



Bears Pile into Steve Madden Puts

Ticker/Price: SHOO (\$32.80)

Analysis:

Steven Madden (SHOO) trading nearly 14X average puts today with 3,900 March \$35 puts bought from \$2.65 up to \$3.40 where 2,750 have been bought since 2/11 and still has over 1,500 of the \$30 puts in OI from buyers with overall OI skewed 6-to-1 in favor of puts. SHOO is rolling back under the 200-MA this week and losing an uptrend from the December lows with downside to \$31 which is the 50-MA and cloud support. Major trend support from the 2015 lows is around \$29 and a breakdown targets a high-volume node at \$25-\$26. The \$2.94B footwear company trades 17.35X earnings and 1.83X sales with a 1.66% yield. SHOO sees 7.5% EPS growth in 2019, down from 32.4% growth last year, and 6% sales growth. The company will report earnings on 2-27. SHOO took down estimates slightly in October with concerns over pricing with negotiations with retail partners ongoing over hikes in 2019. They acknowledge that there will likely be some negative impact in near-term quarters with the wholesale channel, an areas where they are primarily focused. SHOO is raising prices due to the impact from tariffs with sizable supply base in China and impacting their product portfolio from shoes to handbags and other accessories. They have started shifting production out of China but likely a multi-quarter impact and still sourcing over 15% of goods from the country. SHOO also has exposure to Payless which recently announced it was closing 2,500 stores and could be a 1-2 quarter impact on inventories. Analysts have an average target for shares of \$35.50 with 5 buy ratings and 4 hold ratings. TAG downgrading shares to Neutral on 1/31 with a \$37 PT expecting a more muted tone in 2019 on the wholesale channel which may weigh on shares. Institutional ownership rose 12% last quarter. Short interest is 4%.

Hawk Vision:



Trading Strategy: SHOO is breaking its 2019 uptrend and looks vulnerable for further downside. Earnings are in a week, so becomes an event-driven play, but also seems to be a reasonable one to be bearish on.

Confidence Ranking: \$\$