

OptionsHawk

OPTIONS HAWK DAILY MARKET 6/5/2020

Sector Leaders

Tech

Discretionary

Utilities

Stock Gainers

OXY 31.5%

RCL 25.8%

APA 25%

OVV 21.5%

CCL 21.5%

Volatility Gainers

- GCI
- MITT
- IVR
- HTZ
- TUP
- BBBY
- DAL

High Call Volume

- BCS
- APPS
- MARK
- FLEX
- ON
- OMF

Bullish Options

- TWTR
- OMC
- HLT
- ATVI
- FISV
- ICUI
- ON
- DD
- SYNA
- BCS
- STLD
- USFD

Sector Laggards

Energy

Financials

Industrials

Stock Losers

WORK -12.5%

MDB -6.5%

MRNA -6%

FVRR -6%

CLDR -5%

Volatility Losers

- CRC
- DOMO
- SPWH
- PD
- DGLY
- DOCU
- GOGO

High Put Volume

- TAN
- AJRD
- OMF
- FOXA
- TIF
- HRB

Bearish Options

- C
- SQ
- IYR
- QCOM
- BBBY
- MHK
- DE
- CM
- RY
- BIG
- WU
- COOP

Market Review: Global markets continued to drift higher overnight after the ECB's stimulus announcement and positivity around re-openings around the world. The much-anticipated jobs report turned out to be a big beat with non-farm payrolls up 2.5M vs expectations for a loss of 8M jobs. Unemployment fell to 13.3% vs 14.7% despite expectations of a move down near 20%. Overall, just a surprising beat on every metric and sent futures jumping into open. Treasury yields also higher to 0.925% and up around 10bps. The big leaders for the week extended their gains early with energy and financials taking the lead. Airlines and aerospace related names continued their hot run. Overall, we remain well above the 8-EMA and just below YTD VPOC in the S&P which sits at 3265. The Nasdaq continues to show leadership crossing above the March highs today and near the psychologically important 10,000 level. Small-caps and the Dow both moved back above their 200-day MA but lag overall.

S&P Chart:



Resistance	Support
3,140	2,835
3,250	2,790
3,300	2,660

Options Action Trends: We saw some big call positions close out into the strength today including **TXN** calls from earlier in the week. Later, some large Sept. positions adjusted up in strikes in **UNP**, **NXPI**, **COF**, and **XEC**. There were more long-term put positions opened in Canadian banks like **RY** and **CM**.

What's On Tap: Next week gets really quiet on both the data side and the earnings side, although a couple things to be aware of. Overseas, we'll get EU GDP, China CPI, and EU industrial production. In the US, the FOMC on Wednesday will be a non-event but the focus nonetheless. Earnings from **ADBE**, **LULU**, and **PVH** will be really the only ones to watch and all later in the week.

Trade Tracker Portfolio Changes:

- 1) Spotlight – Long **NEM** Aug. \$60 Calls \$2.10
- 2) Spotlight – Long **SNE** Jan. \$72.50 Calls \$3.20 – Unfilled
- 3) **TSM** – Closed Calls \$2.60, Opened \$1.65



Enphase Bulls Strike Ahead of June Product Launch

Ticker/Price: ENPH \$51.65

Analysis:

