



OptionsHawk Monthly Market Brief – April 2019

S&P 500 (SPX) Technicals

Analysis: The S&P closed March not far off the highs for 2019 and effectively held the rising 21 day MA on its dips while also staying above the YTD volume point of control. It is also nearing a “Golden Cross” for the first time since 2016 and all short and long term moving averages are upward sloping, momentum firmly in control of longs currently. If we take a look at the correction in Q4 2018 and a 2815/2350 cup and handle or “V-Bottom”, the longer term measured move targets an upside target of 3,280. The weekly RSI is also breaking out of a trend of lower highs which can engage a new bullish trend move. The weekly upper Bollinger Band is expanding and currently up near the 2,900 level which tends to be resistance after a breakout trend move. In the near-term the trade against level for longs is 2,774, a close under would be a cautious signal as well as watching closes under 8 and 21 day MA’s for even shorter-term focused momentum traders. The March lows at 2,720 and 200 day MA at 2,755 are additional levels of note.



Key Levels

	<u>Support</u>	<u>Resistance</u>
Level 1	2,795	2,865
Level 2	2,774	2,900
Level 3	2,755	2,915
Level 4	2,720	2,940

Fundamental Valuation Bands

	<u>2019</u>		<u>Value</u>	<u>2020</u>		<u>Value</u>
	<u>EPS</u>	<u>Multiple</u>	<u>Level</u>	<u>EPS</u>	<u>Multiple</u>	<u>Level</u>
Bull	170	17.5	2975	185	17	3145
Neutral	168	16	2688	180.5	15.5	2800
Bear	165	14	2310	172.5	14	2415

Market Health/Sentiment Check

<u>Indicator</u>	<u>Indication</u>	<u>Implications</u>
Short Term Moving Average Slopes	Rising	Bullish
Long Term Moving Average Slopes	Rising	Bullish
8/21 Week EMA Crossover	Above	Bullish – Near 2,690
NYSE McClellan Oscillator (NYMO)	7.5	Neutral – Not Overbought
NYSE Summation (NYSI)	874.6	Bearish – Below 8 EMA, Curling Higher
NYSE A/D (Cumulative)	New Highs	Bullish
NYSE Cumulative TICK	Above 20MA	Bullish
NYSE TRIN 21 MA	1.10	Neutral – Not Overbought
NAAIM	61.7	12 Week Low – Bullish
AAll Sentiment	33.2% Bull	Neutral
Investors Intelligence Survey	46% Bull	Neutral
CBOE Equity Put/Call 50 MA	0.616	Bull Mode
VIX:VXV Ratio	0.868	Lack of Fear

Macro Catalyst Watch and Review

Macro Data & Indicators: Macro data has been coming in soft in Europe and Asia in Q1 as well as in the US though estimates expect a much stronger second half. The US/China Trade Deal remains a major focus point as well as a recent shift to a US/Europe deal. In recent weeks we have seen disappointing data from Regional Fed Surveys, Personal Spending/Income, GDP, Durable Goods, Retail Sales, and Trade Balance which is why the Fed has stopped its plans for rate hikes and dialed back talk on the health of the economy. The Q1 reporting season is likely to see softness and potentially reduce FY outlooks, already a number of warnings, though many to this point driven by bad weather.

Central Banks: The Fed has turned very dovish progressively through 2019 due to soft economic data, pressures from the administration, and a lack of reason with inflation remaining subdued. The current outlook sees a higher potential for a rate cut as opposed to a rate hike, and likely the Fed remains on hold throughout 2019. The ECB is also likely to delay any plans to hike rates as Brexit continues to loom and be delayed. We are seeing China and Japan embark on a path of stimulus to boost recent declines in economic activity. The Fed's Bullard was out last week expecting recent soft data temporary and talks of a rate cut are premature.

Bonds & Credit: Bonds have come into focus in March with an explosive upside move, and resultant decline in yields, sparking fears of a recession as we have seen the curve invert, though tends to require the inversion to endure a few weeks and tends to be a leading indicator many months before an actual recessionary impact is seen, not does it correlate with any near-term market peak.

Catalyst Watch

Date	Event
4/1/19	US ISM and Retail Sales
4/5/19	US Jobs Report
4/10/19	ECB Meeting
4/10/19	FOMC Minutes
4/12/19	China Trade Data
4/15/19	US Earnings Season Begins
4/17/19	China March Economic Data
4/17/19	OPEC Meeting
4/26/19	US GDP Report
5/1/19	FOMC Meeting

Bull & Bear Flow Monthly Leaderboard for Upcoming Month

OPTIONSHAWK DATABASE AGGREGATE FLOW BIAS MONTH AHEAD	
BULLISH	SPOT, AXTA, ADBE, MSFT, LOW, UNP, AVGO, FIS, QSR, EBAY, AMD, EW, EA, PYPL, IIVI, INTU, DIS, BHVN, MOMO, LPSN, ZTS, AMRN, HON, COP, KSU
BEARISH	CRON, KSS, AMGN, AMG, X, WSM, GME, SIG, NUS

Hawk Vision – 5 Technical Set-Ups in Quality Fundamental Stocks (Hawk 350 Universe) with Options Flow

