



FEATURED OPTIONS RADAR



Bulls Position for Housing Recovery in 2024

Ticker/Price: HD (\$310.7)

Analysis:

Home Depot (HD) is seeing size bullish positioning for the long-term in recent weeks led by accumulation of 5500 January 2025 \$300 calls last week, a position now valued over \$22M. HD has also seen large buys in January 2024 \$305 calls, 2500 March \$310 calls, 1200 January \$290 and \$295 calls and December \$290 and \$310 calls. HD on the weekly chart put in a key higher low near \$277 and has rallied the last few weeks while weekly MACD is nearing a bull crossover and shares now above key 8 and 21 week mobbing averages. The \$270-\$333.50 range is well-defined and the upper portion key to working to a major range breakout while \$311.55 near-term the VWAP off the 2021 highs. HD is the leading home improvement retailer and recent reports across the supply chain have indicated slowing DIY demand though HD's Pro business has been a standout in recent years, the slowdown in the housing market likely dampens the outlook despite longer term trends of low inventory and an ageing housing stock remain tailwinds. There is a typical 6-9 month lag of Home Improvement activity following rate hikes. Existing home sales and home price appreciation – the top two drivers of Home Improvement demand – are holding up well compared to new home sales. HD has a market cap of \$310B and trades 19.9X Earnings, 2X Sales and 17.4X FCF with a 2.7% dividend yield. Revenues are seen returning to growth, albeit minimal at 1.4% in 2024, while EPS is seen rising 3.5% after falling nearly 10% this year. Markets expect a weaker 1H24 environment before a recovery in 2H24 and HD has seen traffic decline for ten straight quarters. HD fundamentals are likely bottoming out with Housing and the strong history of execution should allow it to shine again as investors acquire shares ahead of the comp/macro inflection in 2024. Analysts have an average target of \$327 with short interest low at less than 1% of the float. MSCO cut its target to \$335 and Argus down to \$360. Truist now with a \$340 target noting lean housing inventory levels, steady home prices, and a Fed that is likely nearing the end of its rate hike cycle, they are buyers of shares into easy 2024 comps.

Hawk Vision:



Hawk's Perspective: HD remains a leading way to play longer-term housing trends and likely returns to compounder status in 2024 following a tough 2023.

Confidence Ranking: \$\$