



## Bulls Accumulate Positions in Freeport on Potential Major Base Breakout

**Ticker/Price:** FCX (\$12.10)

### Analysis:

**Freeport (FCX)** continues to draw bullish flow this week with action today in the March 29<sup>th</sup> (W) \$12 calls, buyers yesterday of more than 17,500 April \$14 calls, and recent buys of the March \$10 calls. The August \$14 calls bought 10,000X last week while the April \$11 short puts with 3,000X sold on Monday. Size still sits in the August \$11 calls, March \$11 and \$12 calls, and January 2020 \$12 calls where 40,000 have been bought for more than \$3M since 1/28. FCX shares are consolidating in a multi-month base under \$12.50 with a breakout targeting the 200-EMA and a move above to \$15. Shares have pulled back to key volume support from 2017 and out of a long downtrend from last year's high. The \$18.19B company trades 12.8X earnings and 0.94X sales with over \$3/share in cash on hand and a 1.63% yield. FCX is one of the more sensitive names to copper prices and benefitting from a rebound in 2019 with demand in China expected to pick-up in the 2H. The focus in 2019 continues to be expanding production capacity while shoring up the balance sheet and improving shareholder returns. FCX's CEO was out in October noting that they are taking a proactive approach to improving returns which includes a possible sale and on 1/24 noted that they would more likely be a seller than a buyer in M&A right now given their position. Analysts have an average target for shares of \$16 with 6 buy ratings, 10 hold ratings, and 3 sell ratings. MSCO upgrading to Overweight on Monday with a \$14 PT. They see low visible inventories and improved demand overseas as drivers. Jefferies positive on 2/12 seeing 2019 as a trough year for shares due to lower volumes and higher-than-anticipated costs but they expect a strong recovery in EBITDA and FCF. They keep a \$25 PT. Institutional ownership rose 40.5% last quarter. Short interest is 3.3%. The last notable insider buy in the name was above at \$15.20 when a director bought \$555K in stock in late 2017.

### Hawk Vision:



**Trading Strategy:** FCX is a tricky name to play and have trouble trust the Metals names, a difficult space to play similar to Energy.

**Confidence Ranking:** \$