

Disclaimer

- Today's webinar is for educational purposes only.
- Nothing in today's presentation should be considered a recommendation to buy or sell any security.
- All stocks and options shown are examples only.
- Any pricing or potential profitability shown does not take into account your trade size, brokerage commissions or taxes which will affect actual investment returns.
- Stocks and options involve risk and are not suitable for all investors and investing in options carries substantial risk.
- Past stock or option performance is no guarantee of future price appreciation or depreciation.
- Prior to buying or selling options, a person must receive a copy of Characteristics and Risks of Standardized Options available at:<http://www.cboe.com/Resources/Intro.aspx>.



InvestorsObserver Workshop

InvestorsObserver Workshop

- What's going on at *InvestorsObserver*:
- Market update
- Member-driven content: Questions, site demonstrations, etc.
 - Can prepare slides for questions submitted ahead of time: Mention “workshop”

InvestorsObserver Stoktoberfest

- Daily mug giveaway
- Grand prize for getting the most correct



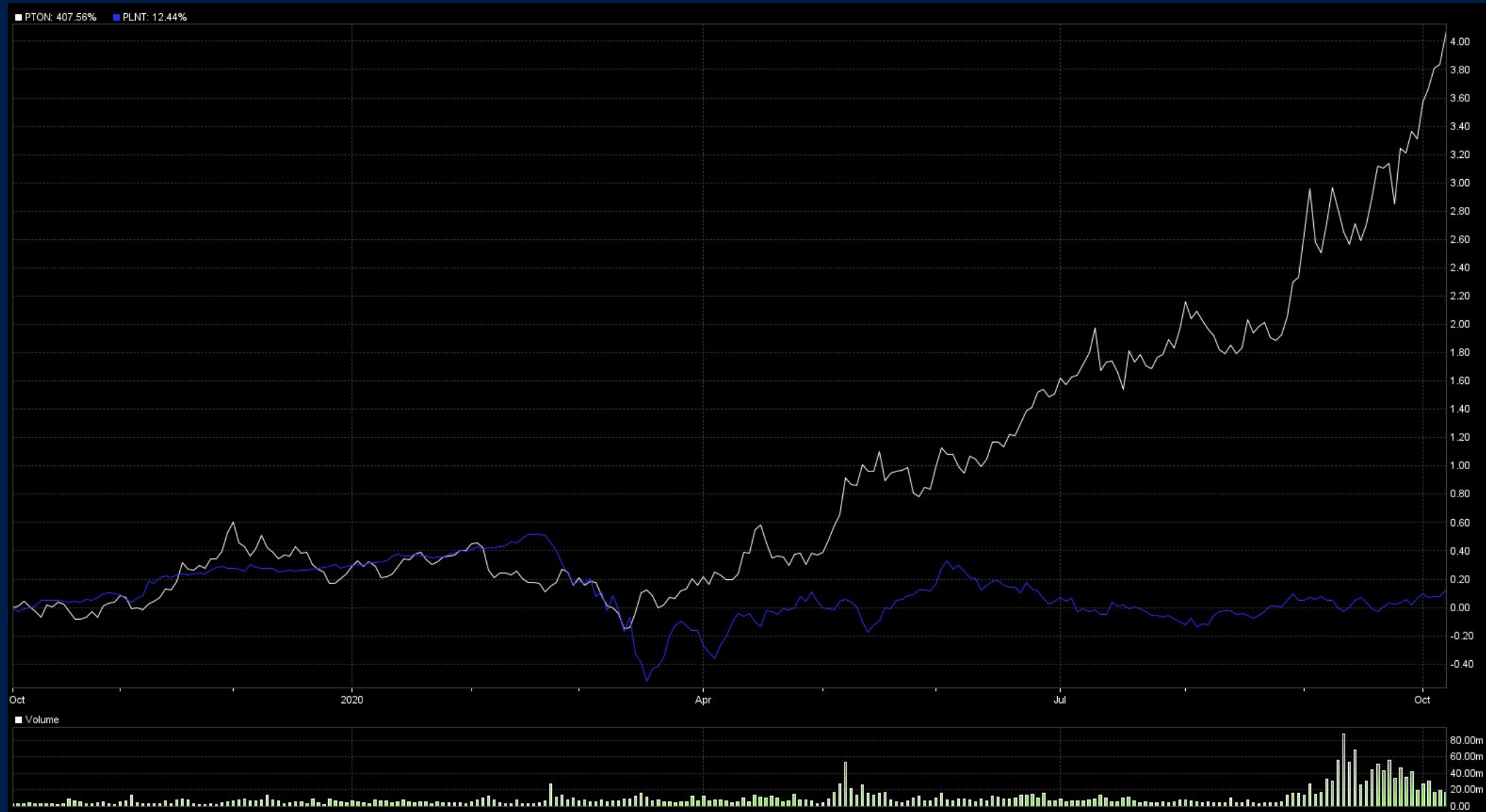
S&P 500



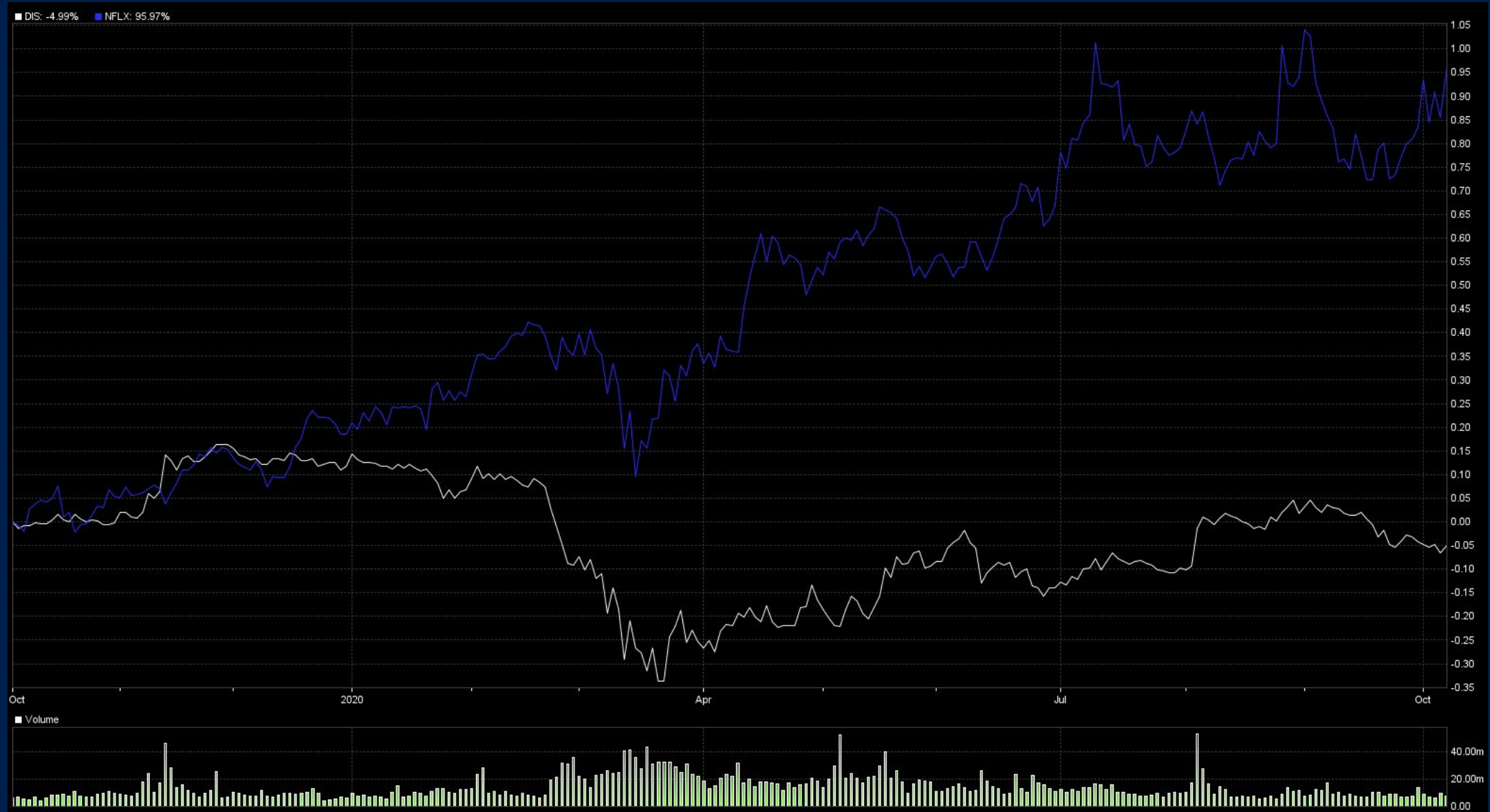
S&P 500 (now)



