



FEATURED OPTIONS RADAR REPORT



Bulls Target Oil Major at Long-Term Support Amid Major Shift to Renewables

Ticker/Price: BP (\$24.65)

Analysis:

BP PLC (BP) into weakness seeing buyers of 1000 December \$24 calls for \$1.92 to \$2.04, continues to base around its 200-MA. **BP** also with longer-dated flows today with 1,500 January 2024 \$20 ITM calls bought for \$5.95 to \$6.05. **BP** has seen recent sellers in the Jan. 2024 \$22 puts and April 2022 \$22 puts while the January 2023 \$27 calls bought over 13,000X since mid-July. **BP** pulled back to monthly VPOC today and consolidating around the 200-MA since mid-July with a move above the \$26 level in focus for a run back to the highs. **BP** has had three narrow monthly closes recently and forming a wide cup-and-handle pattern under \$27.75 that has a longer-term target up near \$40. The \$85B company trades 7.5X earnings, 0.60X sales, and 22.5X FCF with a 5.2% yield. **BP** is coming off a strong quarter as they continue to reduce debt, cut costs, and accelerate cash flows which have gone right back into more shareholder returns including buying back \$1.4B in stock in Q3. The company continues to benefit from better pricing and margins in their refining business with RMM averaging \$13.70, highest since 2019. **BP** has been focused longer-term on a pivot towards more green energy under new CEO Bernard Looney. The strategy – considered the biggest change in the company's 100+ year history – includes a 40% reduction in oil production in the next decade and more investments in low-carbon energy, wind, and solar. **BP** expects to see revenue from oil and refining to begin declining in 2025 but offset by strong retail operations and charging points before they see a strong ramp in their green bets. Analysts have an average target for shares of \$35. **MSCO** upgrading to Equal Weight in August citing expectations for record FCF and plenty of firepower for shareholder returns and investments in growth initiatives. **Barron's** positive on 6/5 citing big potential in their renewables pivot that may attract more sustainability-focused investors. Hedge fund ownership fell marginally last quarter. **Paulson** a buyer of a new 1.9M share position. In June, the **WSJ** reported the company is considering spinning off their Iraqi operations into a standalone company which would give them more flexibility to invest in low-carbon energy and reduce spending on oil and gas.

Hawk Vision:



Hawk's Perspective: **BP** is an attractive name for a longer-term horizon and nice combination of the strong balance sheet, fat yield, and growth investments. Setting an alert for \$26.

Confidence Ranking: \$\$