

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

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”

New Stock Dashboard

- Top-level My Portfolio Information
- Market Sentiment
- Watchlists
- Pre-Built Screens
- Personalized News

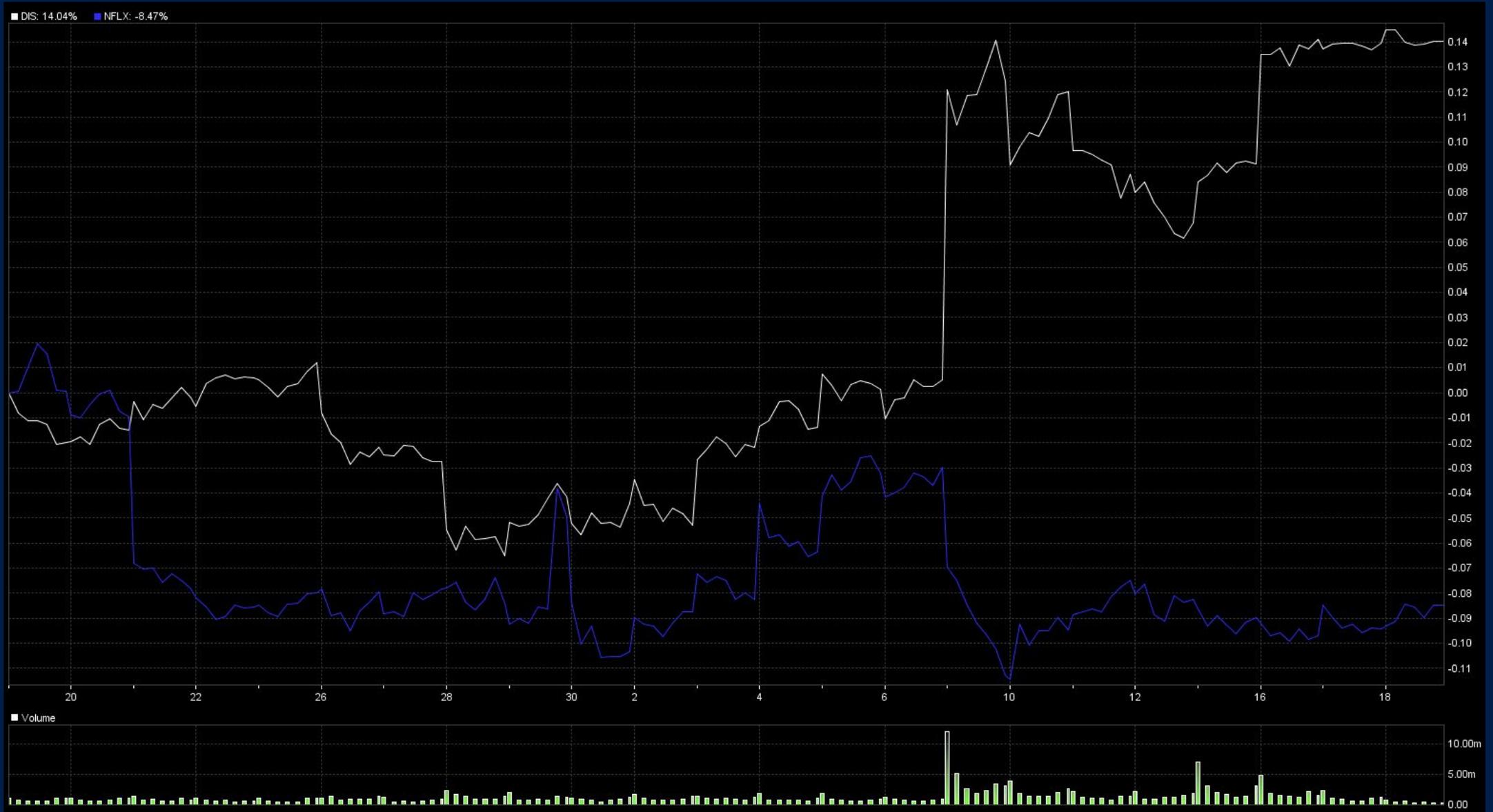
S&P 500



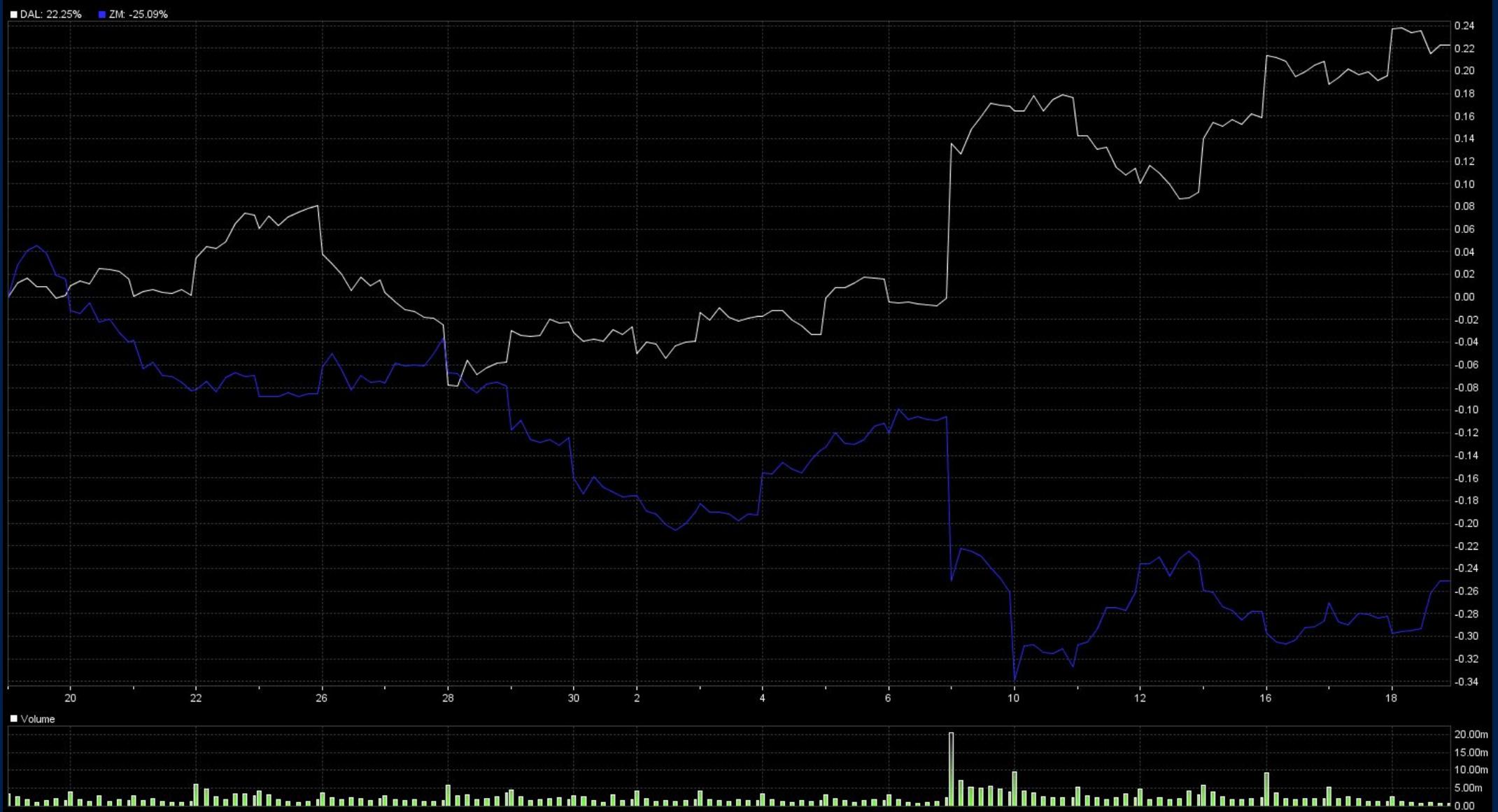
S&P 500



DIS vs. NFLX



DAL vs. ZM



What is happening?

