



Rio Tinto Bulls Add as Iron Ore Prices Jump

Ticker/Price: RIO \$56

Analysis:

Rio Tinto (RIO) buyer of 4,000 April \$55 calls to open \$2.65 offer and follows over 23,000 April \$60 calls bought over the last week. RIO has seen buyers in the March \$52.50 calls recently as well with a number of bullish positions out to January 2020 open as well from last year. RIO has been on a strong run recently and pulling back to the 8-EMA today with a longer-term bull flag forming under \$60 and the July highs. A breakout targets \$75 from the recent multi-month base. The \$90B industrial metals giant trades 12.5X earnings, 2.2X sales, and 11X cash with a 4.5% yield. RIO is getting a boost this month from a rally in iron ore which is hitting its highest level since 2014 in the wake of the Vale dam collapse and potential for more mine closures which will keep a bid under prices. RIO has shifted their focus in 2019 to returning over \$7B to shareholders while re-shaping their portfolio around high-return growth assets while divesting over \$5B of assets last year including underperforming coal and coking coal. Analysts have an average target for shares of \$56 with 7 buy ratings, 9 hold ratings, and 3 sell ratings. UBS was out positive on 2/7 noting that the recent run in iron ore prices is a positive tailwind for RIO as every \$10 higher boosts their FCF by \$1.9B. JP Morgan downgraded shares to Underweight on Monday citing a 'less defensive balance sheet' near term and the recently rally reflecting higher iron ore prices. Institutional ownership rose 47.5% last quarter. Impala Asset Management a buyer of nearly 1M shares. Short interest is 0.77%.

Hawk Vision:



Trading Strategy: RIO has been on a strong run recently and prefer to see it settle into a new range before looking at a new position.

Confidence Ranking: \$\$