

## SPOTLIGHT OPTION TRADE



### Union Pacific Attractive into Transports Pullback

#### TRADE SNAPSHOT

TICKER	UNP
SECURITY	Union Pacific
SECTOR	Industrial – Transports – Rail
CURRENT PRICE	\$164.74
LONG/SHORT	Long
TARGET	\$185
STOP	\$158.5
TIMEFRAME	2 Months

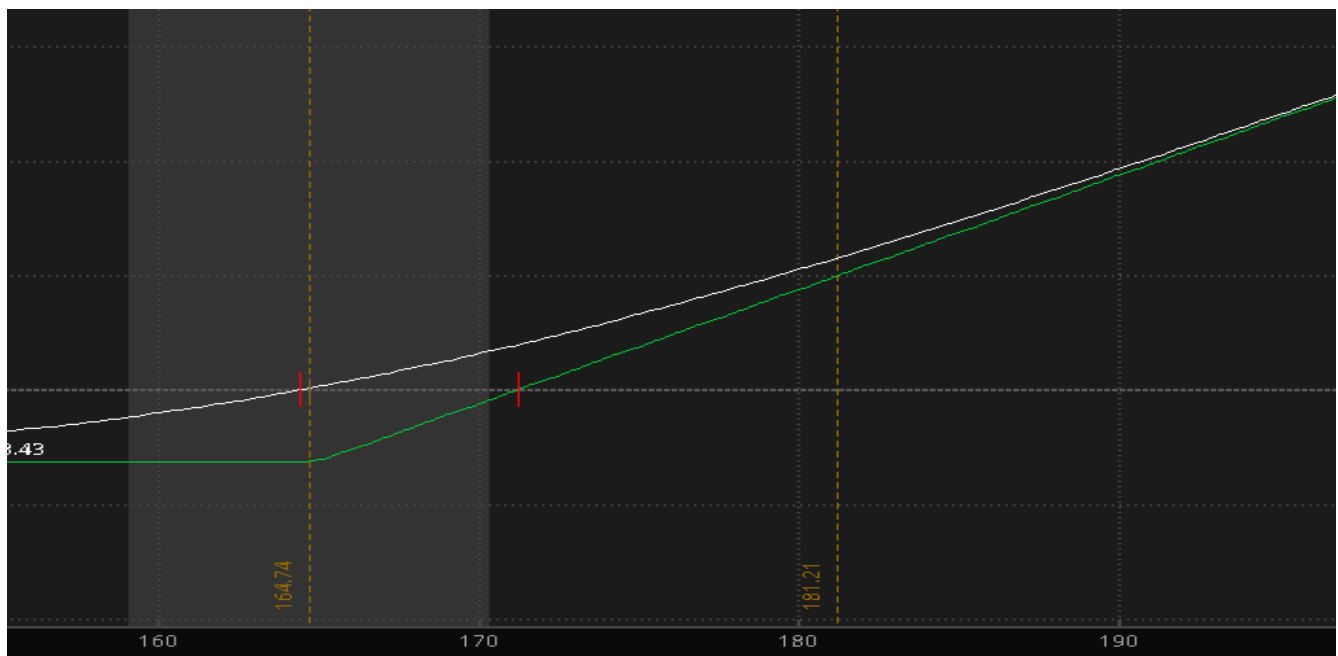
**Trading Strategy:** Long the UNP August \$165 Calls \$6.25 or Better

