



Albemarle Bullish Positioning into Weakness

Ticker/Price: ALB (\$62.75)

Analysis:

Albemarle (ALB) shares indicated lower this morning after BAML downgraded shares to underperform following its earnings warning last week, impacted partially by weather and shipment delays but more notably weak pricing in its Lithium segment due to excess capacity. Into weakness Friday a buyer came in for 2000 January \$65 calls to open at \$4.50 to \$4.60 and ALB also has 2000 December \$65 short puts in open interest from a trade on 10/9 as well as 3000 January 2021 \$75 calls that accumulated in open interest from buyers in late 2018 and early 2019. ALB was out in August delaying construction plans due to falling lithium prices so the warning comes as little surprise, and expects supply-demand dynamics to tighten in 2020. ALB has seen two small insider buys in May and August this year at \$70.85/share and \$64.66/share price respectively. On the long term chart shares are completing a full retracement of its parabolic run 2016-2018 and recent lows at \$59 are right on trend support off its 2009 and 2015 lows, also now retesting that base breakout from early 2016. The weekly chart is showing bullish RSI divergences. The \$6.75B Company now trades just 10X Earnings, 7.7X EBITDA and yields 2.3%. ALB will hold an Investor Day on 12-12-19 as a potential positive catalyst. ALB's total sales are fairly split between Lithium, Bromine Specialties, and Catalysts and has a #1 or #2 market position in each segment. Analysts have an average target of \$79 and short interest is hitting a five-year high at 17% of its float. SunTrust also downgraded shares to Hold moving its target to \$68 from \$100 citing a weak lithium pricing environment that will impair stock sentiment the next 12-18 months. Loop Capital out on 9/13 with a lowered \$98 target cautious near-term but expects meaningfully higher production volume growth in 2021. BMO lowered its target to \$80 citing valuation and potential for a meaningful earnings improvement in 2021. Hedge Fund ownership fell 34.25% in Q2 filings and no real notable concentrated holders outside of Anchor Bolt with a 2% weighting as its 18th largest holding.

Hawk Vision:



Hawk's Perspective: ALB is tricky as I like the long term support and washed out sentiment as well as valuation and options flow, though price-action and rising short interest are concerns. I think the December catalyst could be a good one and see if shares can base this week.

Confidence Ranking: \$\$