



FEATURED OPTIONS RADAR REPORT



Call Buyers Position for Continued Strength in Best-in-Class Steel Play

Ticker/Price: STLD (\$60.77)

Analysis:

Steel Dynamics (STLD) buyer of 600 February \$60 calls \$7.50 offer, best in class Steel play, and name that has some large bullish May 2022 positioning in open interest after some January calls closed for a profit in May. STLD also has nearly 8,000 August \$65 calls in open interest from buyers. Shares are forming a nice multi-week bull flag under \$65 and recent highs with a breakout measuring to \$80. The \$12.9B company trades 8.2X earnings and 1X sales with a 1.7% yield. STLD continues to benefit from a robust environment for flat roll steel as domestic consumption surges and end-market demand firms up across automotive, construction and industrials. STLD has seen better mill utilization in 2021 as well which is helping contribute to better returns from ferrous scrap. Analysts have an average target for shares of \$69 with a Street High \$107. CSFB raising estimates in July noting that steel demand is booming in the U.S. with only some pockets of weakness evident in commercial construction and automotive from the chip shortage which should both pick back up in 2022. The firm also argues that what was once viewed as a more transitory supply-driven cycle has now transitioned to a more durable demand-led cycle, which is very broad based in terms of drivers, with renewable energy an underappreciated part of the story. Deutsche Bank raising estimates on 7/1 citing better hot-rolled coil pricing. Short interest is 2.1% and near three-year lows. Hedge fund ownership fell 2% in Q1. Sandler Capital a buyer.

Hawk Vision:



Hawk's Perspective: STLD is our favorite way to play the steel sector and setup here is very nice for a run back at recent highs, alert set for \$62.25 out of this range

Confidence Ranking: \$\$