



## Bullish Positioning in Northrop Grumman at New Highs

**Ticker/Price:** NOC (\$371)

### Analysis:

**Northrop Grumman (NOC)** buyers of more than 2,700 OTM September \$400 calls today up to \$2.70 and follows buyers in the November \$370 calls last week for more than \$450K. NOC has some deep ITM November calls and January \$370 calls from earlier in OI but otherwise a quiet name. Shares have run a lot recently up to new highs, up 15.5% since earnings, with the trailing 8-EMA at \$360 near-term focus and the recent breakout also supportive. NOC is clearing a big area of resistance from October 2018 at \$360 which measures to near \$500. The \$62.43B company trades 16.45X earnings, 1.9X sales, and 35.5X FCF with a 1.42% yield. NOC sees 14.7% and 16.1% EPS growth with sales up 6.5% and 5.9% through the next two years. NOC is coming off a strong quarter, raising their outlook behind better cash flows and reduced leverage. NOC continues to see opportunity for their unmanned business, especially International. On 7-25, Boeing dropped out of bidding for the \$60B Pentagon program dealing NOC a big win as the sole bidder for the first phase of the GBSD to replace land-based nuclear missiles. Analysts have an average target for shares of \$345.50. MSCO upgrading to Overweight at \$418 PT on 8-6 seeing continued need for investment in national security and the recent budget deal which does away with sequestration and caps. NOC will benefit due to its long duration capability and high-end tech focus. Baird positive in early July as they integrate the OA deal and investor focus shifts away from 2019 which is seen as more of a transition year. Short interest is 1.3%. Hedge Fund ownership fell 8% in Q2. Adage Capital a top holder. In March, the CEO bought stock around \$295, the first open market buy in two years.

### Hawk Vision:



**Hawk's Perspective:** NOC is a bit extended here and recently had a nice trade with LMT, best to allow the names to set back up.

**Confidence Ranking:** \$\$