Unusual Call Buying in Regional Bank

Ticker/Price: HBAN ($7.70)

Analysis:

Huntington Bancshares (HBAN) on 3/19 with unusual trading as 5000 May $8 calls opening $0.98 to $1.07 in morning trade with shares down 50% YTD. On the lows this week HBAN shares pulled back to a major volume support node from its 2013 range breakout with the $6/$7 zone important to hold and resistance on a rebound seen at $10 initially. The $8.5B regional bank operates 944 branches throughout Ohio, Michigan, Pennsylvania, Indiana, Illinois, Wisconsin, West Virginia, and Kentucky. HBAN has seen some insider purchases this year in late January and February with shares $13.02 and $13.52. Shares currently trades 5.7X Earnings, 0.75X Book and have a 7.8% dividend yield and ROE of 12.7%. HBAN has a 50/50 split with commercial and consumer loans, a strong capital base, and culture of disciplined credit underwriting. Its Loan to Deposit ratio is 91% and Liquidity Coverage 156%. Analysts have an average target of $14.50 on shares with short interest minimal at 2.3% of the float. RW Baird raised shares to Outperform on 3-9 expecting the 10 year yield to retrace higher when volatility normalizes. BAML raised shares to Buy in late February noting its more defensive nature than peers and seven straight years of positive operating leverage. It has a $16 target and sees it the right time to take shares out of the penalty box for its First Merit acquisition. Hedge Fund ownership fell 5.75% in Q4 filings, Anchor Capital with a 1.53% weighted holding.

Hawk Vision:

Hawk's Perspective: HBAN is a strong operator and the combination of value/yield at these levels is looking quite attractive.

Confidence Ranking: $$