



## Large Call Buys Open in CF Industries After Stock Surge

**Ticker/Price:** CF (\$47.20)

### Analysis:

**CF Industries (CF)** with buyers of more than 5,000 November \$45 calls yesterday from \$4.20 up to \$4.60 as IV rose throughout the day. Yesterday's action was over 8X average and by far the most notable position in OI. Shares have jumped recently up 22% from the 5/31 lows and clearing a welldefined six-month range above \$45. Shares have a measured target up above \$50, although short-term extended and re-test of the \$45 area would be ideal. On the weekly look, CF is in a strong trend higher since 2017 and the recent range simply pulled back to the 50% Fibonacci and consolidated. MACD is curling higher from zero and RSI out of a range on the weekly. The 2018 highs around \$55 would yield a move back to \$67.50 from 2015. The \$10.55B company trades 17.9X earnings, 2.36X sales, and 13X FCF with a 2.5% yield. CF sees EPS growth of 39.7% and 23.3% through 2021 while revenue growth is expected around 5.2% next year. CF has strong FCF which has given them a lot of flexibility to pay down debt and explore further shareholder returns. The company continues to expect nitrogen demand to grow in North America this year with more corn acreage planted and Q1 shipments were tracking above estimates. They also see stronger demand for Spring product helping offset some Fall weakness. In terms of plantings, the company thinks "it is not too late for farmers to catch up on applications and plantings giving the technology they use. If farmers switch to other end products, we have all three ready in position." Analysts have an average target for shares of \$50 with 7 buy ratings, 5 hold ratings, and 1 sell. Citi putting on negative catalyst watch on 5/31 citing a slower-than-expected planting season. They keep a Buy rating and \$48 PT. BAML cut to Underperform in April with a \$38 PT. Byrne notes that the European Commission's recently announced anti-dumping duties on UAN imports from the U.S., Russia, and Trinidad and Tobago could meaningfully cause shipments to reroute from Europe. Short interest is 1.7% and near the 2015 lows. It was as high as 17% in early 2017. On 6/14, Bloomberg reported that peers Adnoc and OCI are in talks to combine their Middle East assets. In 2016, CF tried to acquire OCI's nitrogen assets unsuccessfully

### Hawk Vision:



**Trading Strategy:** CF needs to retest that 200 MA and power breakout move for an ideal entry, tough to chase at this level.

**Confidence Ranking:** \$\$