



Call Buyers Target Large-Cap Financial Putting Regulatory Woes Behind It

Ticker/Price: WFC (\$50)

Wells Fargo (WFC) size buyers this morning for 5,000 April \$55 calls at \$2.02 offer and now volume running over 12,750 on the day. Today's flows follows a buyer of 3,000 March \$52.50/\$35 bull risk reversals to start the week on Monday and recent buyers in the February, March, and January 2024 calls. The July \$47.50 puts were also sold to open 5,000X on 11/23 for \$1.625M while there's some large January 2023 \$50 short puts in OI still from bull put spreads on 10/21. Shares are moving out of a small base today and back above the key short-term moving averages with room back to the prior range high at \$51.50. A breakout move would clear an eight-month range and continue the long-term trend with upside to \$62.50. The \$199.35B company trades 13.2X earnings, 5X sales, and 1.17X book with a 1.65% yield. WFC is coming off of a strong quarter buoyed by strong deposit growth and recoveries in both energy and commercial real estate. The company continues to make progress with regulators as well with the termination of the CFPB consent order issued in September 2016. WFC sees opportunity in 2022 as they make significant enhancements to their payments capabilities through Zelle, grow their HNW asset management unit, and move closer to hitting a sustainable 10% ROTCE which will allow them to enact plans for further capital returns. Analysts have an average target for shares of \$53.50 with a Street High \$65. MSCO upgrading to Overweight this week citing the higher Fed funds futures with Wells as the most asset sensitive stock in their coverage. Odeon Capital raising to Buy on 11/29 noting that the likelihood of the regulatory restrictions on the company being lifted is high after the FSB released their recent G-SIB report and assigned Wells their best rating. Short interest is 1.1%. Hedge fund ownership fell 4.5%. Wells Fargo is at the Goldman Financial Services conference this week.

Hawk Vision:



Hawk's Perspective: WFC has performed surprisingly well since the pandemic lows and while its not the flashiest group, think the name sets up well for a big leg higher in 2022 which can be catalyzed by further improvements on the regulatory side and capital returns

Confidence Ranking: \$\$