



## General Motors Flows Bullish at Support

**Ticker/Price:** GM (\$37.10)

### Analysis:

**General Motors (GM)** with 1,000 January \$37 puts sold to open today into weakness for \$3.30 and also seeing some near-term May \$36 calls bought over 4,000X. GM has seen buyers in the December \$39 calls, January \$40 calls, and June \$41 calls recently while put sellers active in the December \$38, January \$38, and May \$37 strikes. GM has a sizable June \$42 call position in OI as well, over 55K. Shares are back at March support and a five-month channel which targets a return back to \$40. The \$51.4B company trades 5.86X earnings, 0.35X sales, and 13X FCF with a 4.15% yield. GM is targeting 6.5% EPS growth through FY21 up over \$6.65/share with revenues up 1-2%. GM has plenty of room for margin improve as they execute on a cost savings plan which is targeting \$2.5B by year-end. GM has been investing in their autonomous venture, Cruise, and planning to double their staff as they ramp up production with a goal of getting their taxi service up by year-end. The company has partnered with Lyft and recently got a \$1.9B investment recently which valued the unit at \$19B. They've partnered with Honda, Softbank, and others in the venture. Analysts have an average target for shares of \$48 with 12 buy ratings and 4 hold ratings. Short interest is 1.3%. Nomura with a \$42 PT on 5/2. The firm expects GM North America to benefit from the extended rollout of the next-generation full-size pickups as well as a shift away from the passenger car segment. Seaport with a Buy rating and \$48 PT in February. They note that GM has radically changed over the last two years. It has sold its European auto operations; overhauled the relationship with U.S. unions; expanded GM Financial; become a leader in China; updated its entire portfolio; and established the company as a global leader in autonomous driving. The auto and tech worlds are converging and GM could be the best positioned global auto maker for developing industry trends. Institutional ownership rose 3.3%. On 5-9, a Director bought \$385K in stock at \$38.58, the first open market buy since 2017.

### Hawk Vision:



**Trading Strategy:** GM is back at key support and trades very cheap as the best mainstream Auto to own, RACE the best in general, and likely offers a nice investment at these levels over the long term.

**Confidence Ranking:** \$\$