

## SPOTLIGHT OPTION TRADE



### Airlines in Long Consolidation Patterns, Expecting Continuation Higher as Travel Demand Surges

#### TRADE SNAPSHOT

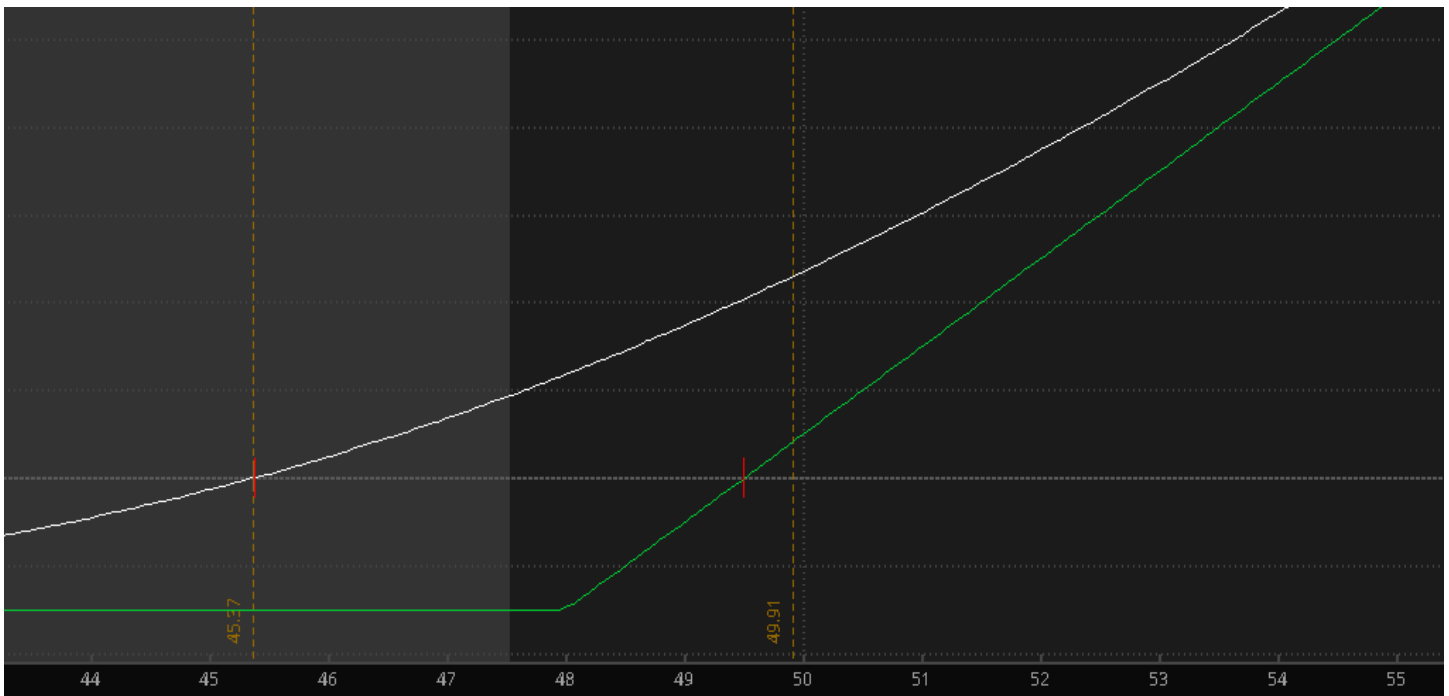
TICKER	DAL
SECURITY	Delta Airlines
SECTOR	Industrial – Transports - Airliners
CURRENT PRICE	\$45.37
LONG/SHORT	Long
TARGET	\$55
STOP	\$42.50
TIMEFRAME	2 Months

