

# OptionsHawk

## OPTIONS HAWK DAILY MARKET RECAP 7/26/16

### Sector Leaders

Metals

Gold Miners

Oil E&P

### Stock Gainers

EXAS 26.5%

CRY 16.3%

HSII 15.65%

IPAR 15%

ASTE 14.85%

SGY 14.3%

SPAR 14%

### Volatility Gainers

- SRPT
- GIII
- GME
- ON
- DB
- JWN

### High Call Volume

- ON
- OI
- ALB
- UA
- KR
- GSK
- QLYS

### Bullish Options

- ON
- KR
- UA
- GSK
- WYNN
- M
- AAL
- ECA
- UFS
- 

**Market Review:** Stocks opened the session near flat with overseas talk focusing on England/Japan potential stimulus, and in the US the focus on a bevy of strong earnings reports across multiple sectors with Baxter (BAX), Eli Lilly (LLY), Texas Instruments (TXN), United Tech (UTX), and more. Oil remained under pressure in early trade down 1.5% ahead of inventory data this week. Stocks sold off in the early action as we continue to fail at key 2,175 resistance, and some concern that we could see a Hawkish Fed tomorrow, demonstrated by the put activity in Utility/REITS. It was a day where a lot of commodity names in Energy and Metals led upside despite not seeing very strong moves in the underlying commodities. The FOMC will be in focus tomorrow afternoon, and the open will be dominated by all the key earnings reports tonight and tomorrow morning. It was a good day to once again take off some big profitable positions as we fail at 2,175.

### S&P Chart:



Resistance	Support
2,175	2,075
2,200	2,065
2,250	2,040

**Options Action and Trends:** Retailers that have run, KSS and JWN, saw early put buyers for August. WEC, NI, NRG, PEG and SO all saw put buying in the Utility space ahead of earnings and FOMC catalysts. CLI, HIW, VER, COR and ROIC are REITS with unusual put buys ahead of FOMC as well.

**What's On Tap:** FOMC Announcement. Durable Goods Orders and Pending Home Sales. Earnings from **BA, KO, MO, CMCSA, GLW, DPS, GT, IR, LVL, MDLZ, ROK, WM, and WYN** Before the Open.

### Trade Tracker Portfolio Changes:

1. Long the **GRA** September \$77.50 Calls at \$2.50 – Spotlight Trade
2. Earnings Flow Trades (Long **EW** August \$105/\$110 Call Spreads \$2.35; Long **TWTR** August/September \$21 Call Calendar at \$1.05; Long **BA** August \$130/\$125 Put Spreads at \$1.25)
3. Closed Earnings Flow Trades (**ESRX** Puts at \$2.35 from \$1.20; **CHKP** Put Spreads at \$1.50 from \$1.10)
4. Closed **UTX** Calls \$7.30 (Opened \$6.50 from former Calendar Spread)
5. Closed **GE** Puts \$1.85 (Opened \$1.10)
6. Closed **AVGO** Calls \$3.50 (Opened \$2.15)

