



## FEATURED OPTIONS RADAR REPORT



### Diversified Wealth Management Giant Sees Large Bull Position for Strong Year Ahead

**Ticker/Price: MS (\$85.56)**

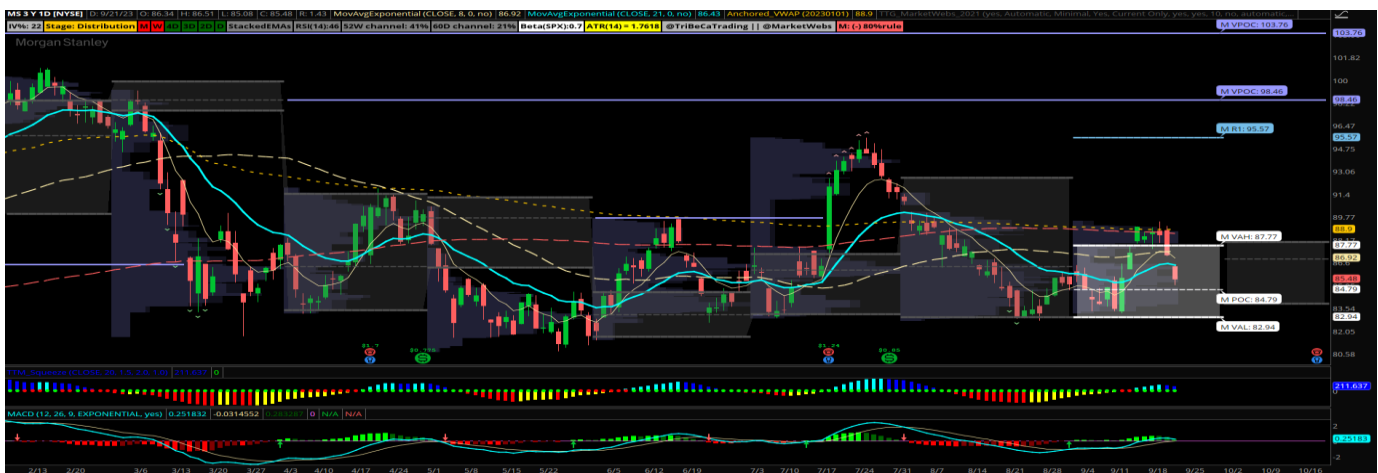
#### Analysis:

**Morgan Stanley (MS)** on 9/20 saw a large buyer of 1750 April \$70 deep ITM calls bought at \$20.60 for over \$3.6M in total and one of the larger option trades in months for the name. MS has also seen recent opening put sales in 2000 March \$87.50 puts sold for \$6.65 and 2k of the Nov \$85 puts sold for \$3.80 on 8/28. MS has seen some October \$87.50 and \$80 calls sell to open the past week likely looking for this current dip in markets so might be capped until October short term. Back in July also saw large opening sales of 1500 June \$87.50 puts for \$5.75 and 2300 Jan 2025 \$90 bull synthetics open for small net credits. The \$141.4B financial services company trades 12.6x earnings, 1.6x book, a dividend yield at 3.9% and with revenues expected to grow 6% in FY24 and growth estimated at +4% in FY25. The Company, through its subsidiaries, provides a range of investment banking, securities, wealth management and investment management services. Its segments include Institutional Securities, Wealth Management and Investment Management. Shares have been rangebound for the past 6 months as a large support base forms near 85 and the 200 day MA at 88.50 has acted as a ceiling overall for months. MS has pulled back from the early year highs near 100 and now more attractive if looking out to FY24 so these call buyers seem to see value at these lower levels. A break above 90 likely sees 98-100 retested into year end. Average analyst price target is \$98.

HSBC started at a Buy rating and \$99 target recently and citing a bifurcation is emerging in the revenue outlooks of traditional banks and those of more capital markets-focused financial groups. Atlantic raised its target to \$90 last month and saying it views the attractive valuations as being offset by substantial financial uncertainty. BAML raised to \$100 in late July and keeps a Buy rating saying Morgan Stanley shares outperformed on the back of relatively inline, but resilient, Q2 results, notes the firm, which attributes this to subdued expectations coming into the print combined with management comments outlining an encouraging second half revenue outlook. The firm raised its FY23 and FY24 EPS forecasts to \$5.80 and \$6.25 from \$5.66 and \$6 respectively, driving its higher target, arguing that the shares trade at a premium valuation for a reason.

BMO is bullish and has a \$103 target recently citing that Wealth Management remains the bright spot, with better-than-expected NII trends, robust NNA growth of \$90B, improving retail sentiment, and the near-term culmination of the E\*TRADE integration, which will prove supportive of Wealth Management margin expansion through 2H23 and 2024. Short interest is at 1.4% and has decreased 16% in the past 3 months. Hedge fund ownership fell 14%.

#### Hawk Vision:



**Hawk's Perspective:** MS is stuck in the monthly value area and with the market in sell mode could retest the 83 level but one to watch ahead of Q4 earnings with financials first to report. Setting alerts above 88 might be better for now. Solid yield so if willing to be long at 80, can consider selling the Dec \$80 puts at \$2.00.

**Confidence Ranking: \$\$**