. CVNA has been expanding into new markets like California and Chicago which are giving it additional scale to compete with new entrants into the space. Data points from Edmunds indicate that rising new car prices and interest rates should swing the pendulum towards used cars in 2019 and tariffs also causing an uptick to Carvana traffic. CVNA is disrupting a massive and fragmented market and seeing robust financial metrics supporting growth and margin expansion. It is leveraging its growth to drive better profitability at scale with steady EBITDA margin growth. Analysts have an average target near \$70 while short interest remains high at over 40% of the float but been declining in recent weeks/months. BAML has an \$82 target on shares citing its explosive growth and execution towards its objectives. Citi out positive last week seeing CVNA on pace to beat Q2 unit estimates and has a \$90 target. CVNA recently priced a 4.2M share secondary at \$65/share. Cowen started shares Outperform with an \$81 target on 5-20 citing an auto-buyer survey suggesting continued market share gains and high customer satisfaction rates. RW Baird raised its target to \$85 citing a massive growth opportunity and evidence of the long-term scalability of its model. Hedge Fund ownership jumped 27% in Q1 filings, Tiger Global & Hitchwood with new positions while Whale Rock doubled its position.

Hawk Vision:



Trading Strategy: CVNA is an elite growth name though want to see some evidence of price basing and improving short-term moving averages before jumping back into this one.

Confidence Ranking: \$\$



Unusual Bullish Trading in Undervalued Tech Name Radware

Ticker/Price: RDWR (\$23.30)

Analysis:

Radware (RDWR) unusual activity last week with more than 2,350 September \$21 calls opening with buyers near the \$3 level ITM and has some notable open interest in December with short puts at the \$27, \$26 and \$25 strikes and long calls at the \$25 and \$26 strikes. The \$1.1B maker of cyber-security solutions for data centers trades 28.3X Earnings, 21.25X FCF and 2.7X EV/Sales. RDWR grew revenues 10.9% last year, best year of growth since 2014, and sees 7-10% growth ahead the next three years. RDWR is speaking at investor conferences this week and is coming off a strong quarter beating estimates, raising its outlook, and announcing a \$40M buyback plan. RDWR has over 12,500 customers and did 20 deals over \$1M in 2018. RDWR has no debt and \$420M of cash and equivalents and is looking to make further acquisitions. It is a strong cash generator in shifting to a subscription model with more than 30% of bookings to be on this model by 2020 and sees operating margins growing to above 15% from 2% in 2017. Analysts coverage is slim, Berenberg starting shares Buy with a \$30 target back in November. Cadian Capital has a notable 4.36% weighting as its 10th largest holding after adding more shares in Q1. On the chart shares made a big run 2016 through mid-2018 and pulled back right to its 38.2% Fibonacci in December before bottoming but put in a lower high earlier this year and has slipped back to the 89 week MA that was supportive in December. Shares need to get back above \$25.20 to flip the momentum to bullish.

Hawk Vision:



Trading Strategy: RDWR is a name I have long expected to be acquired and its price/cash valuation is insanely cheap for a good business.

Confidence Ranking: \$\$



Bears Grab Puts in Cummins on Trade War Concerns

Ticker/Price: CMI (\$153.5)

Analysis:

Cummins (CMI) seeing unusual buying of 4,350 June 28th (W) \$150 puts near \$3 this morning, will speak at UBS Conference on 6-6, shares trading just above its rising 200 MA. CMI has previously seen 10,000 June \$170 calls sold to open and had a buyer of September \$150 puts on 2/19 with 1,640 now in open interest. Shares look to have some room to move down to \$140 on a break of its 200 day MA. The \$23.7B Industrial trades cheap at 10.25X Earnings, 0.98X Sales and 16.45X FCF with a 3% dividend yield. CMI expects just 2.6% top-line growth this year with 22.5% EPS growth but the outlook for FY20 currently forecasts Y/Y declines. Cummins could see continued softness in Truck numbers as well as Construction while facing tariff impacts. Analysts have an average target near \$170 with short interest very low at just 1.5% of the float. Wells Fargo lowered its target to \$165 this morning and Evercore downgraded shares last week on trade war and commodity concerns. Hedge Fund ownership jumped 14% in Q1 filings.