*** We highlight these kind of set-ups daily in the OptionsHawk Trading Hub***

Visa (V) bull flag breaking out with plenty of bullish positioning in May, June, September, and January options.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
3/29/2019	V 100 15 JAN 21 165 CALL	1,001	641	\$16.40	-1.26%	0	22.94%	0.00%	\$1,641,640	.V210115C165
3/26/2019	V 100 20 SEP 19 170 CALL	2,341	1,036	\$3.08	18.92%	0.27	17.90%	23.23%	\$725,710	.V190920C170
3/26/2019	V 100 20 SEP 19 180 CALL	2,275	1,477	\$1.05	22.09%	0.12	16.68%	10.29%	\$254,352	.V190920C180
3/25/2019	V 100 17 JAN 20 170 CALL	1,847	2,152	\$5.10	-7.27%	0.33	19.03%	27.01%	\$978,910	.V200117C170
3/15/2019	V 100 20 SEP 19 175 CALL	1,114	822	\$1.97	13.87%	0.19	16.09%	15.90%	\$219,458	.V190920C175
3/13/2019	V 100 20 SEP 19 150 CALL	1,478	925	\$11.50	9.94%	0.61	20.64%	54.96%	\$1,692,310	.V190920C150
3/12/2019	V 100 21 JUN 19 160 CALL	2,572	6,179	\$3.00	29.31%	0.34	17.11%	31.12%	\$784,460	.V190621C160
3/8/2019	V 100 18 APR 19 155 CALL	6,629	1,782	\$0.75	7.14%	0.18	15.19%	16.53%	\$497,175	.V190418C155
3/6/2019	V 100 17 JAN 20 140 PUT	1,012	2,371	\$7.10	2.16%	-0.33	21.19%	39.96%	\$713,460	.V200117P140
3/6/2019	V 100 19 JUN 20 170 CALL	1,000	0	\$7.05	N/A	0.36	22.19%	27.43%	\$705,000	.V200619C170
3/1/2019	V 100 18 APR 19 150 CALL	2,311	5,388	\$3.45	13.11%	0.49	17.01%	46.48%	\$808,850	.V190418C150
2/26/2019	V 100 17 MAY 19 150 CALL	1,862	232	\$4.05	7.43%	0.43	19.30%	39.81%	\$754,110	.V190517C150
2/22/2019	V 100 17 MAY 19 155 CALL	1,553	126	\$1.95	29.14%	0	#ERROR!	0.00%	\$302,835	.V190517C155
2/13/2019	V 100 20 SEP 19 145 PUT	2,023	38	\$9.15	-9.05%	-0.48	20.35%	53.34%	\$1,861,160	.V190920P145



Novartis (NVS) monthly breakout with bullish options positioning and a catalyst rich year. NVS has a current measured move target of \$110.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
3/29/2019	NVS 100 17 MAY 19 100 CALL	4,300	219	\$0.90	20.00%	0	16.84%	0.00%	\$387,000	.NVS190517C100
3/26/2019	NVS 100 18 APR 19 95 CALL	1,470	778	\$1.50	85.19%	0.47	17.80%	44.80%	\$220,500	.NVS190418C95
3/22/2019	NVS 100 17 MAY 19 95 CALL	2,435	1,046	\$2.10	20.00%	0	#ERROR!	0.00%	\$511,350	.NVS190517C95
3/18/2019	NVS 100 18 APR 19 90 CALL	1,046	2,405	\$3.72	-4.12%	0.74	17.62%	72.50%	\$407,940	.NVS190418C90
3/18/2019	NVS 100 17 MAY 19 95 CALL	1,001	0	\$1.45	N/A	0.36	14.99%	34.30%	\$145,145	.NVS190517C95
3/14/2019	NVS 100 19 JUL 19 95 CALL	5,119	929	\$2.20	25.71%	0.38	15.79%	35.08%	\$1,126,180	.NVS190719C95
1/8/2019	NVS 100 18 APR 19 90 CALL	2,021	434	\$1.65	43.48%	0.34	16.56%	30.60%	\$333,465	.NVS190418C90



McDonald's (MCD) weekly wedge breakout measuring to an upside target of \$215.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
3/7/2019	MCD 100 17 MAY 19 180 PUT	1,247	414	\$4.65	3.33%	-0.43	16.95%	46.69%	\$585,620	.MCD190517P180
3/7/2019	MCD 100 17 MAY 19 175 PUT	1,280	911	\$3.01	3.79%	-0.31	18.12%	33.62%	\$387,960	.MCD190517P175
3/4/2019	MCD 100 (Weeklys) 5 APR 19 190 CALL	14,739	80	\$0.87	-17.14%	0.18	16.31%	16.48%	\$1,267,554	.MCD190405C190
3/4/2019	MCD 100 17 MAY 19 180 CALL	1,536	396	\$7.50	-17.58%	0.55	19.95%	51.67%	\$1,152,000	.MCD190517C180
3/4/2019	MCD 100 18 APR 19 185 CALL	1,962	2,387	\$2.95	-28.05%	0.39	16.66%	37.01%	\$572,904	.MCD190418C185
3/4/2019	MCD 100 17 MAY 19 185 CALL	1,093	1,160	\$5.00	-17.63%	0.45	18.71%	41.55%	\$546,500	.MCD190517C185
3/4/2019	MCD 100 (Weeklys) 5 APR 19 195 CALL	17,097	1	\$0.26	-7.14%	0.07	17.06%	6.04%	\$512,910	.MCD190405C195
2/27/2019	MCD 100 18 APR 19 195 CALL	6,158	1,227	\$0.58	-4.92%	0.12	13.84%	11.06%	\$375,638	.MCD190418C195
2/22/2019	MCD 100 (Weeklys) 5 APR 19 180 PUT	641	2	\$2.75	-6.14%	-1	--	100.00%	\$176,275	.MCD190405P180
2/19/2019	MCD 100 17 MAY 19 185 CALL	775	7	\$4.15	18.57%	0.4	17.16%	36.71%	\$321,625	.MCD190517C185
1/9/2019	MCD 100 21 JUN 19 200 CALL	1,423	1,481	\$2.53	-8.99%	0.21	18.39%	17.99%	\$372,826	.MCD190621C200
12/26/2018	MCD 100 17 JAN 20 175 CALL	1,000	434	\$14.00	0.36%	0.52	23.04%	43.61%	\$1,400,000	.MCD200117C175



