

# OptionsHawk

## OPTIONS HAWK DAILY MARKET 8/23/2019

### Sector Leaders

Financials

Energy

Industrials

### Stock Gainers

BJ 16.27%

KIRK 16.25%

PSTG 14.78%

JWN 14%

FSLY 13.9%

### Volatility Gainers

- BREW
- ZIOP
- ALXN
- PCG
- FSLY
- BBBY
- CBLK

### High Call Volume

- SWCH
- BNS
- BJ
- SERV
- BREW

### Bullish Options

- RGEN
- JNJ
- COUP
- ZIOP
- FSLY
- NTRS
- CSX
- ALXN
- EOG
- TGT
- WPM
- SNY
- COP

### Sector Laggards

Materials

Healthcare

Tech

### Stock Losers

YOGA -12.5%

SPLK -9.8%

CBB -9.3%

XON -8.9%

TLRY -8.8%

### Volatility Losers

- RTRX
- JWN
- ZAGG
- BJ
- LB
- PSTG
- FLY

### High Put Volume

- RTRX
- ROL
- CVET
- ELF
- UNIT

### Bearish Options

- NUE
- KSU
- UBER
- ZM
- MLM
- HAL
- ROL
- UPS
- CDAY
- BNS
- INTU
- MU
- SRE

**Market Review:** Global stocks were mixed this morning with all eyes on Jackson Hole where the Fed's annual meeting kicked off today. Jerome Powell set to speak tomorrow will be the highlight after yesterday's Minutes showed some debate over the path for rates. KC President George reiterated her stance today that there was no need for cuts in July while Philadelphia's Harker, a non-voter, said that he doesn't support further stimulus right now. CME Fed Watch has around a ~10% probability of no cut in September. The 10-year yield remains around 1.6% while the 2-10 yield curve continues to be inverted. PMI manufacturing flash data came in light at 49.9, the first contraction in nearly a decade. In the UK, Brexit back on center stage as Boris Johnson scrambles to get a deal (or no deal) done by the Oct. 31 deadline. Retailers a standout again today with Nordstrom higher by 14.5% early and BJs Wholesale up 16%. The SPX opened at weekly highs and looked poised for a breakout of this range but again was rejected at 2,940. We sold all the way back to 2,905 and a big volume node from Tuesday before rebounding. Cumulative TICK was impressive in the afternoon but overall a subdued session without a reading over 950.

S&P Chart:



Resistance	Support
2,945	2,845
2,975	2,820
3,000	2,805

**Options Action Trends:** We saw a lot of call buying into retail names in the Sept. 6<sup>th</sup> (W) expiration – GPS, BBBY, AEO, etc. Some have earnings soon but also falls after the 9-1 tariff deadline which would significantly impact retailers.

**What's On Tap:** Jackson Hole Symposium Day 2, Jerome Powell Speaks, New Home Sales; earnings from FL, HIBB

**Trade Tracker Portfolio Changes:**

1. None



## Large Call Buys in Alexion into Legal Catalyst

Ticker/Price: ALXN (\$114.85)

### Analysis:

**Alexion Pharma (ALXN)** traded over 11,000 calls on 8/21 with IV30 rising nearly 15%, most notable were 1,000 January \$120 calls and 1,000 November \$125 calls bought for combined over \$1.6M. ALXN also has over 5,000 September \$115 calls in open interest and has seen September \$120 and \$125 calls accumulate with 4,700 and 3,350 in OI respectively. ALXN shares were under pressure in July but based near the \$107 level and now the 8 day EMA curling higher and shares out of that 7 week downtrend. On a long term perspective shares have been stuck in a long sideways range for three years. The \$25.75B rare disease focused Biotech trades 10.45X Earnings, 5.7X Sales and 20.25X FCF. ALXN is coming off a strong quarter despite a weak reaction and posted 15% and 16% revenue growth the last two years with 17% growth seen in FY19 and 14% in FY20. Soliris remains the main revenue generator for Alexion and the gMG launch was its best yet. ALXN plans to accelerate its Neurology portfolio and grow the Metabolic portfolio moving forward. Analysts have an average target of \$160 on shares and short interest at a five year low at 1.4% of the float. Morgan Stanley has a \$177 target and sees two important legal catalysts with a 9/5 oral hearing on whether new Soliris patients are issuable and would extend IP from 2021 to 2027. JP Morgan out on 7/31 at Overweight with a \$712 target confident on ALXN's guidance and potential for Ultomiris to work in other indications and improve its growth trajectory. Piper noted on 7/24 that shares are range-bound on unfounded concerns over the ability of the company to diversify away from Soliris/Ultomiris, and sees patient investors being rewarded, a \$180 target. Hedge Fund ownership rose 2.2% in Q2 filings, Baker Brothers reducing but still its 4<sup>th</sup> largest holding while Sound Shore added to its concentrated position.

