



Bullish Positioning into TI Weakness

Ticker/Price: TXN (\$121)

Analysis:

Texas Instruments (TXN) rising today with shares forming a multi-week base above the 200-MA and on 11/26 buyers opening more than 1200 April \$120 calls around \$6.30 while the April \$125 calls with 800 bought on 11-22. The January \$105 puts were sold to open 10,000X on 11-21 and adding to the 5,000 previously sold seeing further weakness as an opportunity. Shares remain in a strong long-term trend with the recent move lower simply back to trend support from the 2018 lows. The rising channel targets a move back to \$140+. MACD and RSI on the weekly reset a bit and turning back higher. The \$111.5B semiconductor trades 23.8X earnings and 7.5X sales with a strong yield. TXN sees FY20 as a transition year in Analog and Embedded Processing with FY21 expectations for a high-single digit rebound. TXN has scale and product advantage over a peers and likely uses the next 12 months focused on investing in the areas of highest growth like industrial and automotive to help drive longer-term value. Analysts have an average target for shares of \$121. Jefferies positive on 10-23 noting that TXN's cut shouldn't be a surprise as it was more of a catch-up to peers and historically management has a strong track record of adjusting to difficult environments. Mizuho in October noting that comps in 2020 get easier and seasonality can be a tailwind early in the year. Short interest is 1.5% and down from 2.3% and multi-year highs in August. Hedge fund ownership was up 3% in Q3. DE Shaw, AQR, and Millennium Management buyers.

Hawk Vision:



Hawk's Perspective: TXN looks solid technically against its 200 MA and remains a leader though it clearly had one of the worst quarters in the Semi space and plenty of names I prefer to it like ADI, MCHP, NXPI.

Confidence Ranking: \$\$