



FEATURED OPTIONS RADAR REPORT



CF Industries Bullish Positioning Multiple Days

Ticker/Price: CF (\$31.25)

Analysis:

CF Industries (CF) with 1,500 September \$27.50 calls being bought today up to \$4.50 to open and follows sellers of 2,850 January 2022 \$25 puts on 7/21 and 1,200 February \$27.50 puts sold on 7/24. CF has a lot of January 2021 and 2022 short puts in OI around the \$20/\$25 strikes from April as well but already up around 60% from their initial sales. CF shares have been basing for months under \$34 with a big volume gap above back to the 200-MA at \$36.50 and then a high-volume node at \$40. The \$6.5B company trades 18.5X earnings, 1.4X sales and 7.75X FCF with a near 4% yield. CF expectations have been reset hard by COVID-19's impact on the global ag markets and now expecting mid-single digit revenue growth next year. CF should post positive numbers from the US planting season which was favorable this Spring/Summer and likely supportive of higher fertilizer spending while coming off one of the best April's for ammonia use in five years. They also expect Brazil to bounce-back in 2020 as comps remain easy vs 2019 with domestic production shut down. Peer Yara last week highlighted robust nitrogen fertilizer markets which should read-through to CF as well. Analysts have an average target for shares of \$43.50. BAML double-upgrading shares to Buy in mid-July citing the dry and hot weather forecasts during the critical reproductive phases of the soybean and corn planting season that are boosting prices. They also see strong fertilizer demand from India and South America offsetting supply concerns and CF is also getting better realized seed, nitrogen, and oil pricing. Short interest is 2.6% and down near 5-year lows. Hedge fund ownership fell 2.3% in Q1. Nuveen Asset Management, Eminence Capital, and Glendon Capital all top 10 holders. Earnings are expected soon, although not officially announced yet.

Hawk Vision:



Hawk's Perspective: CF appears best positioned in the volatile and tricky fertilizer group, and price-action also supporting a move to \$35.

Confidence Ranking: \$\$