

InvestorsObserver Workshop

S&P 500



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What is happening?

- Uncertainty is everywhere
 - Whole cycle has moved faster than traditional economic data
 - Data is backward looking, Market is forward looking
 - Alternative data
 - JPMorgan spending tracker
 - TSA
 - Open Table
 - Apple Mobility Data
- Reopening is a process
 - Patchwork of rules across states and localities.
 - Just because things are open doesn't mean people will go

What else is happening?

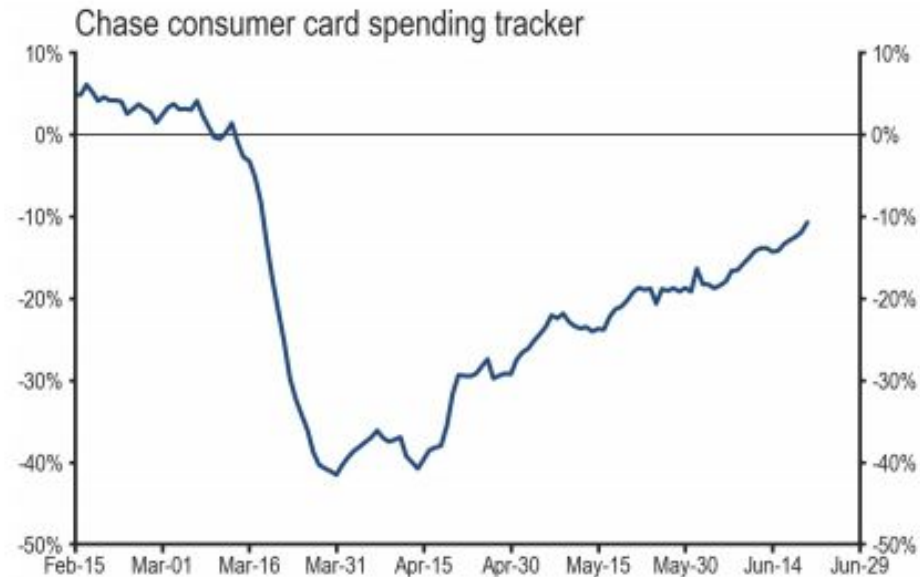
- China/ Trade
 - China almost certainly won't hit their target for agricultural purchases
 - White House seems to measure economy through market... Will they put tariffs on again? Our guess is no
- Europe Trade
 - Higher tariffs and new tariffs seem possible
 - Many of the EU exports targets are food products. Going to hit restaurants hard.
 - EU likely retaliates in some fashion

Fast data

From JP Morgan

Daily consumer spending tracker

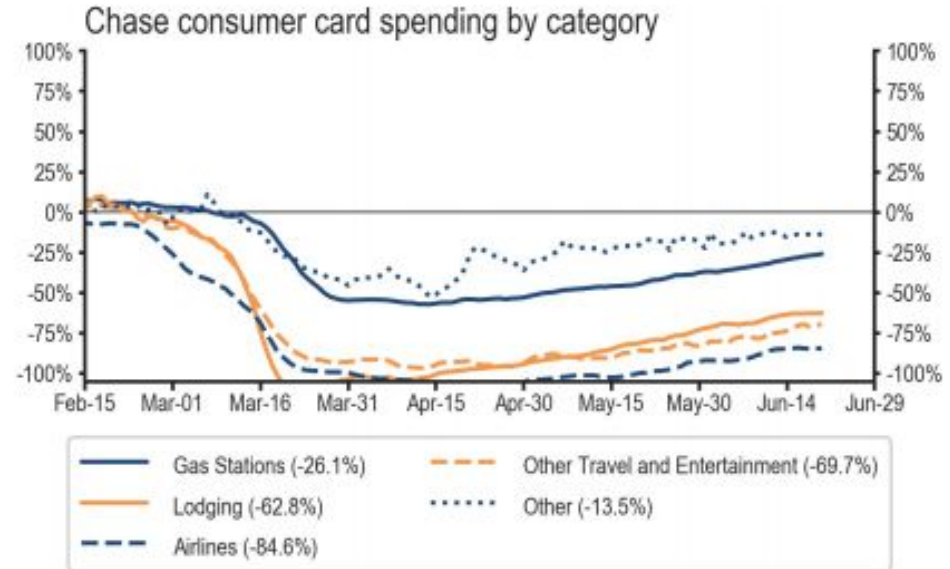
- On June 20, our tracker of Chase consumer card spending rose from -11.9% to -10.7%.
- The tracker rose 3.2%-pt over the prior week, and it is 30.8%-pt above its low of -41.5% on March 31.