**Trading Strategy:** Long DAL August \$48 Calls at \$1.50 or Better

**Net Debit/Credit:** Debit of \$1.50

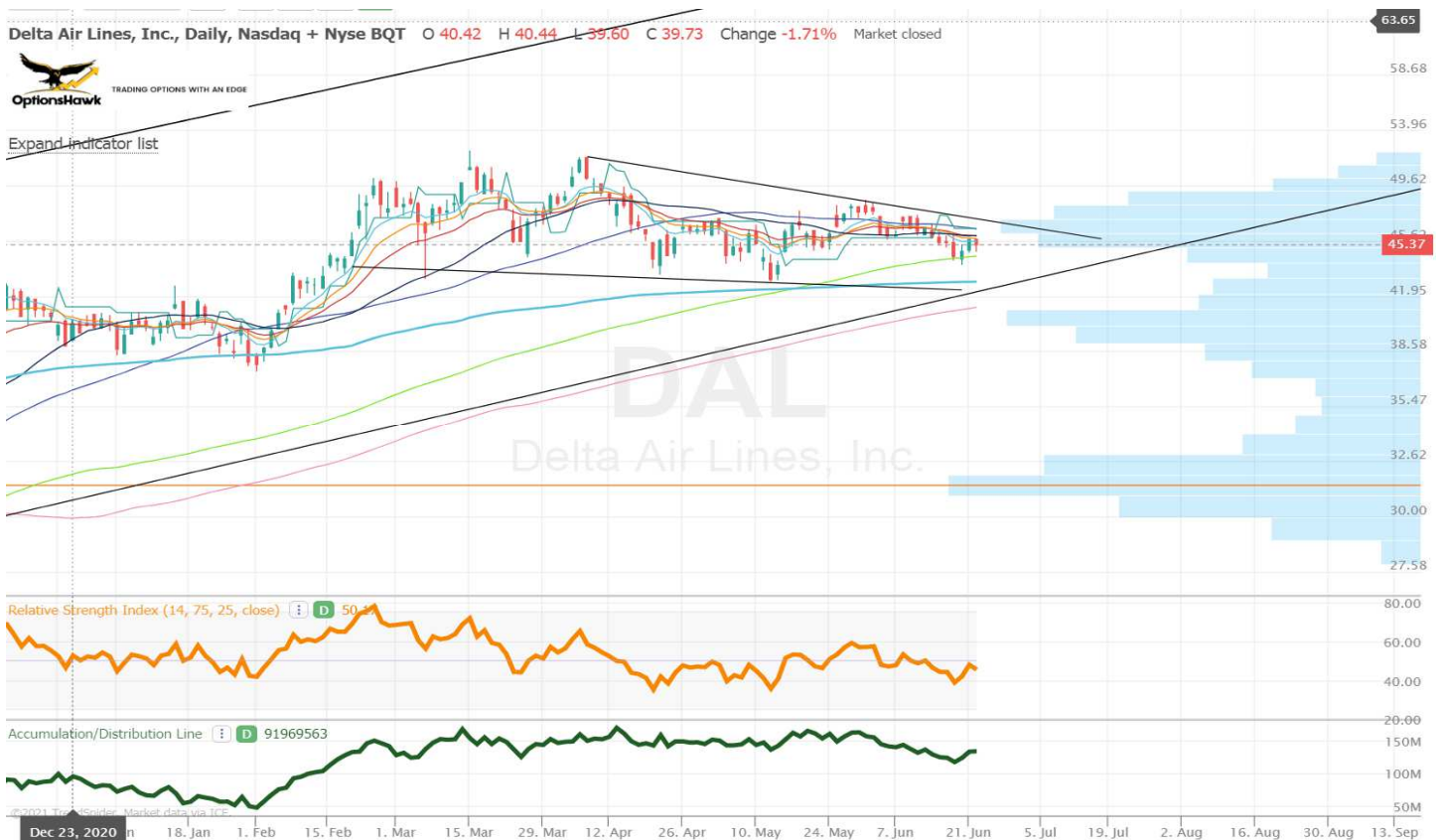
**Profitability Zone:** DAL Above \$49.50 on August OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** DAL shares with a long falling wedge pattern while remaining in an uptrend and a tightly coiled weekly consolidation with weekly RSI pulling back to 50. The May lows came just above VWAP off October lows and some resistance overhead but above \$49.15 can start a real big move with upside calls attractively priced.



**Fundamental Analysis:** The \$28.77B best-in-class airliner trades 11.1X Earnings, 6X FY22 EBITDA and 2.27X Sales with revenues seen rising 59% in 2021 and 45.7% in 2022. All the datapoints are pointing to a faster than expected recovery in travel which should leave upside to consensus numbers with business travel likely to return this Fall. DAL is expecting to generate cash this quarter after four straight of cash burn and is also looking to hire 1000 new pilots to meet demand. Delta expects to achieve profitability in the Sep Q as cost efficiencies build as capacity comes back on line. Delta has already begun its deleveraging process and expects to end June Q with \$10 billion lower financial obligations (debt and pension) than Sep Q 2020. Analysts have an average target of \$55 with short interest at 2% of the float. Wolfe upgraded to Outperform from Underperform this week citing pent-up demand for travel. MKM called DAL a Top Pick on 6/9 with a \$59 target seeing a quicker corporate recovery. Jefferies upped to Buy on 6/8 with a \$60 target seeing Delta positioned for the shift to the International/Corporate travel recovery to play out.

