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 Subject: [/] DB Derivs: Stock Replace Winners ahead of Earnings

Lower delta risk during earnings with options

This quarter seems to be another where expectations are high and so beats will be shrugged off and misses get punished. Last week we had a note looking at stock reactions to earnings; **The initial move on SPX and NDX constituents earnings last quarter were mostly negative, even on beats, before retracing the move higher over the following week or so; misses were hit harder, but also recovered (albeit less).**

- Average 1 day earning move of beats = -0.11% and the average 1 week move -0.01%, but the 1M return was 2.5%: roughly in-line with the SPX return over the period of 2.4%
- Average 1 day earning move of beats = -1.22% and the average 1 week move -0.74%, but the 1M return was 1.14%: much lower than the SPX return.

The question remains if it will look like that again this quarter. **The bad NFLX print may be a harbinger to other long-momentum, short-value, or long-growth stocks.** Based on last quarter's earnings reactions as well as the possible contagion from factor rotation on the back of Netflix, **stock replace winners ahead earnings.**

SPX & NDX stock replacement candidates based on relatively low vol and outperformance over last 3 months

DB Equity Derivatives



Tickers	Name	Spot	3M Return	Next Earnings Report Date	Implied Move on Earnings	ATM 1M IV/3M RV Ratio	1M ATM Vol %-ile	Short Interest as % of Float
AMD UR	ADVANCED MICRO DEVICES	16.58	57.6%	25-Jul	5.56%	1.01	65.40%	18.14%
TRIP UW	TRIPADVISOR INC	59.35	41.4%	1-Aug	9.94%	0.77	70.52%	15.78%
CMG UN	CHIPOTLE MEXICAN GRILL INC	452.06	35.1%	26-Jul	6.84%	0.51	61.81%	10.93%
AAP UN	ADVANCE AUTO PARTS INC	139.67	29.1%	14-Aug	4.41%	1.08	60.53%	5.42%
M UN	MACY'S INC	36.99	27.8%	9-Aug	3.20%	0.99	67.36%	14.82%
CNC UN	CENTENE CORP	133.23	18.8%	24-Jul	3.95%	1.13	53.79%	2.35%
ALXN UW	ALEXION PHARMACEUTICALS INC	134.58	18.8%	26-Jul	6.90%	0.82	54.41%	2.01%
ATVI UW	ACTIVISION BLIZZARD INC	80.23	17.5%	2-Aug	4.92%	0.96	60.29%	1.43%
ADP UW	AUTOMATIC DATA PROCESSING	137.12	16.3%	1-Aug	4.17%	0.83	74.99%	0.99%
NOV UN	NATIONAL OILWELL VARCO INC	43.85	15.5%	26-Jul	4.33%	1.03	56.97%	5.93%
CBS UN	CBS CORP-CLASS B NON VOTING	58.83	15.0%	2-Aug	3.52%	0.87	56.12%	3.10%
VRTX UW	VERTEX PHARMACEUTICALS INC	181.22	14.2%	25-Jul	4.23%	0.82	57.28%	1.08%
AMGN UW	AMGEN INC	194.88	13.7%	26-Jul	3.48%	0.91	39.77%	1.45%
APC UN	ANADARKO PETROLEUM CORP	72.84	13.7%	31-Jul	3.40%	1.03	60.27%	2.33%
HD UN	HOME DEPOT INC	198.88	13.7%	14-Aug	2.95%	0.80	36.84%	0.71%
DVA UN	DAVITA INC	71.71	13.7%	7-Aug	3.24%	1.12	58.33%	4.38%
MSCI UN	MSCI INC	170.58	13.6%	2-Aug	4.15%	1.12	62.19%	1.30%
MAT UW	MATTEL INC	16.28	13.6%	25-Jul	10.64%	1.08	62.78%	21.64%
V UN	VISA INC-CLASS A SHARES	138.46	13.6%	25-Jul	3.11%	0.81	56.42%	1.39%
FFIV UW	F5 NETWORKS INC	175.68	13.2%	25-Jul	6.27%	1.36	76.49%	6.26%
VFC UN	VF CORP	88.80	12.9%	20-Jul	4.59%	2.53	51.74%	1.86%
TXT UN	TEXTRON INC	66.68	12.2%	18-Jul	5.16%	2.75	69.84%	2.28%
SNA UN	SNAP-ON INC	163.87	11.4%	19-Jul	4.73%	2.51	61.40%	12.74%
MSFT UW	MICROSOFT CORP	104.91	11.4%	19-Jul	3.85%	1.65	53.51%	0.63%
KMI UN	KINDER MORGAN INC	17.80	11.1%	18-Jul	3.13%	1.54	35.39%	1.75%

Trades: