



FEATURED OPTIONS RADAR REPORT



Energy Name On the Verge of Breaking Out Draws Upside Call Buyers

Ticker/Price: CLR (\$39.28)

Analysis:

Continental Resources (CLR) buyers late on 8/31 for 1,275 January \$35 calls for \$7.50 to \$7.65, sizable positioning ahead of a potential weekly breakout. CLR has seen buyers recently in the October \$35 calls while the Sept. \$40 calls have over 4,500 in OI from buyers in late June and early July. Shares are setting up well under \$40.25 with a breakout move through the June highs measuring out to \$50. The weekly chart is showing a bullish MACD cross setting up while RSI is coiled around 60 and plenty of room to run. There's a high-volume node up at \$46 but the next big target isn't until up around \$60 from the 2018 highs. The \$13.8B company trades 11.35X earnings, 3.45X sales, and 5.7X FCF with a 1.12% yield. The company seen improving results recently due to better well productivity and price realizations across the energy system which has allowed for debt reduction and increased capital return. CLR has also been smart with their resource allocation in 2021 with a greater emphasis on Oklahoma natural gas in February before spot prices doubled and they see this flexibility extending into 2022 as they shift back into a more oil-focused portfolio. CLR continues to see strong results from their Bakken wells and should make a decision before year-end on expanding production and rig counts into 2022, an area they've been very conservative around in 2021. Analysts have an average target for shares of \$35 with a Street High \$50. Wells Fargo upgraded shares to Overweight on 8/23 while MKM upgrading to Buy in July noting that with higher oil prices and better natural gas realizations that CLR could generate up to \$9.4B of FCF from 2021 to 2026, almost 70% of its current market cap. Mizuho raising estimates in July as they think there is greater near-term upside in Henry Hub. Hedge fund ownership rose 4% last quarter. Executive Chairman Harold Hamm buying over \$12M in stock in June around \$34 to \$36.

Hawk Vision:



Hawk's Perspective: CLR looks great to move out of this multi-month range and should continue to benefit from strong natural gas prices into Winter while crude looks poised to clear a downtrend and move back to recent highs

Confidence Ranking: \$\$