

## SPOTLIGHT OPTION TRADE



### Weaker Macro Backdrop to Weigh on Key Industrial Outlook

#### TRADE SNAPSHOT

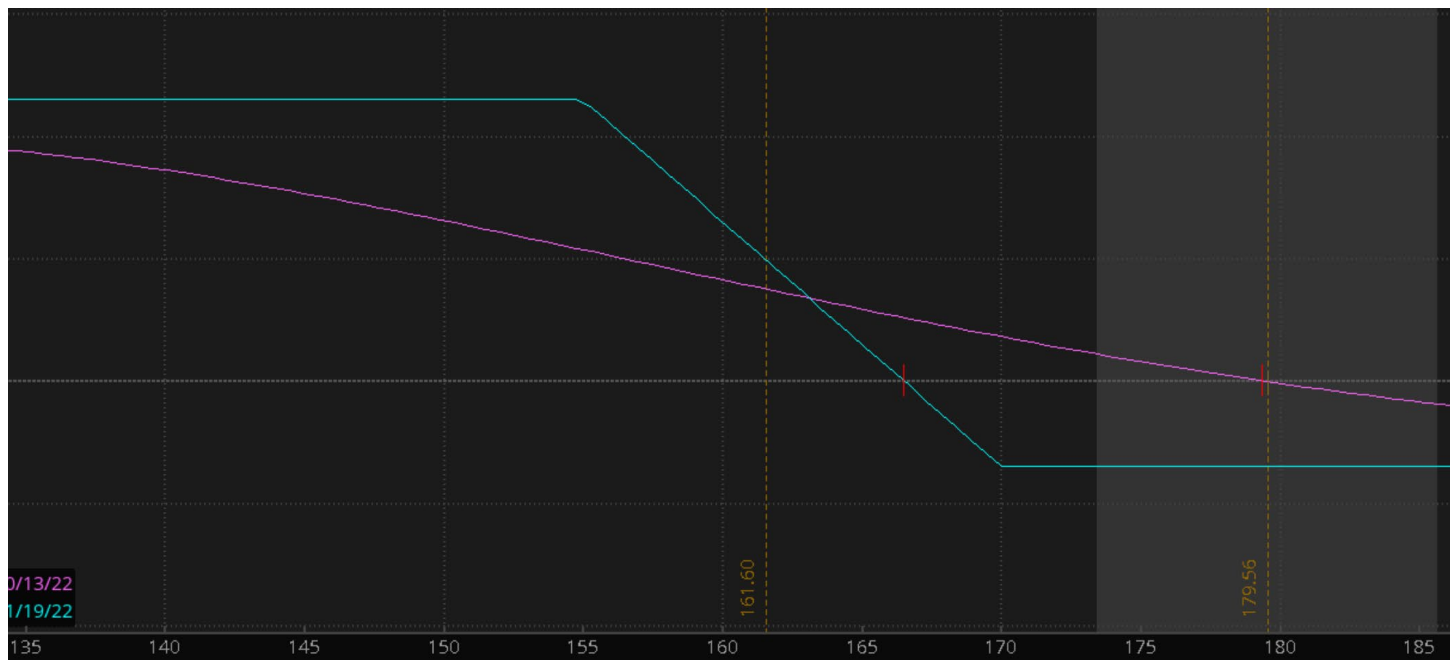
TICKER	CAT
SECURITY	Caterpillar Inc.
SECTOR	Industrials – Machinery
CURRENT PRICE	\$179.50
LONG/SHORT	Short
TARGET	\$150
STOP	\$190
TIMEFRAME	1 Month

**Trading Strategy:** Long CAT November \$170/\$155 Put Spreads for \$3.50

**Net Debit/Credit:** Debit \$3.50

**Profitability Zone:** CAT Below \$166.50 on November OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** CAT in a sustained downtrend and though some strength the past two weeks is nearing VWAP off pandemic lows resistance and looks headed for a further fill of this larger volume pocket to the 61.8% retracement level near \$148.



