



Bulls See UPS Extending Earnings Move Higher

Ticker/Price: UPS (\$119.45)

Analysis:

United Parcel (UPS) yesterday with more than 2,450 November \$125/\$110 bull risk reversals bought on the day for a small debit and follows buyers in the January \$130 calls, over 4,000X, and the November \$130 calls on 8-27. UPS also saw 850 April \$110 calls bought on 8-27 for around \$11.40. Shares are back near resistance of a multi-week post-earnings range as well as YTD value with a breakout targeting \$130. MACD is crossing back over bullish while RSI is back above 60, ready to run. UPS has also cleared a downtrend from the 2017 highs. The \$100.5B company trades 14.4X earnings, 1.39X sales, and 20.95X cash with a 3.27% yield. UPS is a nice balance of 8-9% EPS growth with 5% revenue growth while battling a number of macro-related headwinds. UPS is coming off a strong quarter with 7% growth in domestic volumes and 30% growth in Next Day Air driven by healthcare and retail. The company hit record profits with efficiency initiatives firing on all cylinders. Analysts have an average target for shares of \$120.50. Daiwa upgrading to Outperform on 8-26 with a \$130 PT and expecting \$8.10/share in earnings power in FY20. The firm thinks UPS's integrated network is better positioned to take advantage of the trend towards shorter delivery times and expects 2020 margin improvements from Smart Logistics and Transformation Plans as they take hold. Stifel downgrading to Neutral on 7-29 as its long-term initiatives will likely require extra investment in 2020 that could limit earnings growth next year. BAML upgrading to Buy with a \$130 PT on 7-25 citing more Next Day delivery, more automation, expanded delivery in 2020, and boosting its capacity with 11 new jets this year. Short interest is 1.6%. Hedge Fund ownership rose 5.2% in Q2. Two Sigma, Carlson Capital, and Twin Tree Asset Management notable holders. In February, the President of UPS International bought stock on the open market, although a small buy.

Hawk Vision:



Hawk's Perspective: UPS looks to have found its stride again and shifted into an uptrend now looking to move out of consolidation, and continues to be the better run play over FDX.

Confidence Ranking: \$\$