



Ally Financial Draws Longer Term Bullish View

Ticker/Price: ALLY (\$30.75)

Analysis:

Ally Financial (ALLY) today with 4000 January 2022 \$35 calls opening \$3.30 to \$3.40, longer term bullish positioning for a name that still has 110,000 January 2020 \$35 calls in OI from buyers, while near-term the 5000 October \$33 puts remain. The \$12.1B Financial trades 7.2X Earnings and 0.85X Book with a 2.23% dividend yield and ROE near 12%. ALLY operates through Automotive Financing, Insurance, Mortgage, and Corporate segments. It is a leader in digital financial services with over \$180B in assets and has been targeting younger demographics for the secular wealth shift. Its auto business is showing strong metrics and seen less risky to the other big players like Santander (SC) and Synchrony (SYF). Ally purchased TradeKing a few years ago and is seeing a lot of account growth momentum as it builds out Ally Invest. Analysts have an average target of \$38 on shares and short interest fairly low at 3.2% of the float. ALLY at the Barclays Conference in September noted a strong ramp-up in customer growth. Stephens upgraded shares to Overweight last month with a \$44 target expecting increased auto yield as it increases the application funnel with dealers like CarMax, Carvana and others, and positive on pricing power. Piper out on 10/1 expecting a beat and raise quarter due to wider spreads and solid credit trends, seeing a strong balance sheet. JP Morgan downgraded shares this week saying persistent tailwinds of low unemployment and strong used car prices are reflected in estimates. Hedge Fund ownership fell modestly in Q2 filings, Oaktree Capital a notable concentrated holder as is Lakewood and Wedge, though the latter two both reduced positions.

Hawk Vision:



Hawk's Perspective: ALLY is back at an attractive level and valuation looks compelling with a healthy yield and overall best of breed name, though prefer to see a multi-day base with short-term moving averages curling higher for a trade.

Confidence Ranking: \$\$