



tastytrade Research presents

Cherry Picks

April 25, 2017

Opportunity Around Earnings. We are at the peak of earnings season with 63% of stocks in the S&P 500 set to release earnings within the next two weeks. Since earnings reports are an unknown, stocks often have among their highest implied volatilities surrounding the release of the information.

A data science-y visual exploring this idea can be seen below: the **green** dots represent stocks whose earnings are upcoming, while each **red** dot represents stocks whose earnings have passed. Notice those stocks whose earnings have passed tend to be located in the bottom left, i.e. they tend to have lower implied volatilities.



In last Tuesday's Cherry Picks we provided two different strategies when it comes to trading these events: (1) a hyper active approach using weekly options and (2) a longer-term outlook using the monthly options. Please see the Cherry Picks from April 18 for more information.

Earnings Strategies. Depending on your view of a stock, we tend to place earnings trades using the following strategies:

	Strategy	PoP Approx.
Bullish	Short Put	50-70%
	Put Credit Spread	50-70%
	Put Ratio Spread	70-90%
	Skewed Strangle (Put Closer to ATM)	45-60%
Neutral	Straddle	40-60%
	Strangle	50-75%
	Iron Fly	35-55%
	Iron Condor	45-75%
Bearish	Short Call	50-70%
	Call Credit Spread	50-70%
	Call Ratio Spread	70-90%
	Skewed Strangle (Call Closer to ATM)	45-60%

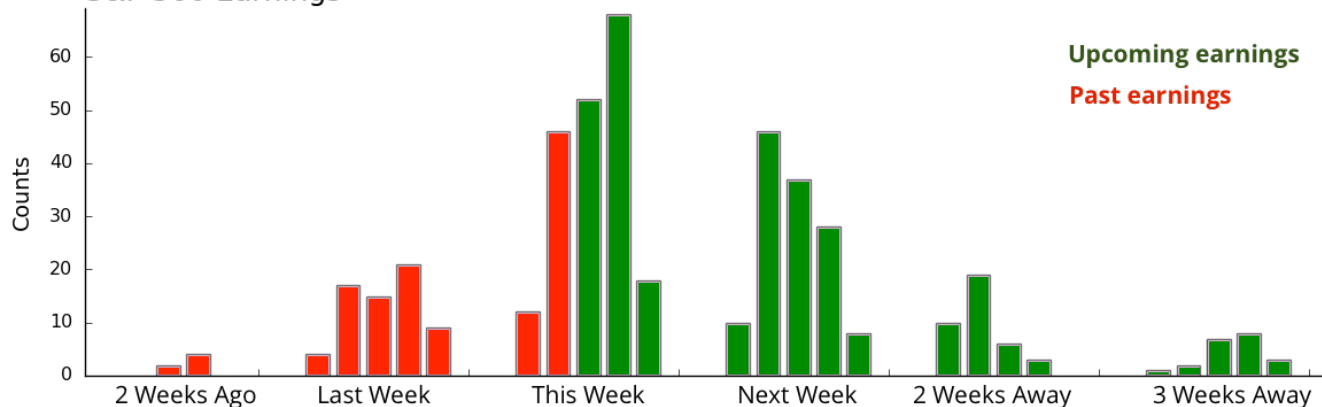
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S&P 500 Earnings





Upcoming Earnings

Earnings trades offer investors opportunities in stocks with the largest potential of a volatility contraction the day after a company announces their quarterly earnings report. For trade ideas watch **"In the Hot Seat with Pete"** daily at 2:30pm CST.