### Hawk Vision:



**Hawk's Perspective:** ALXN has been frustrating but the price action and size of this flow is meaningful with shares finally out of a downtrend, and overall looks extremely attractive on valuation especially if Soliris IP is extended.

Confidence Ranking: \$\$



## Western Digital Bulls Pile in As Cycle Seen Near Trough

**Ticker/Price:** WDC (\$56.35)

### Analysis:

**Western Digital (WDC)** setting up well below recent highs and buyers active yesterday for 1800 September \$58.50 calls in the afternoon up to \$1.85. WDC had seen bullish flow recently in the September \$55 and \$60 calls, January \$52.50 calls, and February \$55 calls with put sales across the September \$45, February \$52.50, and January \$52.50 strikes. The \$16.13B company trades 8.36X earnings, 0.97X sales, and 10.37X FCF with a 3.56% yield. WDC expects to earn more than \$7/share in FY21 and up over \$9.65 in FY22 with 11.5% sales growth and then 5.1%. WDC has been under pressure recently with poor pricing trends for NAND but management seeing some signs of a trough in Q4. "We are seeing signs of improving conditions in the flash market and believe that it has reached a cyclical trough. With continuing expectations for a positive demand environment, a robust product portfolio and expanding customer engagements, we expect to deliver improving financial results as we move through fiscal 2020." WDC continues to have a strong product portfolio in enterprise and 3D flash as they focus on higher-growth and higher-margin opportunities. End-market trends remain in weak Y/Y but a ramp in high-capacity enterprise drives as well as market share gains in mid-range capacity air-based drives notable positives. They're also seeing continued growth in external SSDs. Analysts have an average target for shares of \$60. Goldman positive on 8-8 after talks with industry participants reinforced their outlook that NAND pricing is already showing signs of improvement and increased his confidence that blended NAND pricing will be up sequentially in the fourth quarter. Mizuho with a \$61 PT citing improving seasonal demand, lower inventory and lower capex should position Western Digital better into 2020. Longbow with a \$70 PT. The firm thinks the flash industry has reached a cyclical trough and is entering a period of demand recovery and price stability. As excess inventory is worked through, pricing will likely remain on the soft side, but following this Todorov estimates NAND gross margins recovering into the high 20% range by the end of FY20. Short interest is 5.5% and down from 7% recently. Hedge Fund ownership rose 15.4% in Q2 holdings. Lyrical Asset Management, Maple Rock Capital, and Carlson Capital notable holders.

### Hawk Vision:



**Hawk's Perspective:** WDC is setting up well after a strong run, alert set for a move above \$58.

**Confidence Ranking:** \$\$



## Planet Fitness Bulls Add into 200-day MA

**Ticker/Price:** PLNT (\$67.38)

### Analysis:

**Planet Fitness (PLNT)** buyers of 1450 September \$70 calls today up to \$1.20 and follows buyers of more than \$740K in October \$70 calls yesterday. Those October calls also seeing another 750 bought today up to \$2.30. Shares have been in a strong long-term trend and back at the rising 200-day MA this week for the first time since April 2017. The 20-day MA is notable above at \$71.75 and a move higher targets the big VPOC at \$77 as MACD and RSI both reset to overly sold levels. The \$6.23B company trades 35X earnings, 9.7X sales, and 45.5X FCF. PLNT expects 56% EPS growth in FY19 with growth in the next two years of 23.25% and 20.35%. Revenue estimates are for growth of 12.3% and 11.23%. PLNT is coming off a strong quarter with comps up 8.8% and raising their expectations for store openings to 260 in 2019, a record. PLNT benefits from scale and their predictable model with revenues from royalties, vendor commissions and annual fees. Analysts have an average target for shares of \$77.50. Jefferies raising their PT to \$90 on 8-7 as the company benefits from a trend toward wellness and has a low-price model "that is unbeatable." They think enhanced consumer proximity is Planet Fitness's next step for domination which will lead to a further acceleration in member share and drive sales, earnings, and cash flow higher. Short interest is 5.1% and down from around 8.9% in late 2018. Hedge Fund ownership rose 4.7% in Q2. Junto Captail, Hitchwood Capital, and Armistice Capital all notable holders.

