

PALOS

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Palos Weekly Commentary

Issue No. 18 | MAY 2 2019

Options Corner

By Robert Mendel

For the first time ever in Palos Newsletter history we will do a double header. What do I mean? Well, I missed the deadline last week because Jimmy the Copy Editor (who is great) didn't give me extra time even though I wrote up the column. So, you first will read last week's column and then afterwards you will read this week's. As always enjoy.

April 25 column

Earnings season is back! And with it comes some fun. This is what I did today on Amazon and Intel.

With Amazon trading at \$1921 at 3:31pm, I sold 1 April 26 2000 call for \$8.40. My bet here is that amazon will stay under the strike by expiry even if they report a great quarter if for no other reason than it has rallied a lot recently. And my break-even is \$2,008.40 giving me a little more room.

As for Intel I just did not have the same confidence in a good quarter as I did with Amazon so at 3:35pm with it trading at \$67.25 I sold calls that were much closer to the money. I sold 20 April 26 calls for .66 cents. Below you see both.

★ INTC190426C59	Filled	Sell	0.660	NY	20	FILLED	2019-04-25
★ AMZN190426C2000	Filled	Sell	8.400	NY	1	FILLED	2019-04-25

The problem is you won't see this until next week since I missed the deadline which is why I put the dates - Jimmy the copy editor is not giving me an extension. If someone can give me a heads up to remind me that would be great because Jimmy is certainly not helping. I mean think of the entertainment you were deprived of!!

On another note let's go back to Intuitive Surgical (ISRG). The company reported, and although the earnings were great, the market wanted them to be really great. So what happened? It sold off over 5% and traded under \$495. So, while I said I would wait to see what the earnings were before averaging down I never did average down. But with the stock at \$504 I did sell another call, the April 530s for \$1.20. And yes, there is a chance the stock does a V and reverses quickly leaving me scrambling to roll higher, but it is a chance I am happily willing to take to bring my cost down quicker. Assuming it expires, I plan to keep a cushion of 3-5% per week so I would look to sell the next call anywhere between \$530-540 based on the current \$517.78 price.

ISRG US	200.0000	517.78	103,556.00	561.26	112,251.00
ISRG US 04/26/19 C530	-2.0000	0.85	-170.00	1.20	-240.00

Anyway, market closing so got to see if I was right or not. See you...

Options Corner cont.

By Robert Mendel

And now for this week's column...

Just to continue on the Intuitive Surgical theme (I know you are probably getting tired of it, come to think of it, so am I, but I digress) the April 26 530 calls expired worthless. So, what did I do this week? I sold on April 30th the May 10 525 calls for \$3.45, lowering my cost even more. And I reduced the strike by 5 points because I didn't think the stock would turn around as quickly. And with it currently trading at \$504.51, it looks like the short call is safe – unfortunately since the stock is lower. See below.

ISRG US	200.0000	504.51	100,902.00	561.26	112,251.00	03/28/19	-11,349.0
ISRG US 05/10/19 C525	-2.0000	1.65	-330.00	3.45	-690.00	04/30/19	360.00

What else can I write about? Oh yeah, let's talk about oil... Warren Buffet announced he was backing Occidental Petroleum's (OXY) bid for rival Anadarko perhaps pulling the company away from Chevron which also is making a play for it. In any event, with oil stocks lower and specifically OXY trading near 52 week lows I though a play would be in order and I didn't need much downside protection.

This is what I did. With the stock at \$58.50 on April 30th, I sold 20 May 10 58 puts for \$1.25. If it stays above the strike of \$58 by next Friday, the return for 10 days will be 2.1% (1.25/58). I will most probably roll if I need to but come the beginning of June, I may want to have a long position regardless so I can get the .78 cents dividend which equates to 5.7% annualized. But that is only 4 weeks away, so plenty of time to make a decision. See the current position below.

OXY US 05/10/19 P58	-20.0000	1.38	-2,760.00	1.25	-2,500.00	04/30/19	-260.00
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And now the double header is over... I say goodbye...

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PALOS

1 Place Ville Marie, Suite 1670
Montreal (QC) H3B 2B6, Canada

T. +1 (514) 397-0188
F. +1 (514) 397-0199

1 St. Clair Avenue East Suite 504
Toronto, Ontario M4T 2V7

T. +1 (647) 276-0110
F. +1 (647) 276-0110

www.palos.ca