

SPOTLIGHT OPTION TRADE



Homebuilders Multi-Week Consolidation, Pulte Homes Top Play

TRADE SNAPSHOT

TICKER	PHM
SECURITY	Pulte Group
SECTOR	Industrial – Residential Construction
CURRENT PRICE	\$39.39
LONG/SHORT	Long
TARGET	\$43
STOP	\$37.50
TIMEFRAME	7 Weeks

Trading Strategy: Long the PHM January \$39 Calls \$1.55 or Better

Net Debit/Credit: Debit \$1.55

Profitability Zone: PHM Shares Above \$40.55 on January OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: PHM shares forming a nice weekly bull flag above its rising 8 week EMA with the next target on a Fibonacci extension above \$45, a healthy consolidation and looking to resume a strong 2019 trend.



Fundamental Analysis: The \$10.7B homebuilder trades 10X Earnings, 19.15X FCF and 8.5X EV/EBITDA with a 1.12% dividend yield. PHM screens cheap to peers on valuation while having a strong growth outlook and strong free cash flows. PHM is coming off a strong quarter with new orders rising 13%, increasing from 7% growth the prior quarter, and saw a strong contribution from first time home buyers. A strong consumer, low unemployment, rising wages and low mortgage rates set PHM up for further gains. PHM serves all demographic price brackets and has a strong coastal presence. Analysts have an average target of \$40.75 and short interest at 4.9% of the float is down 30% Q/Q to near a five-year low. Hedge Fund ownership fell 13.4% in Q3 filings.

Options Activity:

Date	Description	Volume	Open.Int	Price	Delta	Impl Vol	Prob.ITM	Premium Paid	Symbol
11/27/2019	PHM 100 17 JUL 20 46 CALL	705	30	\$1.35	0.28	25.35%	21.58%	\$94,470	.PHM200717C46
11/7/2019	PHM 100 17 JAN 20 39 CALL	6,854	638	\$1.34	0.439	25.84%	39.50%	\$918,436	.PHM200117C39
11/7/2019	PHM 100 17 JAN 20 42 CALL	1,906	911	\$0.43	0.195	24.21%	16.69%	\$81,958	.PHM200117C42
11/1/2019	PHM 100 15 JAN 21 40 PUT	1,000	22	\$4.90	-42.80%	28.41%	55.50%	\$490,000	.PHM210115P40
11/1/2019	PHM 100 15 JAN 21 45 CALL	1,006	54	\$2.90	40.40%	26.99%	29.94%	\$291,740	.PHM210115C45
10/22/2019	PHM 100 17 JAN 20 36 PUT	2,070	1,414	\$0.76	-0.24	26.77%	28.41%	\$167,670	.PHM200117P36
10/11/2019	PHM 100 17 JAN 20 38 CALL	1,753	816	\$1.84	0.48	28.25%	41.84%	\$331,317	.PHM200117C38
10/10/2019	PHM 100 17 JAN 20 36 PUT	710	39	\$1.76	-0.41	28.96%	46.55%	\$127,800	.PHM200117P36
10/10/2019	PHM 100 17 JAN 20 38 CALL	709	330	\$1.73	0.45	27.86%	39.16%	\$119,112	.PHM200117C38
9/26/2019	PHM 100 15 JAN 21 37 PUT	501	2	\$4.90	-0.45	28.08%	58.16%	\$245,490	.PHM210115P37
8/23/2019	PHM 100 17 APR 20 32 CALL	437	0	\$3.70	0	29.35%	0.00%	\$161,690	.PHM200417C32
8/7/2019	PHM 100 17 JAN 20 30 CALL	1,500	5,469	\$3.30	0.64	29.09%	57.04%	\$502,500	.PHM200117C30

Potential Catalysts: No Scheduled Events – Housing Data

Disclaimer:

Not Investment Advice or Recommendation

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