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- 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"

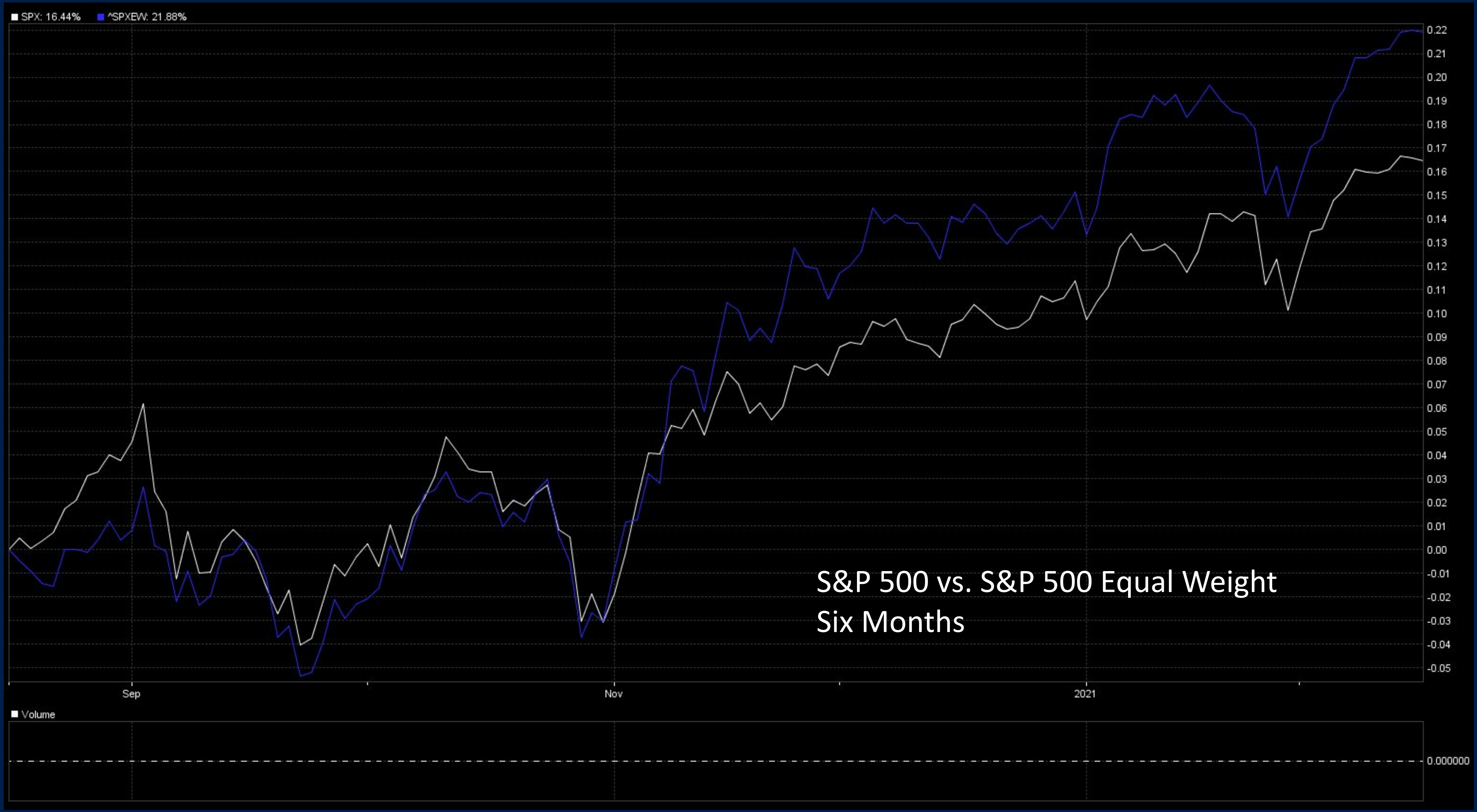
What’s New

- Open in New Tab from Screener

S&P 500

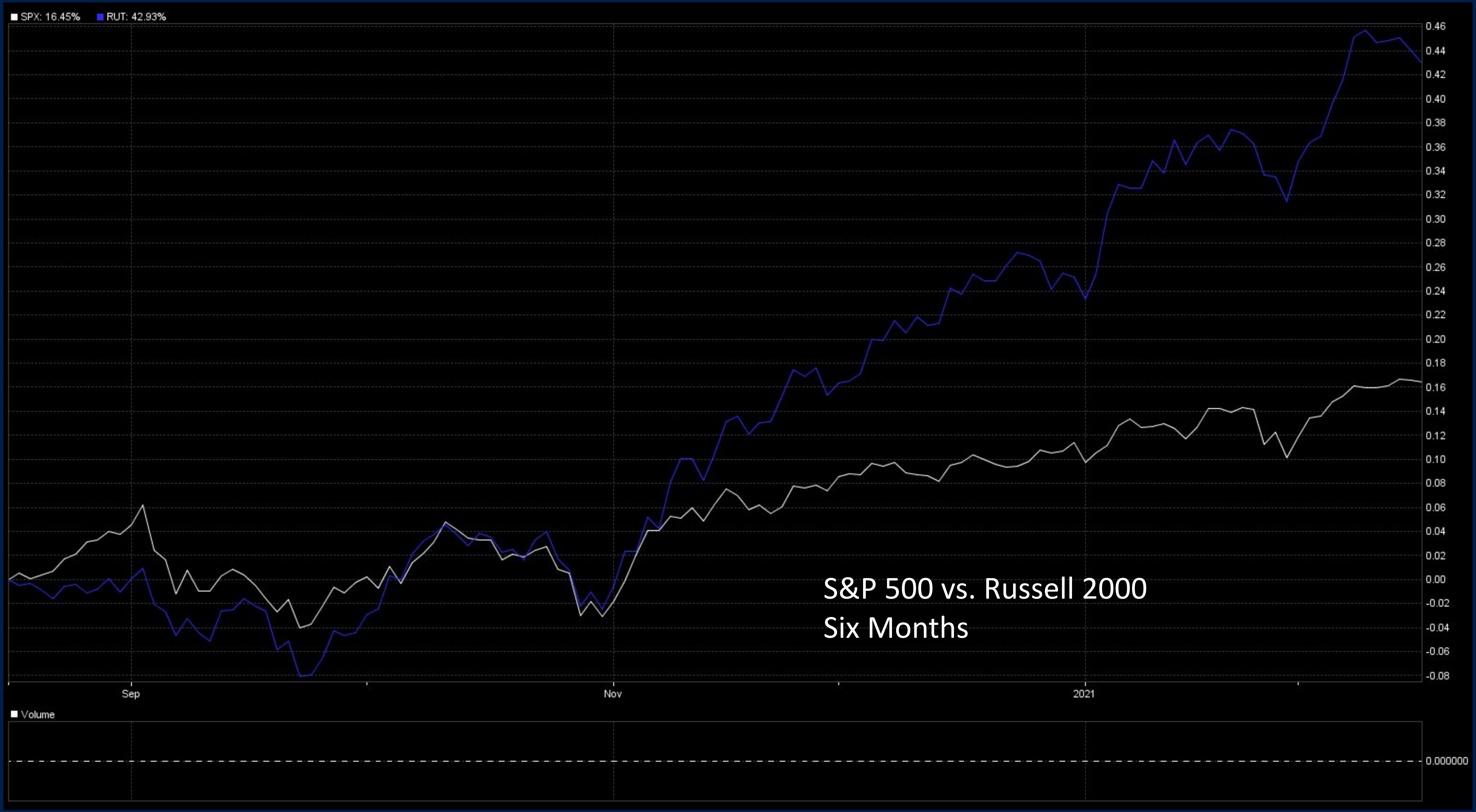

Simple MA (50): 3780
Simple MA (100): 3628
Simple MA (200): 3413
3950.00
3900.00
3850.00
3800.00
3750.00
3700.00
3650.00
3600.00
3550.00
3500.00
3450.00
3400.00
3350.00
3300.00
3250.00
3200.00
3150.00
3100.00
3050.00
3000.00
2950.00
2900.00
2850.00
2800.00
2750.00
2700.00
2650.00
2600.00
2550.00
2500.00
2450.00
2400.00
2350.00
2300.00
2250.00
2200.00
Apr
Jul
Oct
2021
Volume
0.000000
One year
Daily candles

