Duke Energy Call Buyer into Multi-Week Low

Ticker/Price: DUK ($95)

Analysis:

Duke Energy (DUK) buyers of more than 2,250 November $92.50 calls today up to $3.10 and follows buyers of 850 last week. DUK has 1,275 April $97.50 calls in OI from buyers in August and recently had 1000 June $90 puts bought as well, although likely hedging exposure given the strong run since July. Shares are forming a bull flag above the rising 50-day MA with shares back at support this morning and a measured target of $100+. DUK recently cleared a big multi-month range above $92 that has a long-term target of $112. The $69.5B electric utility trades 18.5X earnings, 2.8X sales and 1.5X book with a 4% yield. DUK has been growing EPS at a steady rate with 4-5% expected each of the next two years. DUK has been undergoing a massive shift in recent years as they retire coal assets and other underperforming areas and modernize their grid including expansion of natural gas infrastructure and EV pilot programs. They have committed to spending $37B through 2023 and targeting 4-6% EPS CAGR. They have three potential catalysts upcoming. On the regulatory side, the company expects decisions on both their Indiana and South Carolina rate proposals. In North Carolina, bill SB559 is in the Senate currently. DUK also has a potential positive catalyst from a recent SCOTUS decision to hear a case involving the Atlantic Coast Pipeline. Evercore noting on 10-7 that the decision to hear the case is a positive for DUK who is one of the largest co-owners in the ACP. A decision will be mid-2020. Analysts have an overall average target for shares of $94 with 8 hold ratings and 1 sell. Short interest is 1.5%. Hedge fund ownership jumped 29.3% in Q2. On 10-8, the Charlotte Business Journal reported that DUK is a potential bidder for Jacksonville Florida municipal utility JEA.

Hawk Vision:

Hawk's Perspective: DUK has always screened as a top Utility so seeing options action in it is worth monitoring, fairly low risk name here with a nice yield.

Confidence Ranking: $$