

PALOS

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Palos Weekly Commentary

Issue No. 20 | MAY 16 2019

Options Corner

By Robert Mendel

So I was walking my dog yesterday morning near my house and this lady yells from across the street. “Hey, aren’t you that famous comedy writer the business world is talking about?” Well, I am certainly not one to gloat or show off in anyway, so without missing a beat I answered of course I am! She then crossed the street and told me she was a reporter for a women’s magazine, doing a survey, and had wanted to ask me a question. Now who am I to turn down someone in need, so I told her to fire away. But if this was Florida, I wouldn’t exactly use the term ‘fire away’, but back to my comedy. So the lady posed this thought provoking question: would you rather a) spend the rest of your life with your wife, or b)...and without letting her finish, I yelled ‘B’ ‘B’ ‘B’...And that got me thinking. There must be some good opportunities with companies starting with the letter ‘B’?? I thought of 2 right away. The first was Bristol-Myers Squibb (BMY). Isn’t it near 52 week lows, trading at approximately 10 x earnings and paying a nice dividend I asked myself...so this is what I did.

On May 15 I bought the stock at \$46.43 and thinking there would be a little run waited until today to sell the May 24 48.5 calls for .18 cents bringing my cost to\$46.25. So, if it runs further my worst case on the upside is a \$2.25 gain which equates to a 4.9% 8-day return. See below...

BMY US	2,600.0000	47.12	122,512.00	46.43	120,718.00	05/15/19	1,794.00
BMY US 05/24/19 C48.5	-26.0000	0.23	-598.00	0.18	-468.00	05/16/19	-130.00

The second ‘B’ stock is Beyond the Meat (BYND) Perhaps you guys have heard of this one? It’s the vegan play that went public at \$25 on May 1st in a \$276 million deal. The first trade was at \$45 and went straight up from there. Now I am all for this alternative meat thing and more power to them, but the valuations became even crazier when it zoomed past \$60, then \$70 and then \$90! And in just over 2 weeks! That’s when I struck.

Options Corner cont.

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Today, on May 16th with the stock at \$91.80, I did the following two naked call sales you see below. The June short call (first line) expires June 21 with a 125 strike, while the May short call is for tomorrow, May 17th, and has a 100 strike. If it stays under there I make, if not I lose. Let's see what happens

2019-05-16	SELL	CALL-100 BYND'19 JN@125	-5	0.00	3.000	1,484.96
2019-05-16	SELL	CALL-100 BYND'19 MY@100	-5	0.00	1.100	534.98

By the way, the reporter couldn't stop laughing. I aim to please. On that note, I am going home...

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