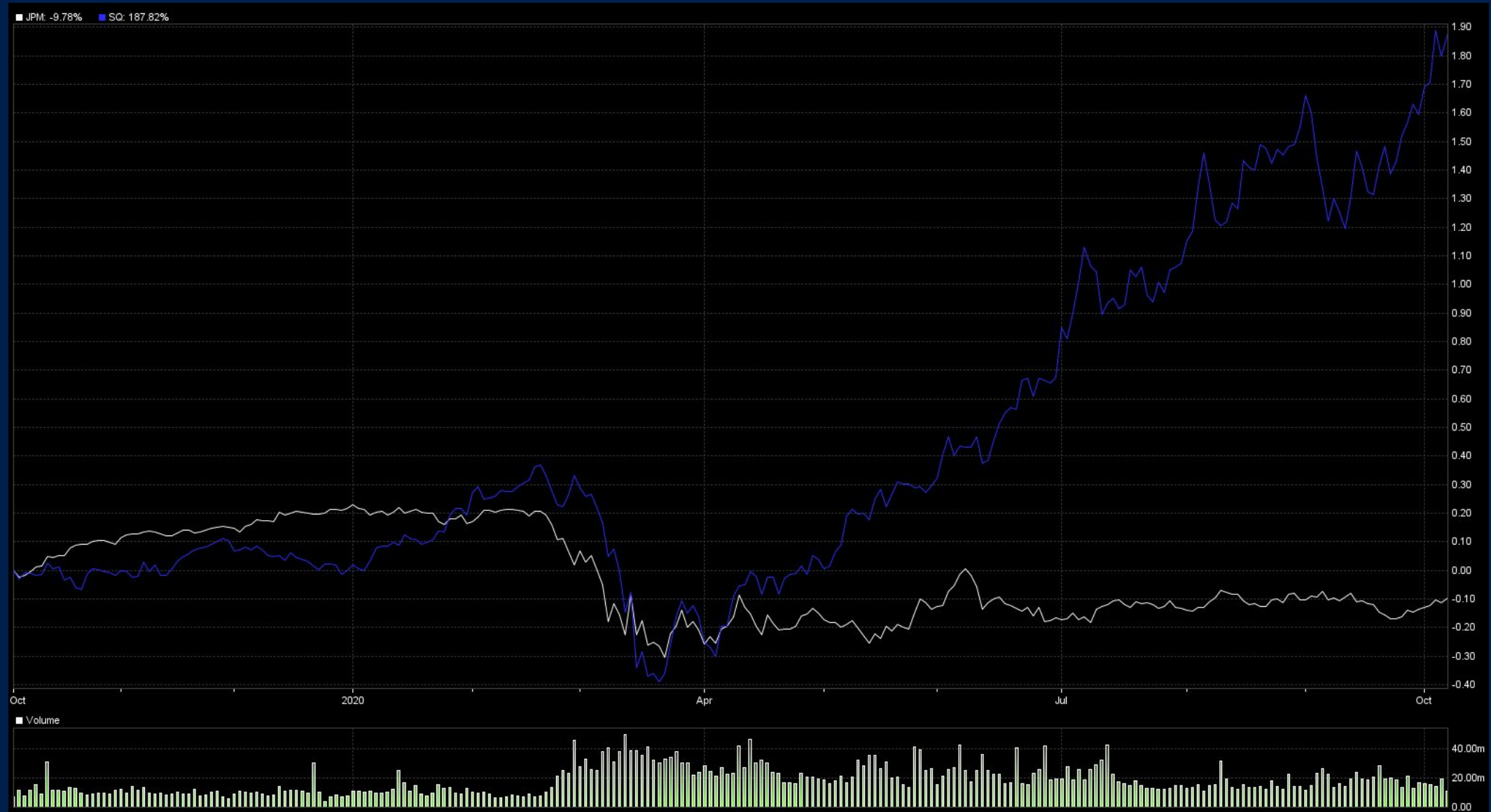
PTON vs. PLNT



DIS vs. NFLX



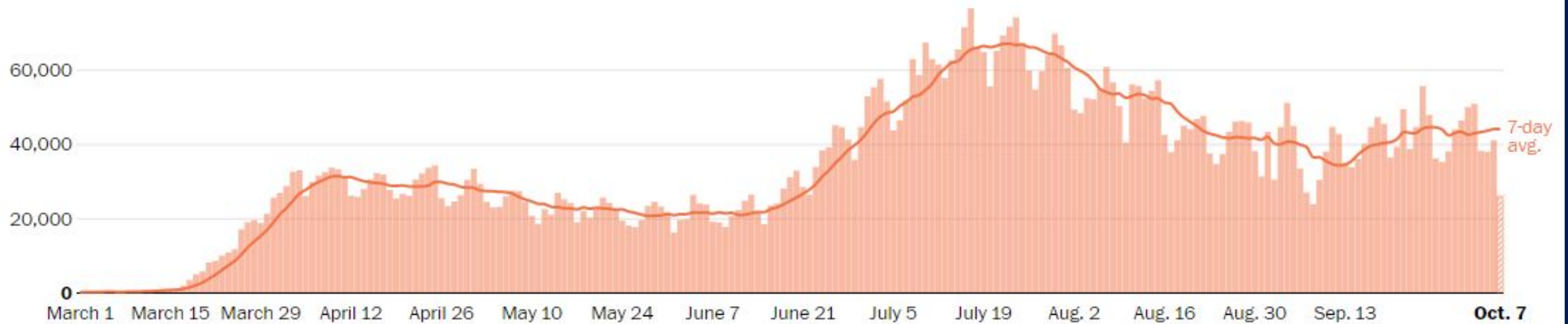
JPM vs. SQ



What is happening?

- Twitter-driven volatility
 - Big round-trip for stocks yesterday and today
 - Not sure there's much reason to think we won't see more of that
- Still a virus-driven economy
 - Cases are rising again
 - Cold weather likely to push down restaurant spending, could lead to further increase in cases
- Tuesday's Twitter roller coaster highlighted stimulus-driven market
 - "Story stocks" vs. Economy stocks
 - Banks need a growing economy to grow earnings
 - Tech companies may not
- Election outcomes starting to move markets
 - Biden win means more government spending vs. some (likely) tax increases
 - Trump wins may mean more tax cuts, but also more restrictive trade policies and generally more chaos

Virus cases



In the past week in the U.S....

