



FEATURED OPTIONS RADAR REPORT



Nike Bulls Position Ahead of Earnings Despite Weak Price Action

Ticker/Price: NKE (\$130.30)

Analysis:

Nike (NKE) shares are down 8% YTD and has been a notable laggard with the recent market rally and will report earnings on 6-24. NKE is starting to see some options flow that is a good bottoming signal including 500 January 2023 \$130 puts sold to open, 1000 October \$135 calls bought, accumulation of 20,000 August \$140 calls since 6/4, 5000 July \$145/\$160 call spreads, and on 4/28 the January \$135 calls added 2500X. NKE is forming a seven-month falling wedge pattern that continues to tighten on the weekly with \$126 lower-range major support and above \$138 needed for a key wedge breakout. If the lower support fails the \$115 level is both the 38.2% retracement off the March 2020 lows and VWAP off those lows. NKE's weekly RSI is the most oversold it has been in over a year and shares have closed higher 5 of the last 8 earnings reports with a six-quarter average max move of 8.35%. The \$200B footwear & apparel leader is trading 32.8X Earnings, 5.3X Sales and yields a 0.8% dividend, so valuation remains at a premium, with revenues seen rising 15.8% in 2021 and 12% in 2022 along with 96% and 26% EPS growth respectively. NKE has been a big beneficiary of its digital efforts and last quarter delivered robust growth in China. Nike's owned Digital business has grown over 70% this year and the mix of self-owned and partner Digital exceeded 35% of the total business. Analysts have an average target of \$165 and short interest is low at 1.1% of the float. Jefferies upgraded to Buy in May with a \$192 target as increasingly confident in the medium-term growth and profitability of the business and positive on the shift to higher growth and margin channels/regions. UBS out this week with a \$170 target noting the China boycott issues will impact results though options skew is already braced for a below-consensus guide. Citi downgraded shares in April with concerns of the step-up in investments driving lower margins. Hedge Fund ownership fell 4.75% in Q1 filings, notable top holders include Edgewood, FundSmith, and Polen Capital while Winslow Capital and Sustainable Growth also large holders.

Hawk Vision:



Hawk's Perspective: NKE is tricky here as price-action remains poor and valuation remains stretched but it is also a high-quality top name. As an event-play the June 25th (W) / August \$140 call calendar spread for \$1.45 one way to consider playing it.

Confidence Ranking: \$\$