



Calls Accumulate in Phillips 66 as Energy Rebounds

Ticker/Price: PSX (\$91.10)

Analysis:

Phillips 66 (PSX) seeing 1,000 February \$95 calls trade \$2.20 to \$2.35 this morning looking to add to the 2,500 opened yesterday near the same prices, and also has 1,440 Jan. 2020 \$90 calls in open interest. PSX shares are working off December lows and seeing 8,13, and 21 day MA's curl higher nearing a cross above the 34 MA. Shares have a sizable volume pocket above \$93.60 that extends back to the former \$108 level breakdown. The \$42.6B Refiner Energy company trades 9.45X Earnings, 0.38X Sales, 24.2X FCF and 6.7X EBITDA. PSX is diversified with operations in Chemicals, Midstream, Refining and Marketing. It will present at the CSFB Energy Summit on 2-10-19 shortly after earnings on 2-8. Analysts have an average target of \$120 on shares and short interest is low at 1.4% of the float. Goldman was out earlier this week recommending June \$105 calls, seeing 40% upside to consensus numbers. It sees PSX benefitting from a strong growth pipeline in the midstream segment, volume growth offsetting soft margins in chemicals, a well-positioned refining portfolio, and potential for robust capital returns. In 2018 PSX bought back \$4B in stock and raised the dividend 14%. It also sees PSX turning the corner in terms of operational execution. Jefferies upgraded shares to Buy on 12-20 with a \$105 target on valuation and improving fundamentals for the Midstream and Refining segments. Hedge Fund ownership jumped 26.75% in filings last quarter, though Berkshire Hathaway sold a large portion of its position.

Hawk Vision:



Trading Strategy: PSX has the 50 MA to deal with here and want to confirm the OI change, but like the potential upside with the group finding a foothold.

Confidence Ranking: \$\$