

PALOS

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Palos Weekly Commentary

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Options Corner

By Robert Mendel

I am baacckk...

The problem with leaving the land of palm trees and sand is you have to deal with the conditions back home. I mean who wouldn't want to live here in minus 20 weather? At least I have somewhat of an excuse, I was born here. But what the heck were they thinking some 400 years ago when they arrived in the middle of winter saying 'yeah, this is great, let's set up shop'? Actually, with technology I could trade and work from anywhere and still report back to you guys with my Pulitzer prize winning writing capabilities, but the truth is I was way too lazy to even do that. So, let's play catch up and talk in general first.

The market had some nice swings. If you were playing over the last several months, chances are you were hit (and yes, even me, I know I know, hard to imagine). Take for example technology, banks, aerospace, and defense stocks to name just a few. I like them all and have positions in all, but they were also down, perhaps for their own reasons but down, nonetheless. History shows in the short run most stocks fall together (and the reverse is somewhat true also) So while I continue to play individual names and sell weekly puts and calls against as many positions as possible to try and take advantage of this volatility, I also started to add positions in the Dow Jones through the Diamonds ETF (DIA). I get almost the same premium but am spared the individual company risk.

This is what I did. During the late December fall, with the Dow at 24,000, (240 on the DIA) I sold the Dec 28 237 puts. And when it fell further, I then sold the 233s and finally the 228s. I was assigned all and kept my positions and have subsequently sold the Jan 18 242 calls for .70 cents against it. My break-even was 232.80 and now is 232.10 (23,210 on the Dow). If the Dow moves higher and I get taken out I will make 4.2% in approximately 3 weeks (242-232.10/232.10) If I don't get taken out I will either sell more weekly at the money calls or sell the position and sell new puts and let them come after me again. Below is a snapshot of the position.

DIA	1,500.0000	240.64	360,960.00	360,960.00	232.80	349,205.00
DIA US 01/18/19 C242	-15.0000	0.72	-1,080.00	-1,080.00	0.70	-1,050.00

Options Corner cont.

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Anyway, will report back. Also, regarding my Netflix position. The stock has roared back and on Tuesday, with the stock at \$351, I sold the Jan 18 375 calls for \$7 lowering my cost to \$366 – I was once down over \$100 so if I get taken out of this specific position it will be at a profit and I won't really complain. I say 'specific' because I have loads of other profitable positions that I have never mentioned since it's no fun to talk just about winners. Keep you posted on that, regular January expiries next week... assuming of course I don't head back to the land of palm trees.

Bye

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