



FEATURED OPTIONS RADAR REPORT



Call Buyer in Retailer Seen as Recessionary Winner

Ticker/Price: ROST (\$104.7)

Analysis:

Ross Stores (ROST) on 4/26 with a large buy of 2950 June \$105 calls for \$5.10 to \$5.30, a sizable trade in a name lacking much notable open interest. ROST will next report in mid-May and has pulled back in 2023 down 9.8% and nearly filling its large gap from November while the rising 200-MA near \$101 is catching up to the move. ROST VWAP off the 2021 high is at \$100.60 and VWAP off the 2022 low is \$99.10, so a lot of key supports in play here and reward/risk setting up positive and room to run to \$112-\$115. Home Accents & Bed/Bath is the largest contributor of sales at 26% along with Ladies at 26% and Men's, Children, Shoes and Accessories smaller segments. It sees the potential for over 3000 stores longer term with opportunities in the Midwest one key strategic area. ROST fits the mold of a large player set to benefit from market share gains as smaller businesses face pressure and close. The off-price group is also positioned to gain share with consumers seeking value while margins are also rising with a favorably buying environment. ROST has a market cap of \$35.7B and trades 19.1X Earnings, 13X EBITDA and 1.9X Sales with a 1.28% yield. ROST could see positive revisions as its inflation-sensitive customers face easing pressure. Softline Retail stocks typically outperform the broader market during recessions, & by a material amount as early-cycle winners. Analysts have an average target of \$122 with short interest at 1.5% of the float and down 13% Q/Q. JPM recently noted better inventory positions, reduced supply chain lead times and moderating freight/raw material costs. Loop upgraded to Buy in March noting conservative guidance.

Hawk Vision:



Hawk's Perspective: ROST calls look compelling considering all the major support levels in play \$99 to \$102, making it an easy one to manage and a bit of a hedge against a weaker Macro backdrop.

Confidence Ranking: \$\$