Expected Date	Symbol	Description	Release Time	Market Cap (Billions)	Weekly Options
Wed Apr-26	PG	Procter & Gamble Company	Before Open	228.9	Yes
Wed Apr-26	PEP	Pepsico	Before Open	163.2	Yes
Wed Apr-26	BA	Boeing Company	Before Open	111.5	Yes
Wed Apr-26	TWTR	Twitter	Before Open	10.5	Yes
Wed Apr-26	AMGN	Amgen	After Close	120.1	Yes
Wed Apr-26	LVS	Las Vegas Sands Corp.	After Close	45.8	Yes
Wed Apr-26	STX	Seagate Technologies	After Close	14.6	Yes
Wed Apr-26	GG	Goldcorp	After Close	12.7	Yes
Thu Apr-27	DB	Deutsche Bank AG	n/a	25.3	Yes
Thu Apr-27	UPS	United Parcel Service	Before Open	93.7	Yes
Thu Apr-27	BMJ	Bristol-Myers Squibb Company	Before Open	89.6	Yes
Thu Apr-27	LUV	Southwest Airlines Company	Before Open	34.8	Yes
Thu Apr-27	AAL	American Airlines Group	Before Open	23.4	Yes
Thu Apr-27	MGM	MGM Resorts International	Before Open	16.7	Yes
Thu Apr-27	UA	Under Armour Class C	Before Open	7.9	Yes
Thu Apr-27	HP	Helmerich & Payne	Before Open	7.1	
Thu Apr-27	CLF	Cliffs Natural Resources	Before Open	1.7	Yes
Thu Apr-27	MSFT	Microsoft Corp.	After Close	521.8	Yes
Thu Apr-27	INTC	Intel Corp.	After Close	173.8	Yes
Thu Apr-27	SBUX	Starbucks Corp.	After Close	89.1	Yes
Thu Apr-27	BIDU	Baidu	After Close	62.6	Yes
Thu Apr-27	EXPE	Expedia	After Close	20.1	Yes
Thu Apr-27	GPRO	GoPro Class A	After Close	1.3	Yes
Fri Apr-28	XOM	Exxon Mobil Corp.	Before Open	336.3	Yes
Fri Apr-28	CVX	Chevron Corp.	Before Open	201.1	Yes
Fri Apr-28	GM	General Motors Company	Before Open	51.0	Yes
Mon May-01	AMD	Advanced Micro Devices	After Close	12.4	Yes
Tue May-02	BP	BP p.l.c.	n/a	111.6	Yes
Tue May-02	PFE	Pfizer	Before Open	201.1	Yes
Tue May-02	MRK	Merck & Company	Before Open	170.6	Yes
Tue May-02	MO	Altria Group	Before Open	140.8	Yes
Tue May-02	MA	Mastercard Incorporated	Before Open	124.7	Yes
Tue May-02	CVS	CVS Health Corp.	Before Open	84.9	Yes
Tue May-02	EMR	Emerson Electric Company	Before Open	38.6	
Tue May-02	MOS	Mosaic Company	Before Open	9.5	Yes
Tue May-02	AAPL	Apple	After Close	753.6	Yes
Tue May-02	GILD	Gilead Sciences	After Close	87.8	Yes
Tue May-02	DVN	Devon Energy Corp.	After Close	20.9	Yes
Tue May-02	FSLR	First Solar	After Close	2.8	Yes



Upcoming Dividends



Below we have select S&P 500 stocks with an **upcoming dividend**.

In the money short call options are the only options at risk of additional early assignment due to the dividend. If the extrinsic value of the in the money short call is less than the dividend, the option is at (a greater than average) risk of being assigned.