New daily reported cases rose 2.3% ↑

New daily reported deaths fell 2.9% ↓

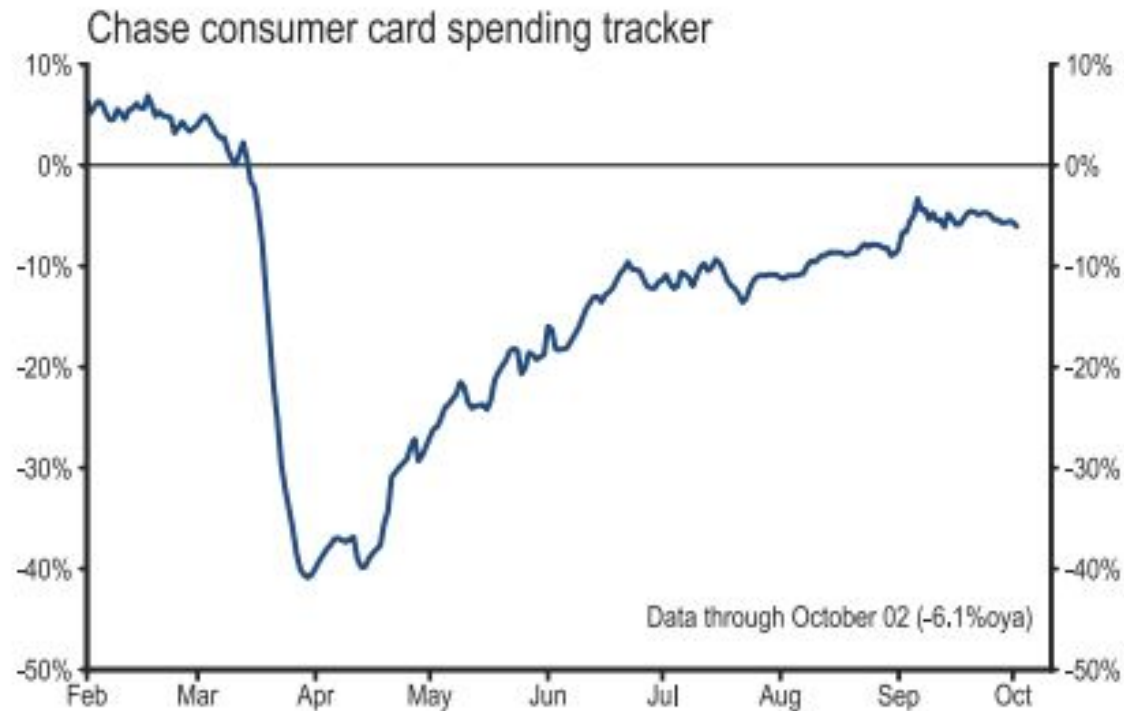
Covid-related hospitalizations rose 5.7% ↑ [Read more](#)