Vertex Pharma (VRTX) forming a large handle or flag pattern and seeking a key break above \$193.50.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paid	Symbol
3/22/2019	VRTX 100 (Weeklys) 5 APR 19 180 PUT	462	5	\$4.00	26.58%	-0.36	32.34%	38.81%	\$184,800	.VRTX190405P180
3/20/2019	VRTX 100 17 JAN 20 150 PUT	725	206	\$8.33	5.44%	-0.22	35.09%	31.92%	\$645,250	.VRTX200117P150
3/18/2019	VRTX 100 18 APR 19 200 CALL	850	1,443	\$2.30	-2.13%	0.24	29.98%	21.20%	\$216,750	.VRTX190418C200
3/18/2019	VRTX 100 18 APR 19 187.5 CALL	253	0	\$6.20	N/A	0.5	29.20%	46.33%	\$156,860	.VRTX190418C187.5
3/7/2019	VRTX 100 15 JAN 21 170 CALL	100	15	\$38.80	-20.33%	0.66	33.48%	48.53%	\$388,000	.VRTX210115C170
3/6/2019	VRTX 100 17 JAN 20 240 CALL	532	64	\$4.80	-39.24%	0.19	27.04%	13.27%	\$292,600	.VRTX200117C240
3/5/2019	VRTX 100 19 JUL 19 180 CALL	250	26	\$17.85	-8.13%	0.64	30.42%	57.14%	\$446,250	.VRTX190719C180
2/28/2019	VRTX 100 18 APR 19 210 CALL	2,940	469	\$1.30	8.33%	0.15	24.72%	13.22%	\$382,200	.VRTX190418C210
2/12/2019	VRTX 100 17 JAN 20 190 CALL	420	282	\$21.50	12.57%	0.54	32.22%	41.86%	\$903,000	.VRTX200117C190
1/28/2019	VRTX 100 17 JAN 20 200 CALL	300	134	\$20.90	0.38%	0.51	31.67%	38.87%	\$627,000	.VRTX200117C200
1/25/2019	VRTX 100 18 APR 19 210 PUT	604	152	\$11.20	19.15%	-1	100.00%	100.00%	\$676,480	.VRTX200117P160
1/24/2019	VRTX 100 17 JAN 20 185 CALL	152	104	\$28.00	-13.71%	0.61	33.31%	48.06%	\$425,600	.VRTX200117C185
1/18/2019	VRTX 100 15 JAN 21 165 PUT	450	17	\$18.95	-38.37%	-0.26	32.90%	41.65%	\$852,750	.VRTX210115P165
1/14/2019	VRTX 100 18 APR 19 175 CALL	254	105	\$19.80	-8.76%	0.66	37.75%	58.62%	\$502,920	.VRTX190418C175



Etsy (ETSY) consolidating the earnings move in a coiled pattern and RSI holding back at 50 level, looking for continuation of the trend higher.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paid	Symbol
3/19/2019	ETSY 100 17 MAY 19 65 CALL	1,007	2	\$8.60	10.26%	0.67	53.70%	58.77%	\$876,090	.ETSY190517C65
3/15/2019	ETSY 100 20 SEP 19 45 PUT	1,079	35	\$1.60	-12.57%	-0.101	58.66%	19.58%	\$172,640	.ETSY190920P45
3/14/2019	ETSY 100 20 SEP 19 105 CALL	562	41	\$1.66	-19.02%	0.16	46.89%	9.22%	\$103,970	.ETSY190920C105
3/11/2019	ETSY 100 20 SEP 19 80 PUT	300	5	\$15.60	-14.75%	-0.55	49.84%	68.51%	\$468,000	.ETSY190920P80
3/11/2019	ETSY 100 18 APR 19 70 PUT	1,072	1,783	\$3.80	-31.65%	-0.43	45.55%	49.20%	\$418,080	.ETSY190418P70
3/7/2019	ETSY 100 18 APR 19 70 PUT	1,712	447	\$5.50	27.91%	-0.56	45.52%	61.64%	\$941,600	.ETSY190418P70
3/4/2019	ETSY 100 21 JUN 19 65 PUT	1,300	592	\$6.00	37.93%	-0.37	52.41%	48.30%	\$806,000	.ETSY190621P65
3/1/2019	ETSY 100 17 JAN 20 90 CALL	1,012	101	\$7.70	6.94%	0.42	47.60%	25.65%	\$779,240	.ETSY200117C90
2/26/2019	ETSY 100 21 JUN 19 75 CALL	895	165	\$4.60	64.29%	0.4	49.05%	29.91%	\$411,700	.ETSY190621C75
2/25/2019	ETSY 100 21 JUN 19 50 CALL	1,004	343	\$12.00	9.09%	0.73	61.24%	60.57%	\$1,244,960	.ETSY190621C50



Options Radar Highlights

3/25/19

PagSeguro (PAGS) into today's dip with 10,000 June \$32.50 calls bought \$1.35 offer to open and a name that open interest has always skewed bullish, sizable May calls in open interest as well as short puts at the \$22.50 strike. PAGS cleared a key post-IPO downtrend in late February and bounced off a major VPOC level today, a move back above \$30 targets a longer term measured move to \$42.50. The \$10B payments technology Company out of Brazil trades 19X Earnings and 5.6X EV/Sales. PAGS grew revenues 50% last year and sees 30.6% growth this year as well as 31.7% EPS growth. Analysts have an average target near \$32 and short interest has been trending upwards to near 10% of the float. PAGS has been expanding its scale across mid and small sized businesses and targeting a massive TAM benefiting from a new pro-growth regime in Brazil with room to continue expanding its products. PAGS posted 80% TPV growth last quarter. Citi raised shares to Buy in November with a \$31 target and Deutsche Bank with a Buy rating noting robust fundamentals. Hedge Fund ownership fell 19.75% in Q4 filings, Melvin Capital dumping a large position while Tremblant Capital and Steadfast Capital added to positions.