Symbol	Description	Ex-Dividend Date	Dividend Amount	Payment Date
LOW	Lowes Companies	Mon, Apr 24	0.35	Wed, May 10
FAST	Fastenal -	Mon, Apr 24	0.32	Wed, May 24
LNT	Alliant Energy Corp.	Wed, Apr 26	0.315	Mon, May 15
NI	NiSource	Wed, Apr 26	0.175	Fri, May 19
UNM	Unum Group	Wed, Apr 26	0.2	Fri, May 19
CAG	ConAgra Brands	Wed, Apr 26	0.2	Tue, May 30
SIG	Signet Jewelers	Wed, Apr 26	0.31	Wed, May 31
BCR	C.RBard	Thu, Apr 27	0.26	Fri, May 12
AES	The AES Corp.	Thu, Apr 27	0.12	Mon, May 15
AON	Aon plc Class A (UK)	Thu, Apr 27	0.36	Mon, May 15
HAS	Hasbro	Thu, Apr 27	0.57	Mon, May 15
KMI	Kinder Morgan	Thu, Apr 27	0.125	Mon, May 15
MS	Morgan Stanley	Thu, Apr 27	0.2	Mon, May 15
NRG	NRG Energy	Thu, Apr 27	0.03	Mon, May 15
OKE	ONEOK	Thu, Apr 27	0.615	Mon, May 15
PBCT	Peoples United Financial	Thu, Apr 27	0.172	Mon, May 15
O	Realty Home Corp.	Thu, Apr 27	0.211	Mon, May 15
TXN	Texas Instruments	Thu, Apr 27	0.5	Mon, May 15
C	Citigroup	Thu, Apr 27	0.16	Fri, May 26
GT	The Goodyear Tire & Rubber	Thu, Apr 27	0.1	Thu, Jun 01
PNW	Pinnacle West Capital Corp.	Thu, Apr 27	0.655	Thu, Jun 01
BK	Bank of New York Mellon Corp.	Fri, Apr 28	0.19	Fri, May 12
LEN	Lennar Corp Class A	Fri, Apr 28	0.04	Tue, May 16
CFG	Citizens Financial Group	Mon, May 01	0.14	Wed, May 17
WRK	Westrock	Wed, May 03	0.4	Mon, May 15
DHI	D.RHorton	Wed, May 03	0.1	Fri, May 19
JBHT	J.B. Hunt Transport Services	Wed, May 03	0.23	Fri, May 19
ARNC	Arconic	Wed, May 03	0.06	Thu, May 25
CMS	CMS Energy Corp.	Wed, May 03	0.333	Wed, May 31
AWK	American Water Works	Wed, May 03	0.415	Thu, Jun 01
FE	FirstEnergy Corp.	Wed, May 03	0.36	Thu, Jun 01
INTC	Intel Corp.	Wed, May 03	0.273	Thu, Jun 01
MAC	Macerich	Wed, May 03	0.71	Fri, Jun 02

Below are a few popularly traded **ETFs with upcoming dividends**.

Ex-Dividend Date	Symbols
Mon, May 1	TLT, HYG, IEI, IEF
Tue, May 2	PFF

Economic announcements sometimes have the ability to move specific sectors of the economy. Below we list a few of the larger ones along with their release times.

Date	Time (CST)	Economic Report
Wed, Apr 26	7:30	Retail Sales (Canada)
Thu, Apr 27	6:45	ECB Deposit Facility Rate (Europe)
	7:30	Durable Goods Orders (US)
	18:30	Unemployment Rate (Japan)
Fri, Apr 28	7:30	GDP Growth Rate (US)
	8:45	Chicago PMI (US)
	9:00	University of Michigan Sentiment

Below are the segments that got among the **highest views per day**.

Date	Segment	Title
Tue, Apr 25	Market Measures	TYVIX and Selling Premium
	Options Jive	What Does the Volatility of Volatility Mean to Us?
	Strategies for IRA	Expectations Around Static Iron Condors
Mon, Apr 24	Market Measures	30 Day vs 90 Day IV: Is There a Tell?
	Options Jive	Bond Volatility (TYVIX)
	Best Practices	Defending Trades Gone Bad - Rolling
Fri, Apr 21	Market Measures	Equity Indices: Fading Strength and Weakness
	Options Jive	Trading France
	Closing the Gap - Futures Edition	Emerging Market Currencies & Equities
Thu, Apr 20	Market Measures	Why We Don't Sell Naked VIX
	Options Jive	Buying Lottery Tickets
	Trades From the Research Team LIVE	Trades From the Research Team LIVE
Wed, Apr 19	Market Measures	Theta Expectation - Straddles
	Options Jive	Movement in Indices vs. Single Stocks
	Strategies for IRA	Improving Returns Relative to Risk
Tue, Apr 18	Market Measures	Equity Indices: Outperformers & Underperformers
	Options Jive	Opportunity in Sector ETFs
	tasty BITES	Earnings in Small Accounts



