



Chubb Bulls Look for P&C Recovery with Economy

Ticker/Price: CB (\$113)

Analysis:

Chubb (CB) with 500 August \$110 calls bought \$10 where 600 are in open interest from recent buys on 5/8, a name that has also seen June \$95 puts sold to open 1800X recently and has some upside August and January call OI currently underwater. CB shares with a strong move Thursday working off a double bottom with potential to run a long way in a volume pocket back towards \$145 while the 21 week moving average at \$124 initial resistance. The \$51B P&C insurance company trades 10.3X Earnings, 0.98X Book and yields a 2.65% dividend. Chubb has long been a best-in-class name among peers and on 5-20 raised its quarterly dividend, a sign of strength. CB has also seen two Directors buy stock in the past few months for 13,750 shares valued near \$1.4M at prices of \$99.74, \$102.40, and \$116.53. Chubb has 59% exposure to the US and 18% to Europe. It has a very strong balance sheet and premium distribution by product is 20% Personal Lines, 28% Middle Market and Small Commercial, 19% Large Corporate Commercial, 18% Global A&H and Life, and 10% Wholesale Specialty. CB is coming off a solid quarter noting strong premium growth globally and the best pricing environment in the US and London wholesale market in five years. Chubb also delivered a world-class P&C combined ratio of 88.5%. Analysts have an average target near \$135 with short interest minimal at 0.8% of the float. Wells Fargo lowered its target on 4/23 to \$142 to account for COVID-19 impact on exposure growth and catastrophe losses while MKM down to \$145 after a strong Q1 but likely to feel more of a Q2 impact. Hedge Fund ownership fell 0.4% in Q1 filings, top notable holders Boston Partners and Fiduciary Mgmt. trimmed positions while Aristotle Capital added more shares.

Hawk Vision:



Hawk's Perspective: CB is a beaten up best-in-class name and looks great working out of this base, tough industry, but also would be the kind of name to be long in a pairs trade versus the Insurer ETF or a weaker player.

Confidence Ranking: \$\$