



FEATURED OPTIONS RADAR REPORT



Alcoa Bulls See Further Upside as Outlook Improves

Ticker/Price: AA \$14.05

Analysis:

Alcoa (AA) notable bullish flows on 11/5 with 10,000 January \$14 calls bought up to \$1.60, adding to the 14,000 bought on 9/25. AA also saw 2,200 April \$13 calls bought up to \$2.95 and 1,000 April \$15 calls bought up to \$1.87. AA has seen buyers in the Jan. \$16/\$11 bull risk reversal, Jan. 2022 \$13 calls, and Jan. 2022 \$15 short puts recently. AA shares are consolidating under \$16 and the August highs with a breakout targeting \$22 and out of a multi-year downtrend. AA has a high-volume node up at \$30 for the longer-term potential. The \$2.42B company trades 0.26X sales and 2.5X cash with accelerating profitability and a return to positive revenue growth in 2021. AA should benefit in 2021 from a more positive aluminum outlook as Chinese demand strengthens as they rebound from COVID lockdowns and inventory gluts begin to be worked down in warehouses. They have longer-term tailwinds from growth in electric vehicles, aluminum cans, and electrical infrastructure growth. Analysts have an average target for shares of \$14 and CSFB a Street High \$18. B Riley positive in late September seeing potential for a shift into positive FCF in 2021 as they could benefit from an improved cost position in 2021 due to the potential sale of San Ciprian, as well as the other high-cost asset curtailments that have occurred in the past year. BAML upgrading to Buy on 9/8 noting that lower interest rates for a longer period = support off-LME aluminum warehouse financing deal, which can boost prices by limiting supply. Short interest is 6% and down from 9% in July. Hedge fund ownership fell 4.5%. Masters Capital, Point72, and Pentwater Capital notable holders.

Hawk Vision:



Hawk's Perspective: AA positioned well for a run at \$16 with some momentum at its back and a potentially big breakout but prefer to see it pull back into the rising 8- and 21-EMA for a better risk/reward setup

Confidence Ranking: \$\$