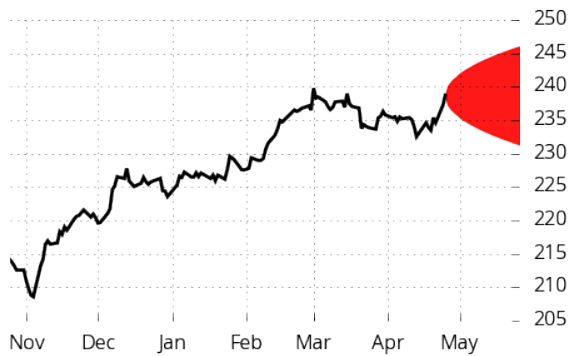
Current Market Outlook



This is our broad view of the market ranging from stocks to bonds to currencies.

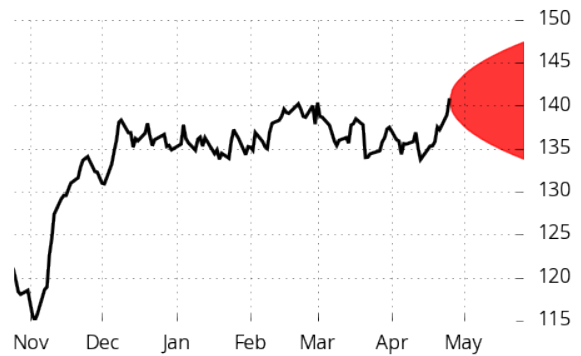
SPDR S&P 500
IV: 10
IV Rank: 4 (Extremely Low)
Estimated Liquidity: Great

SPY



iShares Russell 2000 ETF
IV: 16
IV Rank: 11 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.78

IWM



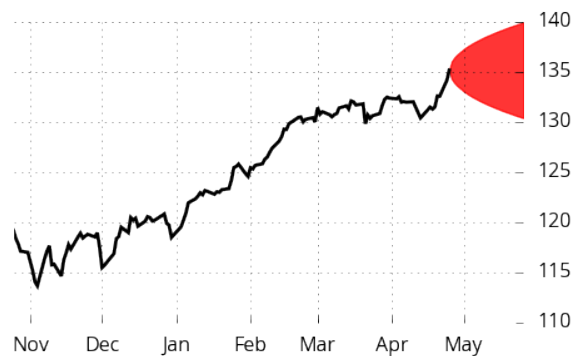
iShares 20+ Year Treasury Bond ETF
IV: 11
IV Rank: 15 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: -0.35

TLT



PowerShares QQQ Trust, Series 1
IV: 12
IV Rank: 10 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.83

QQQ



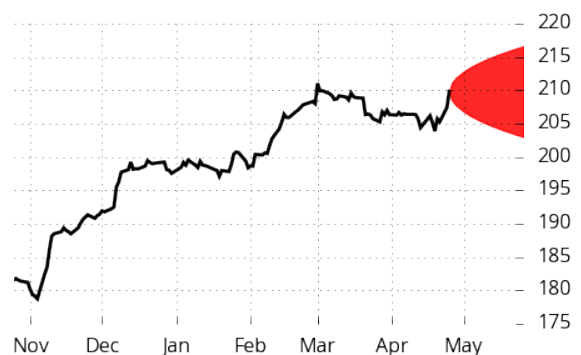
Guggenheim CurrencyShares Euro Currency Trust
IV: 9
IV Rank: 46 (Moderately Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.01

FXE



SPDR Dow Jones Industrial Average ETF
IV: 11
IV Rank: 7 (Extremely Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.89

DIA





Current ETF Watchlist



Exchange-traded funds (ETFs) are securities that trade like stock while tracking indices, commodities, bonds, and baskets of assets. We are tracking these ETFs because of the opportunity they present and the liquidity they exhibit.