S&P 500



SPX: 16.44%
^SPXEW: 21.88%
0.22
0.21
0.20
0.19
0.18
0.17
0.16
0.15
0.14
0.13
0.12
0.11
0.10
0.09
0.08
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0.00
-0.01
-0.02
-0.03
-0.04
-0.05
Sep
Nov
2021
Volume
0.000000
S&P 500 vs. S&P 500 Equal Weight
Six Months

S&P 500


SPX: 16.45%
RUT: 42.93%
0.46
0.44
0.42
0.40
0.38
0.36
0.34
0.32
0.30
0.28
0.26
0.24
0.22
0.20
0.18
0.16
0.14
0.12
0.10
0.08
0.06
0.04
0.02
0.00
-0.02
-0.04
-0.06
-0.08
Sep
Nov
2021
S&P 500 vs. Russell 2000
Six Months
Volume
0.000000

S&P 500


XLK: 20.56%
XLI: 16.95%
0.22
0.21
0.20
0.19
0.18
0.17
0.16
0.15
0.14
0.13
0.12
0.11
0.10
0.09
0.08
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0.00
-0.01
-0.02
-0.03
Sep
Nov
2021
XLK (white) vs. XLI (blue)
Six Months
Volume
30.00m
20.00m
10.00m
0.00

S&P 500

XLK: 20.54%
XLF: 29.37%
0.29
0.28
0.27
0.26
0.25
0.24
0.23
0.22
0.21
0.20
0.19
0.18
0.17
0.16
0.15
0.14
0.13
0.12
0.11
0.10
0.09
0.08
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0.00
-0.01
-0.02
-0.03
-0.04
-0.05
-0.06
-0.07
Sep
Nov
2021
XLK (white) vs. XLF (blue)
Six Months
Volume
30.00m
20.00m
10.00m
0.00

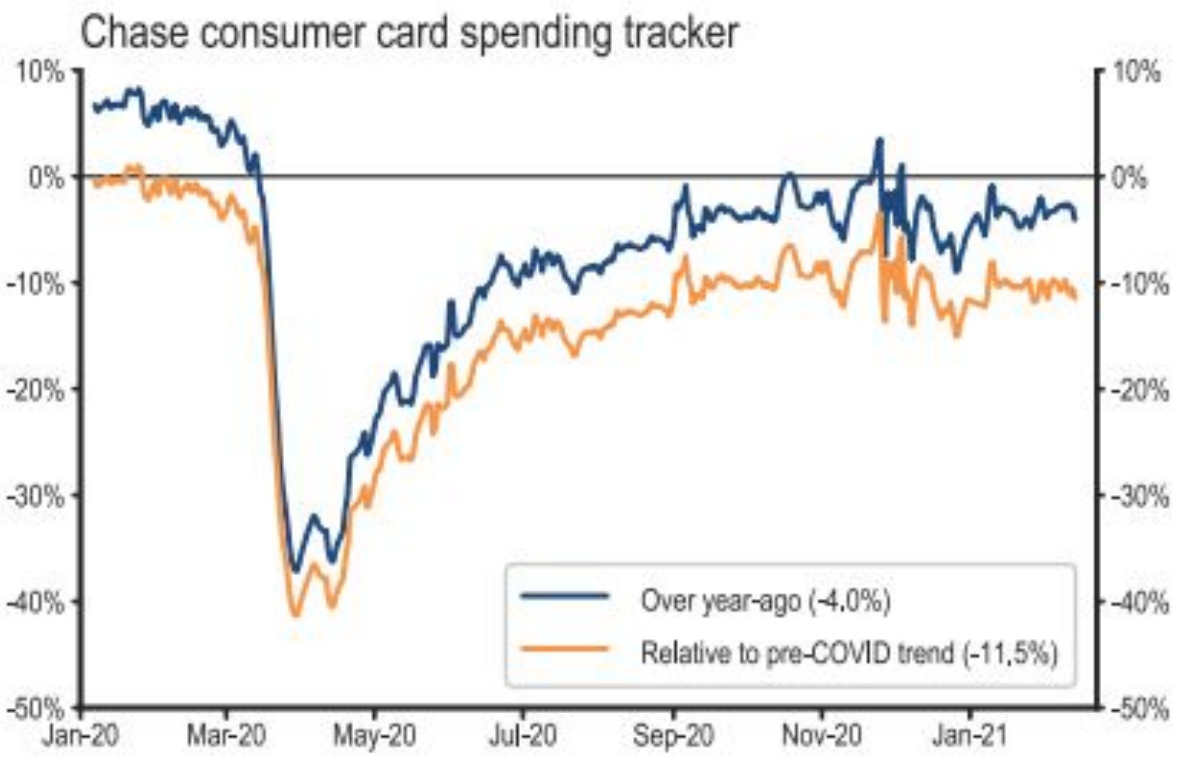
What is happening?