### Sector Laggards

Biotech

Utility

Consumer Staples

### Stock Losers

CRME -43%

STRP -21%

NDLS -19%

SANM -15.7%

CHUY -12%

AIRM -10.5%

CNC -10%

### Volatility Losers

- UA
- MAS
- TXN
- LVS
- AKS
- MMM

### High Put Volume

- WEC
- NI
- VER
- BRS
- CMPR
- WYN
- SSYS

### Bearish Options

- INFN
- WU
- KSS
- BHI
- JWN
- SO
- NFLX
- CLF
- NI
- WEC



## ON Semi Attracts Call Buyers on Peer Semi Read-Through

**Ticker/Price:** ON (\$10)

### Analysis:

**ON Semi (ON)** the hottest name on the open for options action as 6,000 August \$10 calls were bought to open \$0.45 to \$0.50 in sizable lots, trading 25X daily calls on a day when Semi's are strong after the TXN report. ON shares on the weekly are looking to clear the \$10 level out of a consolidation range and are also clearing a downtrend from the highs above \$13 in 2015, nearing a weekly cloud breakout. A move above the 50% Fibonacci at \$10.25 can lead to \$11.50+ upside. The \$3.97B Semi trades 9.27X Earnings, 1.15X Sales, and 2.39X Book, cheap on most metrics and a low short float name. ON was a double digit revenue growth name in 2014-2015 and in 2016 sees flat revenues, the reason for its low multiple, but is targeting a 23.5% Y/Y EPS jump in 2017 to record highs as it integrates the Fairchild Semi (FCS) acquisition. ON is now considered a power management leader, a consolidating industry, and is focused on Auto, Industrial and Smartphone markets with Auto/Industrial the two largest and positive commentary in those groups this quarter thus far from peers. ON is expected to report the 2nd week of August. Analysts have an average target on shares of \$12 with 14 Buy, 5 Hold and 1 Sell rating. B. Riley was out in late March with a Buy and \$13 target seeing great merger synergies. FBR was out negative recently seeing the NXPI sale of Standard Products division which it competes. On 6-13 Pac-Crest upgraded shares to Overweight, citing an underappreciated ADAS content story, FCF synergies and Skylake tailwinds. Institutional ownership was down 2% in Q1 filings, Argent Capital a \$2B fund out of St. Louis added to its stake.

### Hawk Vision:



**Trading Strategy:** ON is extended near-term and have time until earnings, but I do like this future story on Auto strength and M&A synergies, so can look for cheap calls closer to earnings.

**Confidence Ranking:** \$\$\$



## Ascena Retail Puts Jump as Struggles Seen Continuing

Ticker/Price: ASNA (\$8.28)

### Analysis:

**Ascena Retail (ASNA)** with buyers of 5,500 September \$9 puts today to open from \$1.05 to \$1.10 offer, sizable positioning and over 9X average volume with IV30 up 3.6%. ASNA has 3,000 January \$9 puts in open interest from buyers on 6-2, an over \$745,000 position. ASNA shares have been in a steep downtrend since 2014 and trading under both the weekly and monthly cloud. The \$1.58B retailer trades 9.62X earnings, 0.25X sales, and 0.85X book but a debt-heavy balance sheet. Short interest is 17.82% of the float and rising since April 2015 when it was 4%. The company cut guidance for the second time in 2016 on 6-1 seeing weakness in their Justice Brands which has seen slower growth amid a more promotional environment. Overall comp sales were down 4% and seeing slower integration of their big Ann Taylor acquisition, not likely to hit their \$235M goal until 2018. The company has seen traffic decline across all brands and risks with rising inventories in coming quarters. Analysts have an average target for shares of \$14 with 6 Buy ratings and 4 Hold ratings. Sun Trust cut estimates to \$10 in June noting the sharp fall in traffic and Oppenheimer cut their 2017 estimates seeing inventories pressuring in the 2H. Institutional ownership fell 6.87% in Q1 filings, Stadium Capital a top holder with 12.3M shares. Golden Gate Capital, an activist firm known for their work in retail, is the top holder with 17M shares.

### Hawk Vision:



**Trading Strategy:** ASNA is a sizable put purchase and a pretty weak history, so if looking for some short exposure in Retail, an acceptable name.

**Confidence Ranking:** \$\$

## ***Additional Options Flow***

### **Market/ETFs**

**Minimum Volatility Fund (USMV)** buyer of 6,750 Sep \$46 puts \$0.45 to open, a spot that could be hit with the Fed as it is in safety/yield names

**Gold (GLD)** trading the August \$127/\$131/\$132.50 unbalanced call fly 25,000X50,000X25,000

**Russell 2000 (IWM)** October \$116/\$102 put spreads opening 20,000X, continue to see put spread hedges in August-October using IWM

### **Consumer Discretionary**

**Under Armour (UA)** with 4,000 August \$45 calls bought in early action at \$1.30 as weekly call positions roll out after earnings

**Kohl's (KSS)** buyer of 2,000 August \$42.50 puts for \$2.10 to \$2.15, looks to be rolling back position from the \$40 puts which opened yesterday

**Nordstrom (JWN)** with 1,000 August \$45 puts bought \$2.39 into strength, similar to KSS activity

**Macy's (M)** trading over 4,000 September \$37 calls with buyers as August \$35 calls roll out

**Wynn Resorts (WYNN)** buyers of 1,000 September \$110/\$125 call spreads, shares higher after the LVS report, and is a name that has seen a lot of notable call buys, including 3K Dec. \$100 calls in OI

**Las Vegas Sands (LVS)** shares up 5.1% today following earnings and buyer of 5,000 August \$52 calls now for \$0.59 to \$0.63 to open, looking for rally to continue

**Tempur Pedic (TPX)** spread ahead of earnings 7-28 sells 5,000 August \$70 calls and buys 5,000 August \$60/\$55 put spreads, a name with elevated option prices into earnings

**Dollar General (DG)** aggressive buyer of 670 Jan. 2017 \$87.50 puts to open at \$3.10

**Lowe's (LOW)** buyer of 2,500 September 2nd (W) \$77 puts for \$0.84, positioning for earnings on 8-17. On 6-29, ITG Research was out cautious noting that checks were showing quarterly sales trends had slowed.

