



Union Pacific Attracts Bullish Positioning at Record Highs

Ticker/Price: UNP (\$170.75)

Analysis:

Union Pacific (UNP) with 3,000 March \$172.5/\$160 bull risk reversals opening \$1.27 this morning and later the April \$175 calls bought 425X for \$3.05. UNP had a buyer of 1,100 January \$170 calls yesterday for \$15.60 in a stock replacement and 500 June 2020 \$170 calls bought on 2/19 for \$18.80. The August \$160 puts were also sold to open recently 400X. Shares have traded strong to new highs recently with a long-term measured move out to \$200. Near-term RSI and MACD are fairly overbought with a pullback to the breakout at \$165 optimal. The \$124B rail leader trades 16.6X earnings, 5.46X sales, and 42.2X FCF with a 2% yield. UNP sees 13-15% EPS growth and 4% revenue growth over the next two years driven by its Unified 2020 plan. The company outlined a new operating plan in September to increase efficiency and cutting down on network complexity and hired a new COO in January to implement the vision, a former protégé of Hunter Harrison. Analysts have an average target for shares of \$169 with 12 buy ratings, 5 hold ratings, and 1 sell. CSFB checks were positive on 2/14 seeing it progressively easier to bridge to \$500M in productivity gains in 2019 and the 60 OR target by 2020. They think the targets may prove conservative as it comes before any gains from pricing or volume leverage. Argus with a \$175 PT on 1/25 seeing improvement in the energy market as a tailwind. Short interest is 1.1%, down from 1.6% in January and near two-year lows. Institutional ownership fell 14% last quarter.

Hawk Vision:



Trading Strategy: UNP is a high quality leader in Rail but also very extended, a name prefer to target after some weakness and basing.

Confidence Ranking: \$\$