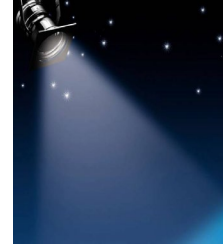


SPOTLIGHT OPTION TRADE



Calls in Best Airline Operator for Rising Fuel Cost Environment

TRADE SNAPSHOT

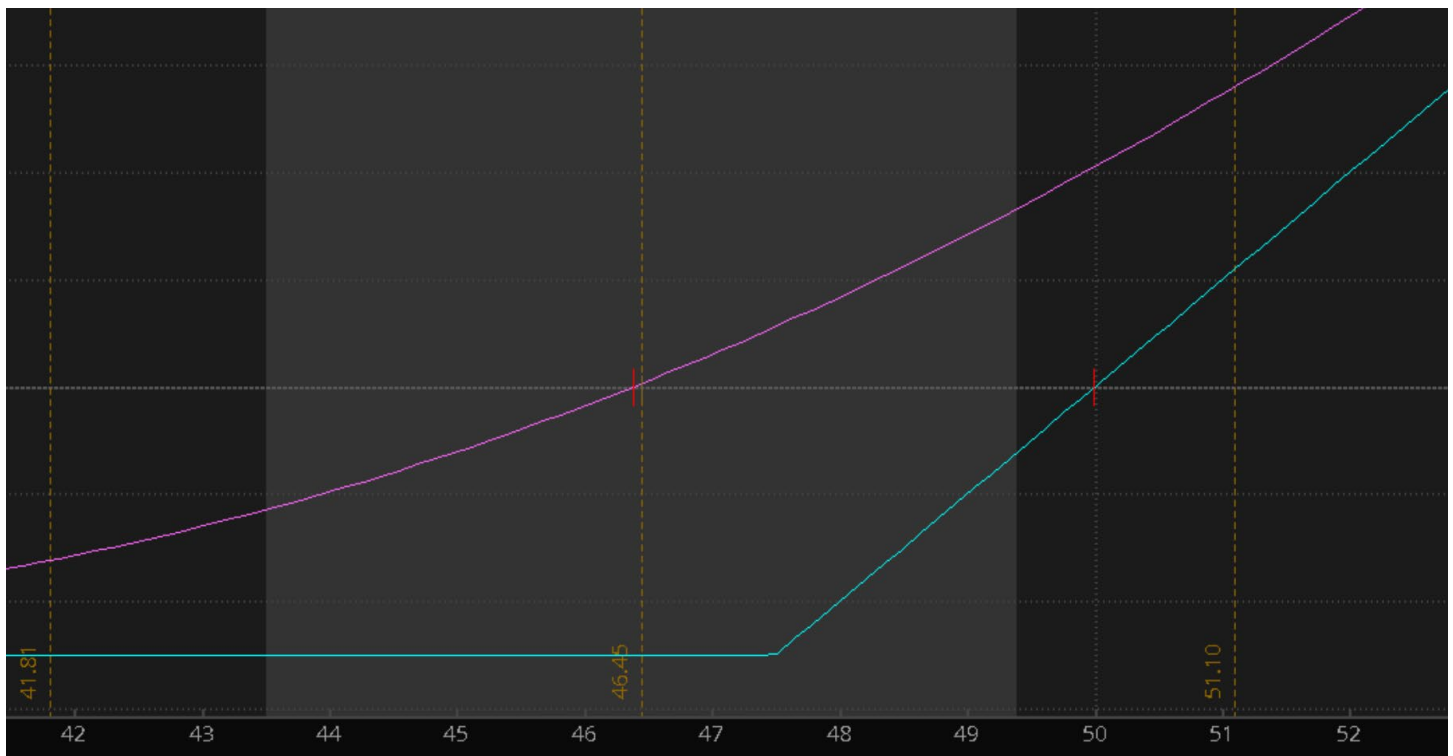
TICKER	LUV
SECURITY	Southwest Air
SECTOR	Industrial – Transports - Airliners
CURRENT PRICE	\$46.40
LONG/SHORT	Long
TARGET	\$52
STOP	\$43.50
TIMEFRAME	2 Months

Trading Strategy: Long the LUV June \$47.50 Calls at \$2.50 or Better

Net Debit/Credit: Debit of \$2.50

Profitability Zone: LUV Shares Above \$50 on June OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: LUV shares breaking out of a large weekly wedge and base pattern as one of the few names in a bull MACD signal and weekly RSI back above 50. Shares dipped off recent highs testing the rising 21-day MA and one-year VPOC allowing for ideal entry for an expected pattern move to the \$50-\$55 zone.