**Carter's (CRI)** buyer of 300 August \$100 deep ITM calls \$13.10 offer to open this morning, reports tomorrow morning and shares lower 3 of last 4 reports, nearly a \$400K bullish bet.

**Walgreens (WBA)** with 3,000 weekly \$82 puts bought to open, look to be rolling up from \$80 strike and shares near a break of \$81 support. WBA could see MCK earnings as a potential catalyst tomorrow night

**Scientific Games (SGMS)** with over 4,800 August \$13 calls bought to open this afternoon and 2,500 August \$12 calls as well seeing opening action, shares on the highs and clearing a big weekly bull flag today. SGMS with a big weekly breakout on gaming strength and has over 30,000 Jan. 2017 \$12 calls in OI and even 70,000 Jan. 2017 \$20/\$30 call spreads

**Ross Stores (ROST)** buyers of 1,000 August \$60 puts for \$1.15 to \$1.25 to open today, very strong move since mid-June to new highs

**Scripps (SNI)** buyers of 2,500 August \$65/\$60 put spreads for \$1.05

### **Consumer Staples**

**Kroger (KR)** trading 9,000 August \$37.50 calls this morning against over 7,000 in open interest, shares up 1.5% following upgrade at Goldman Sachs to Conviction Buy

**Yum Brands (YUM)** IV rising with 1,250 August \$90 puts bought to open for \$1.84 to \$1.90

**Mondelez (MDLZ)** on day lows and trades 1,500 Jan. 2017 \$50/\$40 bull risk reversals for a net \$0.28 credit, earnings tomorrow morning

## Energy

**Baker Hughes (BHI)** August \$45 puts seeing opening action into early strength with 2,835 trading, earnings 7-28 pre-market

**Bristow Group (BRS)** buyer of 1,000 August \$10 puts for \$0.55 to \$0.70 to open this morning, 5X average volume ahead of earnings on 8-4. Shares have closed lower each of the last four quarters, down over 20% the last two

**EnCana (ECA)** January 2017 \$8 calls with a big sweep of 5,000 at \$1.20 offers, shares back to low end of multi-week range, but holding up well

**Pioneer Natural (PXD)** buyer of 1,750 August \$150 calls \$4.75 to open ahead of earnings tomorrow night, a name with some notable bullish OI already, and hitting near multi-week lows today

**Schlumberger (SLB)** seeing 3,850 August \$81 puts open today, action showing opening sales as IV dives, confident in a stock recovery. Now 10,000X with big block of 6,530 sold \$2.63 to open

## Financials

**Western Union (WU)** with 1,000 August \$20 puts bought to open ahead of earnings 8-3, name with over 4,000 August \$19 puts in open interest from April buyers and also some November puts in open interest

**Mack Cali (CLI)** unusual buyer of 2,500 January \$25 puts bought to open from \$0.90 to \$1.05, reports on 8-2 and similar positioning ahead of FOMC as we saw with the utilities earlier today

**Highwoods Properties (HIW)** another REIT seeing unusual longer-dated put buying today as 1,083 February \$50 puts are bought to open for \$1.70 to \$1.75 ahead of earnings 8-2

**Retail Opportunity Invest. Corp (ROIC)** with 2,820 January \$20 puts bought for \$0.75, unusual size and similar trade to CLI and the utility put buying this morning

**CoreSite Realty (COR)** buyer of 904 Jan. 2017 \$75 puts \$2.45 to open at PHLX

**PayPal (PYPL)** buyer of 2,050 October \$35 puts for \$0.85 offer to open, shares gapping down last week on earnings and trying to hold above the 50-MA

**Realty Income Group (O)** buyer of 915 January \$65 puts today for \$2.30, looks to be adding to open interest with earnings tomorrow after the close and another REIT seeing put buying

**Affiliated Managers (AMG)** September \$135 puts opened 1,000X at \$3.45 with a \$3.30-\$3.80 bid-ask, unusual for the name at 10X daily puts. AMG will report on 8-1 and shares lower 7 of the last 8 reports

