



Conoco Bulls Look for Oil Strength to Drive Upside

Ticker/Price: COP (\$69.85)

Analysis:

Conoco Philips (COP) yesterday with over 4,500 April \$67.50 calls bought up to \$3.90 on the day, over \$1.1M in premium paid. COP had 1,150 May \$67.50 puts sold to open recently and notable June open interest with the \$65, \$67.50, and \$70 calls as well as the \$55 short puts. The January 2020 \$80 calls have also seen over 2,000 bought. Shares are nearing a bull flag breakout above \$71 which measures out to \$77 and a small volume node from early October. COP is consolidating above the weekly cloud and 8-week EMA with a channel target of \$85. The \$80.9B company trades 16.25X earnings, 2.2X sales, and 16.8X FCF with a 1.75% yield. COP expects 21% EPS growth in FY20 with 14.6% revenue growth as they benefit from better production levels and higher realized prices. COP has been exploring a sale of their North Sea assets which could fetch up to \$2B and Reuters recently reporting that Eni and Hitec-Vision are teaming on a bid. Analysts have an average target for shares of \$76.50 with 13 buy ratings and 7 hold ratings. Short interest is 0.9% and moving to its lowest level since 2011 last month. Goldman upgraded shares to Buy on 2/3 with a \$82 PT. They see better long-term differential assumptions outside of the U.S. and a reduced operating cost outlook given recent trends as tailwinds. Institutional ownership fell 7.5%. Gyroscope Management a buyer of 20,000 call options.

Hawk Vision:



Trading Strategy: COP is a best of breed name among the large cap producers, though trading Energy names is always tricky but OPEC in June could propel prices higher. Current breakout alert set at \$70.50.

Confidence Ranking: \$\$