



FEATURED OPTIONS RADAR REPORT



Capital One Bullish Put Sales into Weakness

Ticker/Price: COF (\$71.9)

Analysis:

Capital One (COF) early sale this morning of more than 10,750 October \$65 puts down to \$1.02 and name that has seen accumulation in the October \$80 calls and December \$70 calls lately, the latter over 2,900X for more than \$2.5M. Shares are trading lower today after a strong multi-week run and support just below at August value around \$69.50 while the recent range targets upside to \$82.50. COF has seen a steady recovery from the March lows and above \$80 and the mid-point of a big rising channel has a measured move to \$95 as it fills the February low-volume gap. The \$34.7B company trades 10.7X earnings, 0.68X book, and 2.3X FCF with plenty of cash on the balance sheet. COF is seeing better near-term metrics and August's strength (2.23% vs 2.44% in July) comes despite some big elements of the stimulus check impact expiring in July. This was the seventh straight month of improvement in delinquencies while auto debt-charge-offs hit 4-year lows. COF has a near-term catalyst with their GM card business which is currently up for review. The WSJ reporting on 8/12 that Goldman, Barclays and others are vying for the business which holds about \$3B in balances but GM may opt to stay with incumbent COF. Analysts have an average target for shares of \$85 and UBS/Wolfe both a Street High \$105. Wolfe started coverage in July and positive citing benefits from declining credit headwinds and "greater top-line torque" on the path to normalized earnings in 2022. Piper positive on 7/22 seeing the company very close to reaching peak reserve levels, which is a "strong signal" that it is positioned to report positive earnings going forward. Short interest is 1%. Hedge fund ownership fell 2% in Q2 but Lone Pine a big buyer of stock adding a new 10.2M share position.

Hawk Vision:



Hawk's Perspective: COF is a value name and the market favoring them more recently though always prefer V/MA in cards and even more-so PYPL/SQ for the digital growth.

Confidence Ranking: \$\$