



Citi Calls Hot as Financials Look to Gain Ground

Ticker/Price: C (\$67.85)

Analysis:

Citigroup (C) with buyers of 7,500 July \$70 calls today for \$1.33 to \$1.37 and follows buyers of the July \$62.50 calls yesterday for more than \$730K ahead of the FOMC. Citi has seen put sales in the August \$56.50 and \$65 strikes recently as well as buyers in the January 2021 \$60 calls for more than \$1.25M. Shares are consolidating in a bull flag above the rising 8-EMA after pulling back to multi-week support and bouncing. A move higher targets the April peak around \$72 and then out of a longer-term base and clearing a downtrend from the 2018 highs. Shares have a key VPOC above at \$75 before the highs at \$82.50. The \$155.7B financial trades 7.72X earnings, 2X sales, and 0.87X book with a 2.7% yield and mid-teens EPS growth. Citi sees revenue growth of 2% to 3.5% the next two years driven by above-peer digital adoption and growing inroads into Asia. Citi's CFO was at the MSCO conference last week and said that trading revenues were above consensus for Q2 despite being down single-digits and outpacing the industry. Analysts have an average target for shares of \$79.50 with 17 buy ratings and 2 hold. Goldman upgrading to Buy in late May with a \$77 PT. They see a "realistic path" to a 13% return on tangible common equity in 2020 for Citi, or 100 basis points ahead of market expectations, which he notes is not contingent on either higher interest rates or strengthening global growth trends. Hedge Fund ownership fell 6.5%. Fir Tree Capital a buyer of 2.16M shares. Short interest is 0.80%.

Hawk Vision:



Trading Strategy: C is a favored Bank but not looking to grab any exposure ahead of the FOMC and Financials remain laggards.

Confidence Ranking: \$\$