3/21/19

Pivotal Software (PVTI) with a sizable trade late on Wednesday as 3,500 June \$20 calls opened up to \$2.20 for nearly \$800,000 and followed a buyer of 500 April \$19 calls on 3/19 while PVTI still has 3,000 January \$20 calls bought in open interest and 1,800 of the January 2021 \$30 calls. The \$5.45B cloud-software company trades 5.6X EV/Sales and coming off a year of 29% revenue growth with 22% growth seen each of the next two years. On the chart shares have pulled back to retest a recent flag breakout as well as the rising 55 day MA and looking to base. Shares can move out past recent highs and target a run up to \$30. It estimates its market opportunity at \$50B and looks to ride the enterprise cloud transformation wave. The PaaS segment is seen growing to \$29B by 2021 with a 22% CAGR. PVTI is seeing strong subscription growth which is now accounting for over 60% of total revenues and seeing strong customer growth with its land & expand business model and impressive 149% dollar-based net expansion. The transition is also resulting in improving gross margins. Shares sold off last quarter on weaker than expected revenue growth and customer additions but gross margins jumped to 65%. Analysts have an average target near \$25 on shares and short interest is elevated at 10.7% of the float. Dell (DELL) still owns a large \$2.87B stake in PVTI. Needham raised its target to \$28 in December noting robust demand for the PVTI platform as more blue-chip customers adopt new technologies. Goldman downgraded shares to Neutral on 3-6. Steadfast Capital was a top buyer of shares in Q4 and Laurion Capital also bought a new position.

3/13/19

Honeywell (HON) more than 4,500 April \$160 calls opening today for \$1.12 to \$1.13 and spot where 3,000 have been bought since 2/25 including 1,000 opened as risk reversals with the \$145 puts. HON has notable open interest in June and January as well from last Fall. Shares are setting up strong for a major long-term range breakout to new highs above \$160 which targets a run to \$185+. RSI on the weekly is emerging out of a 15-month downtrend. The \$112.5B industrial leader trades 17.6X earnings, 2.7X sales, and 33.75X FCF with a 2% yield. The company expects 8.5% EPS growth and 4.5% revenue growth in FY20. The company was at the JP Morgan Aviation conference recently and positive on the early signs for 2019 with strength in orders, especially in aerospace, as they target double-digit backlog growth. They were also positive on their automation business as HON continues sees software and tech become a larger part of the overall mix. They see 20% software CAGR and a key driver of future opportunities. HON has become a leaner company in recent years with their spinoffs which has also reduced cyclicalities and given them a better array of end-market exposure across energy, defense, industrial, and aerospace. Analysts have an average target for shares of \$168 with 13 buy ratings and 3 hold ratings. Short interest is 0.7% and the lowest since early 2017. Institutional ownership jumped 25% last quarter. Argus positive on 2/4 noting that they can continue to see low double-digit growth for the next five years and fears about China are overblown as while infrastructure growth is slowing, Honeywell's mid-market product sales in the country are growing.

3/5/19

Align Tech (ALGN) with \$3M in calls bought the opening 20 minutes with 1,430 July \$240 calls opening \$22.90 to \$23.50. ALGN shares are down 7.5% this morning after closing 12 Invisalign store in a arbitration ruling and booking a Q1 charge. ALGN has previously seen buyers in the \$230, \$260 and \$270 calls as well as 1,000 April \$185 short puts. ALGN shares are pulling back to near the 50 day MA at \$227 while true volume support is near \$220. The \$20.45B med-tech leader trades 36.85X Earnings, 10.4X Sales and 77.25X FCF. ALGN is set to finish 2018 with 33.5% topline growth and sees 23% growth each of the next two years. Analysts have an average target of \$275 and short interest at 4.5% of the float has been rising early in 2019. UBS cut shares to Neutral with a \$275 target on 2-14 noting declines in ASPs but annual price increases mid-year should be a boost. It continues to have dominant market share and best-in-class technology in an underpenetrated market. ALGN remains a leader in the clear aligner space which has a massive TAM, over 12M ortho cases globally where they estimate just a small fraction have been served. The company is expanding their digital services and new product offerings in areas like MA in 2019 which should help them gain share in an overly competitive space. ALGN especially sees a big opportunity in emerging markets and focused on Brazil which is the second largest market for cosmetic procedures. RW Baird defended shares this morning with a \$286 target. Hedge Fund ownership fell 3.6% in Q4 filings, Polen Capital reducing its position while Tybourne, Melvin and Viking Global took new positions.

Trades of the Week

Posted Weekly at OptionsHawk.com <https://www.optionshawk.com/trade-of-the-week/>

Earnings Recap

<u>Strong Beats</u>	<u>Bullish Themes</u>	<u>Weak Outlooks</u>	<u>Bearish Themes</u>
ROKU/NFLX	Streaming Media	RH	Home Furnishings
AYX/SPLK	Software - Analytics	BKNG	Online Travel (Costs + Competition)
PANW/ZS/CYBR	Cyber-Security Software	CCL	Travel – Cruise (Rising Oil Costs)
TTD	Digital Advertising	FDX	Shipping/Logistics – Global Growth Slowdown
W/AMZN	E-Commerce	PEP/KO	Beverages
VCYT/EXAS	Diagnostics	WYNN/LVS	Macau Gaming Slowdown
MELI	Brazil – Payments + E-Commerce	TJX/M/JWN	Department Stores
DRI/MCD/YUM/CMG	Casual Dining	GPI/PAG/AN	Auto Dealerships – Peak Auto?
LULU/NKE/PVH/VFC	Apparel – DTC Strength	WDC/NTAP/PSTG	Storage Tech
ACN	Digital Services	CCK/BLL/WRK	Packaging
ULTA/EL/PG	Beauty & Personal Care	IPGP/ST/LFUS	Electronic Components
WCN/WM/RSG	Home Services (Pricing Power)		
MEDP/BIO/IQV	Pharma Services		
VEEV/EHTH/HQY	Healthcare IT		
SYK/COO/MDT	Medical Devices & Equipment		
UTX/HON/BA/TDG	Aerospace		
ANET/CIEN/ACIA/MSI	Networking Equipment		
TEAM/NOW/DATA	SaaS		
MTCH/SPOT	Internet		
ADBE/ORCL/VMW	Business Software		

