



Knight Swift Size Bullish Positioning Continues

Ticker/Price: KNX (\$38.15)

Analysis:

Knight Swift (KNX) with 10,000 February \$40 calls bought today for \$1.20, stock replacement, and follows buyers of more than 12,000 March \$40 calls, 14,000 June \$40 calls, and 19,000 June \$45/\$55 call spreads which remain in OI. KNX also had 8500 March \$35 puts sold to open recently seeing value on a pullback to the 200-MA. KNX has run a bit lately and potential for a pullback in the short-term to 6-month VPOC around 37. Longer-term, shares are working on a big weekly flag under \$39 that measures out to \$45 on a breakout. The \$6.44B trucking company trades 18.4X earnings and 1.3X sales with a small yield. KNX has taken down estimates quite a bit since early 2019 and now sees a recovery in the trucking market in FY21 as conditions normalize. KNX cut their guidance on 12-19 given a more muted seasonal environment but still expects to see capacity rationalization accelerate in the beginning of 2020. Analysts have an average target for shares of \$40. BAML with a Street High \$45 PT and their top SMID pick given a rebound in spot rates as Knight is the most exposed trucking carrier, primed to take advantage of improving markets. They also note that three key things that have weighed on trucking stocks seem to be abating: 1) a better spot market as a years-long cleaning of excess supply built during 2018 finally clears; 2) stable demand; and 3) a continued tightening of the driver market that is being aided in 2020 by the new FMCSA regulations and launch of the NDAC on 1/6. Wolfe upgrading to Outperform on 1-7 after checks/survey work showed that full truckload pricing expectations are bottoming and that over-capacity has peaked. KNX short interest is 21%, a pretty cautious signal. Hedge fund ownership rose 23.5% in Q3, a big jump, with ACK Asset Management and Moore Capital notable buys.

Hawk Vision:



Hawk's Perspective: KNX has been a name that has run since triggering from former OI and still looks positioned well in a tough group, a best name to own for Trucking exposure.

Confidence Ranking: \$\$