



## FEATURED OPTIONS RADAR REPORT



### Bearish Open Interest Piles Up in Financial Facing Headwinds as Deal Activity Slows

Ticker/Price: JEF (\$32)

#### Analysis:

**Jefferies (JEF)** name which has seen bearish flow recently including buyers on Friday of 2,000 September \$32.50 puts for \$625K while the June \$32.50 puts and June \$30 puts have both seen size accumulate since 4/22. JEF averages about 175 puts per day, so the recent buying stands out and open interest overall now slanted almost 3-to-1 in favor of puts. Shares are consolidating in a narrow multi-week range under \$34 and the declining 55-MA with a breakdown under \$30.50 in focus to new 1-year lows. A longer-term move lower has room to \$27 and filling a low-volume gap. The \$7.82B company trades 7.45X earnings, 0.95X sales, and 0.8X book with a 3.75% yield. The company is coming off of a mixed quarter with weakness in equity underwriting and strength in their advisory business. JEF is in the midst of a transition year and faces headwinds from higher market volatility and rising rates which could lead to a significant slowdown in both their IB and trading businesses, the latter of which saw weak returns in Q1. Fixed income trading is also expected to see volumes stay deflated into the 2H with inflation concerns and rate uncertainty. Analysts have an average target for shares of \$43.25 with a Street High \$47 and a low of \$35 from MSCO. The firm was out cautious in March noting that risk to estimates in 2022 given a slowdown in M&A activity, a big area of focus. Publicly available data from Dealogic shows that deal activity remains weak in 2022 and rising geopolitical tensions will likely reduce M&A activity for longer. Assuming the pace of activity continues through the end of the quarter, volumes will be down nearly 30% Y/Y. Hedge fund ownership fell 4% last quarter. Insiders active this year as well. In March, a director bought \$335K in stock at \$33.50.

#### Hawk Vision:



**Hawk's Perspective:** JEF looks good as a short option but pays to be patient and waiting for a potential trigger under \$30.50

**Confidence Ranking:** \$\$