Theme of the Month

Precision Railroading (PSR)

As we look ahead to Q1 earnings kicking off, one of the key themes to have on the radar will be precision railroading (PSR). This is an efficiency concept developed by the late Hunter Harrison and two different rail operators – **Kansas City Southern (KSU)** and **Union Pacific (UNP)** – have kicked off the transition to PSR within the last six months and Q1 will be an early gauge at the move. **Norfolk Southern (NSC)** has also recently implement elements of PSR.

At its core, PSR is a car-based system rather than a train-based system which allows an operator to schedule how a car is supposed to move from point A to point B including which yards and what connections it will use to get to a customer. This allows the rail operator to better allocate people, train cars, yard resources, and other needs more effectively. Operators like **Canadian National (CNI)**, **Canadian Pacific (CP)** and **CSX** have already shown the benefits of the switch. Overall operating ratio – a key metric in the industry -- rose in 2018 for the first time in a decade due to congestion-related costs but those who are deeper into the PSR transition showed the best results (see via Trains.com). BNSF, the only rail not to implement a form of PSR, was the worst. **UNP** announced the transition in October and expects the benefits of their PSR transition to result in a 60% OR by 2020 and ultimately 55% is achievable. **KSU** thinks the move will significantly improve their margins in 2019. They see OR around 60% by 2021, down from 68% in 2014.

Class I Railroads Ranked by 2018 Operating Ratio		
	2018	2017
CSX Transportation	60.3	66.3
Canadian Pacific	61.3	58.2
Canadian National	61.5	57.4
Union Pacific	62.7	62
Kansas City Southern	64.3	64.3
Norfolk Southern	65.4	67.4
BNSF Railway	66.9	65.7
Class I average	63.2	63

Moody's was out in October very positive on the overall industry transition. They think the modernizing of the rail system could help reverse deterioration in average service levels. CSX dwell time was down 16% from 2013 levels while network speed was down only 2%. Rail arrival time accuracy has improved from 50-70% to 75-85% of the time while ROA has risen by double-digits after widespread PSR adoption.

One are that will be potentially impacted by the transition to PSR are rail lessors as operators cutback on equipment costs and downsize their fleet. This helps the operator cut back on ownership or leasing costs (an operator like KSU or UNP pays a daily fee for cars which reside inventory, un-used). Those impacted include **GATX**, **Freightcar America (RAIL)**, **Trinity (TRN)**, **WABTEC (WAB)**, **Greenbriar (GBX)**, and **Genesee and Wyoming (GWR)**. Trucking companies are also likely to be impacted in the near-term. **JB Hunt (JBHT)** said in January that the shift to PSR will probably cost the company 50,000 to 70,000 loads on an annual basis.

Key Dates

Greenbrier (GBX) will report earnings on 4/5;

Kansas City Southern (KSU) will report earnings on 4/17

Union Pacific (UNP) will report earnings on 4/18; **GATX** will report around 4/18

Canadian Pacific (CP) will report earnings on 4/23; **Westinghouse (WAB)** will report around 4/23

Trinity (TRN) will report around 4/24; **Norfolk Southern (NSC)** will report around 4/24

Knight Swift (KNX) will report around 4/25

Canadian National (CNI) will report earnings on 4/29

Genesee & Wyoming (GWR) will report around 4/30

Industry Snapshot of the Month

Specialty Metals and Components (Metal Fabrication) has twenty stocks with \$100M+ market caps in its industry sub-group and is one of the top performing groups YTD. It is an interesting group of diverse names where end-markets are a key driver to earnings, a fairly cyclical industry. Tenaris (TS) makes steel tubes mainly for the Oil & Gas Industry, Allegheny Tech (ATI) makes specialty materials for various industries, Valmont (VMI) makes infrastructure support structures, Chart Industries (GTLS) makes products for the Oil & Gas industry, Carpenter Tech (CRS) makes specialty alloys and engineered products, Mueller (MLI) makes products for water and HVAC industries, and DMC Global (BOOM) makes welded metal plates.

Components: TS, ATI, VMI, GTLS, CRS, MLI, BOOM, BRSS, HAYN, RYI, GHM, SHLO, B, TRS, OFLX, KMT, ROLL, TKR, NNBR, EML

Metrics: The 20 stocks trade on average 11.7X EV/EBITDA, 13.2X Earnings with 1.3X Debt/EBITDA ratios and 14.3% EBITDA margins.