**Digital Realty (DLR)** buyer of 634 Jan. 2017 \$95 puts \$3.40 to open, similar to COR trade in another Data Center REIT

**Equifax (EFX)** unusual buys of 470 Jan. 2017 \$125 puts at \$3.90 to \$4 ahead of 7-27 earnings

## Healthcare

**GlaxoSmithKline (GSK)** buyers of 2,750 August \$43 calls at \$1.70 after nearly 2,000 added to OI from buys yesterday, current OI at 4,531, earnings tomorrow

**Novavax (NVAX)** interesting spread sold 5,000 August \$8/\$6 strangles for \$1.08 to buy 5,000 October \$8 calls at \$1.83 at the CBOE

**Align Tech (ALGN)** seeing opening sales of 1,200 ITM August \$85 puts today into earnings 7-28, a name with 4,530 August \$80 puts opened recently as well, and looked to be sales

**Mallinckrodt PLC (MNK)** positioning ahead of earnings 8-2 as a trader buys the August \$69/\$73 call spread 4,000X8,000 for \$0.52 debit

**Athenahealth (ATHN)** down sharply following earnings last week but trader here sell 950 August \$105 puts to open for \$1.05 as shares recover

**Retrophin (RTRX)** with a buyer of 5,000 August \$20/\$30 call spreads for \$1.65 debit to open today and name which recently saw bullish spreads open buying the August \$20 calls and selling the September \$15 puts

**PTC Therapeutics (PTCT)** opening sale of 2,000 September \$6 calls \$0.80 to \$0.75, bearish indications

**Bristol Myers (BMY)** spread bought 6,000 August \$77.50 calls \$0.57 and sold 6,000 September 2nd (W) \$71 puts to open for \$0.725, ahead of 7-28 earnings, willing to be long the stock at \$71 while owning upside exposure

**Edward's (EW)** now with a sizable trade adjustment ahead of earnings as 4,500 August \$110 calls are closed and 4,500 September \$115 calls bought \$2.20, also closing some August \$95 short puts

**Zeltiq Aesthetics (ZLTQ)** with 3,000 November \$35 puts bought to open for \$4.75 to \$4.90, rolling back from the November \$30 puts which opened on recently

**NuVasive (NUVA)** buyer of 1,500 August \$60/\$55 put spreads for \$1.80 at the PHLX with earnings after the close, trading 200X daily puts

### Industrials

**American Air (AAL)** pops off lows as 4,500 August \$36 calls are bought \$1.30

**Caterpillar (CAT)** strong move up 4% on earnings despite lowering its outlook and seeing major weakness across all segments/regions. A trader steps in and buys 2,500 October \$80 puts at \$3.20 offer to open at ISE

**United Rentals (URI)** unusual buyer 1,400 January 2017 \$97.50 far OTM calls \$1.80 offer

**Kirby (KEX)** buyer of 1,500 September \$60 calls for \$2.20 to \$2.25 offer ahead of earnings tomorrow after the close, a name which has closed lower each of the last six reports but tendency to bounce. KEX dove yesterday sharply on a Wells Fargo downgrade to Underperform, so a lot of the negative may have already priced in

**Southwest (LUV)** buyers of 7,500 January \$43 calls from \$1.30 to \$1.35 to open today, name with over 15,000 August \$40 short puts in open interest and underwater

**Genuine Parts (GPC)** buyers of 1,170+ November \$97.50 calls for \$5.80 to \$5.90 this afternoon, smaller lots throughout the afternoon. Shares pulling back to the 50-MA last week

### Materials

**Cliffs Natural (CLF)** now with 10,000 August \$6.50 puts bought to open ahead of 7-28 earnings

**Mosaic (MOS)** reports 8-2 and shares on the highs with IV rising as 1,500 Aug \$29 calls trading for \$1.30 to \$1.36 offer where 3,500+ already sit in open interest

**Domtar (UFS)** unusual call activity with 450 September \$35 calls bought \$1.55 offer and 1,000 of the \$40 calls bought at \$0.30 to open

**FMC Corp (FMC)** with an opening sale of 2,500 September \$45 puts for \$1.15 ahead of 8-2 earnings, shares coiled above the 50-MA

