



## Dow Chemical Calls Accumulate

Ticker/Price: DOW (\$45.55)

### Analysis:

**Dow Chemical (DOW)** with another 700 January 2021 \$42.50 calls bought for \$7.30 today, spot where over 1200 were bought on Friday, and later 1500 December \$47.50 calls bought for \$2.10. DOW had buyers in the January 2021 \$37.50 calls last week as well and the October \$45 calls with over 2,000 in OI from buyers in late October while the December \$45 calls have 1900 in OI from buyers as well. Shares have been in a downtrend since its spinoff from DWDP in April with \$49 a key level above at downtrend resistance and YTD VPOC. A rally higher has a measured target to \$58. The \$33.13B company trades 10.1X earnings, 0.64X sales, and 12.89X cash with a 6.3% yield. DOW is expecting to earn over \$5.20/share in EPS by FY21, up 28% and then 17.5% the next two years. Revenues are expected to accelerate to 4% annually. DOW is taking a more cautious outlook on 2020 after cutting CapEx expectations as the US/China trade war continues to drag into 2020. DOW continues to invest in expanded capacity and see a huge TAM across performance coatings, industrial, and packaging to grow into over the next 4-5 years. Analysts have an average target for shares of \$58. RBC Capital with a Buy rating and \$56 PT, positive on their industry-best capital return program and acceleration in organic growth. BAML and Citi downgrading in late July citing capacity concerns. JPM with a Neutral rating for shares and \$49 PT seeing next year's guidance as more conservative with trade issues between the US and China unresolved. Short interest is 1.2%. Hedge Fund ownership saw strong inflows in Q2 with Maverick Capital, Gotham Asset Management, Leon Cooperman and Arrowgrass Capital notable holders. In August, we saw a director buy \$233K in stock at \$46.64 while on 8-2 a different director bought \$1.38M in stock at \$46.

### Hawk Vision:



**Hawk's Perspective:** DOW is starting to work out of a short-term downtrend and back above key short-term moving averages, also increased confidence with the insider buys, room to make a run to \$50.

**Confidence Ranking:** \$\$\$