



Honeywell Attracts Bullish Positions after Large Base Breakout

Ticker/Price: HON (\$155)

Analysis:

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 cyclicality 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.

Hawk Vision:



Trading Strategy: HON remains one of the highest quality Industrial plays, and if the market can confirm a new leg higher, a top name to own with \$175 upside target.

Confidence Ranking: \$\$