



FEATURED OPTIONS RADAR REPORT



Lyondell Bulls Position for Continued Recovery into Summer

Ticker/Price: \$93.75

Analysis:

LyondellBasell (LYB) with 900 Jan. 2022 \$100 calls bought this morning from \$10.80 to \$11 and follows spreads on 1/15 in June selling 500 of the \$85 puts and buying \$100/\$115 call ratio spreads 500X1000. LYB had buyers in the June \$90 calls in mid-December and the Jan. 2022 \$70 puts were sold back in August and remain in open interest. LYB has been a strong name with oil recovering lately and shallow pullback last week to the rising 21-MA. Shares are back at a big spot on the weekly with a move above \$95 into a low-volume gap stretching back to early 2018 that measures up to \$105. The \$33B company trades 12.3X earnings, 1.2 sales, and 11.7X cash with a 4.4% yield. LYB produces polyethylene, polyolefins and ethylene oxides and derivatives which gives it wide exposure to a number of markets like crude oil and refining and packaging. LYB was at the Citi Basic Materials conference in December noting that demand remains strong and they expect trends on the packaging side to remain steady throughout 2021, even with a vaccine, as many trends in food delivery will continue to be sticky. They also noted that China domestic supply is likely to be constrained in 2021 and won't be able to meet demand – growing 15% to 17% Y/Y -- over the next five years, giving them an advantage for further exports. Analysts have an average target for shares of \$75.50 and a Street High \$100. Deutsche Bank cautious this morning expecting earnings to be a 'sell the news' event. Bernstein cutting to Neutral in November as they think the COVID recovery thesis has largely played out and polyethylene pricing expecting to stall out. Wells Fargo positive recently on some capital investments including a 50/50 Sasol Louisiana JV which is accretive to LyondellBasell in 2021 and shows they continue to acquire world class assets at a reasonable price with the option to increase this position in the future. LYB short interest is 1.15% and near its lowest market in five years. Hedge fund ownership rose 14.5% in Q3.

Hawk Vision:



Hawk's Perspective: LYB is back at a nice spot short-term with the trend strong overall but with earnings coming up on 1-29 one to watch and possibly pick up on weakness

Confidence Ranking: \$\$