



Berkshire Hathaway Builds Base, Options Position Bullish

Ticker/Price: BRK.B (\$180)

Analysis:

Berkshire Hathaway (BRK.B) with 1,000 May \$200 calls bought yesterday up to \$4.30 and follows over 2,000 September \$200 calls bought on 3/24 up to \$5.70. There are a number of bullish trades in OI from the last month including 1000 June \$215 calls from 3/4, over 2500 Jan. 2022 \$175 calls from 2/28 for more than \$14M, and 1,000 June 2022 \$195 calls bought for \$27.00 on 3/12 to open that remain in OI, a long-term bet on a high-quality name. Shares are down 12.5% this month and back to cloud support as well as a key range from 2016 around \$160. It also bounced right off the 38.2% Fibonacci of the rally from the 2009 lows at \$160.25. The \$439B company has exposure to some risky groups like insurance, energy, rails, and airlines but trades with a solid balance sheet at 15.7X earnings and 1.7X sales with \$125B in cash on hand. Berkshire saw 7-8% EPS growth and mid-to-high single digit revenue growth before coronavirus. They bought back \$5B in stock in 2019 and said in February they would consider additional buybacks if appropriate in 2020. Analysts have an average target for shares of \$240.25. Short interest is negligible. Hedge fund ownership rose 2.4% in Q4. Pershing Square a big holder with 4M shares and likely added recently amid Bill Ackman's spending spree this past week. The last insider buy for Berkshire was in early 2018 when vice COB Ajit Jain bought \$1.2M in stock at \$199.82. The company will hold their annual meeting on May 2.

Hawk Vision:



Hawk's Perspective: BRK.B has room to retest \$195 near-term, though remain concerned with its strong correlation to Macro and how the market will react if it dips into its cash.

Confidence Ranking: \$\$