



Agnico Eagle Calls Bought for Upside into Inflection Year

Ticker/Price: AEM (\$42)

Analysis:

Agnico-Eagle Mines (AEM) size buy of 5,000 Jan. 2020 \$43 calls \$4.45 to \$4.55 to open into weakness back to rising 20 MA. AEM saw sizable opening sales of May \$35 puts on 1/18 and has over 3,000 each in Jan. 2020 \$50 and \$60 call open interest. AEM also has 2,000 August \$44 calls in OI from 1/9 while May \$47 calls were sold to open 5,000X on 1/29. On the chart AEM shares have rallied with Gold since Q4 2018 and coming up to a major convergence of resistance levels with the weekly cloud, VPOC, and trend resistance, clearing \$46.40 key for a breakout. The \$9.9B gold miner trades 11.4X FY19 EV/EBITDA and 2X Book with a 1% yield, the group seeing a lot of M&A lately. AEM will report earnings 2-14 and on 2-25 presents at the BMO Metals Conference. The company sees the top-line surging 8.4% in 2019 and 18% in 2020 while EPS jumps sharply as well. It is set to complete the large expansion in Nunavut this year with 2M ounce gold production growth in 2020. It is transitioning to higher production and lower costs. Analysts have an average target of \$50 on shares and short interest low at 2.8% of the float. CSFB has a \$55 target seeing strong improvement to FCF in 2H19 and capex declines. It notes AEM the top pick in the group with a strong balance sheet, high quality asset base and track record. Hedge Fund ownership fell 24.7% in Q3 filings, Capital World Investors with a new 5M share stake.

Hawk Vision:



Trading Strategy: AEM looks attractive on this dip while also still like NEM with its flows, gold miners could be a nice play soon as Gold still looks likely to break higher.

Confidence Ranking: \$\$