

SPOTLIGHT OPTION TRADE



Chemical Giant Going Green Supports Better Growth Outlook, Re-Rating

TRADE SNAPSHOT

TICKER	DOW
SECURITY	Dow Inc.
SECTOR	Basic Materials – Chemicals
CURRENT PRICE	\$59.26
LONG/SHORT	Long
TARGET	\$65
STOP	\$56
TIMEFRAME	2 Months

Trading Strategy: Long the **DOW** March \$60 Calls at \$2 or Better

Net Debit/Credit: Debit of \$2

Profitability Zone: DOW Above \$62 on March OpEx

Options Volatility / Trade Simulator View:



Technical Analysis: DOW with a nice weekly set-up of a falling wedge back to key support and shares working out of that wedge with weekly RSI breaking out and MACD crossing bullish. Shares have pushed up to a falling 34-week EMA and VWAP off the highs and above \$60.20 should be key to a trend move higher.



Fundamental Analysis: DOW has a \$43.2B market cap and trades 9.25X Earnings, 5.7X FY22 EBITDA and 2.7X Book with a 4.72% dividend yield, a value name. Dow's portfolio of plastics, industrial intermediates, coatings and silicones businesses delivers a broad range of differentiated science-based products and solutions for its customers in high-growth market segments, such as packaging, infrastructure, mobility and consumer care. DOW held an Investor Day in October outlining its position to capture growth from sustainability trends. Infrastructure is a key end market for Dow and contributes to ~35% of net sales. Dow estimates that infrastructure is a \$275B TAM and is growing at 1.3x GDP. Consumer is another key end market with a \$200B TAM. Consumer is growing at 1.5x GDP and key growth drivers include an increasing middle class population, environmentally-conscious consumers (valuing plant-based feedstock rather than fossil fuel based counterparts), and wellbeing and safer materials trends. Packaging contributes to ~25% of net sales, has a \$250B TAM and is growing at ~1.3- 1.5x GDP. Mobility contributes to ~10% of net sales, has a \$75B TAM, and is growing at 1.5x GDP. Increased connectivity is required for autonomous capabilities and this connectivity is driving growth of +25bn devices by 2025. Dow is targeting a 24% increase in \$/vehicle by 2025 and is investing in new capabilities like MobilityScience Studios to accelerate growth. Analysts have an average target of \$63 with short interest at just 2% of the float. Wells Fargo with a \$67 target on 12/9 noting a strong PE market and the market is being overly cautious. Wolfe downgraded to Underperform in October on concerns of a margin squeeze from rising natural gas, ethane and propane prices. Piper started at Overweight with a \$78 target in September seeing strong FCF with growth initiatives and debt reduction as well as share repurchases.

Options Activity:

