



Marathon Petro Bulls Add to Positions into Strength

Ticker/Price: MPC (\$55)

Analysis:

Marathon Petroleum (MPC) more bullish flow today as 1,725 January \$55 calls are bought for \$4.95 and also seeing 1,000 January \$57.50 calls bought this afternoon between \$3.75 and \$4.05. MPC is also seeing over 970 January 2021 \$52.50 calls bought to open up to \$9.65. MPC has sizable open interest in the calls including 19,000 October \$57.50 calls, over 8,000 October \$55 calls, and 32,000 January \$60 calls. The August \$55 calls also with over 5,000 from recent buys. Shares are forming a small bull flag under \$57/\$58 and a long downtrend from the October highs. A move higher targets a VPOC at \$65 and then up to a gap around \$75. The \$37B company trades 6.86X earnings, 0.35X sales, and 13.38X FCF with a 3.86% yield and 7-8% EPS growth. MPC sees nearly 8% revenue growth next year. MPC has a potential catalyst near-term from decisions on 2018 biofuel waivers which the President has reportedly intervened on recently. MPC is coming off a weak quarter but announced a merger of its MPLX and Andeavor midstream units which is expected to unlock around \$2B in value. Analysts have an average target for shares of \$85. Goldman positive on 6-6 citing their FCF generation. They think MPC has largely worked through inventory problems in Q1 and the 2H should be more positive. BAML positive on 4-29 noting that the company is now trading below mid-cycle valuations and he believes the worst has passed for the group as a whole. Short interest is 2.2%, up from around 1.2% recently. Hedge Fund ownership was modestly higher last quarter. Viking Global is a top holder with 13.7M shares while AQR, Wexford, and Adage Capital all sizable stakes. Third Point with a new 3.5M share position last quarter and intriguing given pushes back in 2017 and 2018 for the company to spin off their Speedway business which an activist could push for again. MPC has seen a lot of insider buying over the last year with a Director picking up \$600k in stock on 6-11 at \$48.14 and the President of Refining buying \$253k on 5-15 at \$50.74.

Hawk Vision:



Hawk's Perspective: MPC has seen massive accumulation of calls but one had to be patient waiting for price to base and moving averages to turn upward sloping, which is now the case, and currently trade against that 33 EMA.

Confidence Ranking: \$\$