



LyondellBasell Call Buys See Momentum into 2020

Ticker/Price: LYB \$93.97

Analysis:

LyondellBasell (LYB) on 12/12 with an aggressive buy of 2,000 January \$95 calls for \$2.70 to open and follows buyers in the March \$95 calls on 12-6 and the June \$85 calls on 11-26. LYB still has a June \$105/\$125 call spread in OI 5,000X from June. On 12-9, a March \$90/\$75 put ratio spread opened 1,000X4,000 but potential hedge and willing buyer of stock lower. Shares have pulled back to the rising 50-MA and moving out of a small downtrend yesterday with room back to \$100 and a breakout. Longer-term, LYB forming a big weekly base since late 2018 that has upside to \$120. The \$30.95B company trades 8X earnings, 0.87X sales, and 35.5X FCF with a 4.5% yield. LYB sees mid-teens EPS growth and low-single digit revenue growth in 2020. LYB sees 2019 as a key transition year with prices depressed and the company working their Schulman acquisition which sets up their portfolio to be more broad-based, flexible, and focused on growing end-markets. LYB is a leader in the polyethylene market with strong positions in the polypropylene markets as well which will be driven by significant long-term tailwinds from IMO 2020, global initiatives focused on food safety and clean water, and infrastructure investment. Analysts have an average target for shares of \$95. MSCO positive on 12-2 seeing more room for buybacks and possible a dividend hike in 2020. Goldman upgrading to Conviction Buy on 11-18 with a \$121 PT. They see U.S. integrated polyethylene margins bottoming in Q4 or early 2020 at levels well above historical mid-cycle or even peak levels. Further, they think sentiment is relatively somber and presents a strong buying opportunity into 2020. Short interest is 1.6%. Hedge fund ownership fell last quarter, largely due to a 5M share sale by Millennium Management, while Glenview remains a top holder with 1.7M shares and Soroban has a large call position. Insiders active in August in the name with the CEO buying \$500k in stock at \$68.85.

Hawk Vision:



Hawk's Perspective: LYB looks good on the chart even with yesterday's move and long-term setup has potential into a better 2020 and can be traded vs the recent lows.

Confidence Ranking: \$\$