- Still a virus-driven economy
  - Cases falling
    - Post-holiday surge is over
    - Now that cases are falling, people may let their guard down
  - Vaccine production ramping up
  - Warmer weather on the way
    - Return of outdoor dining other activities
- Stimulus
  - Republicans seem likely to try to block most of Biden’s agenda at this point.
    - Hard to know what may pass
    - Issues related to taxes and some spending can pass through reconciliation

Fast data

From JP Morgan

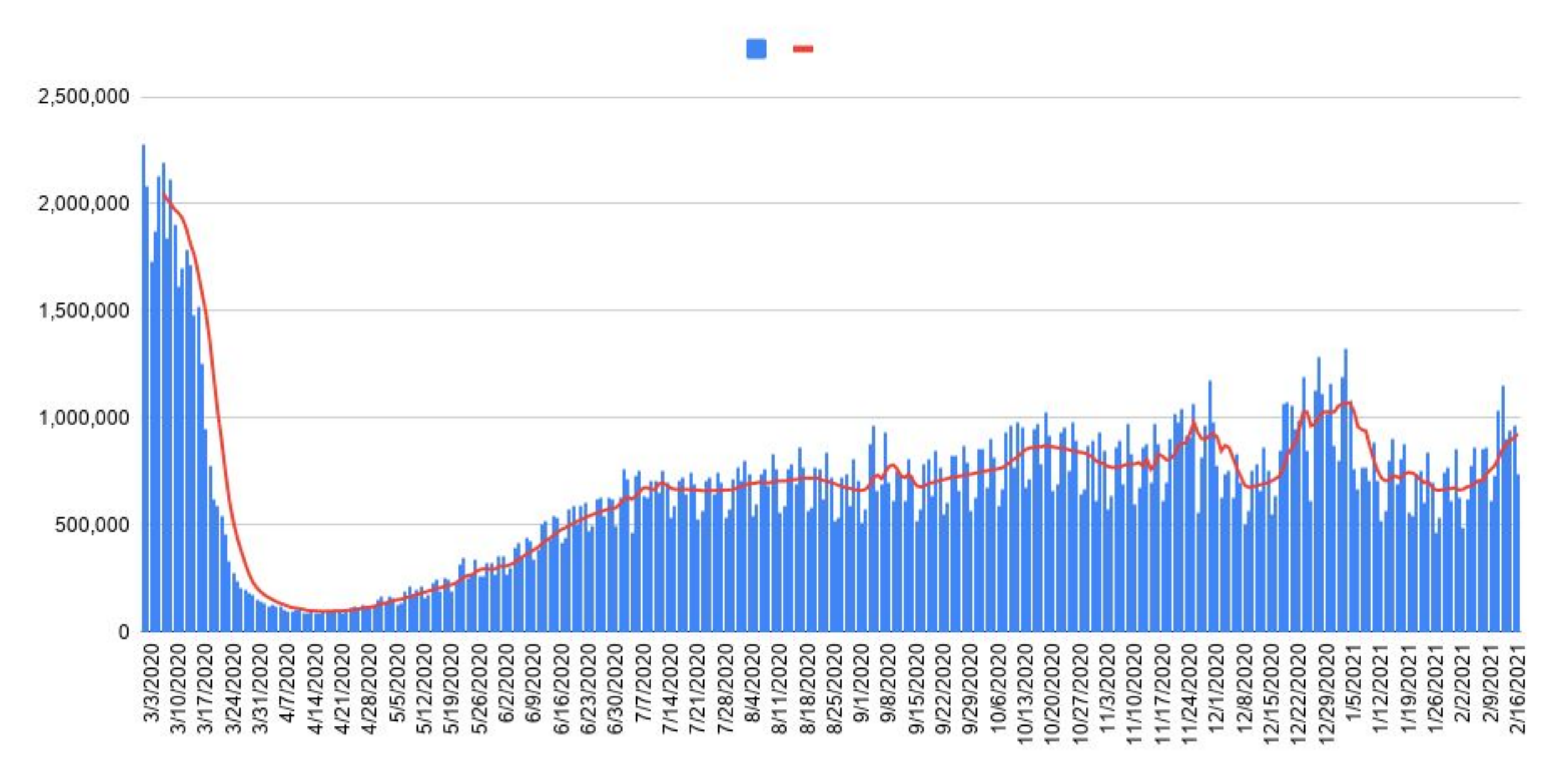
- On February 13, our tracker of Chase consumer card spending fell from -3.0% to -4.0%.
- The tracker fell -1.1%-pt over the prior week, and it is 33.1%-pt above its low of -37.1% on March 30.