**Net Debit/Credit:** Debit \$6.25

**Profitability Zone:** UNP Shares Above \$171.25 on August OpEx

**Greeks:** Delta 52; Vega 27; Gamma 3; Theta -6

**Options Volatility / Trade Simulator View:**

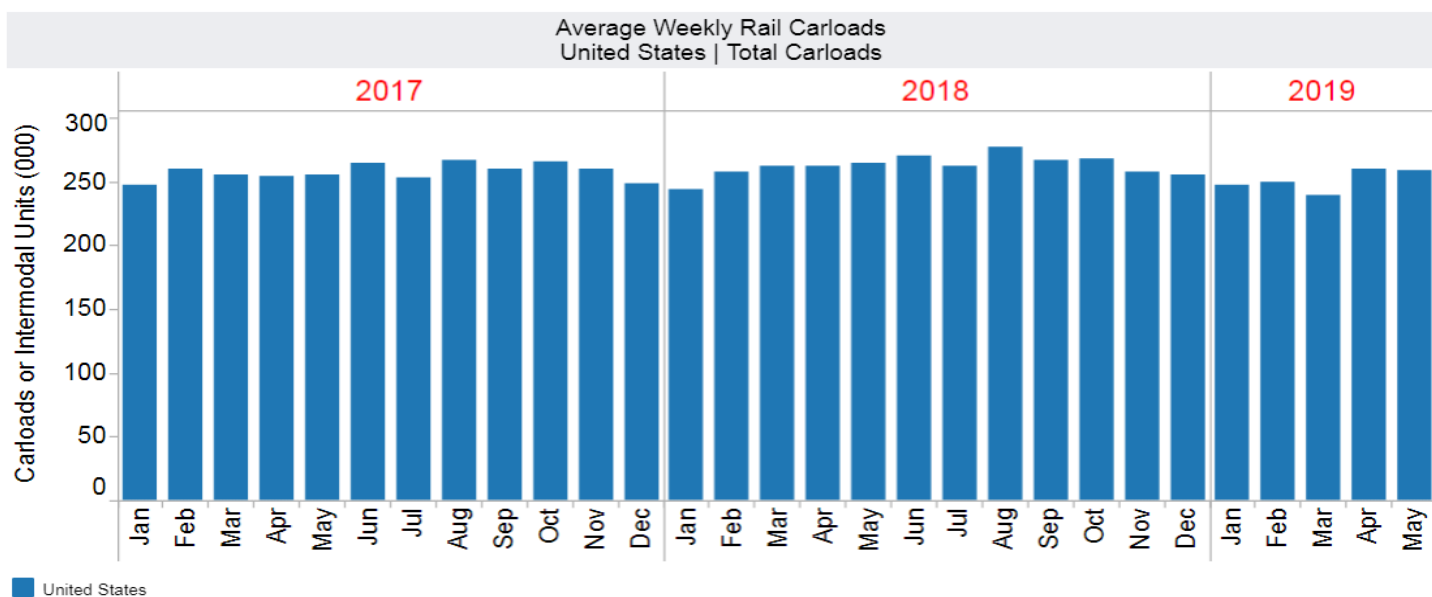




**Technical Analysis:** UNP shares have pulled back to near key support and the rising 200 day MA, forming a weekly consolidation wedge in a strong uptrend.



**Fundamental Analysis:** The \$116.75B rail leader trades 16X Earnings, 12.3X EV/EBITDA, and 37.55X FCF with a 2.14% dividend yield. UNP expects revenue growth to accelerate through next year and sees 10-15% stable EPS growth as it transitions to a Precision Rail model to improve efficiencies. UNP has one of the strongest networks and pricing power and business is mixed between Ag, Energy, Premium, and Industrial. At the Wolfe Conference in late May Q2 volumes were tracking -2% with Energy/Premium weighing but car loadings are entering a seasonally stronger period if the 2017/2018 path is followed. UNP is also recovering from a number of weather challenges the industry faced in Q1. UNP is targeting an operating ratio below 60% by 2020. Analysts have an average target of \$185 on shares and short interest low at 1% of the float. Bernstein downgraded shares Monday with a \$177 target seeing a correlation to a negative trucking market. Deutsche Bank raised its target to \$200 in April seeing \$13.50/share earnings power early next decade. Hedge Fund ownership rose 7% in Q1 filings, Lone Pine Capital with a new large position along with Senator Investment Group.



The U.S. operations of Canadian railroads are included in Canada, and excluded from the U.S.  
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**Options Activity:** UNP has seen put sales popular showing a willingness to own the name in the \$160-\$165 zone, and also has some size Jan \$170 calls in open interest.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
6/17/2019	UNP 100 16 AUG 19 165 CALL	518	275	\$6.25	-54.38%	0.51	24.05%	47.48%	\$323,750	.UNP190816C165
6/3/2019	UNP 100 21 JUN 19 162.5 PUT	1,027	390	\$1.86	-13.08%	-0.31	24.68%	32.83%	\$202,319	.UNP190621P162
5/31/2019	UNP 100 16 AUG 19 165 PUT	2,710	715	\$6.20	18.10%	-0.44	23.59%	48.73%	\$1,761,500	.UNP190816P165
5/22/2019	UNP 100 16 AUG 19 150 PUT	4,024	766	\$1.41	0.71%	-0.12	27.13%	14.63%	\$591,528	.UNP190816P150
5/14/2019	UNP 100 15 NOV 19 170 CALL	100	25	\$13.77	4.32%	0.58	24.41%	51.48%	\$139,500	.UNP191115C170
4/30/2019	UNP 100 21 JUN 19 185 CALL	6,695	3,309	\$1.20	-27.71%	0.23	16.42%	21.13%	\$984,165	.UNP190621C185
4/23/2019	UNP 100 16 AUG 19 175 CALL	1,515	613	\$9.12	-15.40%	0.55	20.61%	51.15%	\$1,381,680	.UNP190816C175
4/23/2019	UNP 100 16 AUG 19 175 PUT	1,504	243	\$6.65	8.66%	-0.44	19.67%	48.58%	\$1,000,160	.UNP190816P175
3/20/2019	UNP 100 21 JUN 19 165 CALL	6,254	965	\$4.55	-5.21%	0.42	19.77%	38.20%	\$2,970,650	.UNP190621C165
3/20/2019	UNP 100 21 JUN 19 155 PUT	6,120	536	\$4.30	-2.27%	-0.34	21.54%	38.66%	\$2,692,800	.UNP190621P155
3/20/2019	UNP 100 20 SEP 19 160 PUT	2,000	35	\$8.81	-4.76%	-0.43	21.90%	49.41%	\$1,762,000	.UNP190920P160
3/7/2019	UNP 100 21 JUN 19 160 PUT	2,000	461	\$5.70	40.74%	-0.37	23.22%	42.28%	\$1,170,000	.UNP190621P160
2/25/2019	UNP 100 19 JUN 20 170 CALL	850	611	\$18.65	-3.17%	0.55	23.81%	44.91%	\$1,585,250	.UNP200619C170
2/20/2019	UNP 100 17 JAN 20 170 CALL	1,729	836	\$15.55	-3.12%	0.55	23.38%	47.40%	\$2,749,110	.UNP200117C170
2/19/2019	UNP 100 19 JUN 20 170 CALL	500	107	\$18.80	1.02%	0.55	23.42%	45.78%	\$940,000	.UNP200619C170
2/19/2019	UNP 100 16 AUG 19 160 PUT	408	71	\$6.36	-2.15%	-0.32	23.54%	38.48%	\$259,488	.UNP190816P160

**Potential Catalysts:** Earnings Mid-July

**Disclaimer:****Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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