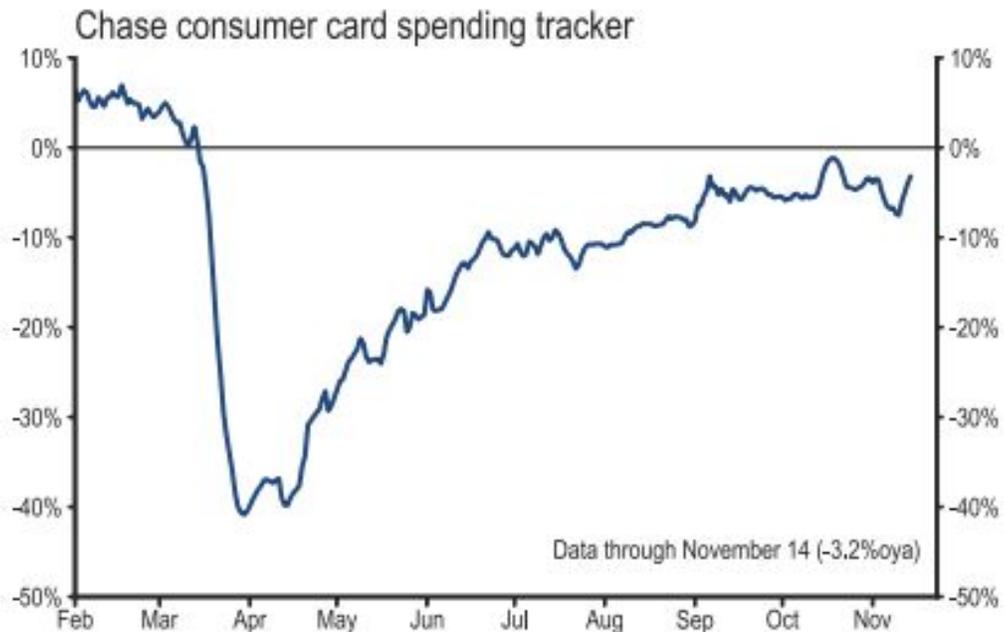
- Election
 - Over until Jan. 5 runoff in Ga.
 - Possibly some new volatility ahead of that data, but lots of other things going on then as well.
 - Potential for Lame Duck volatility also exists.
- Still a virus-driven economy
 - Cases are rising again
 - Cold weather likely to increase proportion of spending online
 - Good for big businesses
 - Less good for smaller businesses
 - Vaccine provides a light at the end of the tunnel
 - BUT new lockdowns are happening
 - Data from the Spring showed that people didn't need lockdowns to stay home
- Transition could be rough for pandemic plays
 - ZM up more than 500%
 - PTON up about 270%