Source: J.P. Morgan. % change over year-ago in 7-day average of total in nonrecurring categories.

Fast data

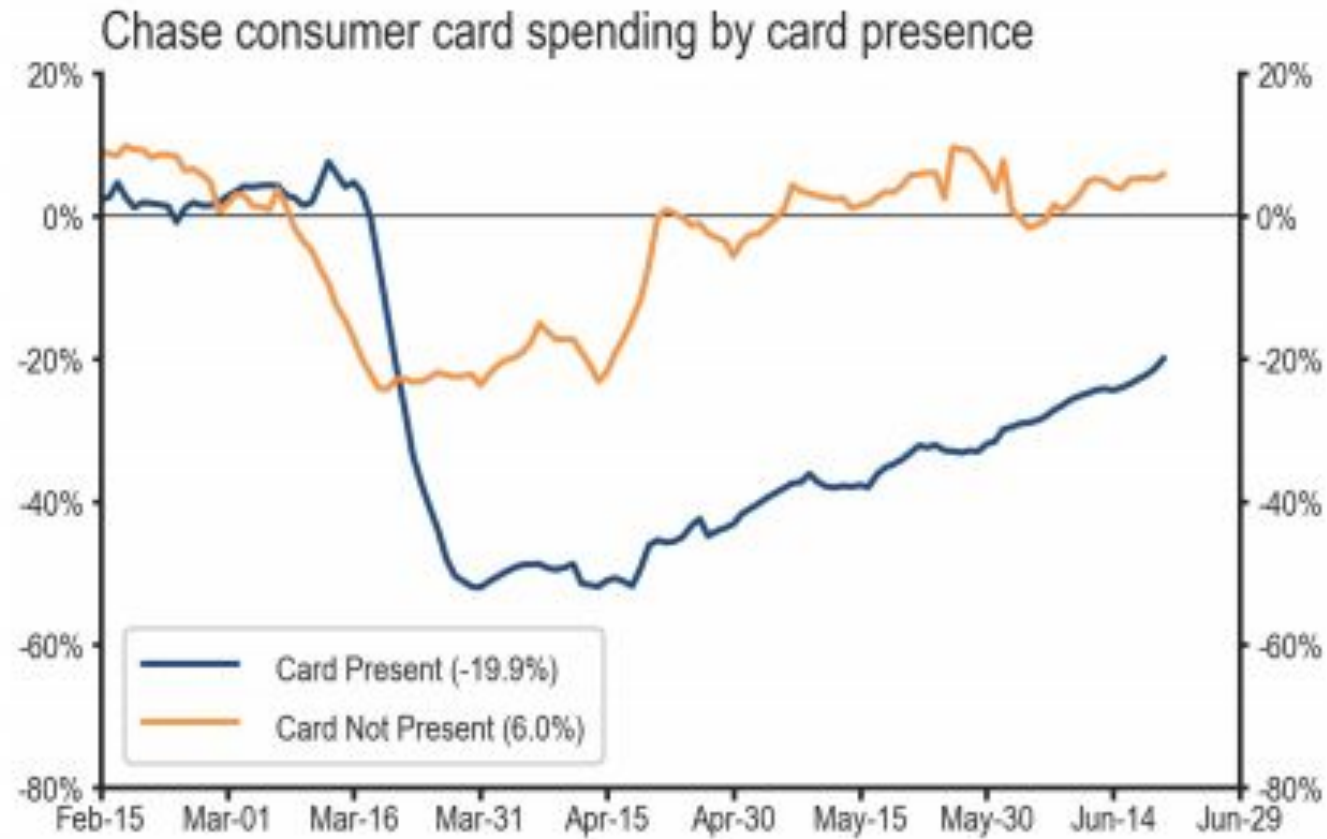
From JP Morgan



Source: J. P. Morgan. % change over-year-ago in 7-day average.

Fast data

From JP Morgan



Source: J. P. Morgan. %oya of 7-day average of nonrecurring categories.

