



FEATURED OPTIONS RADAR REPORT



Large Bank Attracts Size Call Buys into Post-Earnings Weakness

Ticker/Price: WFC (\$ 44.58)

Analysis:

Wells Fargo (WFC) seeing significant bullish positioning this week for later this year with 8500 November \$47.50 calls bought \$3.40 to \$3.55 on 4/27 while 5000 May \$45 calls were also bought. On 4/26 the November \$50 calls bought 4500X to open and on 4/25 the November \$45 puts sold to open 1500X. WFC also has 40,000 June \$50 calls in OI including a buyer of 20,000 on 4/18 and January 2023/2024 activity all skews bullish. WFC shares are -7% YTD and back to a familiar support level near \$44 that held in 2016/2018/2019, the low end of a multi-year trading range if disregard the pandemic move. The \$42.50 level is VWAP from the October 2020 low. WFC is a leading financial services company that provides a diversified set of banking, investment and mortgage products and services, as well as consumer and commercial finance. WFC has a market cap of \$178B and trades 8.65X Earnings, 1.05X Book and yields a 1.79% dividend with a ROE around 9-10%. WFC revenues and EPS are expected to be lower Y/Y in FY22 off tough comps before returning to growth in 2023. Wells expects the current forward curve to drive up 2022 net interest income by "mid-teens" y/y, significantly higher than their prior guide of up 8%. Analysts have an average target of \$60 and short interest is low at 0.8% of the float. Barclays recently raised its target to \$64 expecting higher net interest income and loan growth despite some headwinds to mortgage and wealth management. Citi on 4/18 called the earnings sell-off a buying opportunity with the balance sheet positioned well for higher rates.

Hawk Vision:



Hawk's Perspective: WFC a fairly low-risk entry vs. \$43 though like all stocks right now the momentum is downward and prefer waiting for a healthier tape for longs.

Confidence Ranking: \$\$