Fast data

From JP Morgan

Daily consumer spending tracker

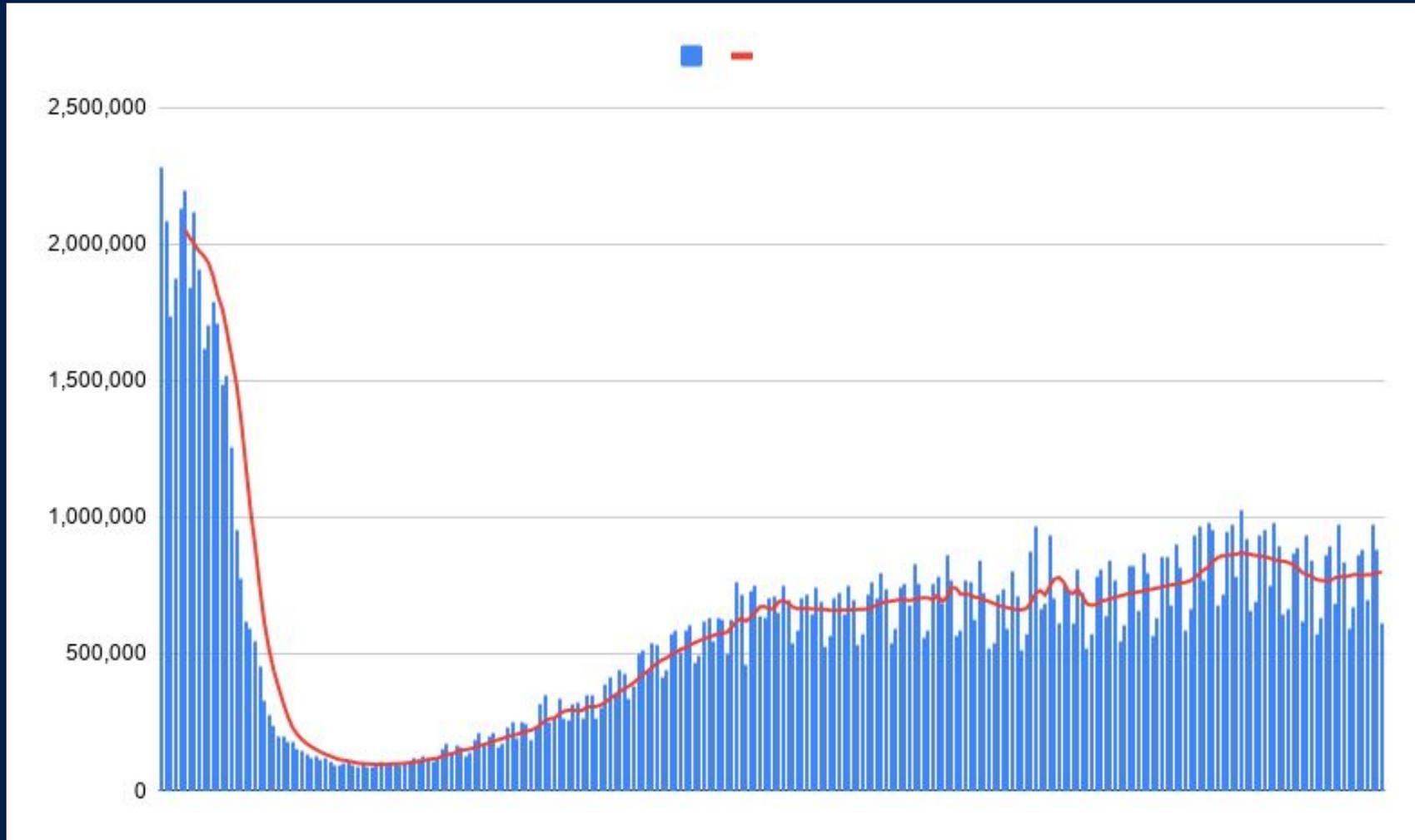
- On November 14, our tracker of Chase consumer card spending rose from -4.0% to -3.2%.
- The tracker rose 3.6%-pt over the prior week, and it is 37.7%-pt above its low of -40.9% on March 30.