**Vulcan Materials (VMC)** buyers of 585 Jan. 2017 \$115 puts to open \$5.10 to \$5.30, 8-1 earnings

**KennaMetal (KMT)** buyer of 500 August \$25 calls from \$0.90 to \$1.00 offer ahead of earnings on 8-1, aggressive opening trade. Big block now trades at \$1.00 to \$1.05, over 4250 trading to open

**AK Steel (AKS)** buyer of 92,000 September \$7 calls \$0.23, closes 46,000 September \$5.50 calls \$0.83, been rolling for awhile

## Tech and Telecom

**Infinera (INFN)** buyer of 1,000 weekly \$12.50 puts \$0.75 offer, aggressive order into earnings 7-27

**NXP Semi (NXPI)** opening sale 1,550 weekly \$86 straddles for \$5.30 into earnings tomorrow night

**Mobileye (MBLY)** shares down 13.5% this morning following earnings and buyers of 2,400 September \$48 calls for \$0.90 to \$1, shares tanking during the conference call with the company announcing its relationship with Tesla Motors was lower but a minimal percentage of overall revenue in 2016 and 2017

**Verifone Systems (PAY)** trading 5,000 October \$20/\$19 bear risk reversals to open today for a small debit and already 20,000 October \$16 puts in open interest from buyers on 7-6. Shares moved a little this week after former CEO said he'd be interested in taking the company private but only at \$11/\$12 share.

**Texas Instruments (TXN)** up 6% following a strong quarter and now trader opens 1,500 January \$72.50 calls for \$2.56 in a stock replacement.

**NetSuite (N)** with 1,000 August \$85 puts opened \$6.10 to \$6.30 with IV rising a bit, earnings 7-28, and shares been strong with takeover chatter and price-action. N has 17.32% of the float short although down since the beginning of June when it was closer to 20%. N Skew remains inverted showing a bullish bias in options market pricing, more fear of upside than downside

**Tableau Software (DATA)** falling with 5,000 August \$58 calls sold to open at \$3.00, reports 8-2. Deutsche Bank downgraded shares yesterday with concerns about price discounting and competition likely pressuring the quarter

**Apple (AAPL)** 3 hours into the day and ahead of earnings seeing a few large trades today, all bullish similar to yesterday. One trader put on 5,000 weekly \$97.5/\$95 bull risk reversals at \$0.98 debit, another with 5,000 August \$100 / November \$105 call diagonal spreads, and a 3,000 contract June 2017 \$115/\$80 bull risk reversals at a \$0.97 credit.

**Weibo (WB)** buyer of 500 August \$35 calls for \$1 offer to open today, shares with a bull flag at new highs and a strong trend higher since February. Alibaba is an equity holder with around a 20% stake and rumors in April the company was looking to increase their stake.

**Aspen Tech (AZPN)** trade opens 500 September \$45/\$35 bull risk reversals at \$0.60 debit at the PHLX, earnings in 2nd week of August.

**Twitter (TWTR)** with a buyer of 3,000 August 12th (W) \$18.50 calls to open \$1.19 to \$1.23 ahead of earnings

**Gartner (IT)** strong coming out of tight bull flag and a wildly strong long term trend, trader buys 3,000 September \$100/\$105 call spreads for \$2.20, earnings 8-4

**Xilinx (XLNX)** with 2,500 August \$50 calls bought up to \$1.55, name with some large longer-term call buys recently including 3,000 December \$49 calls and the January \$50 calls

**Maxim Integrated (MXIM)** with 1,800 September \$41 calls bought up to \$1.65, an oft-rumored M&A name in the space which is moving higher following ADI/LLTC news

**Microchip (MCHP)** another semi seeing buyers with 1,200 September \$60 calls bought to open for \$1.10 to \$1.40 as IV climbs this afternoon

**IMAX (IMAX)** a weak name today and selling off three straight days since the earnings move, a buyer here for 4,000 September \$32/\$28 put spreads at \$1.02 at the ISE

## Utility

**WEC Energy (WEC)** with 1,023 OTM January \$60 puts bought to open for \$2.00 on the CBOE, reports tomorrow morning; strong YTD trend with utilities outperforming

**Nisource (NI)** buyer of 3,196 January \$23 puts bought for \$0.60 on the CBOE, similar OTM trade to WEC ahead of 8-2 earnings

**NRG Energy (NRG)** buyer of 11,000 August \$14 puts to open \$0.45

**Public Service Group (PEG)** IV soaring with 10,000 August \$45 puts bought to open for \$0.60 to \$0.70, earnings 7-29 and yet another utility seeing put buying into the FOMC