



Petrobras Bullish Positions Accumulate as Oil Tries to Hold \$50

Ticker/Price: PBR (\$14.50)

Analysis:

Petrobras (PBR) with over 30,000 September \$18 calls bought today up to \$0.51 and follows sizable bullish trades last week in the name including 5,000 January 2022 \$17 puts sold for over \$4, over 13,000 September \$14 puts sold to open around \$1.30, and 40,000 February \$15 calls bought. PBR has seen a lot of upside calls bought in March, July, and September as well going out as the \$19 strike. Shares have coiled for a while now and shares are back this week to trend support from a series of higher lows off the June 2018 dip. Above \$17 has a long-term measured move to \$21. The \$93.16B Brazilian oil-major trades 11.66X earnings and 1.26X sales with a 2% yield and high-single digit EPS growth. They see 2% revenue growth in 2020 and 5.5% in 2021 as they divest assets, implement efficiency measures, and focus on their best assets like the offshore Santos Basin. The company's CEO took over in early 2019 and has made asset sales and reducing leverage the focus. The company is currently taking bids for their fuel distribution company Raizen with Mandl, GIP, and Shell interested. Their CFO was out on 12-4 noting that they are targeting \$20B to \$30B in assets over the next five years but may not be ambitious enough and they could review the plan this year. Hedge fund ownership fell 3% in Q3. Castle Hook Partners a buyer of 3.5M shares. Analysts have an average target for shares of \$21.50 with 6 buy ratings. JP Morgan has a \$21 PT, their favorite in the space, as they see Latin America oil names to benefit from better prices this year. Goldman starting coverage last Summer with a Buy rating and \$21.60 PT as an emerging turnaround story with above-industry growth and FCF. They expect PBR to expand production by 9% per year through 2021.

Hawk Vision:



Hawk's Perspective: PBR is one of the very few Energy names with an uptrend chart and continue to favor it to US peers for its relative strength and catalysts, a recent low provides a nice reward/risk level to trade against.

Confidence Ranking: \$\$