



## Size Call Buys Accumulate in Alcoa on Hopes for Cycle Inflection

**Ticker/Price:** AA (\$23)

### Analysis:

**Alcoa (AA)** now with over 28,000 October \$24 calls in open interest with size recent buyers that started on 6/14, while also 4000 July \$23 calls bought yesterday and plenty of bullish longer-dated positioning. Shares are nearing a break above a small cup and handle pattern with room to move back to the 50 day MA at \$24.50 near-term and longer term starting to shift out of a long downtrend with weekly MACD crossing bullish. There has been a recent return of interest to the Metals arena with size **XME** call buying. The \$4.2B aluminum leader trades 9.4X Earnings, 25X FCF and 3.3X EV/EBITDA, a value name. AA sees a return to growth in FY20 and next reports earnings 7/17/19. AA has a stable cash position and is reducing debt and returning excess cash to shareholders. Analysts have an average target of \$35 and short interest at 3.8% of the float has risen 38.7% Q/Q. BMO lowered its target to \$40 in April due to alumina pricing but sees a favorable reward/risk with aluminum poised to rebound in 2H19. JPM has a \$52 target seeing limited downside in aluminum prices creating an attractive entry point. Hedge Fund ownership jumped 46% in Q1 filings, Arconic showing a \$1B stake, Masters Capital with a call option position, though otherwise lacking notable holders.

### Hawk Vision:



**Trading Strategy:** AA entry does look attractive on valuation and bullish chart momentum, one of consider for exposure to the Metals space seeing renewed attention.

**Confidence Ranking:** \$\$