### Hawk Vision:



**Hawk's Perspective:** PLNT has been a strong name for a while now and recent pullback to the 200-day gives a nice short-term spot to trade against.

**Confidence Ranking:** \$\$





## J&J Bulls Accumulate into Key Legal Decision

**Ticker/Price:** JNJ (\$131.80)

### Analysis:

**J&J (JNJ)** buyer of 1500 September \$132/\$121 bull risk reversals for \$2.28 today and later 1,000 October ITM \$115 calls bought for \$16.90 in a stock replacement. Today's activity follows buyers in the March \$130 calls on 8-2 and buyers in the October \$135 calls over 4,500 on 7-24, a spot where more than 9,000 sit in OI. The October \$140 calls have over 10,000 in OI from buyers in mid-July while the November \$135 calls also with buyers on 7-18. Shares are consolidating in a multi-week range under \$132.50 with a move higher targeting a low-volume gap from earnings back to \$138.50. On a longer-term view, JNJ is back at weekly trend support from the 2018 lows with a big monthly flag forming under \$150.

The \$349B company trades 14.4X earnings, 4.29X sales, and 40.4X FCF with a 2.9% yield. JNJ sees mid-single digit EPS growth accelerating into FY21 while revenues higher by nearly 5% from flat in 2019. JNJ is expected to receive a decision in Oklahoma on Monday in a trial over their role in the opioid crisis. Analysts have an average target for shares of \$148.50. Mizuho out on 7-17 with an interesting note highlighting JNJ as a possible buyer of Otezla from BMJ/CELG as they look to divest the asset. The firm thinks the assets could go for \$5B to \$10B. Credit Suisse starting at Outperform on 7-10 with a \$156 PT. The firm sees key drivers including continued growth in Immunology, driven by Stelera and Tremfya, sustainable growth in Oncology driven by Imbruvica, Darzelex and Erleada, an attractive pipeline of filings in the 2019-2023 timeframe with greater than \$1B potential each, and growth and cash flows in Medical Devices and Consumer. Short interest is 0.6%. Hedge Fund ownership rose 2.7% in Q2. Fisher Asset Management, AQR, and Mairs and Power notable holders. JNJ saw insider buying on 6-11 when a director bought 3000 shares at \$139.68, a more than \$419K investment. In December, more than \$450K in stock was bought by three different individuals.

### Hawk Vision:



**Hawk's Perspective:** JNJ is obviously an event-driven trade in the near term but setting up well back near support and one which has a lot of long-term strengths beyond their time in the court room.

**Confidence Ranking:** \$\$

# ***Additional Options Flow***

## **Market/ETFs**

**Emerging Markets (EEM)** with 80,000 November \$43 calls bought up to \$0.30 today

**Russell (IWM)** with 8,000 September 6th (W) \$149 puts bought up to \$2.12 today

**Treasury (TLT)** buyer of 5,000 September 13th (W) \$145/\$144 bull risk reversals today for a small net credit

**Software (IGV)** with 3,500 November \$210 puts bought earlier for \$7.95, top holdings include CRM, ADBE, MSFT, ORCL, INTU, and NOW, likely hedging a basket of stocks into some key earnings

## **Consumer Goods and Services**

**Research Focus (REFR)** higher with 1,000 March \$2.50 calls bought up to \$2.80

**American Eagle (AEO)** with 3000 Sep 6th (W) \$17 calls bought for \$0.75 as Retailers see some relief rallies. AEO also seeing 1475 September \$16 calls bought for \$1.40 to \$1.50

**Bed Bath & Beyond (BBBY)** buyers of 11,700 September 6th (W) \$9 calls up to \$0.30

**GameStop (GME)** with 10,000 January 2021 \$5 puts opening \$2.20 seeing a bleak future

**Sanderson Farms (SAFM)** with 500 September \$145 puts sold to open \$4.80 to \$4.60

**Philip Morris (PM)** with 6000 September \$87/\$80 bull risk reversals opening for a small credit, shares coiled under YTD VPOC

**Starbucks (SBUX)** with 1,250 April \$100 calls opening \$5.75

**The Gap (GPS)** another beaten up retailer with 5,000 September 6th (W) \$18 calls bought up to \$1.12 today into strength -- GPS reports tonight

**Target (TGT)** with buyers of the September \$94 calls for \$10.85, 1390X, adjusting some August 30th (W) \$91.50 calls after earnings. TGT stock replacement today sells 2,000 April \$95 puts for \$5.70

