



## FEATURED OPTIONS RADAR REPORT



### Bullish Spread Positions for Long-Term Breakout in Semi-Equipment Leader

Ticker/Price: AMAT (\$143.50)

#### Analysis:

**Applied Materials (AMAT)** with sellers active at the September \$135 puts today for \$3.65/\$3.60, over 2500X and larger a large bullish spread sold 1000 November \$180/\$115 strangles for \$4.55 and bought 2000 June 2022 \$125 calls for \$29.65. AMAT has been popular with put seller recently including the January \$92.50, June \$105, June \$95, and December \$120 strikes. AMAT has some bullish open interest in the August \$135 and \$150 calls also from buyers in early July. Shares are gapping higher today after strong results from ON Semi and breaking out of a two-month range that has room to \$155-\$160. Longer-term, AMAT has been holding up well in a bull flag that stretches back to mid-March and a run has a measured target of \$180. The \$125.5B company trades 19X earnings, 6.3X sales, and 18.5X cash with a small yield. AMAT is coming off a strong quarter given their leadership in materials engineering and surging demand for new chip technologies given the current shortage and now catch-up play. AMAT continues to see long-term opportunity given secular shifts towards data centers, AI computing, and more which require highly complex chips utilizing new technologies and support the semi-equipment markets. AMAT was at the Bernstein conference in June and forecasting longer-term growth for the semi market of \$1T by 2023, growing 8-9% annually driven by industries like transportation, healthcare, and more inflecting higher. Analysts have an average target for shares of \$154 with a Street High \$195. Susquehanna positive in late May as the firm continues to see strong growth, some driven by structural changes in the industry. The analyst believes the current cycle could sustain itself into 2023 and said the stars are lining up for a path to \$8+ of earnings. JP Morgan positive with a \$160 PT citing strength in semiconductor demand, strong margins and growth in display and services. Short interest is 1.5%. Hedge fund ownership fell modestly in Q1. Point72 a big buy of 1.9M shares, their 8<sup>th</sup> largest position.

#### Hawk Vision:



**Hawk's Perspective:** AMAT is a top name with exposure to so many emerging secular trends within tech and looks primed to continue the longer-term trend higher above \$145; shares have run a bit the last three sessions but a back-test of the rising 8-EMA could setup a nice risk/reward

**Confidence Ranking:** \$\$