



# OptionsHawk

## Radian Bulls Position for Upside with Relative Strength

**Ticker/Price:** RDN (\$22.60)

### Analysis:

**Radian Group (RDN)** with buyers of 800 August \$21 calls today for \$2.80 to open and also seeing 885 May \$21 calls open for \$2.10 to \$2.15. RDN has over 6,500 May \$22 calls and 2,000 May \$23 calls in OI from buyers recently while the November \$24 calls have 500 in OI from a buyer. Shares are forming a small flag under \$23 and strong trend above its 8-EMA since late March. On the long-term view, RDN is back near the 2018 highs around \$23.50 and big monthly bull flag breakout which targets \$31/\$32. The \$4.87B company trades 7.55X earnings, 1.39X book and 7.5X FCF with mid-single digit growth. They see revenue growth accelerating through 2021, up 5.4% next year and 7.4% after. The provider of first-lien mortgage insurance and credit-related insurance coverage has been benefitting from strength in the housing market and saw premiums up 6% last quarter. Analysts have an average target for shares of \$22 with 4 buy ratings and 3 hold ratings. BTIG positive in February noting the company's use of insurance-linked notes and excess of loss reinsurance significantly improving the company's risk profile as they should reduce operating performance volatility during economic downturns. They also think NIW could be boosted if Federal Housing Finance Agency reduced the U.S. government footprint in the mortgage insurance space. BAML thinks their NIW guidance was conservative and could be boosted by a favorable purchase backdrop. Short interest is 1%. Hedge Fund ownership fell 32% last quarter but some notable buys from BayView Capital of 2.7M shares, a 16.35% weighting, while Point72 bought a new 1.6M share position. Callidus Capital starting a new 6.5% position as well. On 2-15, Bloomberg reported the company was approached by Apollo and Centerbridge about a potential deal but discussions broke down over price and terms. RDN reports 5-1.

### Hawk Vision:



**Trading Strategy:** RDN has made a strong run since our previous coverage of increased call buying and would want to see a re-test of the flag break for re-entry.

**Confidence Ranking:** \$\$