



## Large Call Buyer in HSBC as Shares Base

**Ticker/Price:** HSBC (\$41)

### Analysis:

**HSBC (HSBC)** with a large opening buy of 5,000 February \$40 calls for \$2.20, shares consolidating in a narrow range. HSBC has some notable call buys in June \$35, \$40, and \$45 strikes. HSBC's range for 2016/2018 is roughly \$30/\$55 and shares hit a 61.8% Fibonacci retracement during the October sell-off. Shares need to clear \$42.35 to shift out of the 2018 downtrend that can carry shares to a retest of the big breakdown level at \$47. The \$168.5B Bank trades 11X Earnings, 0.91X Book and yields a hefty 4.87% dividend. It expects solid 4.6% top-line growth in 2019 with 6.6% EPS growth. HSBC sees an opportunity for Retail Banking and Wealth Management expansion and growth in the UK led by controlled mortgage expansion. Analysts have an average target near \$50 and short interest is negligible. Barclays downgraded shares to Underweight today and Citi cut to Sell last week on valuation and Hong Kong concerns seeing lower fee and trading income. HSBC shares are closely tied to Hong Kong and trade, the former owing to its 62.5% owned subsidiary Hang Seng Bank that accounts for 39% of Net Interest Income to HSBC Hong Kong. HSBC is increasingly seeing in the P&L the rewards of its patient construction of the best international deposit base of any bank. Hedge Fund ownership rose 3.5% last quarter in filings.

### Hawk Vision:



**Trading Strategy:** HSBC is on watch for clearing that key level and could be sparked by resolutions in global trade.

**Confidence Ranking:** \$\$