Source: J.P. Morgan, 7-day average of total spending. Data through February 13.

Fast data

data from TSA



Passengers per day and seven-day average

Questions?

Historically, when the total S&P 500 P/E ratio goes above 20-22, it doesn't bode well for overall returns in the decade that follows. In December 1999, the S&P 500 P/E was 44.2, and the total S&P return, adjusted for inflation, in the following decade was -39% (Jan 2000-Dec 2009). As of today (2/10), the S&P 500 P/E is 35.6.

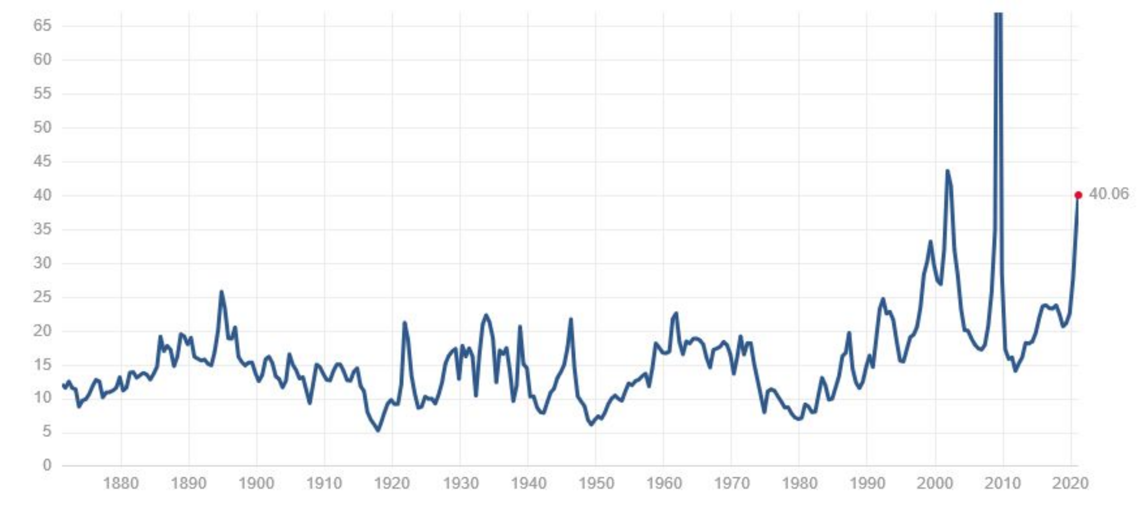
Could you comment on where you see the markets heading? A small 5-10% correction is inevitable, but do you see something bigger afoot?

-- Deborah

That Dec. 1999 to Dec. 2009 period manages to be the 10 years that captures both the dot-com crash, and the 2008 crash. There aren't very many other 10-year periods you could pick that capture **two** massive corrections.

P/E is a ratio. Yes, it goes up with Price, but the E can also make a big difference.
Big increase in Earnings can lower the P/E ratio with no move in Price.

Another note about P/E… The floor seems to have been reset in 1980. Not exactly sure why, but it seems reasonable to think that we should adjust our average and high values as well.