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

Fast data

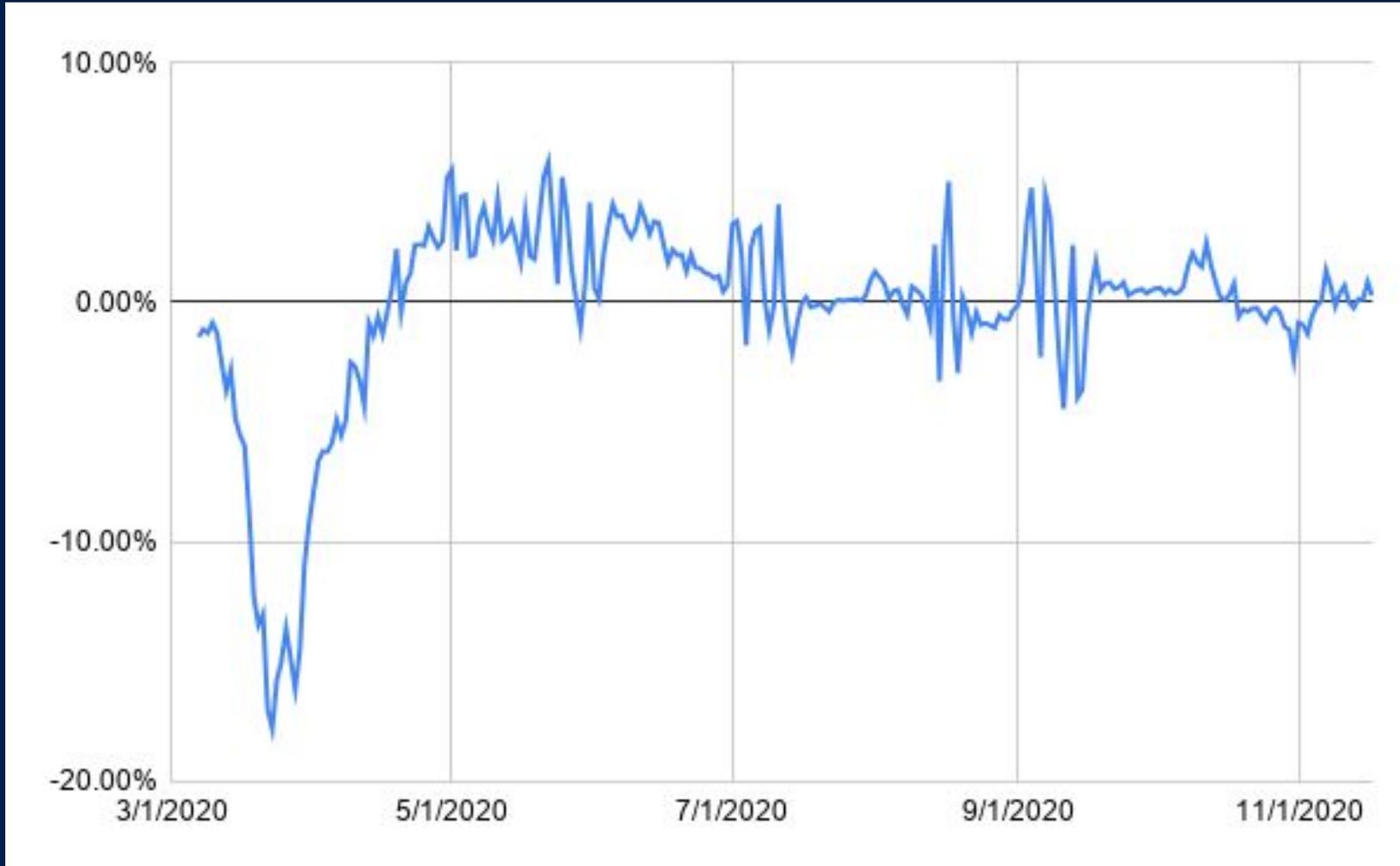
data from TSA



Passengers per day and seven-day average

Fast data

data from TSA



Daily rate of change in seven-day average

Questions?

What kind of a beast have I created in these options?

1. SOLD to Open 1 PEP 11/20/20, \$142 CALL

2. SOLD to Open 1 PEP 11/20/20, \$138 PUT

I succeeded in placing the STO, 1 PEP 11/20/20, \$142 CALL @ \$1.30,

And I opened the PUT STO, 1 PEP 11/20/20, \$142 CALL @ \$1.25,

But, what model of transaction have I created with both of these orders filled? --Garth

This is a covered short straddle. Basically, it's a covered call with an extra sold put. It adds some extra profit to the covered call, but can have some significant downside risks.

A covered call and a short put are essentially the same trade.

- A covered call gives you the extrinsic value from the call, and the potential to own the stock at some price lower than the current price.
- A sold put gives you the extrinsic value from the put and the potential to own the stock at some price lower than the current price.

Questions?

Explain Diagonal Spreads --Garth

Buy PEP 4/16/21 125 call for \$21.87

Sell PEP 1/15/21 145 call for \$4.27

Net Debit = \$17.60

Target Profit = \$ 2.40

Return % = 13.6%

Also called “Synthetic Covered Call”

Works in a similar way... Most of the Profit is from the extrinsic value in the sold option.

Sold Option creates potential obligation to sell the stock at 145

Bought option allows you to buy the stock at 125

Doing both of these at the same time gets you \$20.00, and you only paid \$17.60

You don't actually have to exercise/assign the options as the market will recognize the value of the position and let you out for that price once expiration gets close or the sold option gets in the money by some degree.

Questions?

When should I be taking profits when selling puts and calls? Is it best to take a percentage or look at some technical indicators to determine when? If it's technical indicators which ones? --Joni

Selling an option is opening a short position on the option.

The goal of all short sales is for the price of the shorted security to drop.

Options lose value over time. Options lose value faster the closer you get to expiration.

If the price of the option has fallen sharply, you may want to consider closing early for that reason, otherwise, not sure it makes sense.

You don't make 50% of the profit in 50% of the time, so in most cases, closing early will lower both the actual and annualized return.

Questions?

*Could you organize a class to teach us how to exit spreads with some examples? I need to know how to calculate the profit. --
Elena*

A credit spread is also a kind of short sale.

