



Put Buyers Pile into Nordstrom on Recent Rally

Ticker/Price: JWN \$38.50

Analysis:

Nordstrom (JWN) with bearish flow this morning as the January \$40 puts are opening 3000X up to \$2.69 and follows recent 7000 April \$40 puts opened on 12/5. JWN also has plenty of put open interest in January 2020 and on 4/7/19 the January 2021 \$40 puts opened 1500X. JWN shares have rallied off \$25 lows from August and now approaching resistance at a 38.2% retracement and volume resistance in the \$39-\$41.25 range. In October Nordstrom terminated discussions with the Nordstrom family regarding an increased stake as the odds of a buyout continue to diminish. The \$6.15B retailer trades 0.4X Sales, 11.35X Earnings and yields 3.73% with a debt-ridden balance sheet. JWN has seen revenues contract 2% in FY20 and EPS down 5% with a low growth outlook. Same Store Sales have been weak at +1.7% in FY19 after +0.8% in FY18 and margins have come under further pressure. Analysts have an average target of \$36 and short interest remains high at 29% of the float. TAG raised its target to \$40 in November after a better than expected quarter but still have concerns with the challenging department store industry and a likely competitive Holiday selling season. Barclays started shares Equal Weight with a \$36 target in November and sees potential with the opening of its Manhattan flagship store. UBS cut shares to Sell in late October calling the rally in shares unjustified with concerns on a weak holiday season, tariffs, and e-commerce disruption. Hedge Fund ownership fell modestly in Q3 filings, the Nordstrom family still the top holders.

Hawk Vision:



Hawk's Perspective: Retail is seeing a bit of a 'sell the news' reaction to the tariff announcement today and **JWN** is vulnerable to a retrace back to \$30. I would like see a momentum shift, possible 8/20 EMA crossover.

Confidence Ranking: \$\$