



## China Mobile Unusual Calls Bought as Shares Base

Ticker/Price: CHL (\$46.55)

### Analysis:

**China Telecom (CHL)** unusual action on Friday with over 3,500 ITM March \$40 calls bought on the day around \$3.50 to \$3.60, running around 9X average. CHL also saw small action in the March \$45 calls where over 3,000 sit in OI while the March \$42.50 puts were sold to open in September. Shares have been in a downtrend since March/April but moving out of a base last week that extended back to August and also above the 200-MA for the first time since April. CHL had a positive MACD divergence into the recent lows and has a measured move up to \$50 on the base breakout which also aligns closely with the 61.8% Fibonacci of the decline. The \$174.74B company trades 10.5X earnings and 1.64X sales with a strong cash position (~\$15/share) and a 4.5% yield. CHL is guiding to low-single digit growth in FY21 with revenues accelerating up over \$115.66B. CHL is the leading wireless provider in the Chinese market with over 946M customers. The company has tailwinds from 5G which China's leadership has made a massive priority by expediting over \$180B in investments to launch. CHL rolled out 5G commercial services in more than 50 cities in 2019 with a focus on smart agriculture, healthcare, and industrial. They also outlined a multi-tiered plan in August aimed at enhancing their growth engines in enterprise, mobile cloud services, and data center. Hedge fund ownership rose 1.4% in Q3 and short interest is negligible. Harding Loevner a notable holder with 10M shares. Analysts have an average target of \$51 with 4 buy ratings, 5 hold, and 1 sell. Bernstein upgrading to Buy in August as fears of a capex blowout have been alleviated and the 5G rollout can be completed without a substantial ramp up in total annual capex. Barron's positive on 12-20 citing valuation and their exposure to emerging trends in China.

### Hawk Vision:



**Hawk's Perspective:** CHL is in a Telecom group we generally look to for yield investments and not for option trades, so as a longer-term holding for value/yield it looks interesting down at these levels versus the \$40 level.

**Confidence Ranking:** \$\$