



FEATURED OPTIONS RADAR REPORT



Southern Copper Bulls Eye Further Strength as Global Demand Ramps

Ticker/Price: SCCO (\$69)

Analysis:

Southern Copper (SCCO) with 1150 December \$60 ITM calls opening near \$12.60 on 4/22, follows bullish action earlier in the week in the June \$70 calls bought 1275X and sellers in the Sept. \$65 puts on 4/15. SCCO has seen buyers in the June \$75 and \$80 calls in March as well. Shares have pulled back to the low-end of March value and the 21-week MA after a long stretch of outperformance. SCCO has room out to \$90+ on a breakout above recent highs. The \$54.75B company trades 22.8X earnings, 6.8X sales, and 21X cash with a 3.3% yield. SCCO is a leading miner for copper and other minerals in South America with a focus on Peru, Mexico, Argentina and Chile. SCCO has a solid mix of new projects coming online as well as cost-efficient operations which position it well for long-term growth with copper inventories at their lowest level since 2014 and China scrap imports down 50% in the 2H of 2020. The company also has the global lead in reserves with 67.6 Mt vs Freeport at 52.6. Analysts have an average target for shares of \$50 with a Street High \$70. UBS cut shares to Sell this week expecting China copper demand growth to decelerate and noting that temporary price support factors are weakening. BAML positive on 3/2 citing long-term tailwinds for copper from decarbonization/electrification efforts. The firm thinks new projects will continue to come online in 2021 despite the higher prices and the supply/demand dynamic will remain favorable for miners with capacity. Short interest is 0.6%. Hedge fund ownership rose 10% in Q4, Moore Capital a buyer of stock.

Hawk Vision:



Hawk's Perspective: SCCO gets kind of overlooked by FCX but I like their positioning in the copper market and think there are plenty of macro drivers to push it higher through year-end, on watch for a reversal day back around these March lows

Confidence Ranking: \$\$