



Newmont Mining Bull Positions with Resurgence in Gold Prices

Ticker/Price: NEM (\$34.10)

Analysis:

Newmont Mining (NEM) buyer of the September \$35/\$32 bull risk reversal today for \$0.82 debit, 4925X, and name which has 4,000 February \$34 calls and 6,750 February \$36 calls in open interest from recent buys. NEM had 2,500 January 2021 \$32 puts sold to open on 1/22 and the June \$31 puts also sold to open 2,000X recently seeing value around recent levels. The March, June, and January 2020 calls have also seen upside positioning in December. Shares have bounced back from late January's dip lower after the Goldcorp (GG) deal was announced and now consolidating below the January OpEx value-area high. A move above \$35 targets \$39/\$40. After a recent rally, gold is just 4% off of 2-year highs and close to moving out of a big monthly range. The \$18.19B company trades 28.5X earnings, 2.55X sales, and 5.8X cash with a 1.64% yield and expectations for 8% EPS growth over the next two years after a period of contraction. NEM sees 4% revenue growth in 2019 driven by better production as four key projects ramp up into the 2H. NEM agreed to a deal with GG in January which creates the biggest producer of gold globally by output. They see several areas for efficiency improvements which will help battle higher extraction costs while also giving them top share in key mining areas like Australia and Ghana. Analysts have an average target for shares of \$41.50 with 9 buy ratings and 6 hold ratings. Canaccord upgrading to Buy on 1/15 and Barclays has an Overweight rating for shares and \$34 PT citing tailwinds from North American mining environment. Short interest is 2.7%, higher recently with the deal. Institutional ownership rose 1% last quarter. Van Eck a buyer of 5.5M shares. Carmignac Gestion sold 5.7M shares of their nearly 12M position.

Hawk Vision:



Trading Strategy: NEM has a great set-up with that 200 MA aligning with a major volume resistance level, a trigger above would be noteworthy.

Confidence Ranking: \$\$