



FEATURED OPTIONS RADAR REPORT



Cliff's Calls Look for Metals Trade to Regain Momentum

Ticker/Price: CLF (\$20.20)

Analysis:

Cleveland Cliff's (CLF) bullish flows accumulating this week including buyers of more than 4,000 August \$23 calls on 5/27. Additionally, the June 4th (W) and June 11th (W) calls seeing accumulation while the June \$18 ITM calls bought 15,000X on 5/12. Shares pulled back to the 50-day MA this week as well as trend support from the March lows. CLF jumped 3.75% on Thursday and continuation higher targets \$23.75 and the high-end of this channel. The \$10.3B company trades 10X earnings and 1.15X sales. CLF is poised to benefit from the surge in recovery projects and infrastructure spending as the US looks to move away from COVID over the next year. They've been benefitting from lower scrap use as prices rise and higher productivity from bringing HBI products in-house. CLF sees debt reduction as a major focus in 2021 as they target \$4B in EBITDA for the year. Analysts have an average target for shares of \$22 with a Street High \$25. BAML starting at Buy recently noting the company has transformed from an iron ore pure play to a vertically integrated auto-focused mill with the most flat-rolled capacity in the U.S. They also note that CLF offers raw material cost advantages over mini-mill peers along with less balance sheet risk than its integrated peer U.S. Steel. CSFB upgrading to Outperform in early May as its steel product portfolio is diversified across the entire flat rolled market including tin and plate and that its high degree of contract exposure provides further earnings stability through the cycle. Hedge fund ownership rose 4% in Q1 and insiders active buying stock recently at \$19.50.

Hawk Vision:



Hawk's Perspective: CLF was a chart highlight earlier this week near the optimal entry price around that 50-day MA but it still has plenty of upside and one to watch near-term for a small consolidation back around the 8-EMA

Confidence Ranking: \$\$