iShares MSCI EAFE ETF
IV: 11
IV Rank: 46 (Moderately Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.68

EFA



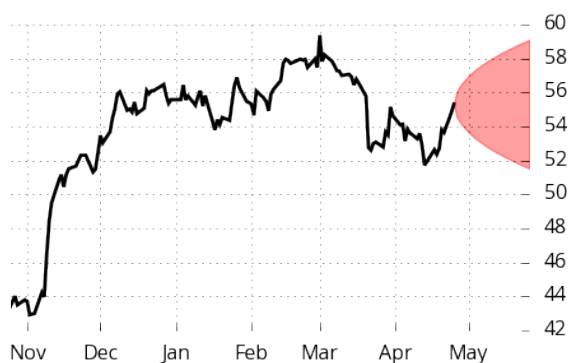
SPDR Select Sector Fund - Technology
IV: 12
IV Rank: 25 (Moderately Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.82

XLK



SPDR S&P Regional Banking ETF
IV: 23
IV Rank: 34 (Moderately Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.67

KRE



VanEck Vectors Oil Services ETF
IV: 27
IV Rank: 19 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.71

OIH



SPDR S&P Retail ETF
IV: 19
IV Rank: 33 (Moderately Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.45

XRT



VanEck Vectors Junior Gold Miners ETF
IV: 46
IV Rank: 11 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: -0.0

GDXJ



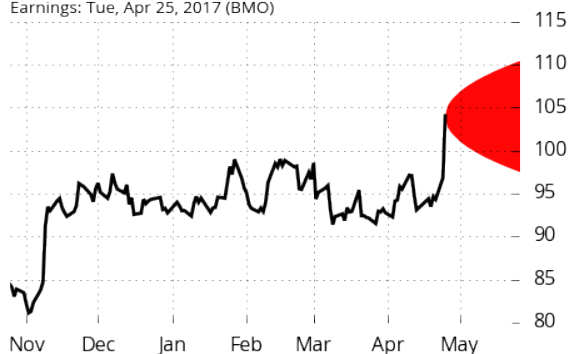


Current Stock Watchlist

These are a few of the individual stocks that we have on our radar. Always be aware of expected earning date when choosing your expiration. Individual stocks do have more risk of sudden moves - make sure you are compensated for the risk.

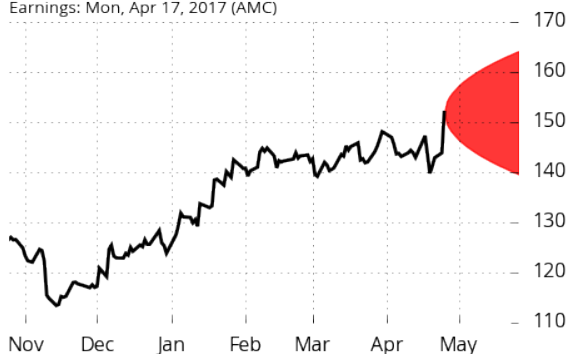
Caterpillar
IV: 21
IV Rank: 0 (Extremely Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.58
Earnings: Tue, Apr 25, 2017 (BMO)

CAT



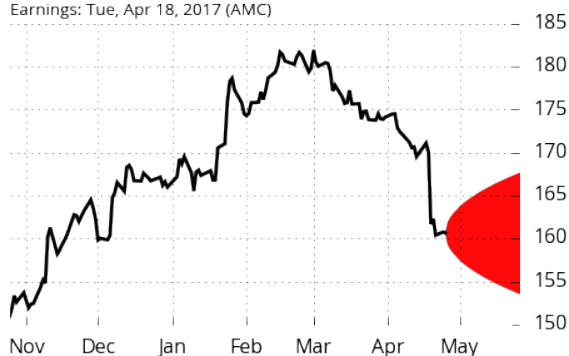
Netflix
IV: 27
IV Rank: 11 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.41
Earnings: Mon, Apr 17, 2017 (AMC)