Enphase Energy (ENPH) with 1000 January 2022 \$52.50 puts being sold to open near \$19.10 on 6/4 and follows buyers of nearly \$1.9M in November \$60 calls on 5/26. ENPH has seen some mixed flows lately but still has size in the August, January, and January 2022 call options from March. Shares hit new highs for the year in May, a strong rebound from the March lows, and now pulling back just above the 38.2% Fibonacci of the run. ENPH is also back around a key volume node from February. The massive uptrend from that started in early 2019 remains well intact and measures out to \$75+ longer-term. The \$6.2B solar company trades 34.7X earnings and 8.5X sales with limited near-term maturities (next is 2024) and a Current Ratio of 3.1X. Residential solar demand fell in March due to COVID but showing signs of bottoming due to new tools for sales online. ENPH has seen near-term demand fall due to COVID pushing back installs but they expect to ramp efforts in the 2H and still hit a 5% attachment rate for the year. They have a much-anticipated launch of their storage product, Encharge, in June while other new products like IQ8 software for residential and commercial solar are due in 2H. ENPH has nearly \$600M in cash on hand that they aggressively put to work if they'd like even after announcing a \$200M buyback. The company has expressed interest in M&A with areas of focus like hardware and software around their Encharge battery solution. Analysts have an average target for shares of \$61. JP Morgan raising their PT to \$67 on 5-28 and encouraged that the decarbonization, decentralization, and digitization of energy continues despite COVID-19. Johnson Rice starting at Buy on 5-27 with a \$68 PT. They expect continued growth as the company adds products and services while margins are expected to remain healthy due to its flexible outsourced manufacturing model. Short interest is 12.7% and down from 22.55% in January. Hedge fund ownership rose 11% in Q1.

Hawk Vision:



Hawk's Perspective: ENPH showed relative strength in May hitting new highs before much of the market and like the opportunity in this pullback if it can base and put in a nice reversal candle around the 50-day.

Confidence Ranking: \$\$



Tyson Bulls See Recovery in 2020

Ticker/Price: TSN (\$63.50)

Analysis:

Tyson (TSN) large buy of 1200 January 2022 \$65 calls to open for \$10.25 on 6/4 which follows 1300 of the ITM \$80 puts sold to open on 6/1 for \$2.57M and 1000 October \$55 calls in open interest from buyers into weakness 5/4 and the \$65 calls with 1000X bought 5/26. TSN shares are forming a long base, recently above the now rising 55 day moving average and in a larger weekly broadening pattern, a lot of room to run above \$64.50 out of this high volume zone. TSN has been in focus for many months now between the China back-and-forth, plant shutdowns, and meat shortages. The \$22.3B company was a former best-in-class operator and trades cheap at 9.9X Earnings, 9X EBITDA, 0.5X Sales and 21.5X FCF with a 2.8% yield. TSN is positioned well for the increasing global demand for protein and is 36% Beef, 31% Chicken, 20% Prepared Foods, and 10% Pork. As for distribution channels Consumer Products is 45%, Foodservice is 31% and hit hard by shutdowns, International at 13% and Other at 11%. TSN sees a massive market opportunity that it has a 20% market share. Analysts have an average target of \$70 and short interest low at 1.5% of the float. Bernstein upgraded TSN to Outperform with an \$83 target this week noting record pork and beef packer margins and sees demand/pricing supportive despite some COVID-related cost headwinds. Hedge Fund ownership fell 10% in Q1 filings, Aristotle Capital a top holder that added as did Iridian.

Hawk Vision:



Hawk's Perspective: TSN is one of many names slammed and then sideways for months, but the longer term story remains intact and offers good value at this level.

Confidence Ranking: \$\$



Mohawk Bears Step in at 200-MA as Competition, Margins Weigh

Ticker/Price: MHK \$112.50

Analysis:

Mohawk (MHK) with buyers of 2000 August \$120 puts this morning up to \$13.90 to open, sizable trade in the name which has seen some August call sales and July put spreads bought recently. Shares have rallied recently after forming a multi-month base and back at the 200-day today which is proving to be early resistance. MHK led the broader market down in January and has lagged the recovery so far with the long-term downtrend remaining intact under \$115. The \$7.75B company trades 16.5X earnings, 0.8X sales, and 8.5X FCF with expectations for low-single digit revenue growth in FY21 and little to no growth in FY22. MHK was facing issues before COVID-19 with greater competition, years of elevated spending and a lack of pricing power weighing on margins. Late in 2019, they introduced new products like click ceramic tile which have seen lackluster adoption, especially by DIY, as their high-price point continues to be a barrier to alternatives. Analysts have an average target for shares of \$108. CSFB started coverage at Underperform last month with a \$62 PT as they expect luxury vinyl tile to cannibalize sales of their legacy portfolio. They also note that channel checks have been weak so far in their new products like ceramics. RBC Capital moving to Underperform on 5-6 citing headwinds to big ticket discretionary buys as well as ongoing structural challenges. Short interest is 5.4%. Hedge fund ownership fell 7.85% in Q1. MHK has seen some insider activity with buyers at \$117.50 late last year and \$93 in March.

