



Bank of America Long-Term Bulls Buy into Weakness

Ticker/Price: BAC \$21.87

Analysis:

Bank of America (BAC) with 8,800 December \$24/\$30 call spreads for \$1.75 and selling the \$16/\$14 bull put spread for \$0.45. Yesterday's flows follow 10,000 June 2021 \$25/\$30 call spreads bought on 4/15, buyer of 5,500 December \$26 calls on 4/13, and 7500 August \$25 ITM puts sold for \$3.85 on 4/8. Shares are forming a narrow multi-week range under \$24 and back at VWAP from the March lows this week. A move above \$23.50 sets up a range breakout that has room to \$26 and YTD VWAP. Longer-term, a big low-volume extends up to \$31. The \$197B financial trades 9.6X earnings and 0.81X book with a 3.3% yield. They recently reported a mixed quarter given all the macro challenges but NII stable as their balance sheet grew significantly. BAC has a strong consumer banking business but not immune to challenges from consumer pressures. They continue to see room for consolidation and market share gains longer-term, especially as they target younger demographics and build out their digital-first approach. They continue to expand physical locations as well with a target of 90% coverage by 2021. Analysts have an average target for shares of \$29.50. DA Davidson with a \$26 PT in mid-April citing their superior NII, lower credit risk, and relative valuation to book value. They think BAC has been a leader in de-risking its balance sheet since the mortgage crisis, especially in mortgages and credit card debt, two areas of focus in the current crisis. Short interest is 1.1%. Hedge fund ownership fell 2.5%. Berkshire Hathaway with 925M shares, their second largest position, while Aristotle Capital a big buyer of 9.9M shares. Shares are back at a level where insiders were last active in 2016 when a director bought \$595,000 in stock at \$23.81 and another bought \$500,000 in stock at \$20.14.

Hawk Vision:



Hawk's Perspective: BAC sets up nicely for a move above \$23 and think the balance sheet is very strong and can withstand a slowdown better than feared. Overall, banks may be a tough trade with rates low and the high-level of macro uncertainty. Given some of the flows detailed this week, a potential long US, short Canada financials pair may be of interest.

Confidence Ranking: \$\$