



IBM Calls Look for Summer Rally

Ticker/Price: IBM (\$139.50)

Analysis:

IBM with interesting bullish positioning on 1/28 as the June \$150/\$160 OTM call spreads were bought 4500X and the June \$150 calls already with over 7000 in open interest from buyers while the March \$145 calls have over 8000X from buys. IBM shares recently jumped on better than expected earnings but has already back-filled that gap, and key downtrend resistance near \$147 with a breakout being key to an inflection point for shares after moving out of a solid weekly trend support base. The \$123.65B Tech company trades 10.5X Earnings and 17X FCF with a 4.65% yield and large cash hoard. IBM is seeing benefits from its transformational acquisition of Red Hat while also benefitting from a strong product/refresh cycle. IBM has finally returned to top line growth and becoming a bigger presence in cloud computing with growth accelerating to 21% from 11% the prior quarter and now 31% of its total business. The new IBM z15 mainframe computer saw 63% growth as well. Operating margins also rose 23obps. Analysts have an average target of \$150 and short interest is fairly low at 1.9% of the float. Citi raised its target to \$155 after the quarter noting trends are improving. Hedge Fund ownership fell 14.4% in Q3 filings, no notable top concentrated holders.

Hawk Vision:



Hawk's Perspective: IBM with this activity starting to look more interesting on value/yield and have a \$135 level to trade against with the recent base breakout, entry looks fairly good down here.

Confidence Ranking: \$\$