



FEATURED OPTIONS RADAR REPORT



Nucor Adjustment Sees Steelmaker Momentum Continuing Higher

Ticker/Price: NUE (\$46.55)

Analysis:

Nucor (NUE) size buyer of 1,390 April \$40 calls for \$8.08, over \$1.1M, as some January \$35 calls adjust higher from March buys. NUE has not seen a lot of activity recently but does have 3500 January \$45 calls in OI as well as 1,950 January 2022 \$40 calls and 1,000 January 2022 \$50 calls. Shares have rebounded since March and basing back above the 50% retracement of the fall with cloud support and the 200-day around Friday's low. Today's run has it back above its short-term moving averages and above \$48 and September value it can run with a gap above to \$52.50. The \$13.5B company trades 16X earnings, 0.66X sales, and 15.4X FCF with a 3.5% yield. NUE gave a mid-quarter update on 9/17 noting that their downstream business is seeing solid demand from non-residential construction as well as better utilization rates across their sheet mills throughout the quarter. NUE is seeing better demand for raw materials and their exposure to auto and solar as are helping give them a more positive view into 2021. The company invested heavily in late 2019 and early 2020 in modernization efforts and expansion at many of their mills which is giving them solid opportunities for growth and FCF generation as many end-markets look to play catch-up after shutdowns in April/May. NUE also now has a much better product mix and positioned well in the Midwest which is the largest plate-consumer region in the US. Analysts have an average target for shares of \$52. BMO raising their PT to \$50 on 9/18 citing recent resiliency seen in its non-residential construction market along with "cautious optimism" for the recent uptick in demand and pricing for raw materials. Argus downgrading to Neutral on 8/11 awaiting better visibility into 2021 and valuation despite a solid dividend, strong balance sheet, and strong execution in a tough environment. They did note on 8/27 however that NUE has reportedly raised prices on FRS and HRC as they work towards a goal of \$480/sheet which will improve margins as demand comes back. Short interest is 1.2% and near its lowest level in three years. Hedge fund ownership fell 9% in Q2, Polar Forest Capital a notable buyer.

Hawk Vision:



Hawk's Perspective: NUE putting in two nice candles at the 200 day MA and has tended to be the preferred name for exposure to Steel, though tend to avoid the commodity groups until there is clear momentum in pricing.

Confidence Ranking: \$\$