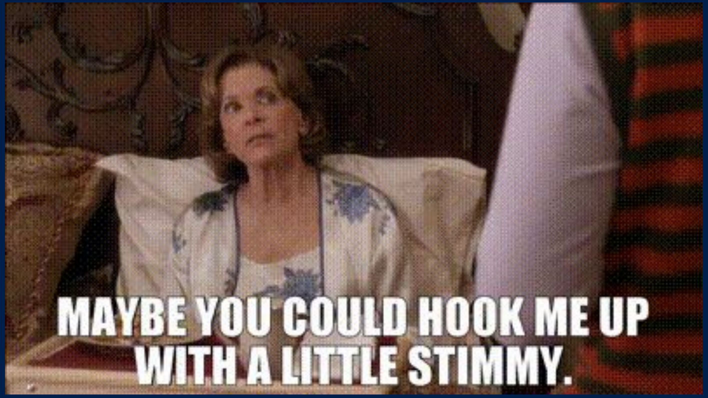
Questions?

As a result of the unprecedented influx of money from Central Banks/ governments to prop up the economies world wide and in particular America what is your opinion of the risk of a major correction this year? -- Michel

- Central Bank policy works by trying to encourage lending.
    - Commercial Banks control the money supply
        - Money supply grows when economy grows
            - Loans are assets, deposits are liabilities, a bank with more deposits than loans would be under water.
        - Money supply starts to shrink when the economy shrinks
            - Banks stop making loans, but loans are getting paid off
    - When the Fed buys Treasuries, it is adding reserves to the banking system.
        - Buying bonds (loans the bank made to the Treasury) and giving it reserves creates new lending capacity.
        - Buying those bonds also lowers the return on the bonds, which encourages other lending.
            - This also encourages other kinds of investment. Banks aren’t the only buyers of bond, and aren’t the only investors who seek higher yields (and higher risks) when Treasury rates get low.
- This “money creation” works to prop up markets, but it is inefficient in terms of spurring demand.
    - Yield (return) seeking pushing up prices of assets (For companies, loans and equity capital are cheap. Tesla can raise $1 billion with way fewer shares (less dilution) than it could pre-crisis.
    - Cheap money doesn’t create demand.
        - Businesses invest when they see new opportunities.
        - Need to spur demand for businesses to want to borrow

Questions?

As a result of the unprecedented influx of money from Central Banks/ governments to prop up the economies world wide and in particular America what is your opinion of the risk of a major correction this year? -- Michel



- Fiscal Policy is government spending.
  - Can be more directly targeted to spur demand (Stimulus Checks)
    - This can create demand, which can make the Fed side more effective
    - Pandemic seems to have lessened some of those effects
      - And maybe pushed even more assets into yield chasing.
- Downsides
  - Inflation
    - Fed's balance sheet can be used to fight inflation. Stop buying bonds or even start selling.
    - Inflation doesn't just mean more money, it means too much money chasing too few resources
      - Likely to seem some high prices in the coming year due to supply constraints and pent-up demand
      - Probably temporary… Big surge of spending all at once, but not a permanent change
        - Also, to the extent that some new spending is permanent, fresh, cheap capital is readily available for businesses who want to address supply constraints.
  - High asset prices
    - "High" is a ratio. A growing economy pushes that denominator higher and the price doesn't look so high any more

More Crash Thoughts

This guy is on the trail because he likes being on the trail. He put his helmet on, checked his brakes, and picked a trail that fit his skill level.
He didn't spend a lot of time worrying if today is the day he's going to crash.
Cyclists who spend all their time worried about a crash don't get a lot of saddle time.

- Thought Experiment
  - If I told you everything that was going to happen in the next year on Jan. 1, 2020 do you go long stocks?
    - Do you go extra long on electric cars and other high-speculative stocks?
- Good Practice Beats Good Predictions.
  - "That guy has predicted 9 out of the last 5 recessions"
    - Always being a bear is no better (probably worse) than always being bullish
  - People can't predict the future, specifically
    - We know things go up and down
    - We don't know when.
  - Don't risk money you can't afford to lose
  - Don't be afraid to take profits
    - If you're sitting on huge gains and losing sleep about it, take some profits.
      - You don't have to cash out, but if you're up a lot, you don't have to let it all stay on the table.
  - Rebalancing is part of good investing
    - Trim some winners
    - Either put that money in something safer, or find the next big winners

Questions?

