



Honeywell Calls Look for Momentum to Continue

Ticker/Price: HON \$182.25

Analysis:

Honeywell (HON) buyers of 2,000 January \$185 calls this morning up to \$3.45 to open and follows buyers in the January \$150 ITM calls on 11-1 for more than \$5M as well as the December \$170, \$175, and \$180 calls. HON today is also seeing some buying in the November 22nd (W) \$182.50 calls. Shares are in a strong trend higher since earnings in early October and recently clearing a big multi-month range over \$180. The recent range targets \$200 on a longer-term timeframe but could pullback to re-test that level in the near-term that also aligns with the rising 20-MA. The \$128B company trades 20.5X earnings, 3.5X sales, and 10.3X cash with a 2% yield. HON is seeing accelerating top and bottom-line growth the next two years behind growth in aerospace, demand for commercial fire products, and their industry-leading tech/software business that again saw double-digit growth in Q3. HON has a large cash pile and M&A continues to be a potential positive driver with the CEO expressing interest for several years now. Short interest is 0.8%. AQR and DE Shaw top buyers in Q2. Analysts have an average target for shares of \$187. Argus positive with a \$195 PT seeing HON outperforming peers given its broad exposure, diverse product lines, its strong presence in the commercial aerospace and commercial construction markets, as well as its "mid-market" product presence in China that is growing in spite of the country's infrastructure slowdown. Barron's positive this weekend noting the software business continues to have upside as IIoT grows and they continue to win industrial market share. They think in the future it could be worth \$25B.

Hawk Vision:



Hawk's Perspective: HON is a bit too extended here but it remains the best-of-breed large-cap industrial and one to target on a consolidation or pullback into that rising 20-MA.

Confidence Ranking: \$\$