

# PALOS

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## Palos Weekly Commentary

Issue No. 40 | OCTOBER 3, 2019

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## Options Corner

By Robert Mendel

What's the surest way for a stock to go up? Improving earnings, cash flow, stock buybacks or increasing dividends? No, just have rats fall out of the ceiling! as is the case with Chipotle. Ok, maybe I am a little hard on it, afterall it is improving across the board. But today the stock now trades at 85x earnings after a big runup, which is too rich for me. With a 52-week high of \$858 touched on Sept 9 and now trading at \$829, I sold the Nov 15 940 calls for \$7.80 – see below.

What else did I do? Well, with the market pulling back Tuesday and with Amazon trading at \$1735, I sold the Oct 4 1720 puts for \$11.00. I make money if the stock is over \$1709 (1720-11) by Friday close and keep the entire \$11 if over 1720 which equates to a 77% annual return if it works. If I have to roll, I will.

I also sold the Oct 25 245 puts on Humana, taking advantage of the weakness in the HMO market. If it works, I stand to make 31% annualized. And as you see below, I also sold FB puts, you guys can figure out the return, I am too lazy to write it out for you. The Gilead position you see is a rollover of an existing position in which I have already put \$5 in my pocket bringing my break-even to \$62. Bottom line is I think the recent market weakness is an opportunity. Remember, this is all very short term and against this I keep selling weekly calls on the Diamonds (Dow Jones)

Got to go...

Process Date	Transaction Type	Description	Quantity	Price
2019-10-01	<a href="#">SELL</a>	PUT -100 GILD'19 NV@67	-20	4.000
2019-10-01	<a href="#">SELL</a>	PUT -100 AMZN'19 40C@1720	-1	11.000
2019-10-01	<a href="#">SELL</a>	PUT -100 FB'19 40C@175	-4	1.550
2019-10-01	<a href="#">SELL</a>	PUT -100 HUM'19 OC@245	-5	5.000
2019-10-01	<a href="#">SELL</a>	CALL -100 CMG'19 NV@940	-1	7.800
2019-10-01	<a href="#">BUY</a>	PUT -100 GILD'19 40C@67	3	3.400
2019-10-01	<a href="#">BUY</a>	GILEAD SCIENCES INC	1,700	67.000

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