



Call Buyers into CF Industries Weakness

Ticker/Price: CF (\$45.20)

Analysis:

CF Industries (CF) now over 2,800 January \$42.50 calls opening on the morning from \$4.00 to \$4.10 and follows a \$500k buy of the May \$50 calls on 10-30 and some smaller January call buys up to the \$55 strike in early Oct. Shares are trying to hold the 200-day MA and major support lower at \$42.75 that is 1-year VPOC. CF has been in a downtrend from the August highs with a move above \$46.50 targeting \$50 while the bullish long-term trend targets a continuation to \$65. The \$10B agricultural chemicals company trades 17.2X earnings and 2.16X sales with industry-best FCF yield and a 2.6% dividend. They see 28% EPS growth and 2.6% revenue growth in 2020 with continued margin expansion as pricing remains supportive. CF is coming off a strong quarter with better volumes as nitrogen industry supply/demand balance remains favorable. They also continue to see a positive outlook for planting in Brazil and NA with the current soybean-to-corn ratios supporting a higher corn planting season in 2020. CF also believes that farmer demand for ammonia will increase given better pricing. The company sees US/China agreement over ag purchases as a positive near-term catalyst. Short interest is 1.4% and multi-year lows. Analysts have an average target for shares of \$51. Cowen keeps the name as a Top Pick after meeting with management who is making operational improvements amid a better fundamental backdrop. Susquehanna positive seeing US growers planting more corn not just next season but for the next two seasons in order to rebuild stocks from an expected seven-year low.

Hawk Vision:



Hawk's Perspective: CF needs to show it can hold support near the 200 day moving average and looking for short-term moving averages to turn upwards before gaining more interest in it.

Confidence Ranking: \$\$