NFLX



International Business Machines Corp.
IV: 14
IV Rank: 1 (Extremely Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.5
Earnings: Tue, Apr 18, 2017 (AMC)

IBM



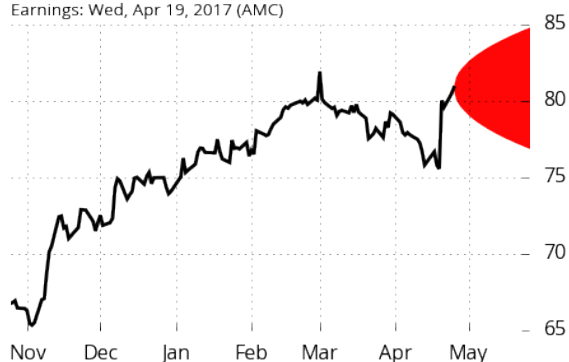
Johnson & Johnson
IV: 13
IV Rank: 12 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.51
Earnings: Tue, Apr 18, 2017 (BMO)

JNJ



American Express
IV: 16
IV Rank: 0 (Extremely Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.53
Earnings: Wed, Apr 19, 2017 (AMC)

AXP



General Electric
IV: 15
IV Rank: 2 (Extremely Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.54
Earnings: Fri, Apr 21, 2017 (BMO)

GE



Reading this Report

Expected Range Cone. The following pages show stocks and ETFs that the tastytrade Research Team currently find have relatively high or low volatility. The colored cone represents a 30-day expected theoretical price range that is calculated from the options' implied volatilities. If the implied volatility is relatively high, then the market is expecting a larger price change in the underlying stock or ETF. From this we can derive the market's 1 standard deviation theoretical expectation of where prices might be in the future. In other words, the market is expecting, with a 68% theoretical probability, that prices will fall within the boundary of the cone at the end of 30 days.

Cone Color. The color of the cone is significant. The darker the color, the more "extreme" the implied volatility (IV) which is represented by implied volatility rank (IV Rank). This information can help you decide on a trading strategy.

Glossary

IV. Implied Volatility is the estimated volatility of a security's price derived from its option price; the higher the IV, the more expensive the option and therefore the larger the expected price move. IV is an annualized number of volatility, e.g. a IV of 27 means the option's market is pricing in an annualized price range, either plus or minus, of 27%.

IV Rank. IV by itself doesn't tell us if the volatility is high or low - but IV Rank does. An IV Rank of 70 means that the IV is 70% between its low and high IV over the past year. The higher the IV Rank, the higher the security's IV is compared to its past year. We provide six levels to make evaluating easier:

- **Extremely High:** IV Rank between 90 and 100
- **High:** IV Rank between 75 and 90
- **Moderately High:** IV Rank between 50 and 75
- **Moderately Low:** IV Rank between 25 and 50
- **Low:** IV Rank between 10 and 25
- **Extremely Low:** IV Rank between 0 and 10

Option Liquidity. At tastytrade we have our own theoretical measure of option liquidity, Poor, Moderate, Good, or Great. It examines the options' bid/ask spread, open interest, and the number of strikes with non-zero bids.

Correlation with S&P 500. Correlation is a statistical measure of how strong a relationship two securities have with one another. A correlation of -1 means the stocks are perfectly negatively correlated (they move in opposite directions), while a correlation of +1 means the stocks are perfectly positively correlated (they move in the same direction). A correlation of 0 means there exist little relationship.

Earnings. The earnings date of the security. In practice we tend to see stocks have a larger amount of implied volatility (IV) nearer to earnings as the market is pricing in the fear of the upcoming earnings announcement. In parenthesis, is BTO or AMC; "Before the Open" or "After Market Closes", respectively. Upcoming earnings dates do sometimes change.

Disclosures

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Full Stock Name
XYZ
IV: 24
IV Rank: 69
Option Liquidity: Great
Correlation with S&P 500: 0.8

XYZ

