



## Applied Materials Calls See Upside into Strong Seasonal Period

**Ticker/Price:** AMAT \$56.69

### Analysis:

**Applied Materials (AMAT)** more bullish flow today with 2900 February \$60 calls bought for \$2.25 to \$2.30 and volume now running over 7650X on the morning. AMAT had buyers in the April \$48 calls yesterday and the June \$55 and July \$50 calls last week. The Jan. 2021 \$57.50 puts also sold to open 2,000X on 11-26. Shares have been in a strong trend all year and pulling back just above the 50-MA over the last month. The rising channel higher targets \$65+ and with RSI and MACD both reset a bit and curling higher, lot of potential to run. The \$51.93B semiconductor equipment company trades 12.75X earnings, 3.55X sales, and 14.5X cash with a 1.5% yield. AMAT sees mid-teens EPS growth in both FY21 and FY22 with revenues up high-single digits. AMAT is coming off a strong quarter and optimistic on 2020 spending from memory customers behind improved logic and foundry demand. Short interest is 2.1%. Hedge fund ownership rose 2% in Q3. AQR, Matrix Capital, and Alkeon notable buyers last quarter. Analysts have an average target for shares of \$62.50. Nomura positive on 12-3 with semi equipment one of the only areas in the sector not showing softness into 2020. The firm upgraded to Buy recently with a \$68 PT as a recovery in NAND investments should be a positive tailwind. Argus with a \$72 PT seeing easy comps in Q1 and noting that their recent acquisition of Japan's Kokusai Electric Corp should prove to be "complementary" to its single-wafer processing systems. AMAT will be at the UBS TMT conference next week.

### Hawk Vision:



**Hawk's Perspective:** AMAT has been a strong performer all year and the pullback gives a nice entry point vs the rising 50-MA for a move into year-end.

**Confidence Ranking:** \$\$