



## FEATURED OPTIONS RADAR REPORT



### Defense Industrial Sees Large Bull Risk Reversals into Support

**Ticker/Price: GD (\$218.15)**

#### Analysis:

**General Dynamics (GD)** on 3/16 saw a large bull trade with 1134 May \$190 puts sold to open at \$1.56 to buy the \$230 calls at \$5.31, bull risk reversals and over 2500 traded by the end of the day. GD has seen mostly bull flow but trades of this size are rare. Also still has 600 May \$220 short puts in open interest from opening sales on 1/31 at \$5.70 and 1000 January \$260 ITM short puts still holding from sellers on 1/1 for \$30.30. GD also has size call buys in OI from late last year in Jan \$230 calls at \$28.15 bought over 750x. Shares have been pulling back since the start of the year after a strong rally into late 2022 made all time new highs at 256. Now testing the yearly value area low support at 213 last week and bounced off that level. Strong support at 200 also below but holding 215 can see a rebound back to 232 yearly POC. Resistance is at 225 and 233 then 246 is a VPOC overhead. The \$59.9B company trades at 16.6x earnings, 1.7x sales, FCF yield of 6.3% and a dividend yield at 2.5% while revenue is expected to grow +5% in FY23 and +7% growth estimated in FY24. General Dynamics is a global aerospace and defense company. The Company offers a portfolio of products and services in business aviation; ship construction and repair; land combat vehicles, weapons systems and munitions, and technology products and services. Last week GD was awarded a \$1.48B Army modification to a contract to manufacture large-caliber metal projectiles and mortar projectiles. Work locations and funding will be determined with each order, with an estimated completion date of July 30, 2029. Average analyst target is \$270. Citi has a \$283 target and Buy rating on the stock saying it remains constructive on the outlook for Aero over the next several years given recent booking trends and management's desire to reduce customer lead-times for aircraft. Susquehanna lowered its target to \$263 but keeps a Positive rating and citing the fundamental story for General Dynamics is well intact, as the adverse revision in Marine is a pause in growth that will likely dissipate by 2024 with growth resuming in a meaningful way. Short interest is 0.8%. Hedge fund ownership rose 3.4% last quarter.

#### Hawk Vision:



**Hawk's Perspective:** GD is a top defense name but still in a pullback mode although that big support into 210 is a nice spot to play bull put spreads into this dip, otherwise waiting on 8/21 EMA bull cross.

**Confidence Ranking: \$\$**