



Dow Chemical Bullish Positions Accumulate

Ticker/Price: DOW (\$39.20)

Analysis:

Dow Chemical (DOW) with 1,000 January 2022 at-the-money \$37.50 puts sold to open today for \$8.80 and follows recent buyers of the July \$40 calls over 3000X and the September \$35 calls. DOW has also been popular with longer-dated put sales in December and January 2022. DOW has been a steady gainer off the March lows as it works through a low-volume gap back to \$45 and the 200-EMA which is a major area of supply. DOW has traded in a big downward channel since its separation and set for a breakout above \$42 that has a measured target out to \$60+ on a longer-term basis. The \$29.7B company trades 17.3X earnings and 0.7X sales with a 7% yield, strong FCF and limited near-term maturities. DOW's CEO is speaking at the Bernstein conference this morning and said that they're seeing gradual improvements across a number of business verticals, especially on the consumer and disposable side where they've struck recent partnerships with names like Whirlpool and Reynolds. They're also seeing strong demand in DIY paint which is expected to continue as COVID-19 has shifted a lot of spending towards smaller home improvements. DOW also expects to see demand in Europe and the US play catch up in the next 2-3 months while Asia is back at 80% to 90% of pre-virus levels. DOW also has a potential catalyst as Bloomberg reporting on 5-7 they were looking to sell their ports and railways businesses to focus on chemicals. Analysts have an average target for shares of \$42. UBS downgrading to Neutral recently noting that polyethylene margins will be pressured in coming quarters. Short interest is 2.4% and up from around 1% in December. Hedge fund ownership rose 1.25% last quarter. DOW has seen a lot of insider buying this year including over \$1M from four different individuals in mid-March around \$25 and a \$570k buy from a director in February at \$38.

Hawk Vision:



Hawk's Perspective: DOW has a fat yield for a long-term investor and a stable company, though prefer DD business a bit to it.

Confidence Ranking: \$\$