



FEATURED OPTIONS RADAR REPORT



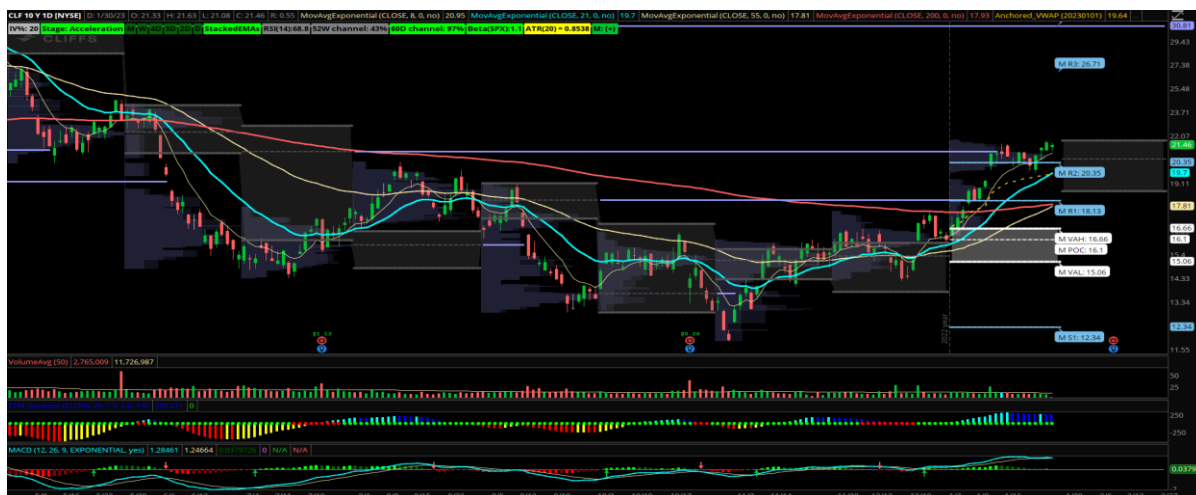
Flat Rolled Steel Producer Sees Bullish Flow into Strength

Ticker/Price: CLF (\$21.45)

Analysis:

Cleveland Cliffs (CLF) on 1/19 saw a large buyer of 500 June \$12 deep ITM calls for \$8.80 and this follows mostly bullish flows all month with action in July \$30 calls for \$0.80 and buyers of July \$21 calls at \$3.36. CLF also has seen opening put sales for 2000 April \$16 puts sold at \$1.17 and 1350 Feb \$20 puts sold for \$1.10 while March \$19 puts sold to open on 1/6 for \$2.00. Shares have been strong and up over 30% in January so potential for a pullback to support which comes in at 20 and then the 200-day EMA at 18 roughly. CLF has started to breakout of a multi month bottoming base that can see a longer term move up towards 30 but first resistance above is 23.50 the top of yearly value area. CLF has seen a weekly 8/21 EMA bull cross and now nearing a 21/55-week EMA bull cross so longer term momentum in favor of the bulls. The \$11.1B company trades at 11.9x earnings, 0.8x sales, with FCF yield at 15.1% while revenue is expected to grow +13% in FY22 but slow to flat growth in FY23. Cleveland-Cliffs is an integrated mining and flat-rolled steel producer. It is engaged in manufacturing iron ore pellets. It is vertically integrated from mined raw materials, direct reduced iron and ferrous scrap to primary steelmaking and downstream finishing, stamping, tooling, and tubing. Average analyst target is \$20. BNP Paribas upgraded to Neutral and \$21 price target last week while Morgan Stanley recently upgraded the stock to Overweight and a \$26 target citing higher pricing and the analyst believes that the sequentially higher annual fixed pricing contracts should lead to positive earnings revisions and robust free cash flow generation despite forecast for declining spot steel prices. Adding that Q4 earnings will be a near-term catalyst for Cliffs as the company historically provides guidance for their expected average selling price for the year. B Riley boosted its target to \$27 and keeps a Buy rating saying the company announced automotive contract price renewals for 2023 that were better than expectations. Pricing is extremely strong in the face of recently soft spot price conditions, which underscores the company's unique value creation. BAML resumed with a Neutral and \$19 target recently saying CLF is particularly well-placed given its dominant position as a domestic supplier to the U.S. automotive industry. Automotive steel products are typically high value-add, plus CLF has pricing power. We expect modestly higher automotive demand in 2023. Short interest is at 8.4%. Hedge fund ownership rose 17.5% last quarter.

Hawk Vision:



Hawk's Perspective: CLF is extended but any pullback to the 20 level is likely a solid support to lean long against as this trend off the lows gains momentum. Also higher short float name that can see sharp moves so using calls is best.

Confidence Ranking: \$\$