



FEATURED OPTIONS RADAR REPORT



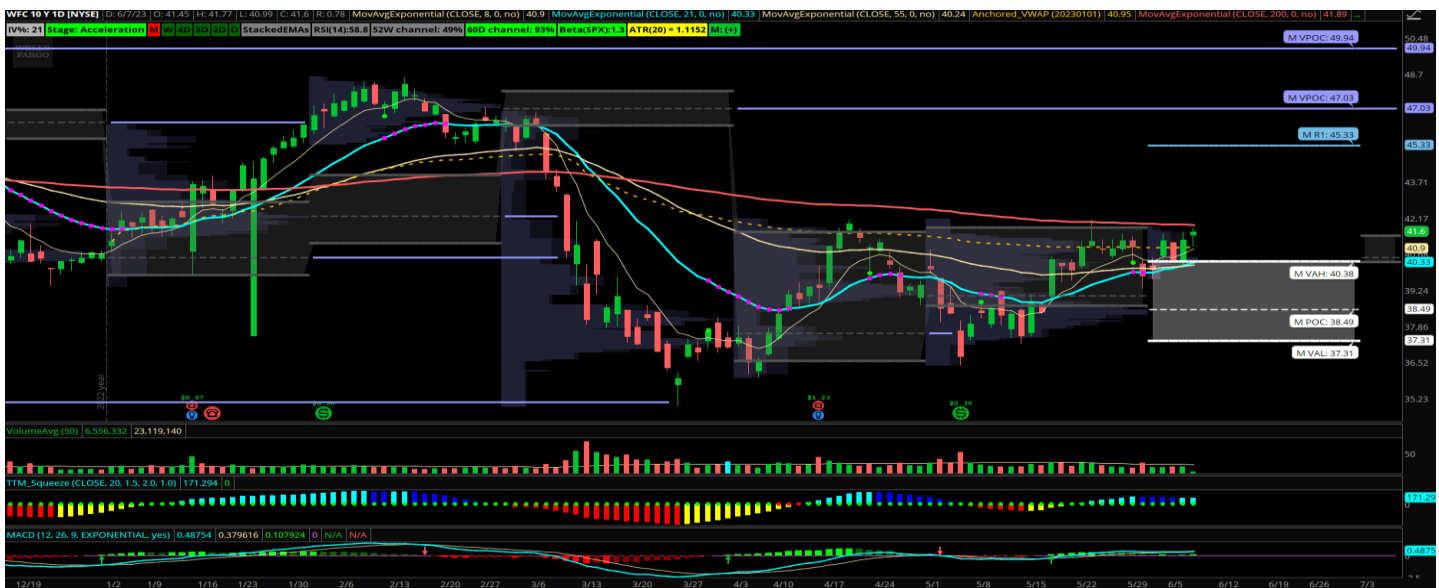
Bank Looking to Turnaround Through Cost Controls Sees Bullish Flow

Ticker/Price: WFC (\$41.50)

Analysis:

Wells Fargo (WFC) on 6/2 saw a large opening sale of 3000 March \$42.50 puts for \$4.40 in stock replacements of over \$1.33M total showing confidence in current levels into next year. WFC also has seen October \$40 calls bought at \$4.40 over 2000x while on 4/26 a massive buyer for 6000 June 2024 \$35 ITM calls for \$8.38 and still holding in OI as the stock rallies off recent lows. WFC has seen opening call sales in June 2024 \$47.50 calls as well over 10,000x at \$2.60 so potentially a good target level that would be resistance on a move higher this year. The \$156.1B company trades at 8.5x earnings, 1.0x book, ROE of 9.9%, with a 3.4% dividend yield while revenue expected to grow +18% in FY23 and growth estimated at +6% in FY24. Wells reported solid earnings last quarter which helped ease anxieties around the banking system. WFC also reaffirmed its expectation of generating net interest income growth of about 10% for FY23. WFC's strong net interest income growth helped to offset an 8% decline in deposits and a \$643M increase in the allowance for possible credit losses. CEO Charlie Scharf is orchestrating a turnaround plan for WFC that includes better cost controls. Those efforts are bearing fruit as the company's efficiency ratio decreased to 66% from 78% in the year-ago quarter. A lower number indicates that the bank is spending less to generate its income. The CEO also confirming that its credit quality remains strong and hasn't major changes in deposits in May. Shares have been basing nicely since the panic lows in March and now forming a bull flag just near the 200 day EMA and top of monthly value with space above 42 for a move to 47 which is an untested VPCO from early this year. Support is below at 40 and then 38.50 while 37 recent lows in May that formed a higher low. Average analyst target is \$49. Goldman raised its target to \$49 from \$46 and keeps a Buy saying it believes the guidance appears conservative. Goldman added that the results and guidance lead it to increase its 2023 PPNR estimate by 3%. Citi has a \$50 price target and kept a Buy rating saying it expects Wells to be among the most active on buybacks in its coverage. Short interest is at 0.9%. Hedge fund ownership fell 3%. WFC is at the Morgan Stanley Financials Payments & CRE Conference on 6/13.

Hawk Vision:



Hawk's Perspective: WFC is back over 55 EMA and monthly value area highs at 40 give a good stop loss level to watch if playing long with nice risk/reward towards 47. Selling January puts also an idea if willing to own stock.

Confidence Ranking: \$\$