



Petrobras Attracts Longer Term Upside Positioning

Ticker/Price: PBR (\$16.2)

Analysis:

Petrobras (PBR) bullish flow this morning with 4,000 Jan. 2020 \$17 calls bought and 1,400 Jan. 2021 \$15 calls for over \$1.5M net purchased. PBR has seen plenty of bullish positioning including 20,000 April \$17 calls bought on 11/23 and 12,000 March \$17 calls on 1/31 while 10,000 March \$14 puts sold to open 1/24. Shares have been in a strong trend since bottoming in 2016 and relative strength lately with the Brazilian market trading well. Shares have key resistance near \$17.5 and a move above can target a strong move to a longer term retracement level at \$22.25. The \$99B Co. trades 11.8X Earnings, 9X FCF and 4.7X EBITDA with a 0.62% dividend yield. PBR was recently allowed by a judge to continue its divestment program as it turns a focus to its core business and recently sold a refinery to Chevron (CVX). Analysts have an average target near \$17 and short interest minimal and near a three year low. Barclays cut shares to Underweight on 1/10 with a \$17 target. MSCO upgraded to Overweight in October with a \$21.5 target, noting an undervalued asset base and strong FCF leading to delveraging with asset sales a free option on shares. Hedge Fund ownership surged 34.5% in Q3 filings.

Hawk Vision:



Trading Strategy: PBR is becoming a favorite in the Oil space with its relative strength and upside optionality, the \$15-\$15.50 zone attractive for entry.

Confidence Ranking: \$\$