Hawk Vision:



Hawk's Perspective: MHK is an ideal short with plenty of better plays in the residential remodel space but as with anything short lately patience is key and would look for it to consolidate under this 200-day and crack lower

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

REITs (IYR) the July \$80 puts bought 3,000X for \$1.68 to \$1.70 as some \$78 puts adjust back

Solar (TAN) buyer 3000 July \$34 puts for \$1.20

Oil & Gas (XOP) buyer 2000 October \$61 calls \$6.90

Investment Grade Bonds (LQD) the September \$128/\$121 put spread bought 5000X for \$1

High-Yield (HYG) the November \$79/\$69 put spread bought 6500X for \$1.27

Consumer Goods & Services

Live Nation (LYV) with 1,000 July \$62.50/\$47.50 strangles sold today for \$3.50

Lowe's (LOW) with 2000 June \$130 short calls adjusting to August \$140, likely extending a buy-write

Activision (ATVI) buyer of 1,500 June \$68.50 calls for \$2.31 and spread with a sale of 2,250 June \$73.50 calls to open

Hilton (HLT) buyers 1500 July \$110 calls \$0.95 offer

Bed Bath (BBBY) with 25,000 July \$11 puts opening as \$9 puts adjust

Wynn (WYNN) with 1,500 July \$105/\$120 call spreads bought for \$5.20

Starbucks (SBUX) with 6000 August \$85 calls sold to open \$2.62 as July \$85 adjust, extending a buy-write

Peloton (PTON) October \$50/\$60/\$70 call fly opening 800X1600, also seeing 5000 next week \$45 puts actively bought this morning

Wayfair (W) down over 5.5% and 1,500 July \$150/\$125 put spreads bought for \$5.90

PVH Corp (PVH) 1000 September \$70 calls bought for \$6.70, adjusting the \$60 calls higher from buyers earlier in the week; earnings next week. **PVH** also with the June \$65/\$75 call spread bought 1000X today into earnings for \$2.89

ConAgra (CAG) with 3200 July 2nd (W) \$29 puts sold to open ahead of 6-30 earnings

Kroger (KR) with 5,000 June \$33/\$30 put spreads bought for \$1.07 ahead of 6-18 earnings. **KR** also with 2500 January 2022 \$20 puts opening \$1.10 with stock

Dunkin Brands (DNKN) the September \$75 calls bought 1150X for \$3.10 as the \$60 calls roll up in strikes

Kontoor Brands (KTB) with 1200 June \$22.50 calls bought for \$2 as the \$20 calls roll up

VF Corp (VFC) buyer of 2,500 January \$75 calls for \$6.70 as the \$65/\$50 bull risk reversal from 6/2 closes out

Bloomin' Brands (BLMN) with more than 7,450 January \$15 calls sold to open today down to \$3

Children's Place (PLCE) seeing 1500 June 26th (W) \$35 puts sold to open for \$1.30 as the 1500 July \$35 short puts adjust

Big Lots (BIG) buyer earlier of 400 July \$42.50 puts for \$7.00 to \$7.80

Energy

Occidental Petro (OXY) with 10,000 July \$20/\$16 bear risk reversals opening into 23% move higher

Exxon Mobil (XOM) with 11,000 June \$51.50 puts bought up to \$1.22

Warrior Coal (HCC) with 1,500 January \$22.50 calls sold to open \$1.05

Cimarex Energy (XEC) with a large adjustment in September as the \$25 and \$30 calls close 3,250X and 2,500X and the \$35 and \$40 calls open 3000X and 2500X

SM Energy (SM) buyers of 2,000 July \$5 calls for \$1 today with shares breaking out of a narrow range

Chneiere (LNG) buyer 3000 June \$52.50 calls \$1.59 as 2250 of the \$50 calls adjust