Symbol	Company Name	Curr MCap	LTM EV/E BITD A...	EBITDA - Adjusted [% Change, FY2018 - ...	FY2 P/E (x)	FY1 EPS Dil. Adj....	FY2 EPS Dil. Adj....	FY1 Sales YoY (%)	FY2 Sales YoY (%)	LTM EBITDA Adj % Sales...	3 Y ROIC	FY17 Net Debt/E BITD...	FY0 Unlev FCF % Sale...
Tickers													
TS	TENARIS SA	16,649	10.5x	7.9%	14.41x	7.8%	28.1%	4.5%	11.1%	20.62%	-2.35	(0.9x)	3.62%
TKR	TIMKEN CO	3,320	7.7x	14.3%	8.40x	15.6%	8.9%	9.2%	3.7%	17.30%	5.25	1.4x	6.89%
ATI	ALLEGHENY TE...	3,225	8.9x	12.6%	9.96x	24.9%	36.4%	4.6%	7.2%	13.02%	-2.18	4.3x	16.19%
ROLL	RBC Bearings INC	3,156	18.1x	6.2%	24.23x	22.1%	9.9%	3.8%	8.7%	24.94%	7.62	1.9x	0.87%
KMT	KENNAMETAL INC	3,022	7.8x	15.3%	10.79x	18.2%	10.9%	4.1%	3.4%	18.43%	3.24	1.8x	3.85%
GTLS	CHART INDUST...	2,860	22.0x	26.2%	24.16x	37.8%	51.8%	19.2%	14.8%	14.27%	3.54	1.5x	1.09%
VMI	VALMONT INDU...	2,856	9.6x	8.8%	14.78x	11.6%	8.6%	5.9%	4.2%	12.60%	8.15	0.9x	0.98%
B	BARNES GROUP...	2,641	8.2x	(17.7%)	14.25x	1.9%	10.8%	4.8%	4.2%	21.83%	7.29	1.4x	3.43%
CRS	CARPENTER TE...	2,172	8.6x	17.3%	11.09x	29.5%	27.3%	9.1%	5.6%	13.71%	1.52	2.5x	1.80%
MLI	MUELLER INDU...	1,775	8.3x	-	-	(6.4%)	-	6.0%	-	8.15%	-9.58	0.2x	6.38%
TRS	TRIMAS CORP	1,376	9.6x	4.4%	15.12x	7.2%	7.6%	5.2%	3.5%	19.00%	6.86	2.1x	4.22%
OFLX	Omega Flex, Inc.	765	28.3x	-	-	-	-	-	-	25.57%	62.43	0.0x	0.35%
BRSS	GLOBAL BRASS ...	754	7.7x	(1.2%)	-	(3.8%)	3.3%	(2.0%)	2.9%	7.41%	14.72	2.0x	4.30%
BOOM	DMC Global Inc.	740	12.4x	26.2%	15.30x	23.9%	27.2%	9.2%	10.5%	17.24%	-3.94	(0.5x)	-
HAYN	HAYNES INTERN...	411	16.9x	151.3%	11.68x	-	82.4%	10.8%	7.7%	4.63%	-0.96	(7.7x)	-
RYI	Ryerson Holding ...	321	6.7x	13.2%	3.93x	50.1%	23.2%	10.4%	(0.3%)	4.89%	2.11	5.9x	17.23%
NNBR	NN INC	315	8.7x	28.5%	5.37x	(2.1%)	25.0%	13.1%	5.0%	16.49%	-2.56	7.1x	5.27%
GHM	GRAHAM CORP	193	21.9x	136.5%	21.81x	266.7%	36.4%	28.0%	1.2%	9.57%	6.92	0.0x	0.28%
EML	EASTERN CO	171	7.0x	-	-	-	-	-	-	9.60%	6.18	0.0x	0.35%
SHLO	SHILOH INDUST...	130	5.2x	(7.6%)	6.11x	(71.8%)	300.0%	(1.0%)	(3.3%)	6.39%	-0.07	2.8x	1.84%
Mean	none	2,343	11.7x	26.0%	13.21x	25.5%	41.0%	8.0%	5.3%	14.28%	5.71	1.3x	4.39%

Favored Fundamental Companies

Timken (TKR) is the favored larger name of the group trading at a discounted valuation of 7.7X EV/EBITDA while having solid growth, above-average EBITDA margins, minimal leverage, strong free cash flows, and a strong ROIC to peers. TKR also operates with a diverse set of end-markets that makes it more defensive in nature and is 54% focused on North America. It sees mega-trends such as Urbanization, Infrastructure Deployment, Energy, and Sustainability as growth drivers. It continues to strengthen its global leadership position in tapered roller bearings. It is focusing on the power transmission and motion industries and sees an \$80B market opportunity for bearings, of which \$10B is tapered. It also is expected to deploy capital for acquisitions and sees FCF, Margin and ROIC expansion likely in 2019. Timken likely has \$6/share earnings power in the next few years and is trading at the low end of its historical valuation range and with growth/margins improving can get back to a 13X multiple, a \$78 stock, which is well above its current market price.

TriMas (TRS) is the small cap that stands out, a \$1.39B market cap trading 9.6X EV/EBITDA and 15X Earnings with 19% EBITDA margins and one of the strongest growth, margin and FCF profiles. TRS operates in Aerospace, Energy, and Packaging markets and expects 5% revenue and 7% EPS growth in 2019. The packaging segment is its largest and focuses on storing liquids and lotions with a customer base in health & beauty and food/beverage. The Aerospace business provides highly-engineered mechanical fasteners and benefitting from increased aircraft build rates. The Energy segment provides sealing and fastener products for petrochemical and refinery plants. It also has a division focused on steel cylinders for transport of compressed gas. TRS has focused on cost improvements and expanding margins in recent years.

Small Cap of the Month

Natera (NTRA) is a \$1.25B provider of genetic testing services trading 4.4X EV/Sales and grew revenues 22.9% in 2018 with an outlook for 11% growth in 2019 before accelerating back to 18-20% growth in 2020/2021. NTRA remains far from profitability which is likely to come in 2022 or 2023. NTRA testing is looking at massive potential markets including Prenatal, Oncology and Transplant. It sees a \$2B opportunity in Renal Transplant, and much larger markets in testing for Breast and Pancreatic Cancers. In February the company announced a partnership with Thermo Fisher (TMO) for its kidney transplant rejection test. NTRA shares have rallied in 2019 and it is launching its Signatera liquid biopsy tests for lung, breast and colon cancer. NTRA is a company with a \$20B+ TAM and just a \$1.25B market cap. Reimbursement will be a key catalyst in 2019 as larger insurance companies decide on NTRA's products/services. NTRA also signed a partnership with BGI Genomics this year that expands its market to China and eliminates financing risk through 2020.



