



Bullish Morgan Stanley Positioning Remains Post-Earnings

Ticker/Price: MS (\$44.5)

Analysis:

Morgan Stanley (MS) shares setting up in a nice flag above the 20-day MA and under \$45 with a breakout targeting the April highs near \$48/\$49. MS has seen buyers recently in the August \$45 calls, January \$42 calls, and January \$52.50 calls while put sellers active in the January \$43 and \$41 strikes as well as the September \$39 and October \$42 puts. Shares traded as high as \$55/\$60 in early 2018 and now basing in a multi-month range. An intermediate-term move higher targets the high-volume node at \$55. The \$74.93B company trades 8.5X earnings and 1X book with over \$21/share in cash on hand. MS has a 3.15% yield. Estimates are for 8% EPS growth in FY20 and 10.6% in FY21 with revenues up 2%. MS is coming off a strong quarter with equities strong and continuing to invest in their asset management business. In late June they raised their buyback to \$6B and dividend as they continue an aggressive capital return. Analysts have an average target for shares of \$57. Citi upgrading to Buy on 7-12 after updating estimates and target prices for a new base case rate forecast that more closely reflects the forward curve. This includes two interest rate cuts in 2019 and 2020. Short interest is 0.7%. Hedge Fund ownership fell 5%. Value Act has 26.2M shares and the firm believes MS is misunderstood as their risk has shifted away from bonds and trading towards advisory services and wealth management. Eagle Capital, Adage Capital, and Balyasny all notable holders. On 4-22, the Head of Investment Management bought \$332K in stock at \$47.57, the first open market buy in over four years.

Hawk Vision:



Hawk's Perspective: MS looks attractive in this range and watching for a break above \$45, one of the stronger flow names in the Banks though always prefer JPM.

Confidence Ranking: \$\$