



FEATURED OPTIONS RADAR REPORT



Bulls Target Applied Materials into the 50-MA

Ticker/Price: AMAT (\$127.50)

Analysis:

Applied Materials (AMAT) buyers of the May \$138 calls for \$1.27 to \$1.28, over 4,000X on the day, and follows the large July bull spreads on Friday that sold the \$115 puts to buy the \$140/\$155 call spread nearly 5000X. AMAT has also seen sellers in the October \$135 puts recently while the June \$150 calls still have over 5,500 in OI from buyers in early April. Shares are back to the 50-MA today and the high-end of March value, potential support for the name in a strong trend and recent highs above at \$145. AMAT has room above \$150 on a continuation higher from the rising channel off the October lows. The \$124B company trades 20X earnings, 6.8X sales, and 18.8X cash with a small yield. AMAT has tailwinds throughout 2021 from rising capex estimates for chipmakers as well as US efforts to regain a lead in semiconductor production through the "Chips Act." The company noted in February that they expect the WFE market to grow above \$70B in 2021 through multiple areas of industry investment. Specifically, AMAT expects 15% growth semi consumption due to broader adoption of 5G smartphones, data-center growth which will pressure IC manufacturers to upgrade chip fabs, and the ongoing auto chip shortage which will push demand up double-digits. Analysts have an average target for shares of \$145 with a Street High \$195. Citi raising estimates on 4/19 as the analyst is expecting both memory and logic WFE spend to grow evenly in 2021 versus a prior outsized memory view. They also note that AMAT has a balanced WFE sales mix among U.S. peers and its valuation discount should close as the company is better positioned to hit its long-term targets. Short interest is 1.18%. Hedge fund ownership fell marginally in Q4.

Hawk Vision:



Hawk's Perspective: AMAT is a best-of-breed name and in this environment should continue to thrive, if the QQQ and broader market can stabilize a bit around the 10-week it's an ideal name to target

Confidence Ranking: \$\$