



## Unusual Bullish Positioning in Argentina Utility

**Ticker/Price:** PAM (\$25.70)

### Analysis:

**Pampa Energia (PAM)** with 2,500 September \$30/\$35 call spreads bought for \$0.80, name where the December \$25 calls have been bought 4,000X spread against the \$30 and \$35 calls. Today's action was 29X average volume, so notable accumulation recently. Shares are near their lowest level since mid-2016 after trading as high as \$70 in early 2018. PAM broke down out of a bear flag in January and a rebound would target the high-volume node at \$32.50. Shares went all the way back to a key volume node from 2015/2016 and a move above \$30 clears a long downtrend. RSI is moving back above 40 on the weekly while MACD is nearing a bullish crossover this week. The \$2.03B company is an electric utility in Argentina and by far the most diversified energy company in the country with exposure to thermal, hydroelectric, and wind. They also have oil and gas assets which represent about 32% of revenues including E&P, midstream, and refining operations. Shares trade 4.89X earnings, 0.75X sales, and 1.36X book. In April, Bloomberg reported that the company was considering a sale of the majority stake in Argentina's largest electricity distributor Edenor. PAM owns 51.4% of the company and has hired JP Morgan to advise. The move would come ahead of October's Presidential Elections where President Macri is likely to face a challenge and Edenor has thrived under his policies. The deal could be for as much as \$400M+. Analysts have an average target for shares of \$49. Credit Suisse upgraded to Outperform in November. JP Morgan with an Overweight rating citing their conservative balance sheet and active management team. Institutional ownership rose 7.7%. Fiera Capital, Stonehill, and Point72 buyers last quarter.

### Hawk Vision:



**Trading Strategy:** PAM activity is quite unusual and with shares moving out of a downtrend and base offering a nice reward/risk versus the \$21 level.

**Confidence Ranking:** \$\$