Fundamental Analysis: LUV is a leading regional airline with a market cap of \$27.8B that trades just 15X Earnings, 8.8X EBITDA and 12X FCF with revenues seen rising sharply the next few years and reaching near pre-COVID levels already in FY22 while EPS and EBITDA seen surging strongly the next few years. LUV has managed through the pandemic well and improved their overall position into the expected travel recovery as they expanded routes and target new markets. LUV has a strong balance sheet and outlining an ambitious new strategic plan last year. LUV expects a tough January/February but a profit in March and the rest of the year with 2-22 somewhat of a transition year before accelerating in 2023/2024. Corporate/GDS, MAX rollout, new routes, new fare class, and its credit card are all potential upside drivers to estimates in coming years. Analysts have an average target of \$53 with short interest at 3% of the float. MSCO rates LUV a top pick in airlines with a \$65 target noting that if LUV can demonstrate a path to aggressive deleveraging and buybacks, the stock can trade at a higher multiple vs. history (17x vs. historical 13-14x).

Options Activity:

Date	Ticker	Contract	Volume	OI	Price	Delta	IV	Premium	Last	Current OI ▼	▲ Price
04-07-2022	LUV	LUV 100 20 MAY 22 47.5 CALL	14,646	3,327	\$0.66	0.21	40.81%	\$966,636	\$1.7	16,112	▲ 157.58%
03-30-2022	LUV	LUV 100 20 MAY 22 50 CALL	19,025	1,061	\$0.84	0.25	34.33%	\$1,635,978	\$0.87	12,446	▲ 3.57%
04-01-2022	LUV	LUV 100 20 MAY 22 50 CALL	10,499	18,402	\$0.97	0.28	35.7%	\$1,018,403	\$0.87	12,446	▼ 10.31%
07-20-2021	LUV	LUV 100 20 JAN 23 40 CALL	5,006	881	\$15.15	0.78	39.56%	\$7,984,570	\$9.95	10,879	▲ 34.32%
10-08-2020	LUV	LUV 100 20 JAN 23 40 PUT	1,515	75	\$11.6	-0.37	48.37%	\$1,757,400	\$3.1	9,604	▲ 73.28%
06-08-2021	LUV	LUV 100 20 JAN 23 50 PUT	603	187	\$4.75	-0.27	31.66%	\$286,425	\$7.35	9,431	▼ 54.74%
11-11-2021	LUV	LUV 100 17 JUN 22 42.5 PUT	6,000	1,227	\$2.06	-0.23	33.97%	\$1,242,000	\$1.52	8,641	▼ 26.21%
06-15-2021	LUV	LUV 100 20 JAN 23 45 PUT	4,116	1,056	\$3.05	-0.21	29.78%	\$1,275,960	\$4.67	6,689	▲ 53.11%
04-07-2022	LUV	LUV 100 17 JUN 22 47.5 CALL	5,158	2,779	\$1.24	0.29	39.97%	\$639,592	\$2.44	6,336	▲ 96.77%
08-23-2021	LUV	LUV 100 20 JAN 23 42.5 PUT	1,451	1,531	\$4.7	-0.30	34.51%	\$681,970	\$3.3	5,112	▲ 29.79%
03-02-2022	LUV	LUV 100 17 JUN 22 55 CALL	3,652	1,735	\$0.54	0.14	38.83%	\$197,208	\$0.5	4,810	▲ 7.41%
04-07-2022	LUV	LUV 100 17 JUN 22 35 CALL	4,398	528	\$8.15	0.85	46.89%	\$3,606,360	\$11.1	4,706	▲ 36.2%

Potential Catalysts: Earnings 4/28

Disclaimer:

Not Investment Advice or Recommendation

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

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