Fast data

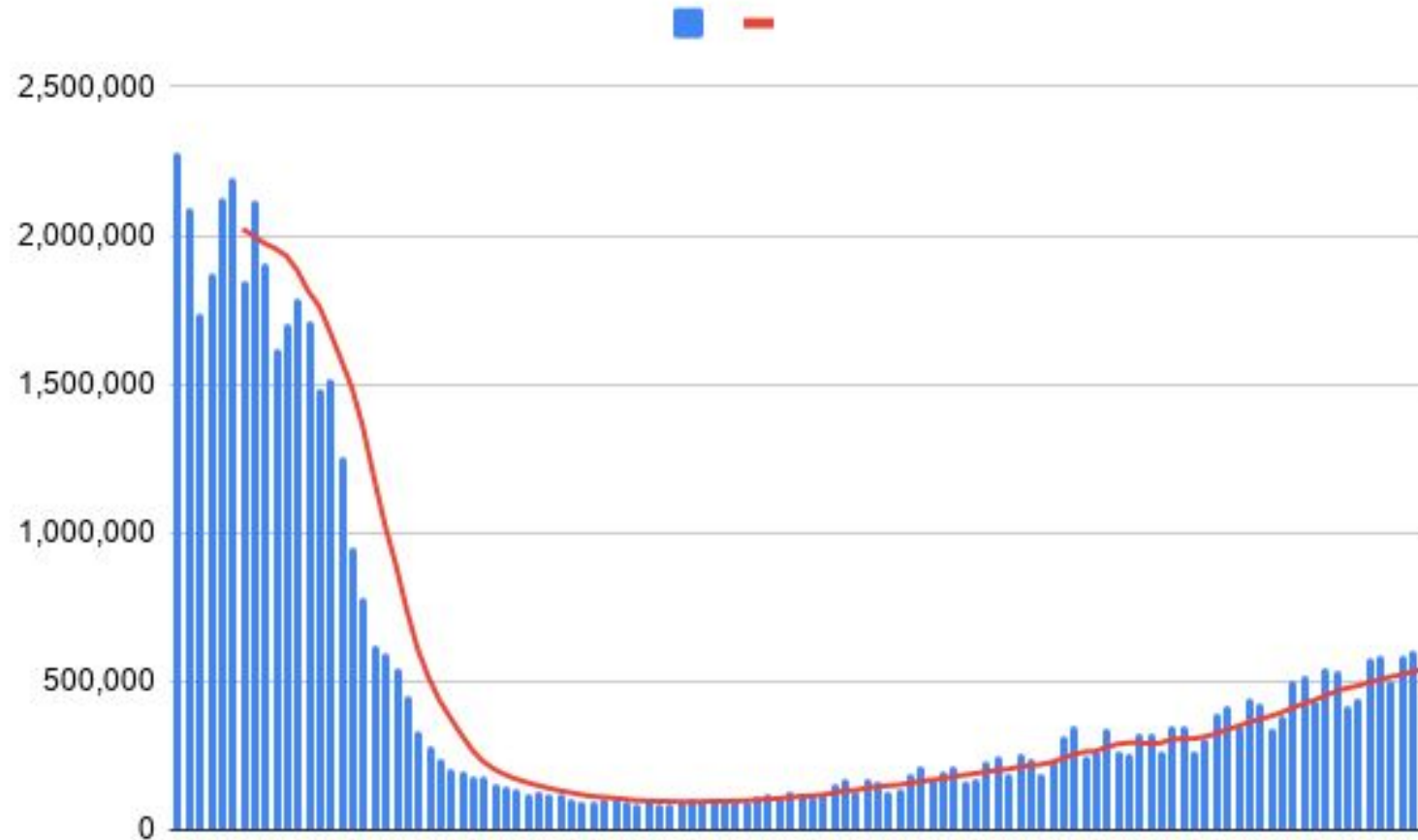
From JP Morgan



Source: J. P. Morgan. %oya of 7-day average of nonrecurring categories.

