



EOG Resources a Favored Oil & Gas Name for Smart Money

Ticker/Price: EOG (\$97)

Analysis:

EOG Resources (EOG) buyer today of 6,600 June \$105 calls for \$4.65 in a stock replacement, sizable positioning which follows buyers in the April \$100/\$90 bull risk reversal and the June \$115/\$85 bull risk reversal on 1/16. The Jan. 2020 \$105/\$85 bull risk reversal opened on 1/9 as well, 800X. EOG still has the Jan. 2020 \$135/\$105 bull risk reversal in OI 7,500X from June. EOG shares have rallied off of recent lows and now flagging under \$102.50 and above its 20-EMA with the 200-EMA above at \$107.50. Shares bounced off a big volume area from 2017 and room back near recent highs around \$120/\$130 from 2018. The \$55.75B energy company trades 3.5X sales, 8.75X FCF and 8.15X EV/EBITDA with a 1% yield. The company has been cutting costs, down 5% in 2018, and targeting further reductions in 2019 as they look to return to positive EPS growth in 2020. They see revenue growth of 4% in 2019 and 13.5% in 2020 as they boost spending to complete more high-margin wells in key areas like the Delaware, Eagle Ford, and Bakken. EOG has done a good job balancing record crude volumes with cost cuts in 2018 while NGL productions jumped late in the year, up 46%. Analysts have an average target for shares of \$132 with 18 buy ratings and 7 hold ratings. Short interest is 2.6% but up from 1.5% in July. RBC upgraded shares to Outperform on 1/7 with a \$125 PT. The firm is positive on EOG's efforts to decouple the business from commodity prices by focusing on debt reduction, premium drilling, and capturing margin in ancillary areas. JP Morgan upgrading to Overweight on 12/7 citing its more defensive tilt which will outperform peers assuming oil prices remain near strip levels. Institutional ownership rose 11.7% last quarter.

Hawk Vision:



Trading Strategy: EOG is a preferred name and like the consolidation, alert in at \$100 level.

Confidence Ranking: \$\$