



Amazon Calls Position for Q1 Upside on Holiday Spending, One-Day Shipping

Ticker/Price: AMZN (\$1744.45)

Analysis:

Amazon (AMZN) this week has seen its February \$1730 calls bought to open 2,750X for more than \$23M. On 11/15 the December \$1700 calls opened 2000X for around \$14M. AMZN shares have continued to lag the market since peaking in July although last quarter on earnings dipped to \$1625 after hours before quickly recovering. Shares sit right on channel support and just below YTD VPOC and its rising 200 day moving average is up at \$1808.50. Shares can trigger a bullish breakout above \$1835. The \$873B Company is now trading 64X Earnings and 43.5X FCF with revenue growth seen at 18-20% and EBITDA growth in the 20-25% range. It continues to broaden its ecosystem with it launching a Telemedicine program in September and in October the NY Post reported it may be interested in an acquisition of FreshDirect and the company recently removed a fee for its grocery delivery service to entice more users. Amazon also continues to gain share in the growing ad market with search revenues now at \$7.09B and trailing only Google. AWS continues to grow strong and is eyeing a bigger presence in China while also currently appealing the Pentagon contract awarded to Microsoft. Amazon also continues to build out its streaming media and music businesses. Analysts have an average target at \$2185 and short interest is low at 0.8% of the float. AWS will hold its reINVENT Conference on 12-2-19. Street sentiment remains bullish with 35 analysts all buy rated. Barclays lowered its target to \$2000 in October concerned Amazon remains in the earlier innings of another investment cycle. Tigress Financial noted the one-day shipping cost issues will be a long term benefit as it further allows Amazon to differentiate from competitors and take more market share in Retail. CSFB cut its target to \$2100 from \$2400 but remains positive on e-commerce operating margin expansion, more moderate AWS deceleration, and optionality for faster than expected FCF growth. RW Baird called the earnings weakness a buying opportunity as significant platform investments bode well for future growth and sees guidance as conservative. Hedge Fund ownership fell 1.2% in Q3 filings.

Hawk Vision:



Hawk's Perspective: AMZN needs to show some better price-action with a close above the 8 day moving average, but this is notable ITM size building a position that looks good into 2020 as investments start to pay off.

Confidence Ranking: \$\$