



Large Call Buyer in JP Morgan as Banks Look to Lead Again

Ticker/Price: JPM (\$104.35)

Analysis:

JP Morgan (JPM) with over 6,000 September \$105 calls bought this morning from \$6.20 to \$6.55 and follows buyers of more than \$1M in June \$95 calls in mid-January and over 24,000 March \$105 calls in OI from buyers in January. JPM also still has 11,000 January \$110 short puts in open interest from July. Shares are consolidating in a multi-week flag under \$105 with the 200-MA just above at \$107. A move out of that flag clears a downtrend from the September highs as well with room back to \$115. The \$356B banking-leader trades 9.9X earnings and 1.54X book with a 3% yield and mid-to-high single digit EPS growth. JPM expects to grow revenues by 3% in both FY19 and FY20 with further NIM expansion as they see notable opportunity in Q1 to redeploy cash into more short duration assets. Analysts have an average target for shares of \$123.5 with 11 buy ratings and 10 hold ratings. Wells Fargo raised their PT to \$130 on 2/14 citing confidence that ROE will improve. The firm thinks JPM remains the best-in-class in terms of returns, market share gains, and has the benefit of scale over peers. JPM has a number of growth ventures setting up in 2019 including participating in some big tech IPOs like Lyft, adding share in the global treasury services market, potential financial ventures with Amazon, their healthcare venture with Berkshire, and potential consolidation. Earlier this month, Bloomberg reported that WisdomTree had approached the bank about selling itself but talks ended in December. Institutional ownership fell 13% last quarter. Berkshire Hathaway with 50.1M shares, adding 14.4M last quarter. JPM has seen a number of insider buys in the last year including \$518K on 2/6 from a Director at \$103.79. Two other directors bought over \$3.5M in stock around \$111 in 2018.

Hawk Vision:



Trading Strategy: JPM is a favorite large cap Bank working out of a bull flag like most of its Bank peers this week, a nice reward/risk here versus Feb lows.

Confidence Ranking: \$\$\$