



FEATURED OPTIONS RADAR REPORT



Bulls Target Retail Trading Leader Schwab at Recent Highs

Ticker/Price: SCHW (\$71)

Analysis:

Charles Schwab (SCHW) with 6,500 September \$70 calls bought this morning up to \$5.65, sizable trade in the name hitting new highs this week. SCHW has seen over 18,500 June \$70 calls accumulate recently as well including buyers on 4/23. Shares broke out of a multi-week range this week above \$69 after pulling back to the 50-MA and has a measured target of \$75. The \$127B company trades 20.75X earnings, 9X sales and 3.15X cash with a 1% yield. SCHW has been focusing on integrating their deal for Ameritrade so far in 2021 and gave an update last week noting they remain on track to hit early synergy goals. The deal positions them as a leader in retail trading at a time when smaller trading is surging in popularity and activity is robust. They're coming off a strong quarter with 3.2M new accounts opened, higher than all of 2020 ex-M&A, while trading activity has been strong too amidst the zero-fee environment. SCHW is set to be a big beneficiary of the rising rate environment with client assets climbing above \$7T last quarter, up 6% in the last three months. Analysts have an average target for shares of \$75 with a Street High \$93 from Citi. The firm was out on 4/23 positive on the long-term outlook. CSFB upgrading to Outperform on 4/27 as the company will benefit given that it's one of the most interest rate sensitive U.S. large cap companies. They see \$4/share in earnings power by 2023 and \$5 by 2024 as the Fed raises rates. Hedge fund ownership rose 14% in Q4, SouthPoint Capital a buyer of 4M shares. Short interest is 0.70%.

Hawk Vision:



Hawk's Perspective: SCHW is extended short-term but I like it on a pullback to that \$68 level as it should continue to benefit from not only the better trading environment but also rate expectations and potentially expansion into areas like crypto this year

Confidence Ranking: \$\$