IPO Watch

Lyft (LYFT) recently priced 32.5M shares at \$72, above the expected range, and closed its first day of trading above \$78. LYFT will be a battleground stock as it is far from profitability but most future-looking secular growth names start at a similar position and it will hold scarcity value for a ride-sharing trend that is seeing explosive growth, though the Uber IPO could show superiority. LYFT grew revenues 200% in 2017 and 103% in 2018 with 62% growth seen in 2019 after doing \$8.1B in bookings in 2018. Shares are trading 7.3X FY19 EV/Sales and 5.4X for FY20. LYFT is purely a US play currently and has ambitions to expand to autonomous vehicle and internationally. LYFT has been showing impressive market share gains and stated 2019 is the peak year for its spending, but the main drawback is it is a clear #2 brand to Uber. However, it is a massive and growing market with a shift away from car ownership moving to Transportation-as-a-Service (TaaS) for the new on-demand economy. Consumers spent \$1.2 Trillion on transportation in 2017, the 2nd largest household expenditure. Ridesharing currently accounts for less than 3% of total vehicle miles traveled. In a 2016 survey, 57% of U.S. respondents who used sharing services said that well-priced and convenient offerings could cause them to give up ownership altogether. Investors will be focusing on company-specific metrics like Active Riders and Revenue per Active Rider. LYFT will be easier to value once UBER is also public and likely set up a nice pair trade.

Active Riders (in millions)



Revenue per Active Rider



Revenue as a Percentage of Bookings



Contribution Margin



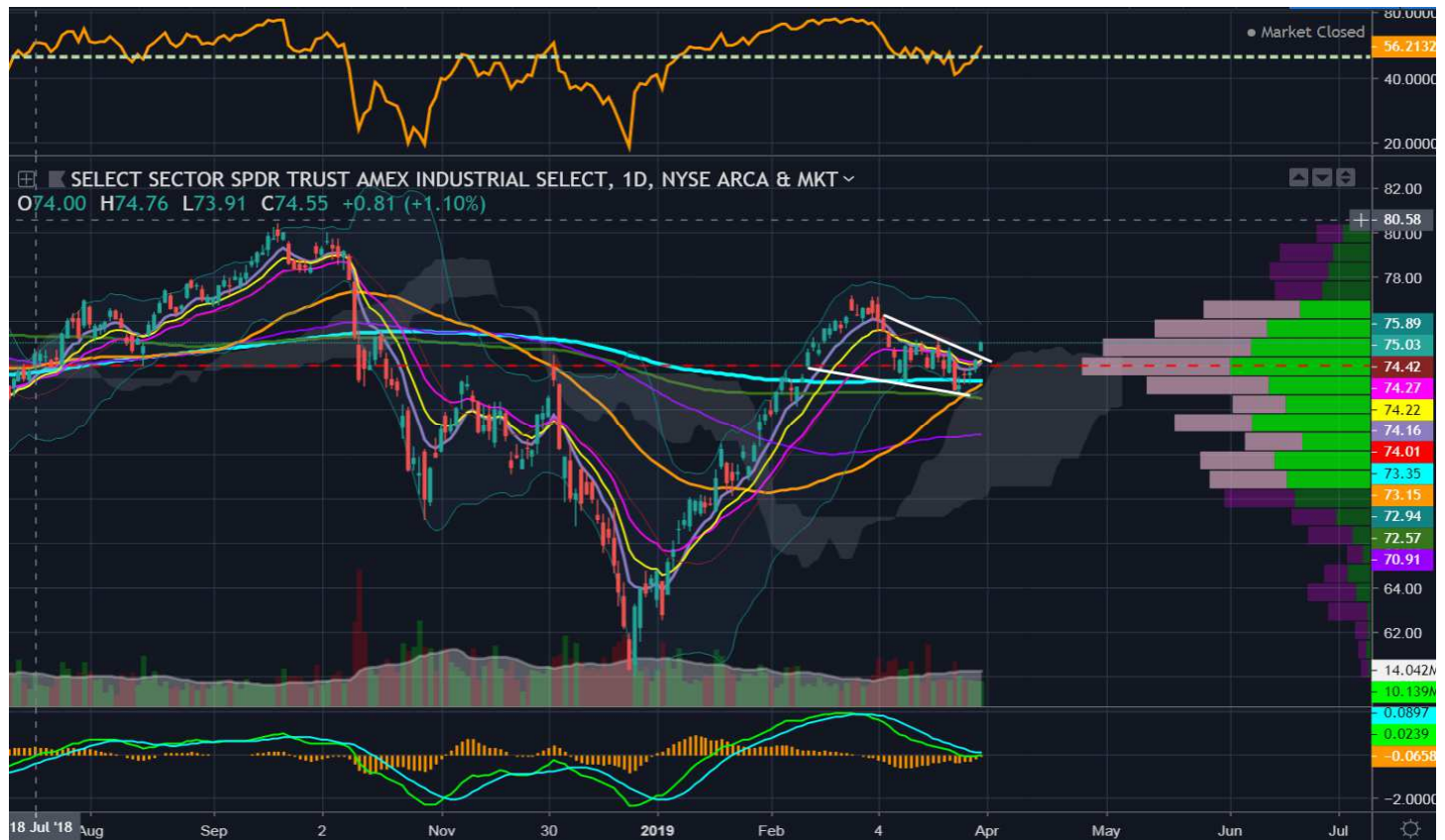
Insider Activity Monthly Recap

For Detailed Write-Ups Visit <https://www.optionshawk.com/options-trader/insider-trading-spotlight/>