Hawk Vision:



Trading Strategy: CMI does look vulnerable to further declines but is also one of the higher quality Industrial names in my view and think there are better short opportunities.

Confidence Ranking: \$\$



Size Accumulates in Service-Now Calls

Ticker/Price: NOW (\$253.30)

Analysis:

Service-Now (NOW) into early weakness in Software names with a buyer of 1000 August \$270 calls \$13.70 and later in the morning the August \$280 calls bought 1,000X to open at \$10, size positioning in a name that saw 10,000 August \$220 calls open for \$64M on 5/16. NOW shares are breaking a multi-week post-gap range and looking to potentially retest the former breakout and YTD VPOC back near \$240 near-term. The \$47.85B SaaS leader trades 61.25X Earnings, 70X FCF and 13.3X EV/Sales. NOW grew revenues between 35-38% each of the last three years and expects 32% and 28% growth the next two years, one of the strongest FCF names as well. Analysts have an average target near \$290 and short interest has been declining to now 4% of its float. NOW is coming off year another beat and raise quarter. BAML raised its target to \$300 in early May seeing the company well positioned to capture a sizeable portion of the workflow automation market which the company sized at \$165bn by 2023. Net revenue retention rate of 130%+ is at the high end of SaaS comparables and ~81% of net-new ACV in 2018 was driven by existing customers vs 66% in 2014 – this is particularly positive for margins as net-new business is not entirely dependent on increasing sales head count to accelerate new customer adds which we note is growing at a respectable 20-25% y/y growth. NOW has a longer term goal of \$10B in revenues. CSFB has a \$280 target and noted The company is now leaning more towards RPO and away from Billings as the best leading indicator of the business, as the latter has limitations of (1) contract start date, (2) duration, and (3) seasonality. However, RPO, given its significant balance relative to revenues, is subject to more pronounced FX impacts (with ~1/3 of RPO in foreign currencies). Mr. Scarpelli also acknowledged revenue + change in current RPO is a good proxy for business performance and accounts for self-hosted revenues recognized upfront (and not included in RPO alone). Canaccord also raised its target to \$300 expecting it to be the next \$100B enterprise software firm. Hedge Fund ownership rose 4% in Q1 filings, Alkeon Capital disclosing a new call option position and Melvin Capital adds size to its now 4.2% weighted position, while Whale Rock started a large new position.

Hawk Vision:



Trading Strategy: NOW has long been a favorite best of breed name for me and one of the first places to turn when the market stabilizes.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Russell (IWM) seeing the September \$141/\$130 ratio put spread open 10,000X20,000 at \$0.65 debit

Treasury (TLT) starting to reverse a parabolic move seeing 5,700 July \$131 puts bought this morning as June \$128 adjust while 7,000 June \$131 puts being bought as well

Gold (GLD) with 7000 July \$124/\$120 put spreads opening

NASDAQ (QQQ) buyers of 4900 July 5th (W) \$169/\$150 put spreads as June spreads adjust, but also seeing 4,350 June 14th (W) \$171.50 calls bought in sweeps into morning weakness for \$1.5M. **QQQ** stock replacement opened 4,000 December \$180 calls for \$6.80

Oil (USO) with 38,000 December \$10.50 puts opening \$0.99 as October \$12 puts adjust

Consumer Discretionary/Services

Guess (GES) with 12,000 June \$14 puts sold to open \$0.25/\$0.30 early ahead of 6-6 results

Dish Network (DISH) with 7800 December \$40 calls being sold to open \$3.50 to \$3.40

Caleres (CAL) with 1800 June \$17.50 calls opening \$2.35 as June \$20 adjust into earnings tonight

Wal-Mart (WMT) June \$102 calls active with buyers all morning up to 4,600X in the opening hour

Overstock (OSTK) with 5000 September \$10 calls opening \$1.45 as the \$12.50 calls adjust back