**Fundamental Analysis:** CAT has a \$95B market cap and trades 12.8X EBITDA with a 2.67% dividend yield and fairly debt-laden balance sheet with a FCF yield near 4%. CAT EBITDA is seen rising 6.6% in 2022 and 9.4% in 2023 which may be aggressive considering the weakening Macro backdrop. CAT is likely facing a peak 2023 earnings year while competition is rising and will also face FX pressures. MSCO last quarter noted top-line misses in Construction & Resource coupled with a negative inflection in retail sales could catalyze peak cycle concerns. Supply chain challenges persisted as ongoing component shortages resulted in production delays and negatively impacted volumes in the quarter. Analysts have an average target of \$207.50 with short interest low at 1% of the float. JPM raised its target to \$220 seeing resilient demand and improving deliveries with muted expectations. Tigress positive on its positioning in expanding energy and mining capital expenditure on equipment. Bernstein downgraded shares in August on signs of slowing order growth and negative earnings revisions.

### Options Activity:

Date	Ticker	Contract	Volume	Price	OI	Delta	IV	Premium	Last	Current OI ▾	▲ Price %
06-08-2022	CAT	CAT 100 18 NOV 22 170 PUT	1,406	\$3.44	72	-0.11	39.91%	\$483,664	\$5.8	10,580	▲ 68.6%
06-14-2022	CAT	CAT 100 18 NOV 22 170 PUT	1,333	\$7.25	1,482	-0.20	41.16%	\$979,755	\$5.8	10,580	▼ 20%
06-23-2022	CAT	CAT 100 18 NOV 22 170 PUT	1,508	\$13.35	2,815	-0.39	39.34%	\$2,194,140	\$5.8	10,580	▼ 56.55%
10-10-2022	CAT	CAT 100 18 NOV 22 170 PUT	5,599	\$7.3	4,502	-0.37	45.59%	\$4,115,265	\$5.8	10,580	▼ 20.55%
06-23-2022	CAT	CAT 100 20 JAN 23 175 PUT	1,530	\$17.5	2,453	-0.42	35.49%	\$2,715,750	\$12	5,152	▼ 31.43%
11-05-2021	CAT	CAT 100 20 JAN 23 210 CALL	1,249	\$25	647	0.52	31.96%	\$3,122,500	\$4.05	4,211	▲ 83.8%
05-31-2022	CAT	CAT 100 18 NOV 22 160 PUT	974	\$3.61	361	-0.11	40.17%	\$365,250	\$3.3	3,765	▼ 8.59%
06-13-2022	CAT	CAT 100 18 NOV 22 175 PUT	832	\$8.2	245	-0.23	40.81%	\$682,240	\$7.55	3,634	▼ 7.93%
09-16-2022	CAT	CAT 100 21 OCT 22 170 PUT	3,406	\$4.67	883	-0.31	38.93%	\$1,583,790	\$1.71	3,378	▼ 63.38%
10-07-2022	CAT	CAT 100 21 OCT 22 170 PUT	3,874	\$2.78	3,312	-0.29	42.9%	\$1,142,830	\$1.71	3,378	▼ 38.49%
06-14-2021	CAT	CAT 100 20 JAN 23 210 PUT	303	\$30.02	38	-0.42	28.52%	\$968,085	\$33.71	3,066	▼ 12.29%
09-16-2022	CAT	CAT 100 21 OCT 22 165 PUT	3,473	\$3.38	625	-0.24	40.77%	\$1,180,820	\$0.97	3,055	▼ 71.3%
11-02-2021	CAT	CAT 100 20 JAN 23 220 PUT	1,904	\$36.75	486	-0.54	28.44%	\$7,159,040	\$43.09	2,577	▲ 17.25%

**Potential Catalysts:** Earnings 10-27

## **Disclaimer:**

### **Not Investment Advice or Recommendation**

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