



FEATURED OPTIONS RADAR REPORT



Union Pacific Bulls Active as Leading Rail Stays Strong

Ticker/Price: UNP (\$203.75)

Analysis:

Union Pacific (UNP) with 1865 February \$170 puts sold to open \$5.15. UNP has a lot of bullish flow in open interest including buyers in the October \$202.50/\$190 bull risk reversal recently while the January \$200/\$230 call spread remains in OI over 2800X with the \$165 puts sold. The November \$195 calls and the longer-dated January 2022 \$185 calls remain in OI from high-dollar buys. UNP is sitting right at a flag breakout above \$205 which measures to \$225 in the near-term and continuation of the strong trend from March. Shares cleared a big level in August above \$187.50 and above the early 2020 highs with a lot of room to run. The \$137B company trades 22.1X earnings, 6.8X sales, and 50X cash with a 1.9% yield and high-single digit growth. The company was positive on pricing last quarter while they continue to execute well on their PSR initiatives which are helping costs and OR. UNP saw volumes hit extreme lows last quarter and should gradually improve into year-end as auto manufacturing re-openings will boost vehicle shipments and areas like lumber likely positive Q/Q as mills get back on track with the hot demand for housing. Yesterday, the AAR said that September US rail traffic was down just 1% Y/Y and the fourth-best month for intermodal in history for US railroads as “retailers and others restocked their inventories and prepared for the holiday season.” NADA auto dealer data also showing that inventories were the lowest in nine years this Summer and many likely need to replenish with new model releases. Analysts have an average target for shares of \$185 and RJF recently a Street High \$227. Benchmark positive on 9/24 noting that UNP is better positioned to withstand economic shocks like the current one due to the successful implementation of PSR while also positioned to benefit over the long term. Baird upgrading to Buy in August as rail congestion was elevated to start Q3 resulting in peak transactional rate increases. Short interest is 0.6% and near five-year lows. Hedge fund ownership fell 5% in Q2, Senator Investment Group a top buyer. UNP saw some large insider buys in March and April including a \$2M buy from a director.

Hawk Vision:



Hawk's Perspective: UNP at new highs with earnings near not the time I would be playing it but remains best-in-class operator to own on dips.

Confidence Ranking: \$