**Options Activity:** DAL block of 10,000 August \$48 calls bought on 5/4 is notable and at a nice 25% discount.

Date	Description	Volume	Open Int	Price	Delta	Impl Vo	Prob.ITM	Premium Paid	Symbol	Current Price	Current OI
6/18/2021	DAL 100 17 SEP 21 45 CALL	2,524	2,657	\$3.25	0.52	37.95%	44.77%	\$832,920	.DAL210917C45	\$3.60	5721
6/18/2021	DAL 100 17 DEC 21 50 CALL	1,323	962	\$2.97	0.397	38.01%	29.83%	\$392,931	.DAL211217C50	\$2.98	2991
6/18/2021	DAL 100 17 DEC 21 40 CALL	500	180	\$7.30	0.71	38.74%	61.17%	\$382,500	.DAL211217C40	\$7.65	777
6/18/2021	DAL 100 (Weeklys) 25 JUN 21 45 CALL	3,140	775	\$1.03	0.56	32.89%	53.84%	\$323,420	.DAL210625C45	\$1.04	1676
6/17/2021	DAL 100 17 SEP 21 46 CALL	2,932	1,662	\$3.04	0.51	36.70%	43.23%	\$908,920	.DAL210917C46	\$3.07	4866
6/17/2021	DAL 100 16 JUL 21 44 PUT	2,091	1,255	\$1.48	-0.42	35.34%	45.85%	\$309,468	.DAL210716P44	\$1.02	4161
6/16/2021	DAL 100 17 DEC 21 65 CALL	2,221	290	\$0.60	0.12	37.59%	7.28%	\$159,912	.DAL211217C65	\$0.53	2310
6/16/2021	DAL 100 17 DEC 21 55 CALL	2,235	2,545	\$1.83	0.28	36.57%	19.67%	\$426,885	.DAL211217C55	\$1.70	4732
6/15/2021	DAL 100 20 AUG 21 40 CALL	747	290	\$6.30	0.81	38.48%	75.93%	\$481,815	.DAL210820C40	\$6.00	923
6/7/2021	DAL 100 (Weeklys) 2 JUL 21 50 CALL	5,039	509	\$0.43	0.19	34.43%	16.83%	\$221,716	.DAL210702C50	\$0.10	6248
6/7/2021	DAL 100 (Weeklys) 2 JUL 21 46 CALL	1,288	252	\$1.60	0.51	33.20%	47.94%	\$211,232	.DAL210702C46	\$0.90	3103
6/4/2021	DAL 100 (Weeklys) 9 JUL 21 50 CALL	2,296	73	\$0.62	0.23	32.54%	20.03%	\$142,352	.DAL210709C50	\$0.19	5722
5/28/2021	DAL 100 20 AUG 21 45 CALL	1,012	910	\$4.91	0.659	37.81%	58.95%	\$496,892	.DAL210820C45	\$3.00	1461
5/24/2021	DAL 100 17 DEC 21 55 CALL	2,100	474	\$2.36	0.32	38.20%	22.46%	\$495,600	.DAL211217C55	\$1.70	4732
5/24/2021	DAL 100 17 DEC 21 45 PUT	2,106	276	\$4.60	-0.41	37.74%	52.30%	\$968,760	.DAL211217P45	\$4.10	2582
5/20/2021	DAL 100 17 SEP 21 42 CALL	1,518	954	\$6.09	0.67	42.05%	57.95%	\$941,160	.DAL210917C42	\$5.39	2332
5/19/2021	DAL 100 17 SEP 21 40 PUT	3,503	1,481	\$1.77	-0.24	41.79%	31.99%	\$648,055	.DAL210917P40	\$1.22	4240
5/18/2021	DAL 100 20 AUG 21 47 CALL	1,319	823	\$3.75	0.54	40.07%	46.12%	\$514,410	.DAL210820C47	\$2.04	2155
5/12/2021	DAL 100 17 DEC 21 40 PUT	1,250	294	\$3.30	-0.32	39.29%	43.80%	\$425,000	.DAL211217P40	\$2.19	2489
5/11/2021	DAL 100 17 SEP 21 65 CALL	6,676	1,883	\$0.28	0.07	39.33%	4.08%	\$186,928	.DAL210917C65	\$0.17	8060
5/4/2021	DAL 100 20 AUG 21 48 CALL	10,250	264	\$2.14	0.38	36.83%	30.81%	\$2,214,000	.DAL210820C48	\$1.66	11690
5/3/2021	DAL 100 20 AUG 21 45 PUT	5,008	1,561	\$2.89	-0.41	35.11%	48.21%	\$1,447,312	.DAL210820P45	\$2.28	8664
4/29/2021	DAL 100 20 AUG 21 45 PUT	1,501	59	\$3.05	-0.41	35.80%	48.59%	\$465,310	.DAL210820P45	\$2.28	8664
4/26/2021	DAL 100 20 AUG 21 40 PUT	1,519	71	\$1.42	-0.21	38.84%	28.42%	\$212,660	.DAL210820P40	\$0.77	3022
4/15/2021	DAL 100 21 JAN 22 57.5 PUT	2,038	404	\$13.35	-0.67	37.84%	78.30%	\$2,720,730	.DAL220121P57.5	\$12.60	2463
4/15/2021	DAL 100 21 JAN 22 57.5 CALL	3,139	1,686	\$3.05	0.34	39.46%	22.21%	\$973,090	.DAL220121C57.5	\$1.55	4991
4/15/2021	DAL 100 21 JAN 22 55 PUT	1,602	1,072	\$11.65	-0.62	38.12%	74.18%	\$1,866,330	.DAL220121P55	\$11.61	5169

**Potential Catalysts:** Earnings Mid-July; Monthly Updates

## **Disclaimer:**

### **Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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