Home Depot (HD) sitting just above support seeing IV rise as 1,600 September \$190 puts are bought \$9.35 to \$9.50 to open

Fox (FOXA) sweep buyer 2000 July \$35 calls to open \$1.25 offer into weakness

Viad (VVI) a relative strength name, a \$1.28B Company that provides event planning/production as well as marketing strategies trading 18.6X Earnings. Shares are consolidating just under a new high and clearing a large longer-term range. VVI is seeing 1000 September \$70 calls open for \$0.60 today, a name that has 410 June \$60 calls in open interest as basically the only existing OI.

Take Two (TTWO) with 700 June \$108 calls bought to open \$3.30 offer

Madison Square Garden (MSG) with 365 August \$290 puts opening as June \$300 puts adjust

Floor & Decor (FND) 1300 July \$40 calls open \$0.90

Signet (SIG) with 1600 October \$25 calls opening with buys at \$1.30 offer

Tailored Brands (TLRD) buyers of 3400 June \$6 puts up to \$0.90, earnings 6-12

ActiVision (ATVI) with 2,400 January 2021 \$40 puts sold to open \$5.99

Consumer Goods

Canopy Growth (CGC) with 750 June 28th (W) \$41 puts opening \$3.40

Luckin' Coffee (LK) with 1200 September \$22.50 puts being sold to open \$6 to \$6.20

International Flavors (IFF) strong 2% gain this morning with 750 June \$140/\$130 bull risk reversals opening \$1.30

Energy

Pro-Petro (PUMP) with 1,100 July \$20 puts opening \$1.85 to \$1.95 after put buying late Friday

Marathon Petro (MPC) buyer of 12,000 January \$60/\$80 call spreads for \$1.20, already size in October call OI

Sm Energy (SM) buyer of 1000 January 2021 \$10 puts \$2.45

Helmerich and Payne (HP) opening sales 1500 June \$50 puts \$2 to \$1.95 after July \$50 puts sold to open last week

Financials

MasterCard (MA) one of the stronger set-ups that held up well recently seeing 2,000 July 12th (W) \$255 calls open, most being spread with the \$265 calls

CBOE Holding (CBOE) breaking out today of a bull flag with 3700 June 14th (W) \$109 calls being bought near \$1.80 to open

Prudential (PRU) buyers of 2,880 September \$90 puts \$4.20 to \$4.40

Fico (FICO) with 100 January \$320 calls opening \$16

Goldman (GS) block of 1,450 June 2020 \$165 puts opens \$11.55 tied to stock

Lending-Tree (TREE) with 100 July \$260 puts bought to open \$19.30 to \$20

Global Payments (GPN) with 500 August \$145 puts bought \$5.20 to open, recently a large deal for Total Systems (TSS)

Healthcare

Alexion (ALXN) with 1,150 July \$110 puts bought \$4.25

Perrigo (PRGO) with 3,800 August \$45 calls opening \$2.40 as November \$50 adjust back

Mirati (MRTX) with 1000 December \$75 puts opening \$14.95 into strength. **MRTX** also with 2000 December \$60 puts opening, adjusting the \$50 puts that were stock-tied on 5/1

Centene (CNC) seller of 5,000 September \$45/\$40 put spreads to buy the \$60/\$65 call spreads, shares down 9% after Humana (HUM) denied acquisition interest

Immunomedic (IMMU) buyer of 3000 January \$15/\$19 call spreads at \$1 debit

CVS Health (CVS) buyer of 4,000 August \$57.5/\$65 call spreads \$1.03

BioHaven (BHVN)_ with the October \$65/\$90 call spreads opening 2000X at \$4.25, Company been rumored to be attracting takeover interest

Industrials

CSX Corp (CSX) with 3800 November \$80 calls opening \$3.06 as the \$85 calls adjust back

Dana Corp (DAN) with 3,700 January \$17/\$13 bull risk reversals opening this morning near a \$0.30 debit. DAN shares broke under recent lows today but fighting back, one of the more fundamentally sound stories in Auto Parts