Pioneer Natural (PXD) with 1250 January \$100 puts opening for \$13.70, tied to stock

EOG Resources (EOG) nearly 1000 October \$55 puts bought to open \$5.30 to \$5.35

Marathon (MPC) with 10,000 October \$45 calls sold for \$3.85 down to \$3.65 to open, likely overwrite on stock

Callon (CPE) buyers of 8500 July \$20 calls up to \$0.30

Ovintiv (OVV) buyer of the July \$10/\$8 put spread 7500X10,000 as the June spreads adjust

Concho (CXO) with 750 June \$67.50 puts sold to open for \$1.50 in a stock replacement

Financials

Citi (C) seeing 1725 December \$67.50 calls sold to open this morning

Barclay's (BCS) with 30,000 July \$7 calls opening \$0.30 as the \$6 calls adjust higher

Simon Property (SPG) buyer 2000 October \$85 puts \$13.35 tied to stock

Square (SQ) buyers active for 15,000 next week \$83 puts early today. **Square (SQ)** now buyers of 4,400 July \$100 calls up to \$2.45

Fiserv (FISV) buyers opening 1,850 September \$110 calls up to \$8 this morning

Macerich (MAC) buyer of 800 January 2022 \$17.50 calls \$1.95 to \$2.80

Chimera (CIM) with 5000 December \$12 calls bought \$1.32 and 5000 of the \$13 calls at \$1

One Main (OMF) buyers 1500 July \$32 calls early after recent August bull risk reversals

Wells Fargo (WFC) with 20,000 June \$35/\$38 call spreads bought here

Capital One (COF) with 3,500 September \$92.50 calls bought for \$4.70 as the \$80 calls adjust higher

Mr Cooper (COOP) with 2000 January \$15 calls sold to open for \$1.70/\$1.65

Royal Bank of Canada (RY) with buyers in the January \$80 puts up to \$13 today, tied to stock

Western Union (WU) with 2,000 August \$23 puts bought \$1.25 with the recent talk of a **MGI** deal

JP Morgan (JPM) with 2,000 September \$110 puts sold for \$8.45 in a stock replacement today

Bank of NY (BK) opening sale of 500 December \$40 puts for \$3.50

Canadian Imperial (CM) with near 900 December \$80 puts bought up to \$12.60, follows other Canadian bank puts this week rolling out longer-term

Encore Capital (ECPG) with 600 July \$35 calls bought today up to \$4.10 to open, breaking out strong today from a bull flag and not far from the Feb. highs

Healthcare

Synaptics (SYNA) breakout and 1250 next week \$71.5 calls bought \$1.30 to \$1.80, tends to be some good signals in this name

ICU Medical (ICUI) spread buys 200 August \$200 calls \$15.75 and sells 100 July \$185 puts and 100 June \$190 puts

Cooper (COO) starting to rebound from lows after earnings and 500 August \$300 puts sold to open \$11.85

United Health (UNH) the September \$330 calls opening 1,000X for \$8.55, adjusting out the June \$320 calls from last November

Tenet (THC) buyer of 750 January \$28 calls for \$4.80 in a stock replacement

Corbus Pharma (CRBP) unusual volume here with 2,000 July \$10 calls bought up to \$1.25; **CRBP** PT raised to \$32 at Nomura this week ahead of imminent Phase 3 data in systemic sclerosis

Moderna (MRNA) with 1200 July \$45 puts bought for \$3.15, adjusting back some \$40 puts with shares weak today down over 5%

Karyopharm (KPTI) with 1500 June \$17.50 puts sold today for \$1.05, pulling back and basing around the 200-day

Bausch Health (BHC) with another 5,000 January 2020 \$20 calls trading today up to \$3.40, looks to be adding and name that has seen size Jan. 2022 calls buy. **BHC** also seeing 7,000 June 12th (W) \$20.50 calls bought up to \$0.35

