



FEATURED OPTIONS RADAR REPORT



Bulls Position for Morgan Stanley Positive Numbers

Ticker/Price: MS (\$90)

Analysis:

Morgan Stanley (MS) notable trade on 7/7 as September \$87.50 puts were sold to open 2950X at \$3.35 bids with the stock just below \$90 seeing limited downside this quarter and after Banks have pulled back recently. MS sees a lot of trading and has a lot of open interest with earnings coming next week on 7-15. MS has a strong history of closing higher on results but lower its last two reports. MS has some size sitting in July \$80 and \$90 calls, saw size buys in August \$85 calls on 6/22, and has plenty of bullish longer-dated positioning. MS shares have consolidated under recent highs at \$94.40 and look destined for a run to \$100. The \$168B investment bank trades 12.8X Earnings, 1.64X Book and yields a 1.55% dividend. MS has been building via acquisitions, and expanded their customer-facing business with their Eaton Vance (EV) deal as well as their E-Trade (ETFC) buy last year. MS sees the two deals as key to expanding their market share and scale in both wealth management and investment management. Both deals also accelerate their digital strategy. MS expects around \$250M in synergies from funding and \$550M from cost cutting. MS has doubled its total fee-based assets since 2015 and stands at \$1.6 trillion in stable, higher-earning assets. MSCO is focused on growing assets and sees surpassing 30% pre tax margins in the wealth business over time. Relative to other wirehouses, it is the only firm focused on investment in the core advisory channel, resulting in better technology and a better service offering, which has driven faster growth. Analysts have an average target of \$98 and short interest low at 1.5% of the float. RBC raised its target to \$97 this week expecting higher net interest income and lower expenses. KBW started at Outperform with a \$115 target seeing higher rates coming as a positive catalyst for banks. Evercore noted on 6/29 that **MS** was the standout on its capital plan. Jefferies started shares Buy with a \$108 target on 6/9 calling it a compelling compounder with leading market shares across its three business segments.

Hawk Vision:



Hawk's Perspective: MS remains a favorite Financial for its growth profile and like the strategy it has undertaken with its transformation.

Confidence Ranking: \$\$