



Bullish Positioning into Occidental Petro Weakness

Ticker/Price: OXY (\$63.25)

Analysis:

Occidental Petroleum (OXY) with another 1,000 August \$65/\$75 call spreads bought today for \$2.66 after 5,000 were bought on Friday. OXY is also seeing some May \$60 puts sold today down to \$1, 1950X. On Friday, the May \$62.50 calls were bought over 850X while recent buyers have been active in the May \$65 calls, January \$60 calls, and August \$72.50 calls. Shares are down another 2.5% today and bouncing off the low-end of the daily cloud and December / March support around \$63. OXY is trading in a narrow range under \$67/\$68 with some positive RSI divergence since January. A move higher targets \$71 and a high-volume node around \$77. The \$49.25B company trades 17.85X earnings, 0.91X sales, and 11.28X FCF with a 4.8% yield and high single-digit growth. OXY sees 4% revenue growth in 2020. Shares are down the last two sessions after the company was rebuffed by Anadarko (APC) after making a takeover approach. The company offered a higher price than Chevron but also a higher mix of stock vs. cash but showing a willingness to use their balance sheet to expand and could seek another deal. OXY is forecasting 9-11% production growth this year with 30% growth in the Permian as bottleneck issues resolve themselves. OXY is seeing more efficient production with costs down as well performance and development activity improve. Analysts have an average target for shares of \$85 with 13 buy ratings, 8 hold ratings, and 1 sell rating. OpCo with a Neutral rating in March constructive on their Delaware Basin well results and efficiency metrics but near-term headwinds from their Chemicals segment. KeyBanc with a \$75 PT citing their strong balance sheet and top notch acreage in the Permian. Short interest is 1.3% and down from 2.2% in October. Institutional ownership fell 0.6%. OXY last saw insider buying in August 2018 when a Director bought \$392K in stock at \$78.50.

Hawk Vision:



Trading Strategy: OXY could put in a reversal hammer today and look to form a base in this \$62/\$68 range for a move back to \$75, reward/risk turning favorable into this two day sell-off.

Confidence Ranking: \$\$