



OptionsHawk



Nike Bulls See Reopening a Boost for Apparel

Ticker/Price: NKE (\$90.5)

Analysis:

Nike (NKE) bullish action into the lower open with 2500 June 5th (W) \$91 calls opening up to \$2.80 and follows some recent bullish May 22nd (W) call buying, July \$90/\$100 call spreads, and June \$980/\$77.50 bull risk reversals. NKE on 3/6 with January \$90/\$110 call spreads bought for 2000X as well. NKE will next report in late June. Shares are consolidating in a range and above \$91.75 resistance could run to close a gap near \$99.65. The \$138.4B footwear and apparel leader trades rich at 33.6X Earnings, 3.35X Sales and 69X FCF with a 1.08% dividend yield, though has a real strong balance sheet. NKE has been seeing strong results from its Direct-to-Consumer (DTC) model shift that is also boosting margins. It does face near-term headwinds from the lack of Sports and postponement of the Olympics. Analysts have an average target of \$94 and short interest low at 1% of the float has risen 30% Q/Q. On 3/20 BAML upgraded to Buy seeing a challenging environment enhancing its market share momentum though noting near-term numbers will take a sharp hit. Wells Fargo raised to Overweight with a \$99 target expecting a strong 2021 recovery. Piper lowered estimates for NKE in April after the Adidas report but noted digital strength providing sticky results and ROIC above 30% has improvement opportunities not appreciated by shares. CSFB out last week with positive traffic checks from early reopening with signs of wardrobe loading. BTIG started at Buy on 4/28 with a \$108 target noting its strong brand and balance sheet allows it to best manage the COVID-19 storm. Hedge Fund ownership fell 1.2% in Q4 filings, notable top concentrated holders include Polen, Edgewood, Winslow, and Sustainable Growth Advisors.

Hawk Vision:



Hawk's Perspective: NKE working above its 200 MA and out of this range sets up nicely for a move back towards \$100, this latest correction has again shown to stick to high quality leaders like NKE.

Confidence Ranking: \$\$