



FEATURED OPTIONS RADAR REPORT



Bulls Position for Raytheon Resurgence

Ticker/Price: RTX (\$59.65)

Analysis:

Raytheon Tech (RTX) with some large call buying flow on 8/5 as 1200 of the November \$55 calls bought \$6.75 offer and 700 January \$50 ITM calls with buyers at \$10.70. RTX has also seen large opening sales in September \$50 puts and November \$50 puts. RTX also has a lot of call open interest currently OTM in November. RTX shares have lagged the recovery due to its Aerospace exposure RTX did dip outside last week's low and reversed higher, so a nice candle to trade against and moving back over the 50% retracement of the rally off the March lows. The \$89B Company delivered solid performance in the defense business last quarter while challenges were persistent in commercial Aerospace and is planning cost and cash savings this year while still delivering synergies from the Raytheon and Rockwell Collins mergers with United Tech. RTX currently trades 10.8X FY21 EBITDA and 15.4X Earnings with a 3.3% yield, a name that has become very cheap and a combination of three former best-in-class operators. RTX forecasts see revenue growth of 8-10% in FY21 and 33% EPS growth. Analysts have an average target near \$77 and short interest low at 1.2% of the float. Argus downgraded to Hold on 7/29 noting while RTX's business mix appears favorable compared to that of most defense industry peers, near-term earnings trends are murky at best. SIG raised its target to \$74 saying the Defense industry remains healthy, with a 2021 budget and bi-partisan support for stable spending and optimistic that travel levels will continue to steadily recover. Hedge Fund ownership fell 2% in Q1 filings, Dodge & Cox a large holder as are Boston Partners, Third Point and Laurion Capital.

Hawk Vision:



Hawk's Perspective: RTN looks good versus Monday low from a longer term investor stance, not the most exciting name for options nor seeing near-term catalysts.

Confidence Ranking: \$\$