



First Majestic Call Buyers as Silver Looks to Resume Rally

Ticker/Price: AG (\$10.30)

Analysis:

First Majestic (AG) aggressive buy of 2,450 April \$11 calls \$1.40 to \$1.45 early this morning and activity up to 2,975X on the day as precious metals are drawing a lot of bullish positioning this week into recent weakness. AG shares have pulled back and found support near the \$9 level and moving strong the last two days, looking for continuation higher out of the multi-week consolidation that followed a strong June-August rally. AG has a lot of size sitting in January 2021 call option open interest, as well as January 2020 calls and April \$10 and \$12 calls each with 2000X in OI. The \$2B Silver miner trades 15.8X EV/EBITDA and next reports on 11/7, higher pricing expected to benefit the earnings and a name that has closed higher 6 of its last 7 reports. On 10-15 AG announced Q3 production rose 4% sequentially. AG forecasts see EBITDA growth of 55% this year and 95% in 2020. In its presentation it notes 55% of Silver consumption is from industrial applications. but is seeing a growing demand from Solar. AG is 60% Silver and 33% Gold, producing in Mexico and has three advanced projects underway. Analysts have an average target near \$11.50 with short interest around 15% of the float. Analyst Coverage has been minimal. Hedge Fund ownership surged 100% in Q2 filings, a notable \$137M stake by Wheaton (WPM) stands out.

Hawk Vision:



Hawk's Perspective: AG falls into the precious metals group where trading them is purely technical and flow-based, so liking the theme developing and a nice recent low to trade against.

Confidence Ranking: \$\$