



FEATURED OPTIONS RADAR



Regional Bank with Strong Yield Sees Accumulation of Bull Risk Reversals

Ticker/Price: ZION (\$34.12)

Analysis:

Zion Bancorp (ZION) has seen some interesting bullish accumulation this month including on 11/16 which saw 3000 January \$37.50 calls buying and 2025 of the \$35 puts selling in bull risk reversals. This was followed by an 11/27 trading buying 3000 of the Jan \$35 calls at \$1.77 and selling to open 2400 of the \$32.50 puts at \$1.15 as more bull risk reversals adding to OI, the Jan \$35 calls now up to 5600x in OI. ZION has also seen opening put sales in April \$27.50 puts, July \$42.50 ITM puts and also Dec \$32.50 puts. The \$5.1B regional bank company trades at 8.3x earnings, 1.7x sales, ROE at 13.4% and a dividend yield now at 4.9% with revenues expected to be flat in FY23 and growth estimated to be down -3% in FY24. Zions

Bancorporation provides a range of banking products and related services, primarily in the states of Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming. ZION reported last month and beat revenues while missed EPS by \$0.02 but also saw deposits grow by +5% including recapture of some off-balance sheet deposits. While higher-cost brokered deposits and short-term borrowed funds decreased 23% and 21%, respectively. Credit quality remains well controlled, and capital continues to strengthen, with the estimated Common Equity Tier 1 capital ratio increasing to 10.2% from 9.6% a year ago. Shares have been trading a tight rangebound zone but coiling right above the 200-day MA since reclaiming the key level this month and now forming a bull flag at this large support 34. ZION has a lot of space

above here to breakout through 35 and then head up to the 40 level which marked the highs from July. ZION has a bigger objective up at 46 which would be the 2022 yearly value area retest and filling in of the volume pocket up to that zone from the March selloff. Average analyst price target is \$37. Truist upped its target to \$40 and keeps a Buy rating citing meetings with management last week, as deposit pressures continue to ease along with securities run off that should support the NIM.

Expenses will likely continue to see some pressure from tech spending, but capital build should improve from less balance sheet growth. Argus has a \$38 target with Buy rating and last month said that it is positive on the company's focus on improving retail customer service, while also strengthening risk management and financial performance. Short interest is at 8.1% but has fallen by 36% the past 3 months. Hedge fund ownership rose 1%. ZION saw several insiders buying the weakness back in May and late April between \$20 and \$27 per share, including the President purchasing \$1 million in stock on 4/28 at

\$27.44.

Hawk Vision:



Hawk's Perspective: ZION is a chart that is turning the corner and always good to see bullish risk reversals as a bottom forms, so if willing to own the stock for the 5% yield then can tail the short puts and long calls trade looking for 40+ into Jan.

Confidence Ranking: \$\$