You're a net seller of options when you open the position.

The most you can make from a credit spread is the full amount of the credit.

Closing early will always mean you're making something smaller than the maximum profit.

The profit/loss when exiting a credit spread is the amount to pay to close the trade minus the initial credit.

If you open a trade for a \$1.00 credit and get out for \$0.50, you made \$0.50.

If you open a trade for a \$1.00 credit and close it for a \$1.50 debit, you lost \$0.50.

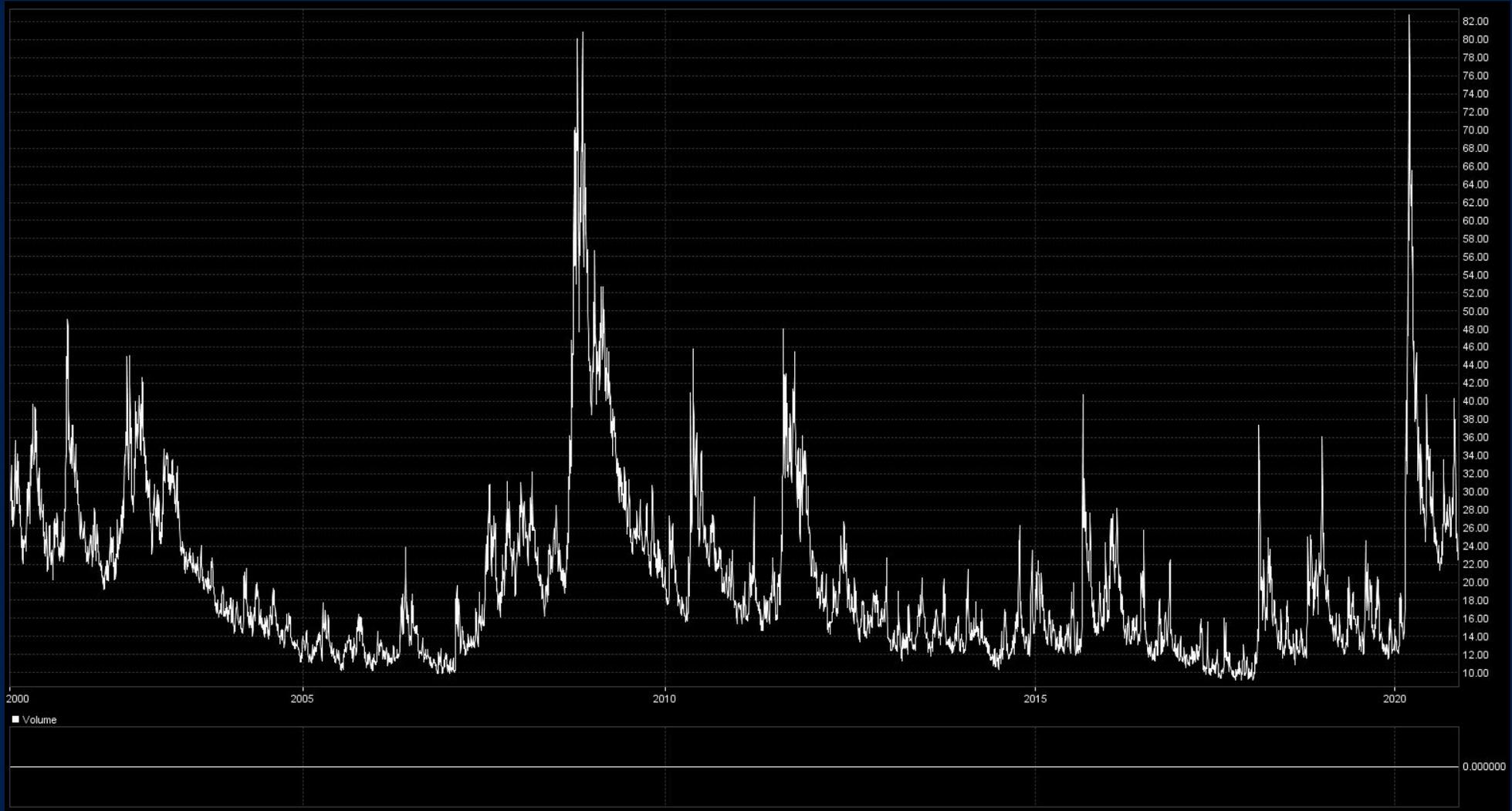
Questions?

