



Mosaic Positioning Bullish as Shares Look to Regain Momentum

Ticker/Price: MOS (\$31.40)

Analysis:

Mosaic (MOS) dipping today with Caterpillar's earnings this morning but trading off the earlier lows and now back above its 8- and 13-EMA as shares continue to flag under \$32. MOS saw 2,000 March \$32/\$28 bull risk reversals bought on Friday and follows 2,000 February \$32/\$25 bull risk reversals opened earlier in January. The June \$34 calls have seen accumulation as well, over 1,450X, while the March \$31/\$27 bull risk reversal remain in OI from August. Shares are consolidating above their 200-EMA and a move higher through the low-volume gap from December targets \$35/\$36. Longer-term, MOS continues to work out of a multi-year base around \$32.50 with a big volume node from 2014 up at \$42.50. The \$11.95B agricultural chemicals company trades 13X earnings, 1.3X sales, and 11.6X cash. MOS raised their outlook in November ASP and volumes higher in their phosphates segment driven by supply disruptions with some peers. MOS expects around 2% growth in demand this year ahead of a more seasonally strong crop in the Southern Hemisphere. The company has transformed their Brazil footprint with the Vale Fertilizantes deal, a move which added significant scale and high-margin sales to their legacy business. On 1/9, MOS signed a MoU with Sinochem for phosphate and other aggregates in China. Analysts have an average target for shares of \$36 with 7 buy ratings, 8 hold ratings, and 1 sell rating. Stephens raised their PT to \$45 in December noting that synergies from their Brazil acquisition are coming "faster and higher" and the deleveraging following the deal is nearly done about 2 years sooner than expected. Citi upgraded shares in October noting that phosphate prices could benefit from potential environmental restrictions in China. JP Morgan downgrading to Neutral on 12/12 seeing increased risk of higher China phosphate exports. Institutional ownership fell 16.5% last quarter. Short interest is 1.9%, near three year lows. MOS saw a number of insider buys in 2017/2018 around \$25-\$27.

Hawk Vision:



Trading Strategy: MOS is the preferred fertilizer name for this year and could see better margins based on recent feedstock commentary from TSE, but choppy right now and would like to see larger flows.

Confidence Ranking: \$\$