Industrials

Aerojet Rocketdyne (AJRD) sellers of 1,850 July \$40 puts for \$0.85 to \$0.80

Caterpillar (CAT) early buys of 2295 August \$150 OTM calls up to \$2.64

Fluor (FLR) another 1,000 July \$15 puts bought today from \$1.95 to \$2.05

Union Pacific (UNP) the September \$190 calls bought 1400X up to \$10.12 as the \$175 calls adjust higher

US Foods (USFD) with 700 January \$25 calls bought for \$3.60, follows the 3000 July \$22.50 calls bought yesterday and would be a big re-opening restaurants play

AO Smith (AOS) stock replacement buys 1000 October \$60 calls for \$1.45 on the PHLX

Fiat (FCAU) buyer of 3800 June \$10 calls for \$0.75, rolling up the \$8 calls

Adient (ADNT) buyers of 1,000 July \$22 calls for \$2.10 to \$2.19

Rollins (ROL) buyers today of 850 August 45 calls for \$2.50 with the Bloomberg report yesterday the company is exploring a sale

Deere (DE) the July \$160/\$145 put spread being bought for \$3.22, 1500X

Materials

Steel Dynamics (STLD) buyers of 1,000 August \$31 calls for \$1.65

DuPont (DD) buyer 2000 June \$57.50 calls for \$1.70

Pan American Silver (PAAS) early buyers 2350 July \$24 puts \$1.05 offer

US Steel (X) over 30,000 August \$15 calls being bought today around \$0.20

DuPont (DD) the June \$55/\$52.50/\$50 put butterfly spread being bought 5,000X10,000

Tech and Telecom

Alibaba (BABA) with 2200 February \$200 puts bought tied to stock this morning

Omnicom (OMC) buyers of 1,000 June \$62.50 calls for \$1.45 to \$1.50, breaking out of a wide base

Digital Turbine (APPS) buyers of 4,000 September \$10 calls up to \$1.40, big move this week on earnings

Citrix (CTXS) opening sales 980 July \$130 puts \$3.37

Vodafone (VOD) with 1,000 October \$18 puts bought around \$1.68 to \$1.74, adjusting the July \$17 puts back again

Western Digital (WDC) with 2000 August \$55 calls opening \$2.13 in a buy-write

ON Semi (ON) 8500 June \$21 calls with buyers as the \$19 calls adjust

ST Micro (STM) opening sales 1300 October \$25 puts \$1.85. **STM** also November \$25 calls 1900X with size buys look to be adding to OI

NIC (EGOV) with 1275 July \$25 calls bought to open today from \$1.30 to \$1.50 in unusual action, near a nice weekly flag breakout. The \$1.62B software company focuses on digital government services such as outdoor recreation areas like hunting/fishing licenses and new vehicle permits like RVs

Discovery (DISCA) buyer of 5,000 June \$25 calls up to \$0.80

JD.com (JD) with 2500 January \$65 calls sold to buy the \$50 puts at a net credit, likely collaring stock

Pinterest (PINS) buyers active in August \$22 calls again today with 7300 trading opening two hours

Sabre (SABR) buyers of 4500 June \$12.50 calls with the travel strength

Yandex (YNDX) with 2,000 August \$39 puts sold to open for \$1.85

Lumentum (LITE) with buyers of 1,200 June \$84 calls for \$1.25 to \$1.55, nice weekly range and moving off the 200-day this week

Anaplan (PLAN) buyers of 3,725 November \$50 calls up to \$5.40 this morning, shares pulling back a bit after the earnings run and trying for a hammer reversal today

NXP Semi (NXPI) with 4,000 September \$105 calls bought earlier this week closing and rolling up to open 10,000 September \$125 calls for \$7.95

Mongo-Db (MDB) with 2200 January 2022 \$160 puts sold to open for \$33.80 and then \$31.40, similar to positioning in names like **DOCU** this week

NetEase (NTES) the July \$420/\$460 call spread bought 400X today for \$16

Expedia (EXPE) the October \$100 calls bought 2,000X for \$10.30 to \$10.40 in stock replacements

Utility

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Not Investment Advice or Recommendation

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