

JPM, PEP

JP Morgan (JPM) will announce earnings 7/13 before the open with the Street looking for \$3.17 EPS and \$29.95B in Revenues (-11.4%) with FY21 seen at \$13.19/\$121B. JPM shares have closed lower the last three reports with a six quarter average max move of 2.8%. The \$475B investment bank trades 13X Earnings and 1.9X Book with a 2.3% dividend yield and strong 16% ROE. Bank earnings are expected to strengthen with the improving economic growth outlook and also the coming higher rate environment should inflect NII with better loan growth. Analysts have an average target of \$170 with short interest minimal at 0.7% of the float. KBW started shares Neutral recently noting that the current revenue environment may be more challenging from those with outsized growth in bond portfolios and JPM's multiple is at historical highs. JPM shares recently peaked right at a 138.2% Fibonacci extension of the COVID-correction and currently trapped between \$149/\$156 high volume zone with a bear flag pattern on the weekly and a head and shoulders topping pattern on the daily. A move below \$148 would target a fall to \$129. JPM options are pricing in a 1.7% earnings move with 30-day IV Skew at +1.6 comparing to the +1.5 52-week average. JPM has recently seen some large buyers of September \$155 calls, sellers in the \$165 calls, and has 13,500 August \$160 calls in open interest from a large buy on 5/4 and 5/5.

Trade to Consider: Long the JPM July/August \$160 Calendar Call Spreads at \$2.15 Debit



Pepsi (PEP) will report results 7/13 before the open with the Street expecting \$1.53 EPS and \$17.97B in Revenues (+12.7%) and FY21 seen at \$6.10/\$75.5B. PEP shares have closed higher on results 6 of its last 7 reports with a six quarter average max move of 1.93%. The \$205.5B snacks & beverage leader trades 22.7X Earnings, 2.88X Sales and 17X EBITDA with a 2.74% dividend yield and revenues seen rising 7.2% in 2021 with EPS up 10.3%. PEP results should be strong with improved mobility trends and it is also well hedged for rising commodity costs. PEP continues to target 4-6% organic revenue growth and expanding operating margins from \$1B in annual productivity savings. Analysts have an average target of \$155 on shares with short interest low at 0.7% of the float. MSCO out positive on 6/29 seeing earnings as a positive catalyst and has a \$165 target. UBS upgraded to Buy in April with a \$165 target positive on PEP's diversification and execution efforts and emerging from the downturn stronger. On the chart PEP just started to clear major \$148.50 resistance last week and the first Fibonacci extension target from the COVID-correction is way up near \$165 while \$156.85 the extension target of the early 2021 correction off December 2020 highs. PEP options are pricing in a 1.6% move on earnings and 30-day IV Skew at +1.5 is in-line with the 52-week average. PEP recently with 3000 June 2022 \$150 calls bought to open in a large trade while July \$155 call OI above 13,000 is mainly from a large opening sale on 6/1. PEP has also seeing 1000 June 2022 \$145 calls bought, 2775 September \$135 calls bought, and has some size January 2022 now deep ITM calls in OI from Q1 and Q2 2020 buys into weakness.

Trade to Consider: Long the **PEP** July \$150/\$152.50 Call Spreads for \$0.85 Debit



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These trade ideas are to be self-managed as there will be no follow-up, and each user must take full responsibility of the trade, and only take action on trades that fit his/her risk profile and are comfortable trading.

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