



FEATURED OPTIONS RADAR REPORT



Large Call Buy in US Steel Sees Multi-Year Strength on Record Steel Prices

Ticker/Price: X (\$24)

Analysis:

US Steel (X) sees a lot of daily action but on 5/20 significant size and long-term bets took place with more than 10,000 January 2023 \$25 calls bought to open \$7.40 to \$7.45 and a block of 1500 January 2023 \$22 puts sold to open \$6.35. X also has seen plenty of buying of June and October calls and has over 13,500 January \$30 calls in open interest. X shares have pulled back this week with some profit-taking in commodities and sits back near the rising 55-day moving average and trend support from the February lows, also retesting a recent base breakout. On a long-term view shares above \$28 would have room to run to \$40. X currently has a market cap of \$6.6B and trades 3.3X EBITDA, 12.1X Earnings and 1.3X Book. X revenues are seen rising 73% this year and EBITDA up 2250% before then resetting in 2022. X recently canceled plans for the Mon Valley upgrade which should accelerate its debt reduction process. US Steel is also seeing benefits start to pay off from its Big River Steel deal which shifted US Steel into the hybrid blast furnace/EAF producer category. US steel prices have continued to move higher, driven by relentless demand strength, extreme supply tightness and low inventory levels. Analysts have an average target of \$28 and short interest is elevated at 18.8% of the float. MSCO upgraded to Overweight on 5-11 citing high steel prices and a stronger-for-longer outlook with lead times extended, inventories low and imports limited. It also sees Infrastructure plans supportive of demand and China's push to cut emissions in the steel industry as a game changer for global pricing. On 5-4 CSFB upgraded X to Outperform from Underperform with its target moving to \$35 from \$15 on higher earnings estimates and a higher target multiple seeing serious progress in improving ROIC and reducing its carbon footprint. It also had an interesting note that X could unlock value in its iron ore assets. Hedge Fund ownership jumped 6% last quarter.

Hawk Vision:



Hawk's Perspective: X fundamentals are the best they have been in a long time and this looks like an optimal pullback to be getting involved. **STLD** is always the preferred play in the group and **NUE** has seen bull flow as well, but **X** is very liquid and could squeeze to \$30.

Confidence Ranking: \$\$