



Bullish Flow Targets Industrial Machinery Leader at Key Support

Ticker/Price: CAT (\$209)

Analysis:

Caterpillar (CAT) bullish flow all morning with 2,500 August \$205 calls bought early from \$5.05 to \$5.20 and now over 5800X on the day while later 5,000 September \$195 puts sold to open, 2,750 Sep. \$190 puts sold to open for \$2.41, and buyers active for 2,800 Sep. \$200 calls. CAT has over 2,800 October \$230 calls in OI from size buyers in mid-June and has seen some October put sales recently around the \$210 and \$190 strikes. Shares are back at the 200-day MA and forming a multi-week bull wedge under \$215 with a move above targeting a low-volume gap fill back to \$232. CAT has been a relative strength name since the March 2020 lows and current pullback is testing a prior breakout from early January. The \$115.5B company trades 16.8X earnings, 2.7X sales, and 37X FCF with a 2.16% yield. CAT is coming off of a mixed quarter but strong end-market demand and a positive outlook on drivers around residential construction and heavy machinery, especially around the broader energy transition. The company has done a good job of minimizing supply chain disruptions and positioned well overall for the 2H when they expect order flows to strengthen behind new transportation projects following the infrastructure bill. CAT also expects demand for mining equipment to remain strong into 2022 as commodity prices are supportive for further expenditures. Short interest is 1.13 and near multi-year lows. Hedge fund ownership fell 8.5%. Insiders active recently with a director buying \$100K in stock at \$237.86 in May. Analysts have an average target for shares of \$226 with a Street High \$303. Baird positive yesterday noting that CAT posted strong Q2 results with demand in the early innings of an up-cycle, dealer retail sales building momentum, lean channel and backlog build setting up for strong earnings growth in 2022.

Hawk Vision:



Hawk's Perspective: CAT is at a key spot on the chart and providing a nice risk/reward for a move back higher and continuation of the longer-term trend with plenty of drivers to support their key end-markets; alert set for \$215

Confidence Ranking: \$\$