Chart from the Washington Post

Fast data

From JP Morgan

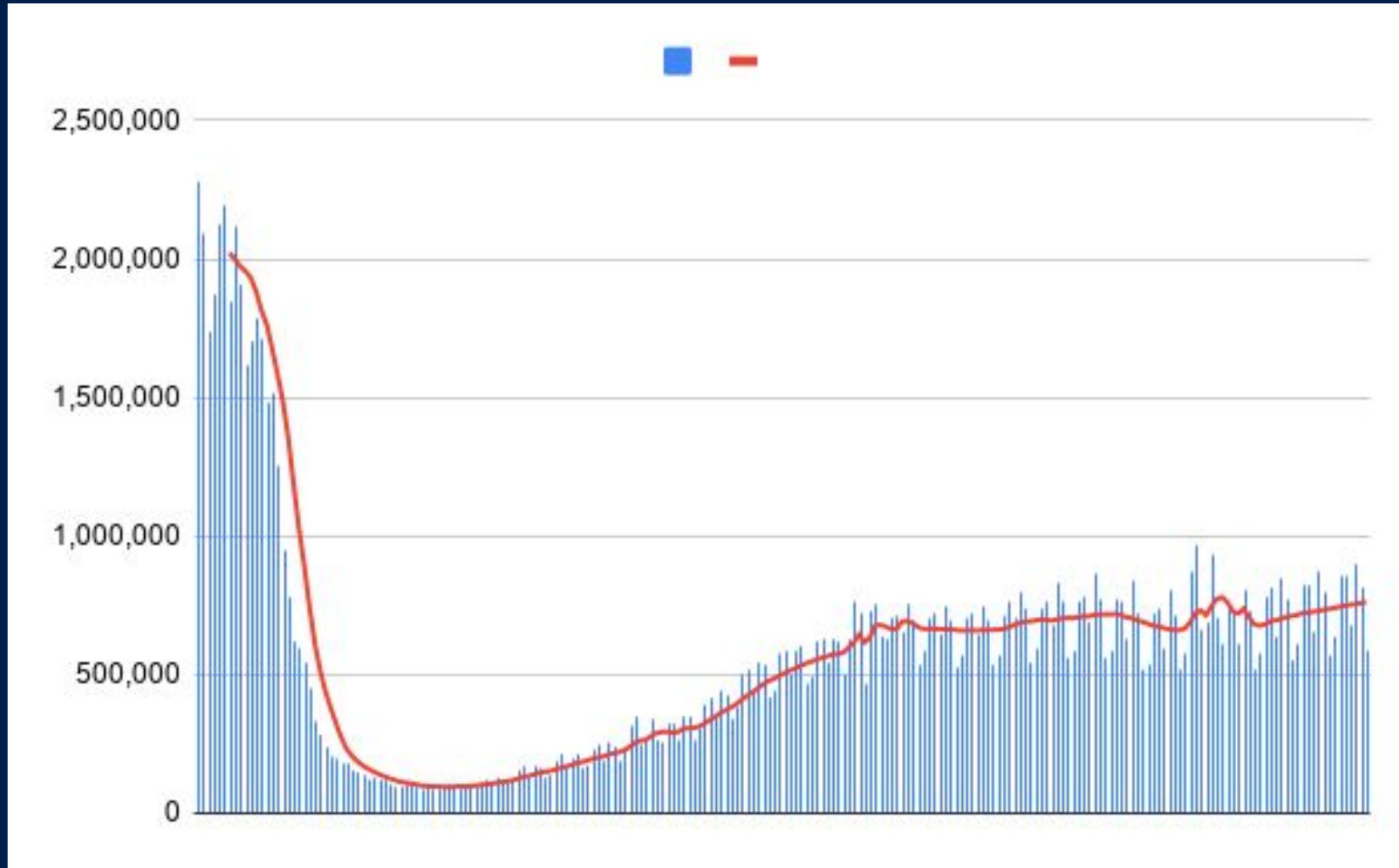
- On October 02, our tracker of Chase consumer card spending fell from -5.7% to -6.1%.
- The tracker fell -1.2%-pt over the prior week, and it is 34.8%-pt above its low of -40.9% on March 30.