Fed-Ex (FDX) buyer of 300 July \$150 calls to open today near \$10.05

Boeing (BA) rebounding with 6500 June 14th (W) \$340 calls getting active

Kansas City Southern (KSU) with 1,500 June \$113/\$105 put spreads bought, a name likely hurt by US/Mexico trade

Brunswick (BC) buyer of 2,050 July \$45 calls \$0.90 to \$0.95 and 3,000 September \$50 calls recently bought in it

Mercury Systems (MRCY) block of 1,500 June \$65 calls opened \$2.75 mid-market

Johnson Control (JCI) with 2,500 October \$38/\$35 put spreads opening today

Materials

Mosaic (MOS) buyers 1800 September \$26 calls after late week buying in Sep. calls last week. **MOS** also with 2750 September \$25 calls being bought

Nutrien (NTR) smaller busy active for 385 September \$50 calls \$2.70 offer aligning with activity in MOS

Agnico Eagle (AEM) opening buy 1500 July \$47 calls \$1.14

Tech and Telecom

Google (GOOGL) down 5% early on antitrust news but seeing 1,000 December \$1200/\$940 bull risk reversals open early near zero cost defining levels of interest

Salesforce (CRM) with 8,000 September \$150 calls opening into earnings as the \$155 calls adjust back. **CRM** buyer 1200 July \$145 calls for \$8.25 with 3,300 June \$160 calls sold at \$1

Atlassian (TEAM) seeing spreads sell June \$131 calls and buy August \$125 calls 740X

MACOM Tech (MTSI) buyers of 800 July \$15 calls to open \$1

Analog Devices (ADI) with 1,000 July 5th (W) \$102 calls opening \$1.80 to \$1.90 aggressive on offers and **NXP Semi (NXPI)** with 1,000 July 5th (W) \$95.5 calls opening up to \$2.38

DocuSign (DOCU) with 1,100 December \$47.50 puts bought \$4.10 offer to open ahead of earnings this week. **DOCU** now seeing over 6000 June \$55 calls bought \$1.45 to \$1.60. **DOCU** now with 2000 September \$57.50 calls bought aggressively \$3.30 offer

Roku (ROKU) buyers of 1200 June 14th (W) \$92 calls to open \$3.30 to \$3.35

Anaplan (PLAN) holding up well with Software selling off and 1000 more July \$40 calls bought \$5.40

Ebix (EBIX) buyer of 1,000 December \$40 puts to open \$2.975 with shares nearing a support break

Cars.com (CARS) with 5000 July \$22.50 calls opening \$0.40 to \$0.45 as reversed off day lows, Company been exploring strategic alternatives. **CARS** block of 6250 September \$20 calls opens \$2.15 in stock replacement

Amazon (AMZN) shares retesting a key former breakout level and seeing 1000 August \$1730 calls open \$96

Apple (AAPL) seeing 12,500 June 14th (W) \$175 calls sold to open today \$5.30 to \$5.20

Broadcom (AVGO) ahead of earnings next week with a spread selling 1,198 September \$220 puts at \$7.80 to buy 2,395 September \$270 calls \$12.20 and sell 3,594 September \$300 calls at \$4.10

Service-Now (NOW) also seeing 2000 August \$290 calls open for \$7.10

Wix.com (WIX) buyer 500 July \$135 puts \$7.50 to \$7.60

Dell (DELL) buyers of 1,300 October \$65 calls \$2.45 offer into weakness after size buys of calls into weakness last week

Facebook (FB) buyer of 5,500 August \$165 calls \$10.30 with shares weak on antitrust concerns, spread against the \$180 calls

Far-Fetch (FTCH) with 2,500 October \$22.50 calls being sold to open \$1.65 to \$1.55

CornerStone On-Demand (CSOD) breaking down lower out of a long range and 2000 June \$50 puts opening up to \$1.20

Intuit (INTU) trading 1,500 August \$240 puts, look to be rolling those July \$240 similar as the trade last week

Utility

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