Stock	Date	Purchaser	Title	Purchase Pri	\$ Value	Current Pri	% Chan
SUI	3/12/2019	Weiss Arthur A	Dir	\$117.84	\$30,305,973	\$118.52	0.58%
REV	3/20/2019	Perelman Ronald O	Dir, 10%	\$19.90	\$7,065,977	\$19.38	-2.61%
SEM	3/14/2019	Ortenzio Rocco A	Vice COB, Co-Fou	\$14.18	\$4,340,843	\$14.09	-0.63%
ATVI	3/12/2019	Nolan Peter J	Dir	\$42.95	\$4,295,470	\$45.53	6.01%
HIQ	3/20/2019	Fichthorn John	Dir	\$29.28	\$2,745,177	\$26.82	-8.40%
ARNC	3/8/2019	Plant John C	COB, CEO	\$18.67	\$1,960,298	\$19.11	2.36%
CWH	3/15/2019	Lemonis Marcus	CEO, 10%	\$13.27	\$1,314,591	\$13.91	4.82%
LAND	3/14/2019	Gladstone David	CEO, 10%	\$12.00	\$1,199,608	\$12.65	5.42%
PBF	3/11/2019	Nimbley Thomas J.	CEO	\$30.03	\$750,750	\$31.14	3.70%
SIX	3/12/2019	Cellar Kurt Matthew	Dir	\$49.46	\$741,827	\$49.35	-0.22%
BCO	3/8/2019	Pertz Douglas A	Pres, CEO	\$72.92	\$729,250	\$75.41	3.41%
ELAN	3/13/2019	Hoover R David	Dir	\$31.43	\$628,586	\$32.07	2.04%
FIS	3/21/2019	Navab Alexandar Jr	Dir	\$107.22	\$544,142	\$113.10	5.48%
CVS	3/11/2019	Brown C David II	Dir	\$53.18	\$531,800	\$53.93	1.41%
REZI	3/12/2019	Fradin Roger	Dir	\$20.41	\$510,163	\$19.29	-5.49%
KOP	3/14/2019	Johnson R. Michael	VP Utility, Industria	\$25.50	\$509,964	\$25.98	1.88%
CVS	3/8/2019	Dorman David W	Dir	\$52.71	\$506,016	\$53.93	2.31%
FANG	3/8/2019	Hollis Michael L.	Pres, COO	\$95.12	\$505,352	\$101.53	6.74%
ATSG	3/18/2019	Coretz Robert K.	Dir	\$20.05	\$501,250	\$23.05	14.96%
D	3/13/2019	Bennett James A	Dir	\$76.33	\$499,998	\$76.66	0.43%
FIZZ	3/14/2019	Caporella Joseph G	Pres	\$59.95	\$359,700	\$57.73	-3.70%
CI	3/11/2019	Evanko Brian C	Pres Government	\$163.40	\$326,800	\$160.82	-1.58%
LGND	3/13/2019	Higgins John L	CEO	\$114.29	\$285,725	\$125.71	9.99%
WSC	3/19/2019	Holthaus Gerard E	Dir	\$11.41	\$285,134	\$11.09	-2.80%
KW	3/20/2019	Bowen Trevor	Dir	\$20.93	\$282,555	\$21.39	2.20%
SIX	3/8/2019	Nabi Usman	Dir	\$50.77	\$253,830	\$49.35	-2.80%
TVTY	3/20/2019	Kirshner Benjamin A.	Dir	\$17.26	\$251,461	\$17.56	1.74%
PLow	3/15/2019	Dejana Andrew	* See Remarks be	\$38.13	\$247,845	\$38.07	-0.16%
ESPR	3/14/2019	Mayleben Timothy M	Pres, CEO	\$48.73	\$243,650	\$40.15	-17.61%
HIQ	3/20/2019	Gabos Paul G	Dir	\$29.91	\$239,254	\$26.82	-10.33%
KDP	3/8/2019	Loucks Brian Andrew	Pres Keurig Applia	\$26.29	\$223,430	\$27.97	6.39%
ESPR	3/20/2019	Mayleben Timothy M	Pres, CEO	\$43.48	\$217,400	\$40.15	-7.66%
BCO	3/8/2019	Domanico Ronald James	EVP, CFO	\$72.39	\$217,170	\$75.41	4.17%
PJT	3/15/2019	Taubman Paul J	COB, CEO	\$40.58	\$202,900	\$41.80	3.01%
DBD	3/13/2019	Rutherford Jeffrey L	SVP, CFO	\$10.54	\$201,270	\$11.07	5.03%
KDP	3/14/2019	Loucks Brian Andrew	Pres Keurig Applia	\$27.34	\$170,905	\$27.97	2.30%
ROP	3/15/2019	Wallman Richard F	Dir	\$326.97	\$163,483	\$341.97	4.59%

Sector ETF Set-Up of the Week

Industrial (XLI) is a group in focus as the XLI broke out of a bull wedge to end the month and seeing a number of positive set-ups in the group. We saw weakening Macro data in Q1 but with that fully clear to markets now and potential for upside growth drivers the rest of 2019, the Industrials could be a great spot to exceed the now lowered bar from the consensus estimates. Top holdings include BA, UNP, MMM, HON, UTX, CAT, UPS, GE, LMT and CSX so exposure to Transports, Aerospace, and Defense. XLI has 70 holdings with an average 3-5 year EPS growth of 11.5% trading 16X forward earnings and yielding 2%.



Monthly Educational and Insightful Links

Interview with Alex Sacerdote of Whale Rock Capital

<https://medium.com/graham-and-doddsville/alex-sacerdote-of-whale-rock-capital-ee46fcbfd8eb>

The Magic Number for Software Companies

<https://www.bloomberg.com/opinion/articles/2016-06-21/new-equation-for-software-investing-adds-cash-to-growth>

Measuring the Moat – CSFB

<https://plus.credit-suisse.com/r/V6fkr51AF-WEIY95>

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.

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