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

Fast data

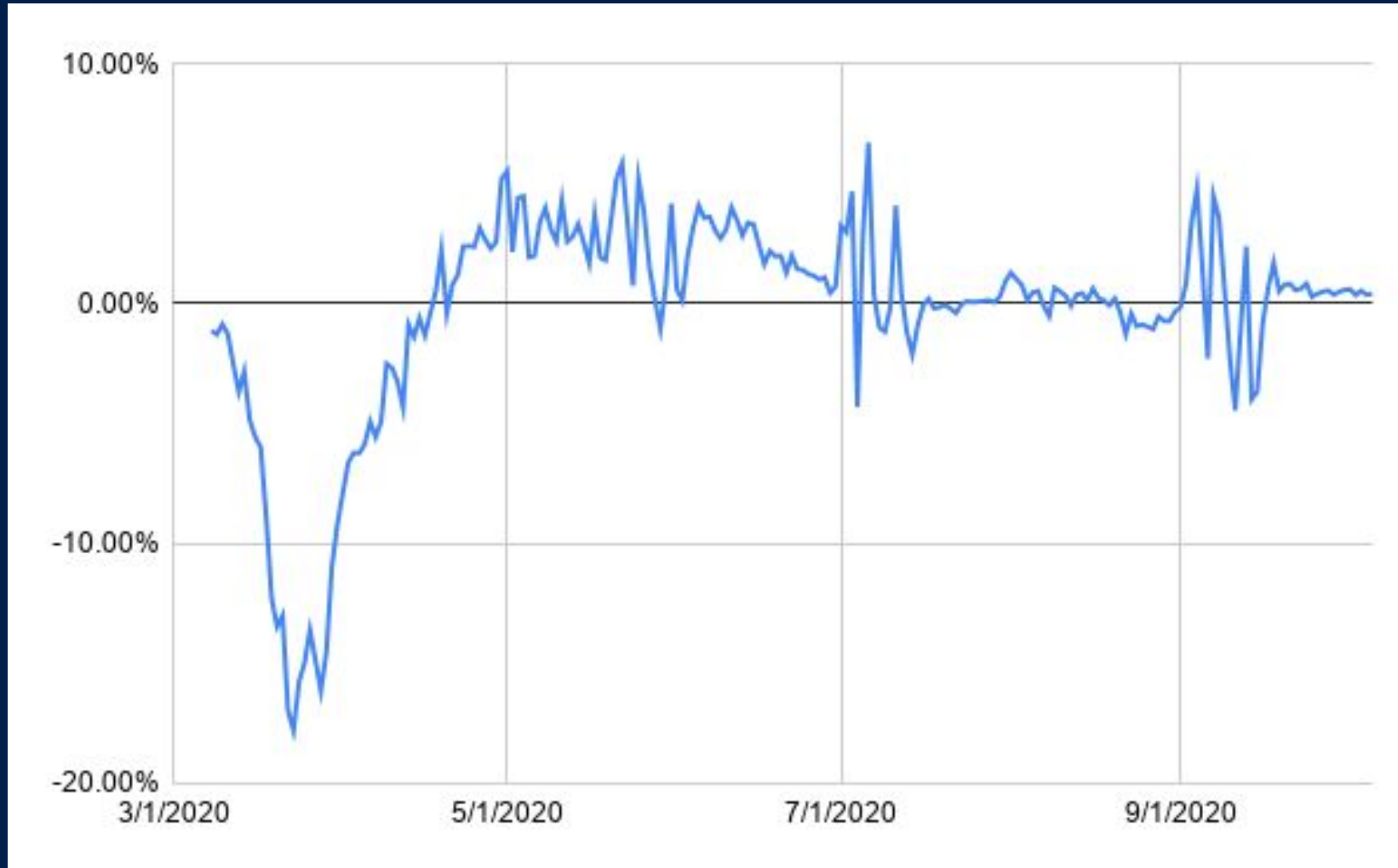
data from TSA



Passengers per day and seven-day average

Fast data

data from TSA



Daily rate of change in seven-day average

Questions?

Hello, my question is regarding FITBIT, as you know FITBIT is being acquired by GOOGLE for \$7.35 cash per share. Now why would people be buying and selling FITBIT options for expiring May 2021 for strike price of \$10 for example..!?! Why would someone do that? Is there more room for FITBIT investors to gain from this acquisition transaction? -Kevork

FIT is at \$6.92, so it can/will go up 6.2% when the deal is finalized.

Options that expire after the deal get settled at the deal price, even those that expire after the closing.

A \$10 option is probably always going to be OTM, but at \$0.06, to buy the option and a .07 delta, you're looking at a 50% return (\$0.03 per share) if the stock hits \$7.35 before the deal closes and the options are settled.

In reality, you probably won't get the full amount, but EU approval of the deal will probably push the stock closer to the deal price.

On the sell side, what's to lose here? The chances of the Google deal getting canceled and immediately replaced by something that takes the stock above \$10 seem pretty remote.

This isn't a fun or sexy strategy, but Merger Arbitrage is a strategy that works lots of different ways. Usually requires some leverage to make significant money, but this seems like an interesting opportunity.

Questions?