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Bulls See Higher Floor for Leading Defense Name Amid Geopolitical Tensions

Ticker/Price: LMT (\$463.18)

Analysis:

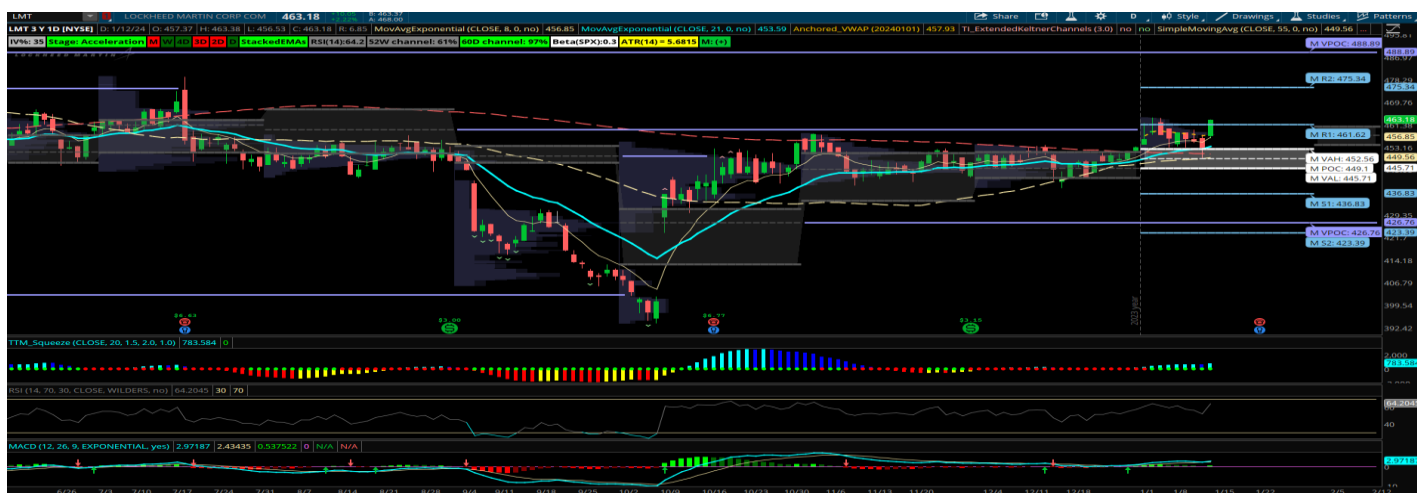
Lockheed Martin (LMT) saw a few large bullish trades open the past few weeks as the stock consolidated in the recent bull flag.

On 1/11 a large opening sale of 1000 March \$445/\$440 bull put spreads opened showing confidence in the 445 zone holdings as support. This was preceded by a Jan 8th large buyer of 300 June \$430 deep ITM calls for \$41.85, over \$1.1M in longer term calls. A few days prior on 1/3 saw an interesting spread buyer of 625 February \$470 calls at \$9.30 was active while also selling 400 of the

July \$475 calls at \$20 for call diagonal spreads. LMT has seen some opening call sales also in March \$475 and \$480 strikes so potential short term resistance targets, but the longer-term flows lean bullish. LMT still has size short puts in OI from sales of 300 Jan 2025 \$440 puts on 10/30 at \$35.90. The \$116.6B aerospace and defense company trades at 17.3x earnings, 1.9x sales, FCF yield of 5.7% and a dividend yield of 2.8% with revenues expected to rise +3% in FY24 and growth estimated at +4% in FY25. Lockheed Martin is a security and aerospace company. It operates through four segments: Aeronautics, Missiles and Fire Control, Rotary and Mission Systems, and its Space segment. Early this month LMT was awarded a new \$1.15B U.S. Navy contract modification and this follows last month's \$886 billion national defense bill passed by the House which should only add to defense spending into this election year. With the multiple wars ongoing in the world and the US entering an election year, defense spending will only become a larger factor in providing security in the future and new contracts with military combat forces are likely to continue for LMT.

Shares have been acting quite well since gapping higher in October on the Middle East conflict news and since then has coiled sideways mostly in a strong relative strength pattern as it now starts the new year in a bull flag and Friday saw a strong candle attempt to breakout of range above 460. LMT has a lot of space above here so plenty of fuel in the tank if this follows through higher above 465 the first target is seen at 480 and then 489 is the untested VPOC above from last April. The 500 round number level likely then becomes a magnet into that strong move. Average analyst price target is \$491. Barclays raised its target to \$480 last week and cites the sector as relatively cheap and a presidential election year typically sets up well. It prefers defense to government services as it thinks the latter will undergrow defense with margins at peak. Argus recently said that weakness should be used as a buying opportunity and they maintain a \$510 target and Buy rating citing a favorable view of Lockheed Martin's focus on international revenue diversification, and it expects the ongoing geopolitical tensions to benefit sales and earnings going forward. Citi is quite bullish with a \$540 target and Buy rating as they say increasing share buybacks should provide a floor for the stock and the outlook for restarting F-35 deliveries into early-2024. Short interest is at 0.8%. Hedge fund ownership rose 2.3%. Renaissance added 330K shares last quarter.

Hawk Vision:



Hawk's Perspective: LMT is looking prime to breakout of this 6-month range so can use a simple stop loss level of 450 now with potential to see a move up to 490-500 into the Spring.

Confidence Ranking: \$\$