



Bullish Three Way Spreads in Emerson Electric

Ticker/Price: EMR (\$62)

Analysis:

Emerson Electric (EMR) trading another 2,020 January \$65/\$75 call spreads with the \$55 puts sold against, more than 6,000 of these opened 5/31 and EMR still has more than 8,000 January \$80 calls in open interest. EMR has also seen 2,800 September \$65 calls open into recent weakness. EMR shares pulled back in May on global industrial growth slowdown concerns and hit a 50% retracement of the December/April range, also its 233 week MA that has been supportive in the past. The \$37.35B Industrial trades 15X Earnings, 2.07X Sales, 42X FCF and 10.7X EV/EBITDA with a 3.24% dividend yield. In early May EMR misses on revenues though rose 7.6% Y/Y and lowered FY19 EPS guidance. EMR has been seeing steady improvements in order trends through 2018 with a 5-10% range expected. EMR is accelerating restructuring efforts in response to slower 1H growth. Analysts have an average target of \$73.25 on shares and short interest near multi-year lows at 0.9% of the float. Citi upped shares to Buy in early April with an \$81 target. JPM was positive in February noting compelling growth opportunities in three best-in-class franchises and project orders in Automation Solutions continues to expand. Hedge Fund ownership fell 13.75% in Q1 filings, a new position for Scopus while Longview continued to add to a now 5.35% weighted position.

Hawk Vision:



Trading Strategy: EMR is a beaten up Industrial that is a quality name and like the strategy being used, it could weaken if Macro falls further but offers compelling entry on this retracement.

Confidence Ranking: \$\$