



FEATURED OPTIONS RADAR REPORT



Cisco Calls Hot on Potential for Rebound

Ticker/Price: CSCO (\$37.1)

Analysis:

Cisco (CSCO) working on reversal candle with 14,000 Nov. \$38 calls hot \$1.33 to \$1.48 this morning and volume above 20,000X in the opening hour. CSCO recently with December \$40 synthetic long positions opening at a large net credit and seen buyers in April calls as well as sellers of March puts into weakness. Shares gapped down hard in August on earnings and have continued to fade lower the past few weeks. Shares are very oversold and nearing 10-year trend support. The \$160B Tech company trades 11.35X Earnings, 3.23X Sales and 18.45X FCF with a 3.82% dividend yield and nearly \$30B in cash, a name that could see a boost from the 5G cycle. CSCO will next report in mid-November. CSCO has been transitioning to more software-centric sales including a focus on its Security segment. CSCO is likely to be looking at M&A opportunities to bolster its software offerings. Analysts have an average target of \$47 and short interest low at 1% of the float. CSFB cut its target to \$36 on 10/19 noting WFH impacting 30% of Cisco's business with weak demand for campus switching and WLAN products. Citi cut shares to Neutral on 10/13, less confident in a return to growth and ability to gain market share. Barclays one of the lone bulls with a \$50 target noting Cisco's incumbency, product cycles, potential for share gains and a rebound in an eventual economic recovery. Hedge Fund ownership rose 4.3% in Q2 filings, no notable top holders.

Hawk Vision:



Hawk's Perspective: CSCO calls are cheap which make for nice swing trading opportunities, not certain the catalyst here but could see it make a splashy, and much-needed, M&A deal.

Confidence Ranking: \$\$