



## American Air Attracts Bullish Open Interest with Bull RSI Divergence

**Ticker/Price:** AAL (\$31.85)

### Analysis:

**American Air (AAL)** buyers of 2,500 August \$35 calls today for \$1.64, spot where 8,000 have accumulated recently, and follows buyers in the August \$31 and \$32 calls last week. AAL has 4,500 January \$35 calls in OI including 2,000 bought yesterday. Shares are back near support from December/January and positive RSI divergence on the weekly into the multi-week base. A move above the recent downtrend at \$35 has room up to \$40-\$45. The \$14.4B company trades 5X earnings, 0.32X sales, and 3X cash with a 1.27% yield. AAL sees 33.4% EPS growth in 2019 and 5% in 2020 with revenues up 4.5% each year. The company is coming off a strong quarter with unit revenue +1.7% when many peers were cautious. They see above-industry growth in RASM while they target \$1.3B in annual revenue improvement and cost initiatives. AAL is focused on investing in high value hubs like Dallas-FTW and Charlotte where operational improvements will drive margin expansion. Analysts have an average target for shares of \$47 with 11 buy ratings and 7 hold. Short interest is 4.6%, down this month and down from 7% in October 2018. Imperial positive on 3/15 with a \$43 PT seeing upside potential to earnings growth in 2019 and an attractive reward/risk at current levels. MSCO positive on 3/13 noting that the company has the least exposure to any operational issues following Boeing's grounding of the 737 MAX. On 3/8, Wolfe Research out with an interesting note suggesting that AAL should look at acquiring a smaller, regional airline and noting that Hawaiian Air would be a strong cash/stock deal. They noted that HA would give American an inside track on bids for slots at Tokyo's Haneda International Airport and better access to a high value vacation market frequented by high income travelers. Institutional ownership surged 17.5% last quarter. Berkshire with 43.7M shares. In October, two different insiders buying stock in the name. Director John Cahill bought \$836K in shares at \$33.50 while Director Jeffery Benjamin bought \$535K at \$35.70.

### Hawk Vision:



**Trading Strategy:** AAL looks to be basing giving a clear level to be long against and is a top operator. The group has been lagging and could be one to see some new money flow as funds put money back to work in the markets.

**Confidence Ranking:** \$\$