Question....please speak about buying options. When you buy 1 does it allow you to buy 100? Can you buy just 25, etc.-- Mark

- Option Contract gives the right (but not the obligation) to buy (sell for puts) 100 shares of stock between purchase and expiration.
  - There are some “weird” options that cover deliverables other an 100 shares, usually result of dividends/split/ M&A activity
- You can trade options
  - Buy/Sell
  - To Open/To Close
- You can also make spreads
  - Buy one option, sell another option
    - Credit or debit
  - Buy a call and buy a put (straddle)
  - Sell a call and sell a put (short straddle or Short strangle
  - Other strategies with more than two legs, or strategies where you buy 2/1 or some other ratio

Questions?

I have been studying guidance on long calls, generally to go deep in the money to reduce time value. While that lowers the break even, it also requires more capital at risk, and reduces the percent of gain. In short duration trades, time value may not change much, but the risk is high with initial overhead, although the cost may be lower. If you catch an uptrending stock, and are deep ITM, you can sell a higher call to leg into a spread, reducing risk and increasing percent returns. I know this is not a supported trade, but would you care to comment? How deep, how long, or compared to credit spreads? -- David

- ITM is a less-risky way to buy calls… on a per-dollar basis assuming the same expiration date.
- What you're really doing is moving away from the money line. Time value goes down roughly symmetrically in both directions. Trades that are roughly the same distance from a .50 delta should have about the same level of extrinsic value. In ITM calls, you end up buying intrinsic value.
- If you buy an OTM call for $0.05 or and a a call that's $10 ITM for $10.05, you spent $0.05 on time value in either case. If the stock stays relatively flat, you lose 100% of the OTM trade, or 0.5% of the ITM trade. (this also applies to time value… the actual $ burn rate is the same just the % is different.
- Big difference here is that if the stock goes up by a nickel, your ITM call gains a nickel in intrinsic value, while the OTM call does not… ITM calls are less leveraged way to do options. A 1 delta on AAPL for March costs about $87… you get $1 for every dollar Apple gains, but your percentage gains are higher.

Selling a "higher" call on a stock that's moving up can cap your gains.

Best way to minimize time value is to buy options longer than you want to hold…

You don't have to hold options to expiration, you can sell early and still recapture extrinsic value.

Theta accelerates on a percentage basis (% of extrinsic value)

Questions?

Webinar. I've been observing some online recommendations for call spreads. They are deep in the money so that a 10% drop in the stock still stays above the sold call, and thus would receive full profit. They usually return 25 to 50% profit in less than 2 months. But, I am frequently not able to obtain a debit that small. The midpoint may suggest a smaller return, but at times I have been filled quickly near the net. So, I am asking what factors will determine the net debit, and what is the best way to get a good price, perhaps also in stock selection. -- David

- Net debit is just the net prices paid for the options.
    - Deep ITM the spreads can be pretty wide. (Liquidity is much more about who want to trade than Open Interest)
    - Midpoints aren't really "prices" and more than the bid/ask are "prices"... They're properties of a range that contains the price. Executing between bid/ask is at the mercy of the market maker.
    - Kind of surprised by these returns… Not surprised by difficulty getting filled.
        - This kind of opportunity implies a relatively high IV, but only at the sold strike.
    - Best way to get a good price is to use a limit order, which really just prevents you from getting a bad price.
    - This strategy would work best with more volatile stocks, but those stocks are more likely to move more than 10%, so that's not the same risk as AAPL or some ETFs.

Questions?

Please explain a diagonal spread. That is what this is, right? Is it too late to buy in? -- Linda

MU trade:
To open this trade, buy MU 6/18/21 50 call and sell MU 2/26/21 79 call for a debit of $26.60.

First, this trade was published on Feb. 3, when MU was trading at about $79.

$50 call gives the right to buy MU at $50.
$79 call (potentially) creates the obligation to sell MU at $79.

So long as MU is above $79, we've got $29 worth of options, which we bought for $26.60.

The basis for the trade is that we're buying a deep ITM call (low extrinsic value) and selling one that is right at the money (high extrinsic value).

The stock doesn't have to do much and we make the full profit.

Questions?

