

PALOS

CONTENTS

Options Corner 1

Disclaimer & Contacts 3

Palos Weekly Commentary

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Options Corner

By Robert Mendel

I am sitting in one of my important quarterly meetings – you guys know the ones where everybody talks over each other to show just how smart they are?? – I use these to catch up on my ever-important online Kardashian search, but I digress. Anyway, this guy starts talking about how he is a technical analysis guru and how his charts show the US financial sector was ‘technically breaking down’. After I asked him the very tough question ‘why?’ and told him I liked the US Banks he paused – and I swear, without anybody seeing, he turned his paper around as if he was reading his charts upside down and scratched his head. You can’t make this stuff up!

My reasoning? Over the last several weeks the US financials have been selling off. I figure, if the markets are going to stay relatively strong, and I have no idea if that will be the case, the financials would need to at least be a part of it.

So, with that said I decided to enter positions with two of the leading banks in the USA – Bank of America (BAC) and JP Morgan (JPM). This is what I did:

On Tuesday March 26 with JPM trading at \$99.01 I sold the March 29 \$98 puts for .57 cents (screen below) which equates to a .6% return in 4 days if the stock stays above \$98 (53% annualized) – And I do have 1% downside protection, but we know that can disappear faster than I can turn a paper around

JPM US 03/29/19 P98	-10.0000	0.23	-230.00	0.57	-570.00	03/26/19	340.00
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And right after that with BAC at \$27.25, I sold the April 05 \$26.5 puts for .28 cents (screen below) which equates to a 1.1% return in 11 days (35% annualized) if it stays above \$26.5 and a 2.8% downside protection on this one.

BAC US 04/05/19 P26.5	-37.0000	0.24	-888.00	0.28	-1,036.00	03/26/19	148.00
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I don’t have the heart to tell the ‘guru’ I did this, I think he is still scratching his head... So we will keep it between us only.

Until next week.

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