Date	Description	Volume	Open.Int	Price	Delta	Impl Vo	Prob.ITM	Premium Paid	Symbol	Current Price	Current OI	Price Change	
1/11/2022	DOW 100 18 MAR 22 57.5 PUT	1,621	2,183	\$2.64	-0.42	29.53%	47.15%	\$403,629	.DOW220318P57.5		2.64	3,789	0.00%
1/10/2022	DOW 100 17 JUN 22 42.5 PUT	3,683	1,870	\$0.72	-0.1	38.76%	14.84%	\$283,591	.DOW220617P42.5		0.63	4,515	12.50%
1/5/2022	DOW 100 21 JAN 22 61 CALL	3,518	353	\$0.51	0.25	26.33%	23.44%	\$182,936	.DOW220121C61		\$0.27	3,918	47.06%
1/4/2022	DOW 100 18 MAR 22 62.5 CALL	8,147	14,191	\$1.01	0.26	26.77%	22.63%	\$822,847	.DOW220318C62.5		\$1.21	22,109	19.80%
2/22/2021	DOW 100 20 JAN 23 37.5 PUT	958	759	\$2.09	-0.15	37.37%	27.01%	\$200,222	.DOW230120P37.5		\$1.41	1,598	32.54%
2/22/2021	DOW 100 18 MAR 22 57.5 CALL	4,220	849	\$1.54	0.334	29.34%	28.47%	\$649,880	.DOW220318C57.5		\$3.61	4,826	-134.42%
2/20/2021	DOW 100 21 JAN 22 57.5 CALL	8,133	4,102	\$0.44	0.2	29.82%	17.24%	\$414,783	.DOW220121C57.5		\$1.95	11,198	-343.18%
12/3/2021	DOW 100 18 FEB 22 50 PUT	1,541	1,761	\$2.29	-0.36	37.58%	42.53%	\$352,889	.DOW220218P50		\$0.26	2,175	88.65%
12/2/2021	DOW 100 18 MAR 22 52.5 CALL	537	121	\$4.20	0.53	38.29%	44.29%	\$228,225	.DOW220318C52.5		\$7.27	1,153	73.10%
12/1/2021	DOW 100 18 MAR 22 62.5 CALL	4,048	1,826	\$1.05	0.21	31.73%	16.47%	\$433,136	.DOW220318C62.5		\$1.21	22,109	15.24%
11/24/2021	DOW 100 17 JUN 22 60 CALL	1,144	761	\$4.10	0.46	30.05%	37.30%	\$469,040	.DOW220617C60		\$3.53	2,426	-13.90%
11/2/2021	DOW 100 20 JAN 23 42.5 PUT	2,500	3,149	\$2.55	-0.19	33.47%	31.39%	\$695,000	.DOW230120P42.5		\$2.31	6,219	9.41%
11/1/2021	DOW 100 18 MAR 22 65 CALL	2,817	932	\$1.11	0.22	25.97%	17.84%	\$318,321	.DOW220318C65		\$0.61	7,526	-45.05%
10/28/2021	DOW 100 18 MAR 22 50 PUT	1,000	463	\$1.92	-0.26	31.56%	33.61%	\$204,000	.DOW220318P50		\$0.59	2,952	69.27%
10/27/2021	DOW 100 18 MAR 22 60 PUT	1,328	1,536	\$6.22	-0.63	27.44%	70.37%	\$826,016	.DOW220318P60		\$3.68	1,575	40.84%
10/26/2021	DOW 100 20 JAN 23 50 PUT	1,906	2,615	\$4.60	-0.3	30.28%	44.66%	\$914,880	.DOW230120P50		\$4.10	6,730	-10.87%
10/26/2021	DOW 100 20 JAN 23 50 CALL	1,701	278	\$11.15	0.72	31.03%	55.08%	\$1,896,615	.DOW230120C50		\$10.75	2,083	-3.59%
10/15/2021	DOW 100 17 JUN 22 60 PUT	1,000	991	\$6.80	-0.52	28.09%	62.34%	\$710,000	.DOW220617P60		\$5.50	2,043	-19.12%
10/14/2021	DOW 100 19 JAN 24 47.5 PUT	350	15	\$8.20	-0.3	33.28%	52.82%	\$350,000	.DOW240119P47.5		\$6.80	382	-17.07%
10/12/2021	DOW 100 18 MAR 22 57.5 PUT	401	242	\$4.90	-0.48	30.33%	57.04%	\$202,505	.DOW220318P57.5		\$2.64	3,789	46.12%
10/4/2021	DOW 100 17 JUN 22 67.5 CALL	1,000	873	\$2.12	0.254	28.10%	18.73%	\$212,000	.DOW220617C67.5		\$1.17	4,064	44.81%
9/21/2021	DOW 100 17 JUN 22 42.5 PUT	1,000	299	\$2.38	-0.18	36.86%	28.22%	\$228,000	.DOW220617P42.5		\$0.63	4,515	-73.53%
9/20/2021	DOW 100 20 JAN 23 50 PUT	1,000	1,696	\$6.70	-0.36	34.40%	54.14%	\$670,000	.DOW230120P50		\$4.10	6,730	38.81%
9/15/2021	DOW 100 17 JUN 22 60 PUT	401	191	\$7.30	-0.47	31.38%	59.84%	\$298,745	.DOW220617P60		\$5.50	2,043	24.66%
9/15/2021	DOW 100 20 JAN 23 57.5 PUT	2,500	1,869	\$8.90	-0.41	33.09%	58.93%	\$2,350,000	.DOW230120P57.5		\$7.10	4,682	-20.22%
9/3/2021	DOW 100 20 JAN 23 57.5 PUT	1,500	778	\$8.20	-0.383	33.03%	56.15%	\$1,230,000	.DOW230120P57.5		\$7.10	4,682	13.41%
9/2/2021	DOW 100 18 MAR 22 45 PUT	1,592	1,175	\$1.02	-0.108	38.65%	17.41%	\$162,384	.DOW220318P45		\$0.25	3,103	75.49%
9/1/2021	DOW 100 18 MAR 22 45 PUT	1,192	28	\$1.06	-0.11	38.52%	17.41%	\$126,352	.DOW220318P45		\$0.25	3,103	76.42%
8/9/2021	DOW 100 20 JAN 23 50 PUT	800	258	\$5.50	-0.27	34.84%	44.33%	\$440,000	.DOW230120P50		\$4.10	6,730	25.45%
8/6/2021	DOW 100 17 JUN 22 50 PUT	1,000	59	\$3.05	-0.232	35.40%	35.46%	\$305,000	.DOW220617P50		\$1.76	5,457	42.30%
8/6/2021	DOW 100 20 JAN 23 90 PUT	176	48	\$32.90	-0.833	26.29%	93.82%	\$579,040	.DOW230120P90		\$35.16	225	-6.87%
7/30/2021	DOW 100 18 MAR 22 55 PUT	1,002	39	\$3.70	-0.303	32.89%	40.96%	\$370,740	.DOW220318P55		\$1.63	2,367	55.95%

Potential Catalysts: Earnings 1-27-2022

Disclaimer:

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