



FEATURED OPTIONS RADAR REPORT



Morgan Stanley LEAPS See Further Upside After Deal Frenzy

Ticker/Price: MS \$69.32

Analysis:

Morgan Stanley (MS) buyer yesterday of 3,000 Jan. 2023 \$70/\$100 call spreads for \$9 to open and follows buyers of 3,000 April \$70 calls on 1/27 for more than \$1.25M. The April \$85 calls were also bought 11,850X on 1/11. MS has been a relative strength name versus the broader financial sector since November and pulling back this week just above the rising 50-MA. A move back above \$70 sets up for a longer-term push towards new highs. The \$126.4B company trades 11X earnings, 1.35X book and 7.6X FCF with a 2% yield and double-digit growth. MS is coming off a strong quarter with growth in ROTCE, expanding net income and revenues. They continue to make interesting acquisitions to accelerate their growth strategy. The company 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. Analysts have an average target for shares of \$65. CSFB positive on 1/25 citing earnings well ahead of forecasts, with broad based revenue upside and material operating leverage realization. DA Davidson positive on their 'best in class' trading results and just getting started with prospects of strong buybacks, merger expense saves, funding synergies and strong client asset growth. Short interest is 1.5%. Hedge fund ownership rose 1%. In November, a director bought \$1.385M in stock at \$55.40.

Hawk Vision:



Hawk's Perspective: MS is a best-of-breed name and like both of their recent deals a lot, aggressively positioning themselves for long-term success

Confidence Ranking: \$\$