



FDX, NKE

**Fed-Ex (FDX)** will announce quarterly results 12/17 after the close with the Street looking for \$3.93 EPS and \$19.39B in revenues (+11.9%) and for Q3/FY21 seeing \$3.12/\$18.89B and \$16.22/\$76.76B. FDX shares have closed higher its last three reports after being lower 7 of the previous 8, a six quarter average max move of 9.84%. The \$75.5B parcel freight company trades 10X FY21 EBITDA, 16.4X Earnings and yields a 0.9% dividend, still trailing closest peer UPS on margins and return on capital metrics but has been expanding margins and raising prices. FDX recently announced an interesting deal to acquire ecommerce shipping service ShopRunner. Analysts have an average target of \$310 with short interest down 33.8% Q/Q to just 1.3% of the float. UBS raised its target to \$380 last week citing higher sequential airfreight rates and a strong peak season. Citi raised its target to \$365 raising estimates on a more constructive scenario to leverage ecommerce growth and drive incremental Ground margins. On 12/1 Barclays upgraded shares to Overweight with a \$360 target citing an abundance of growth opportunities for a multi-year upcycle with Fed-Ex Ground providing the lowest cost final mile delivery of the large US operators. Hedge Fund ownership jumped 12% in Q3 filings with several notable top holders. On the chart FDX pulled back to the late November breakout and a key VPOC last week sitting on the rising 21 MA into results while \$276 support below with the 55 MA. FDX options are pricing in a 6.8% earnings move with 30 day IV Skew at +0.2 which compares to the +2.5 52-week average. The Dec. 24<sup>th</sup> (W) \$295 and \$300 calls with large buys in OI for 1300X and 1600X respectively, the April \$300 calls with 1900X including 1100 bought on 9/15, and 1000 December \$115 calls bought recently.

Trade to Consider: Long **FDX** Dec. 24<sup>th</sup> (W) \$295/\$310 Call Spreads at \$5 Debt



**Nike (NKE)** will announce earnings 12/18 after the close with the Street consensus at \$0.62 EPS and \$10.55B in revenues (+2.2%) and Q3/FY21 seen at \$0.76/\$10.8B and \$2,88/\$41.96B. NKE shares have closed higher 4 of its last 6 reports with an average max move of 7.45%. The \$215B footwear & apparel leader trades 37.25X Earnings, 5.77X Sales and yields a 0.8% dividend. Forecasts see 12.2% revenue growth in 2021 with most of it coming in the second half along with an 80% jump in EPS. NKE's investments into digital insulated it more from the pandemic with DTC sales surging while its Jordan brand continues to perform well and it remains a major player in International markets. Nike's thriving DTC business is also growing its operating margins. Analysts have an average target of \$146.50 and short interest low at 1% of the float though rising 25% Q/Q to a two-year high with shares priced for perfection. Wedbush raised its target to \$152 last week expecting upside to Q2 and a raise for FY21 seeing upside opportunities despite high investor expectations. Cowen raised its target to \$165 seeing premium valuation justified by the transformation to digital and a path to \$6/share earnings and mid-teens annual EPS CAGR. MSCO also raised its target to \$165 seeing an upside surprise and the exposure to activewear capturing an accelerated trend from consumers. RBC started shares Outperform on 11/11 as a best-in-class global athletic play with upside to earnings and faster margin expansion the next two years. Hedge Fund ownership rose 5% in Q3 filings, Edgewood, Fundsmith and Polen notable top holders. On the chart NKE pulled back to the 13 MA last week after hitting record highs, trading in new territory with the next Fibonacci extension level near \$162 while \$153 a trend extension resistance for next week. Support levels at \$134 and \$129 are notable. NKE options pricing in a 6.3% earnings move with 30 day IV Skew at +0.3 which compares to the +2.6 52-week average. NKE has seen large buys in December \$135 calls, March \$135 calls, July \$140 calls, and January \$130 calls.

Trade to Consider: Long the **NKE** December/January \$145/\$130 Double Calendar Spread at \$2.90 Debit



## **Disclaimer:**

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## **Not Investment Advice or Recommendation**

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