I have a diagonal spread that expires on Feb. 19. I've been trying to close it for 2 days with no luck. I've adjusted the price (trying not to chase up or down) to match the bid/ask. The open interest is not huge, but it's over 1000 for each leg. Do you have any suggestions as to what I can do to get this thing closed? -- Jeff

Try entering the closing order for the strike width (sold minus bought).
Depending on moneyness, should close no problem… If right ATM may take longer.
Can try moving the credit down… either try pennies at a time, or just drop it a nickel.

Should be able to get filled by selling at the bid and buying at the ask. Often that price is unattractive, so better to use what you know the options to be worth.

Sometimes can get more than the net debit because of remaining time value in the long leg.

Questions?

Please discuss the Tilray/Aphria merger. How does Aphria stand to benefit? Thank you for your OPINION.   -- Jim

- Aphria shareholders get 0.8381 shares of Tilray.
  - There are more shares of Aphria, so Aphria shareholders will own 62% of the stock in the resulting company.
- Seems like the two companies have relatively similar businesses, so the deal is really about scale.e
- Would expect to see more mergers as the industry grows.

Questions?

Can you look at TLRY, CGC , ACB, to see where are we heading technically. --Reggie

Questions?

If different insiders selling (Godaddy) transactions are taking place (approx 45,000 shares) yet different analysts adjusted the target price higher, but the sentiment is bearish. Why insiders are selling if target price by different analysts adjusted higher? Does it make it a good or bad pick for me as investor? -- S. Ableson

- Insider selling isn't the opposite of insider buying.
  - Insiders receive part of their compensation in shares
    - Buying means they're willing to convert outside cash to more shares
    - Selling just means they want to spend some of their pay
  - News stories about insider transactions on *InvestorsObserver* contain some useful information in this regard:

Nima Kelly, Chief Legal Officer, on Feb 10, 2021, sold 3,446 shares in GoDaddy (GDDY) for $318,755. After the Form 4 filing with the SEC, Kelly has 60,746 shares of the company, with a market value, based on the prior-day closing price, of $5.63 million.

During the most recent 90-day period, previous to the date of this filing, there have been 12 insider transactions reported to the SEC for GoDaddy. These transactions came from the activities of 4 separate insiders that resulted in a net disposition of 44,465 company shares. Relative to the preceding 90-day window of time, there were 14 transactions from 5 insiders which resulted in the net disposition of 33,412 shares.

This level of insider transactions is below that of the peer group average in the 188-company IT Services & Consulting peer group over the last 90-day period. Peer group activity averaged 109.1 transactions per company, and disposition of 24,291 shares on average.

Questions?

I invested in RIOT a crypto mining co. Almost doubled my $ are these mining co looking solid for future are there signs of regress. This seems like the future but then again they seem like a huge counterfeit scheme. If I just started printing money I'd be in jail. -- Anon

- Bitcoin mining does the "back office" work (currently uses roughly the same amount of electricity as Argentina)
  - Computer does a bunch of math and the system gives out some bitcoin every so often
  - Currently 18.5 million BTC, number is capped at 21 million
  - Reward for mining is halved every four years or so.
- Halving means BTC needs to double every four years to make it worthwhile.
- What happens after 21 million?
- RIOT and others seems like bets on the price of BTC as much as anything else.
  - MSTR selling convertible notes to buy BTC
    - $481 million total revenue in 2020
- Printing Money…
  - Actual mining hasn't been inflationary… BTC "economy" in severe deflation (every day your "money" is worth more… why would you ever spend?
  - Lots of other coins…
    - You can't make your own Dollars
    - You can make as many other things and tell people they're money as you want… Limiter is what people will actually buy.

Questions?

Could you please discuss Pre-IPO's and SPAC's, thanks. -- Charles

- Initial **Public** Offering… Pre-IPO shares aren't available to the public…
  - Accredited Investor or qualified investor
    - Income more than $200,000 in two previous years
    - Net worth more than $1 million
  - Mutual Funds, other packages are best way for most investors to get access

- Special Purpose Acquisition Vehicle
  - IPO raises pool of money
    - Shares plus Warrants to buy more shares
  - Managers get shares (without putting money in)
  - Acquire a private company
    - SPAC shareholders have the option to get their money back if they don't like the deal
- Problems…
  - Dilution from the manager
  - Buying $15 worth of lunch for $10
  - Less disclosure (NKLA)
  - Performance hasn't been great

Questions?