



## Schwab Calls Bought as Shares Move Out of Consolidation

Ticker/Price: SCHW (\$48.90)

### Analysis:

**Charles Schwab (SCHW)** with over 3,450 March \$48 calls bought yesterday for \$2.30 to \$2.40 to open. SCHW has seen buyers recently in the June \$48 and \$50 calls as well. Shares are coiled under \$51 and just above their 50-MA with MACD and RSI setting up for a trigger higher. SCHW announced a \$26B all stock deal for TD Ameritrade (AMTD) in November that positions them as a clear leader in the retail brokerage space with over \$5T in assets. The deal comes as disruption hit the industry as fees have been slashed and fears about margin pressures and revenue have been pervasive. However, SCHW sees client growth and assets as a major differentiator while they'll be able to cut costs due to duplicative back-room operations and vendor fees as well as explore new revenue streams with their base from services. The deal is expected to face regulatory scrutiny as it makes them the third largest broker by dollars in the US behind Fidelity and Vanguard but only 11% of all client assets. The \$60.34B company trades 17.6X earnings and 5X sales with strong FCF. SCHW sees mid-single digit growth in 2021. Hedge fund ownership rose 1.5% last quarter. Eminence Capital with a 3.47M share equivalent in call options bought and also adding stock with over 7M shares now. Analysts have an average target for shares of \$49 with 8 buy and 7 hold ratings. Keefe Bruyette upgrading to Buy on 12-13 with a \$48 PT.

### Hawk Vision:



**Hawk's Perspective:** SCHW is setting up nicely, flagging after clearing a long downtrend, and these March calls can be traded with a nice reward/risk versus \$46.50.

**Confidence Ranking:** \$\$