



Wal-Mart Puts Active on Higher Gas Price Impact

Ticker/Price: WMT (\$117.15)

Analysis:

Wal-Mart (WMT) seeing more bearish flow as shares break key support with 5000 February \$120 puts bought \$4.55 to \$4.75. This follows recent buyers of the January and March \$120 puts to open. WMT shares are now below the 89 day moving average for the first time in months and could look to retrace back to its 200 day MA at \$111.65 as it takes out multi-week lows. The \$337.5B Retailer now trades rich at 22.6X Earnings and 43X FCF with a 1.8% yield and the flow is likely positioning for higher gas prices which will hit Walmart's key customer base the hardest. WMT forecasts are currently calling for 3.3% topline growth in FY21 and 4.5% EPS growth. Analysts have an average target of \$130 and short interest is low at 1.2% of the float. WMT will hold an Investor Day on 2-18-20 which is just ahead of February OpEx. MSCO raised its target to \$130 in late December on rising estimates. The WSJ reported on 12-22 that WMT is doubling down on supercenters. Jefferies raised its target to \$137 in November on continued market share gains and called its 15-year high valuation justified given its momentum and core EBIT expansion visibility. Hedge Fund ownership rose 1.7% in Q3 filings.

Hawk Vision:



Hawk's Perspective: WMT could use a near-term move back to \$120 resistance before fading but like the idea here with higher gas prices and the February key catalysts.

Confidence Ranking: \$\$