



Morgan Stanley Calls Accumulate as Banks Break Out

Ticker/Price: MS (\$43.25)

Analysis:

Morgan Stanley (MS) with buyers of 2,500 May \$44 calls today for \$1.40 to \$1.45 and name which has seen recent accumulation of more than 20,000 April \$44 and \$45 calls. The May \$42 calls, October \$49 OTM calls, and January 2020 \$40 calls also with buying over the last month. Shares hit the 200-EMA this week and pulling back into the prior breakout and 8-EMA today at \$43.50. MS broke a downtrend from the March 2018 highs last week and above \$45 has room back to a higher volume node around \$50. The \$74B company trades 8.18X earnings, 1X book, and 24X FCF with over \$18/share in cash on hand. MS has a 2.7% yield and positive upcoming catalyst in April/June with the CCAR submission and results which will likely drive greater shareholder returns. The company sees 9.9% EPS growth in 2020 with 3% sales growth as they invest in expanding their reach in wealth management through M&A. MS reached a \$900M deal for Solium Capital in February, their largest since the financial crisis, which adds more than 3,000 stock plan clients including Shopify, Levi, and Stripe. Analysts have an average target for shares of \$57 with 10 buy ratings, 6 hold ratings, and 1 sell. BMO positive in January noting that shares still trade at a deep value to historical multiples and a number of upside drivers in 2019 including CCAR rules, lower interest rate volatility, and higher equity values. Deutsche Bank positive noting that the January/February equity strength should help Q1 snapback with sales and trading revenue the weakest spot in Q4. Institutional ownership fell 9%. Short interest is 0.87%.

Hawk Vision:



Trading Strategy: MS should have a killer Q1 equity trading that boosts its next earnings report, and a lot of Banks have similar technical set-ups right now where these retests likely find buyers.

Confidence Ranking: \$\$