**Mondelez (MDLZ)** opening sellers of 3,500 September \$52 puts today for \$0.36, follows December call buys yesterday

**Dollar Tree (DLTR)** buyers of 400 October \$100 calls today up to \$3.70, earnings on 8-29 and strong history up the last three

**Fox (FOXA)** buyer of 5,000 September \$34 calls for \$0.60

**Designer Brands (DBI)** buyer of 1,000 September \$15 calls bought \$1.20 to open into 8-29 earnings, higher by 6% last quarter

**Kraft Heinz (KHC)** with 1,000 March \$22.50 puts sold to open for \$1.30

**Nordstrom (JWN)** highs of the day post-earnings and 2450 September 6th (W) \$30 calls bought up to \$1.40 to open, similar to GPS, BBBY and others. JWN also now with 7,000 January \$32.50 puts bought up to \$4.95

## **Energy**

**Halliburton (HAL)** buyers active for 3,000 September 13th (W) \$19.50 puts up to \$1.20

**BP** with 1500 October \$39 calls rolling to April today which open for \$1.16

**Conoco (COP)** the September \$50 synthetic long spread being bought 1200X today for \$2.75 in a stock replacement

**EOG Resources (EOG)** stock replacement sells 550 April \$72.50 puts for \$6.40 to \$6.35

## Financials

**Allstate (ALL)** buyer of 1,000 October \$97.50 puts as some September positions adjust

**SVB Financial (SIVB)** weak chart with 500 October \$160 puts opening \$2 to \$2.05

**Global Payments (GPN)** with 660 September \$165/\$175 call spreads bought for \$2.84

**HSBC** with 1,000 October \$36 calls opening today between \$1.15 and \$1.20, financial which has been hit with the Hong Kong rallies lately

**Goldman Sachs (GS)** buyers of 1,200 January \$215 calls for \$7.05 to \$7.15, spread vs sales of the \$185 puts in bull risk reversals

**Bank of Nova Scotia (BNS)** with 2,800 March \$55 calls sold to open for \$0.90 to \$0.85, seeing longer-term call sales across a number of Canadian banks this week

**Square (SQ)** buyers active today for 2,000 November \$70 calls for \$3.15

**Fidelity Info (FIS)** mid-day buyer of 4,650 November \$135 puts for \$5.55 today into strength, likely hedging stock

**Public Storage (PSA)** with 750 December \$250 puts bought for \$8.20 today, tied to stock

## Healthcare

**Quest Diagnostics (DGX)** buyer of 275 January \$95 calls for \$10.60 to \$11 today, strong setup with shares flagging under \$104.50

**Abbott (ABT)** fading the early strength with 1,000 November \$80 puts opening up to \$1.00

**Sage Therapeutics (SAGE)** with 500 February \$140 puts opening today for \$14.38, tied to long stock

**Nextgen Healthcare (NXGN)** unusual size for the name trading today as 2600 September \$17.50 calls are bought up to \$0.20 to open. The \$951M healthcare services company trades 15X earnings and 1.8X sales with high-single digit growth

**Alexion (ALXN)** with 500 OTM October \$135 calls opening \$2.55 to \$2.65 with that Mizuho note

**Sarepta (SRPT)** lower this week after their CRL for golodirsen and today seeing 750 January \$120 calls open today \$6.55 in a buy-write with long stock

**Exact Sciences (EXAS)** IV rising earlier with another 2,000 September \$120 calls bought up to \$4.40, spot where 1450 were bought earlier this week; strong setup under \$122

**Centene (CNC)** buyers today of 2,200 September \$47.50 calls for \$1.45

**Medical Properties Trust (MPW)** buyer of 2100 April \$18 calls for \$1.18 as the December calls look to adjust

**Sanofi (SNY)** buyers of the March \$47 calls for \$1.05, 2125X as the September \$41 calls roll out and up into strength

**Mirati (MRTX)** with 1,000 September \$100 puts bought on 7-31 closing and rolling down to buy 2,000 of the \$80 puts for \$3.95

**Align Tech (ALGN)** with 500 September \$180 straddles opening today for \$14.87

**ZIOPHARM (ZIOP)** stock and IV running higher with 6,800 September \$6 calls bought up to \$0.60 to open, current Phase 3 trial in GBM on hold due to CMC issues

**Repligen (RGEN)** IV higher mid-day with 1,500 September \$95 calls bought to open up to \$3.50, spot where 1300 have been bought recently and shares flagging above the 20-day MA

