



Alibaba Calls Bought as Shares Reach Trend Support

Ticker/Price: BABA (\$172.6)

Analysis:

Alibaba (BABA) with over 3,200 May \$175 calls bought this morning up to \$12.55 and follows buyers last week in the April 24th (W) \$165 calls and April \$180 calls while the July \$250 calls, Sept. \$205 calls, Sept. \$210 calls, and Oct. \$240 calls also seeing accumulation in the last week. BABA has traded back to 3-year VPOC around \$175 and trying to hold trend support from the 2018 and 2019 lows. The longer-term rising channel targets a move back above \$240 and breakout of a big multi-year range. The \$484B e-commerce leader in China trades 20.87X earnings and 7X sales with mid-20% EPS growth and 25% to 30% revenue growth. BABA is widely expected to see a boost in volumes as COVID-19 shifts much of commerce online in Asia and most likely they see a pull forward in user growth as those who hadn't yet used the platform now become long-term users. China's economy also normalizing ahead of the rest of the world given their more aggressive quarantine rules and the IMF out this weekend noting that most large-scale firms are back to near 100% operational capacity. On 3/10, BABA noted that nearly all businesses, including their meal delivery unit Cainiao and Eli.em were back at pre-outbreak levels. Analysts have an average target for shares of \$240. OpCo positive today noting that BABA is seeing parcel volume growth recover in March. Argus with a \$260 PT in late February as they may have a multi-quarter benefit from accelerated digital initiatives among consumer and businesses, much as it did during the SARS outbreak in 2003. Sun Trust with a \$250 PT noting that the acceleration of e-commerce buying from COVID-19 likely drives a shift in lower-tier cities, an area where BABA has yet to see huge penetration. Short interest is 1.1% and down from around 4.5% in mid-2019. Hedge fund ownership rose 0.50% in Q4 with buys from Sanders capital, Appaloosa, Whale Rock, and Taconic Capital.

Hawk Vision:



Hawk's Perspective: BABA at major support down here and a name where the fundamentals should hold up well, like to see it back above \$188.

Confidence Ranking: \$\$