



FEATURED OPTIONS RADAR REPORT



Bulls Position for Cummins Upside Breakout to New Highs

Ticker/Price: CMI (\$211.90)

Analysis:

Cummins (CMI) on 9/18 with late day large trades that bought 950 December \$220 calls to open \$9.70 to \$10.30, a name that does not see a lot of options activity but does have 713 October \$220 calls in OI from buyers back on 9/11. CMI has one of the stronger chart set-ups in the current market with Industrials an area of strength, shares flagging just below a breakout near \$216 and the recent 130/190 range break targets a longer term move to \$250. The \$31B industrial trades 18X Earnings, 33.9X FCF and 13.7X EBITDA with a 2.47% dividend yield. CMI has long been a top operator with a ROIC averaging above 19% the last two years. Cummins products range from diesel, natural gas, electric and hybrid powertrains and powertrain-related components including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems, automated transmissions, electric power generation systems, batteries, electrified power systems, hydrogen generation and fuel cell products. ACT has been raising its build estimates and 2021 is expected to start an uptick in the North American truck cycle. CMI saw record revenues and profitability for its China business last quarter with strength in truck demand and excavator sales. Cummins has also been investing in the electric and hydrogen space for alternative powertrains. Analysts have an average target of \$212 on shares and short interest low at 2.6% of the float. UBS upgraded to Buy on 9/8 with a \$240 target noting the upcycle the next 3-4 years for the North American truck market and sees an extended upcycle in China. Hedge Fund ownership fell 3.9% in Q2 filings.

Hawk Vision:



Hawk's Perspective: CMI is relatively cheap with a great technical set-up and worth watching this truck cycle data to see if a multi-year move is coming, Cummins a top way to participate.

Confidence Ranking: \$\$