



FEATURED OPTIONS RADAR REPORT



J&J Longer Term Call Buys Look for Breakout

Ticker/Price: JNJ (\$149.85)

Analysis:

Johnson & Johnson (JNJ) with over 3,400 March \$150 calls being bought today up to \$9.25 in the afternoon and spot where 1,300 were bought in early August. JNJ has 2,500 December \$155 calls in OI as well from large buys in mid-May and further out buyers in the Jan. 2022 \$200 calls from earlier this year that remain looking for a major multi-year run. JNJ shares are in a narrow multi-month range under \$155 and looking to clear a cup-and-handle base above \$151.50 with a targeted run to \$175. MACD is crossing over bullish and RSI set to run with the short-term moving averages starting to inflect higher. The \$384B healthcare leader trades 16.25X earnings, 4.77X sales, and 20X cash with a 2.75% yield. JNJ has broad exposure to a lot of growth areas within pharmaceuticals (which includes a COVID vaccine), consumer, and med-tech. The latter has seen some pressure in 2020 due to delayed procedures but they expect a big snapback into 2021 and a major long-term growth engine as they continue to see new products approved (four in Q2, two more on deck) which will drive share gains. Their head of Medical Devices spoke at a Citi event in July and noted that the next 2-3 years set up well for the company as they've invested in some major gaps in their procedure libraries in areas like cementless knee, revision, dual mobility hips, and more which are high-growth areas they can win market share. Analysts have an average target for shares of \$164.25 and Barclays a Street High \$182. Goldman positive in July noting that the valuation gap between JNJ and the SPX was too wide given the company's 6% and 10% top and bottom line growth. Short interest is 0.5%. Hedge fund ownership rose 2% in Q1 with a notable buy from Senator Investment Group, a new 1.35M share position. JNJ has also seen insiders active recently with a lot of buyers in 2019 around the \$135/\$140 level.

Hawk Vision:



Hawk's Perspective: JNJ has a choppy long-term chart and like the company as a quality name with cheap options but also does not tend to make big trend moves, so passing on it.

Confidence Ranking: \$\$