What do you think about Vix? It has created two hammers and is below the 20dma. Do you think it will retest 20dma? -- Reggie



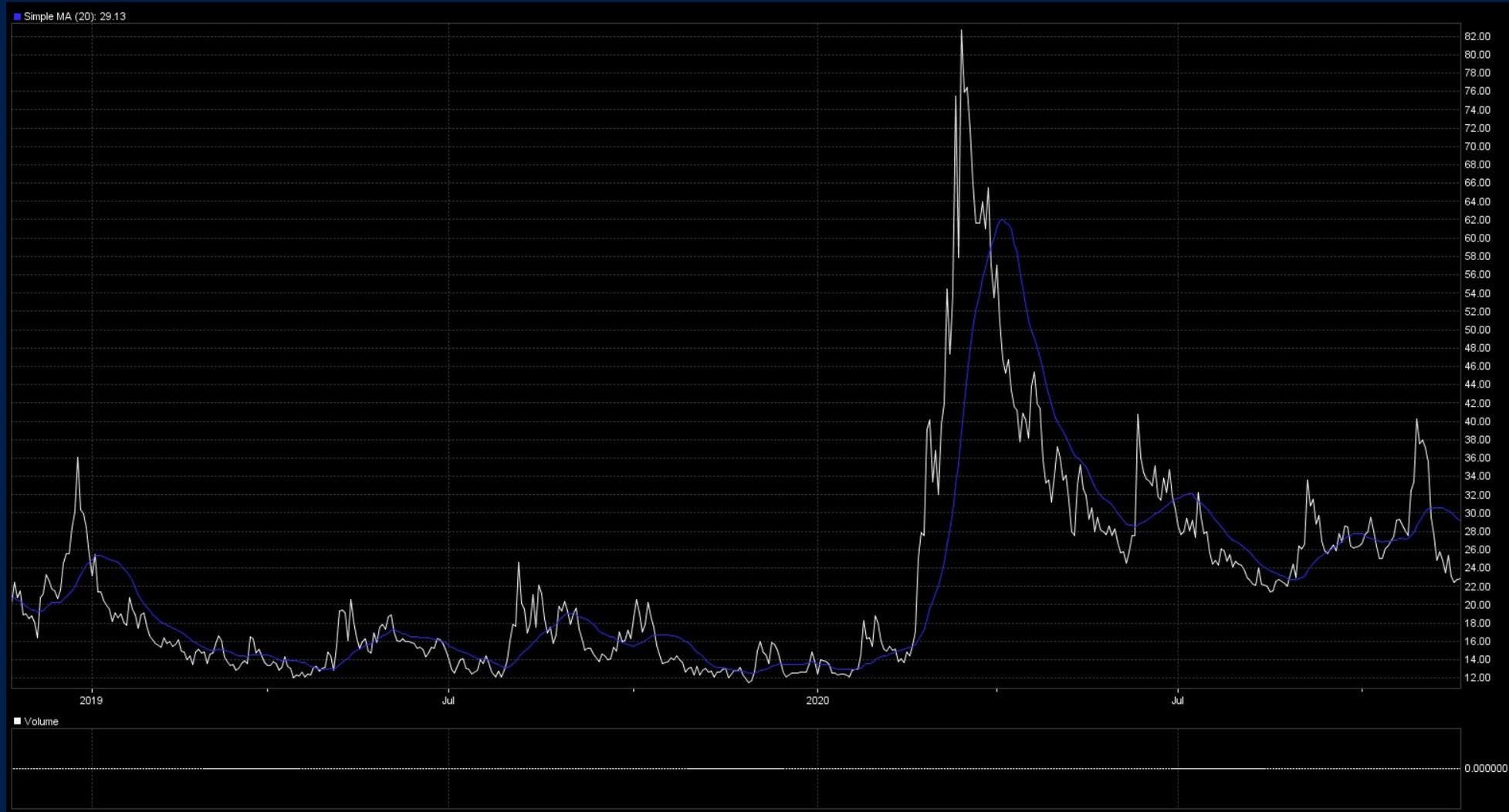
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