Fast data

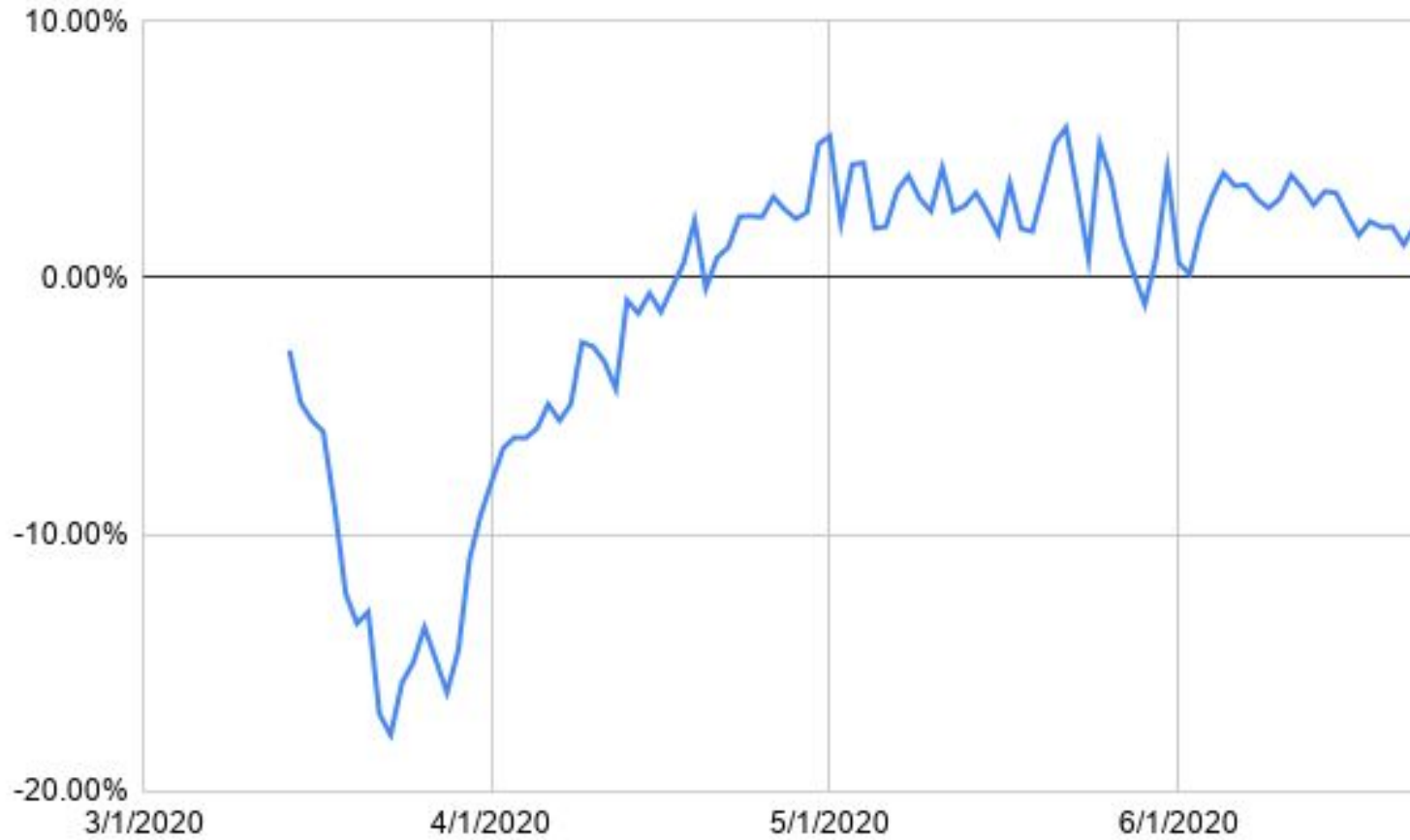
data from TSA



Passengers per day and seven-day average

Fast data

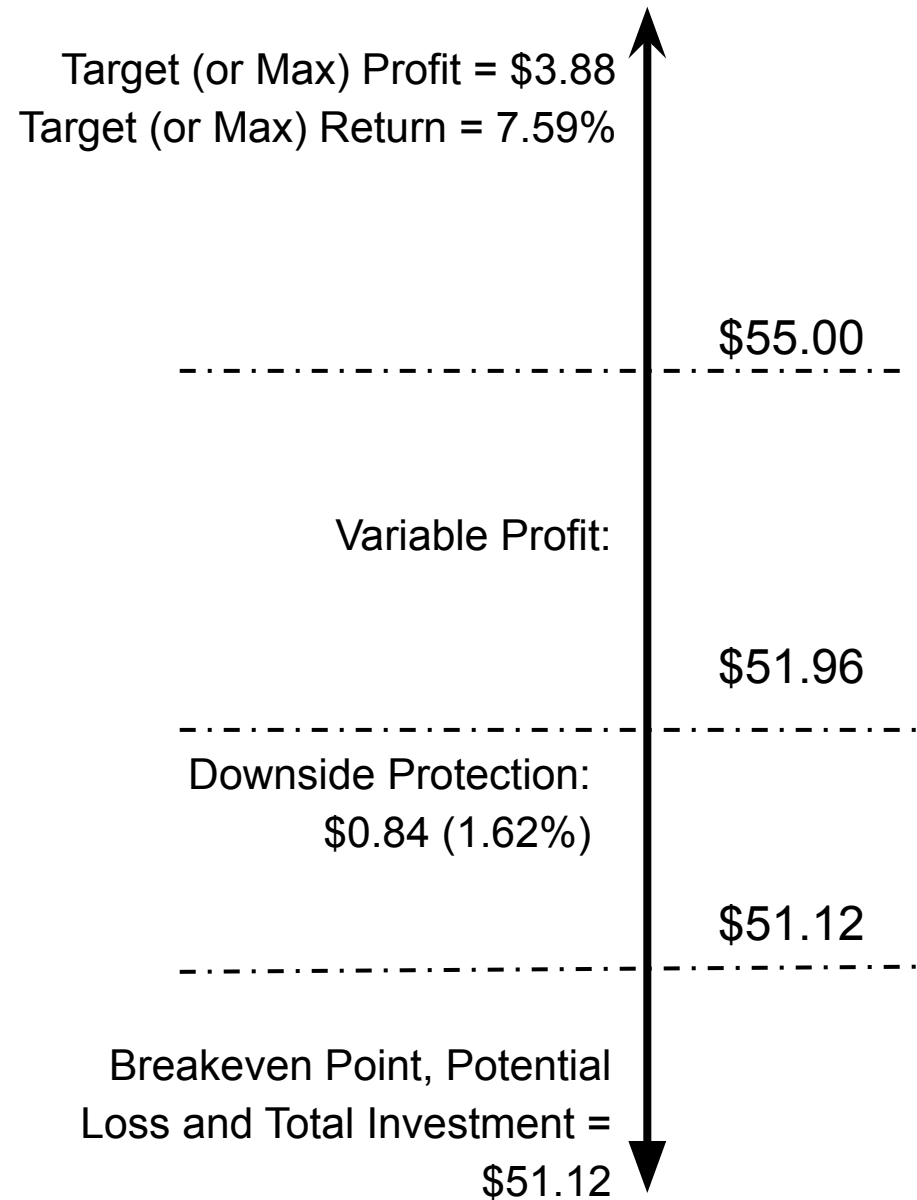
data from TSA



Daily rate of change in seven-day average

Covered Calls

- Buy Livelong Corp. (LLC) for \$51.96
- Sell Aug. \$55 call for \$0.84
- Net debit is \$51.12 ($\$51.96 - \0.84)
- If the stock is above \$55 at expiration, the sold option will be assigned, causing us to sell at \$55.
- If the stock is below \$55, the option will expire worthless, leaving us with the stock and the \$84 premium.
- If the stock falls sharply while the trade is open, the price of the option will also fall, allowing us to repurchase it for less than the initial premium.



Questions?

How do you handle covered calls that have:

A. Blown through the strike price by one point or more and you are (let's say) one to four weeks from expiration?

B. is buying back the call, then selling another call, ever a good strategy? --Douglas

A covered call is a trade that is short time value.

One percentage point isn't much. This option is still basically at-the-money, which is where time value is the highest.

Typically will consider repurchasing an option if the stock has fallen.

The same math applies when the stock is up by a lot, except the intrinsic value (how far ITM the option is) is now part of the option's price. What you pay to buy back the option will be realized in the stock's gain, but it's still a cash outlay.

Rolling can work, but typically we do it as part of a position repair strategy.

Questions?

Hey guys...thanks for all your help. Yesterday I purchased 100 shares of SE in the mid \$113.00s and sold a \$113.00 covered call. Today it is trading in the mid \$104.00s. I was wondering if you could address a situation where a stock falls off so much so fast. It's actually down so much I bought back my \$113.00 call for pennies and sold a \$108.00 call. -- Jeff

Net debit around \$108.62.

Not sure where the 108 call is... July is going for \$5.00, so the breakeven is now about \$103.65.

This is about how we have handled similar situations in the past. Typically, it doesn't happen the day after we put a trade on, but these are typical market conditions.