## Industrials

**American Air (AAL)** buyer of 1,400 February \$23 puts for \$1.32 as shares roll back near the opening lows. AAL also with 1600 October \$27 calls bought up to \$1.43

**Kansas City Southern (KSU)** spread sells the September \$130 calls to buy the \$120/\$115 put spread 2000X for a net \$1.10

**Martin Marietta (MLM)** strong name recently and seeing 445 January \$250/\$220 put spreads bought to open for \$9.70

**Rollins (ROL)** buyer of 2,500 November \$30 puts for \$0.65 to open, industrial which has lagged and bouncing back to the declining 20-day this week

**UPS** buyer of 2,000 September \$113/\$109 put spreads for \$1.20 today also sells the \$118 calls to open for \$1.21, likely protective into strength

**Service Master (SERV)** with 1,700 November \$60 calls bought for \$1.95, rolling up 1,000 of the \$55 calls

### Materials

**Anglo Gold (AU)** seeing 2,600 September \$22 calls sold to open into strength for \$1

**Avantor (AVTR)** with 3,000 February \$20/\$12.50 bull risk reversals opening this morning for \$0.30 net debit, odd size for the specialty chemicals company which debuted in May

**Nucor (NUE)** buyer of 2,000 October \$45 puts for \$0.95 as some weekly puts roll

**Wheaton Precious Metals (WPM)** with 1,000 September 27th (W) \$27 calls bought for \$1.07, a lot of bull flow lately

**Kemet (KEM)** seeing the December \$17/\$13 put spread bought for \$1.25 today, 1000X

### Tech and Telecom

**Atlassian (TEAM)** September \$140/\$135 bull put spreads active 2000X

**Carbon Black (CBLK)** October \$25 calls 945X being bought aggressive \$1.25 to \$1.70 with recent M&A talk. CBLK now also seeing 400 April \$25 calls bought up to \$4.10

**Pinterest (PINS)** buyer of 675 October \$38 OTM calls \$2.25 offer

**ZenDesk (ZEN)** more than 425 January \$82.50 calls opening on the morning from \$7.80 to \$8.30

**VMware (VMW)** with 1000 April \$130 puts opening \$9.28 as January \$130 puts adjust

**Palo Alto (PANW)** with 600 January \$230 calls opening \$8.50, earnings early September, stock replacement

**Corning (GLW)** with 8000 October \$28 calls being bought and IV rising sharply. GLW now also seeing 1000 October \$29 calls bought while the \$28 calls over 24,000X

**Switch (SWCH)** with 1,280 February \$16 calls bought today up to \$1.90

**Oracle (ORCL)** another 5,000 January \$43 puts sold to open \$0.60 today, stock replacement

**Pinduoduo (PDD)** with 1,000 OTM January \$37 calls opening today \$1.70

**Zoom Video (ZM)** buyer of the October \$90/\$80 put ratio spread today 500X1,000, shares consolidating below the 20- and 50-day

**Box (BOX)** buyers active for 1325 December \$13 calls today up to \$1.85

**Universal Display (OLED)** buyers of nearly 500 September \$205 calls into the lows of the day paying \$12.80 to \$13.60

**Ceridian HCM (CDAY)** IV rising earlier with 400 October \$60 puts bought to open up to \$4.90, looking to fade the strong move higher this week



**Netflix (NFLX)** stock replacement buys 1,150 November \$295 calls for \$24.15, adjusting some October \$320 calls

**Trade Desk (TTD)** another 5,000 January \$250 calls bought today for \$44.80 in a stock replacement, same as yesterday

**Tesla (TSLA)** the January \$280/\$320 call spread bought 1500X3000 today for \$2.10 debit

**Facebook (FB)** the March \$200/\$230 call ratio spread bought 1000X3000 to open for \$0.75 net debit

**Alibaba (BABA)** buyer of 2,000 November \$160 calls for \$20.45 in a stock replacement

**Micron (MU)** with 4,500 October \$41 puts bought up to \$1.65 and spread vs the \$35 puts

**Commscope (COMM)** IV rising mid-morning with 1,000 February \$10 calls bought up to \$2.20

**Adobe Systems (ADBE)** buyers of 1,000 November \$285 puts today ahead of mid-September earnings, paying \$16 to \$16.15

**Fastly (FSLY)** moving strong to session highs as 500 December \$25 calls bought up to \$3.60

**Coupa Software (COUP)** with 1,000 March \$140 calls opening \$20.70 in a stock replacement

### Utility

**Sempra (SRE)** with 10,000 October \$145 calls sold to open for \$1.20 to \$1.19 as IV fades

### **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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