



## FEATURED OPTIONS RADAR REPORT



### Bulls Target Freeport into 200-MA Ahead of Earnings

**Ticker/Price:** FCX (\$32.90)

#### Analysis:

**Freeport (FCX)** trading down to the 200-MA and bullish flows today ahead of 7-22 earnings with 1,700 September \$30 calls bought for \$4.45 and also 1,450 October \$33 calls bought for \$3 to open. Later, we saw buyers active for 11,000 September \$35 calls today with 24,614 in OI. FCX has recently had buyers in the November \$32 calls, October \$32 calls, and September \$33 calls while put sellers active in the October \$32 and October \$31 strikes. Shares have been on a big run since the March 2020 lows and back at long-term support this week as well as the 38.2% Fibonacci retracement of the move at \$30.50. A move back above the 21-EMA at \$35.50 and out of its current downtrend has room back to a high-volume node at \$43. The \$49.2B company trades 9X earnings, 3X sales, and 10.75X cash with a small yield. FCX expects to continue benefitting in the 2H from a more upbeat outlook for copper through both the global recovery and larger secular shifts toward clean energy initiatives where the metal is in high-demand. The company is investing in capacity and expanding production which should be up 20% in 2021 while also executing on a better operational plan that will keep incremental cost hikes under control and drive better margins. FCX was at the DB conference in June and highlighted catalysts into the 2H from resuming production at both Lone Star and Bagdad while also looking at investing in new leach recovery tech. Analysts have an average target for shares of \$34.50 and a Street High \$60 from Jefferies. The firm thinks supply constraints in the copper market remain underappreciated and a global recovery will continue to drive better prices. Barclays cutting to Underweight recently as margins are now near record highs and stocks are trading at elevated multiples versus history. Deutsche Bank raising estimates in late May with operational improvements on the horizon that should step-up FCF generation and shareholder returns. They also think relative to peers FCX has the best-positioned portfolio for the current environment with tax stability agreements covering its Peruvian and Indonesian operations that can potentially shield it from increased taxation and royalties. Short interest is 1.45%. Hedge fund ownership fell 3% in Q1. Slate Path Capital a top position with 3.2M shares.

#### Hawk Vision:



**Hawk's Perspective:** FCX has a mixed history but back at key support here and remains a best-of-breed metals name with plenty of potential upside drivers into the 2H

**Confidence Ranking:** \$\$