



tastytrade Research presents Cherry Picks

June 27, 2017

Indices. The Nasdaq (**QQQ**) has come off of its highs, and with that its implied volatility has increased – nearing 50% IV Rank. It's implied volatility percentile is near 83%, meaning its current volatility is above 83% of its past year's daily closes. Compared to the S&P 500 (**SPY**), the Dow Jones (**DIA**), and the Russell 2000 (**IWM**), the Nasdaq (QQQ) has the highest level of premium built into their options.

Description	IV	IV Rank	IV Percentile
Nasdaq (QQQ)	17	48	84
Dow (DIA)	10	10	7
S&P 500 (SPY)	11	4	3
Russell (IWM)	15	7	3

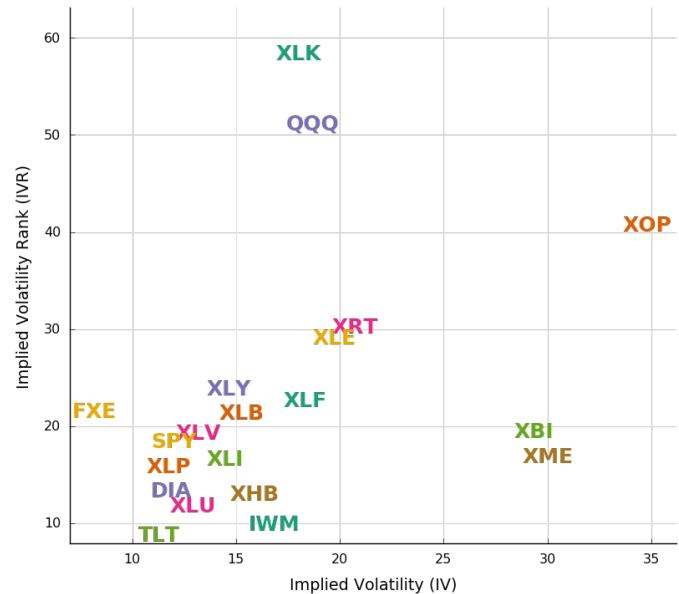
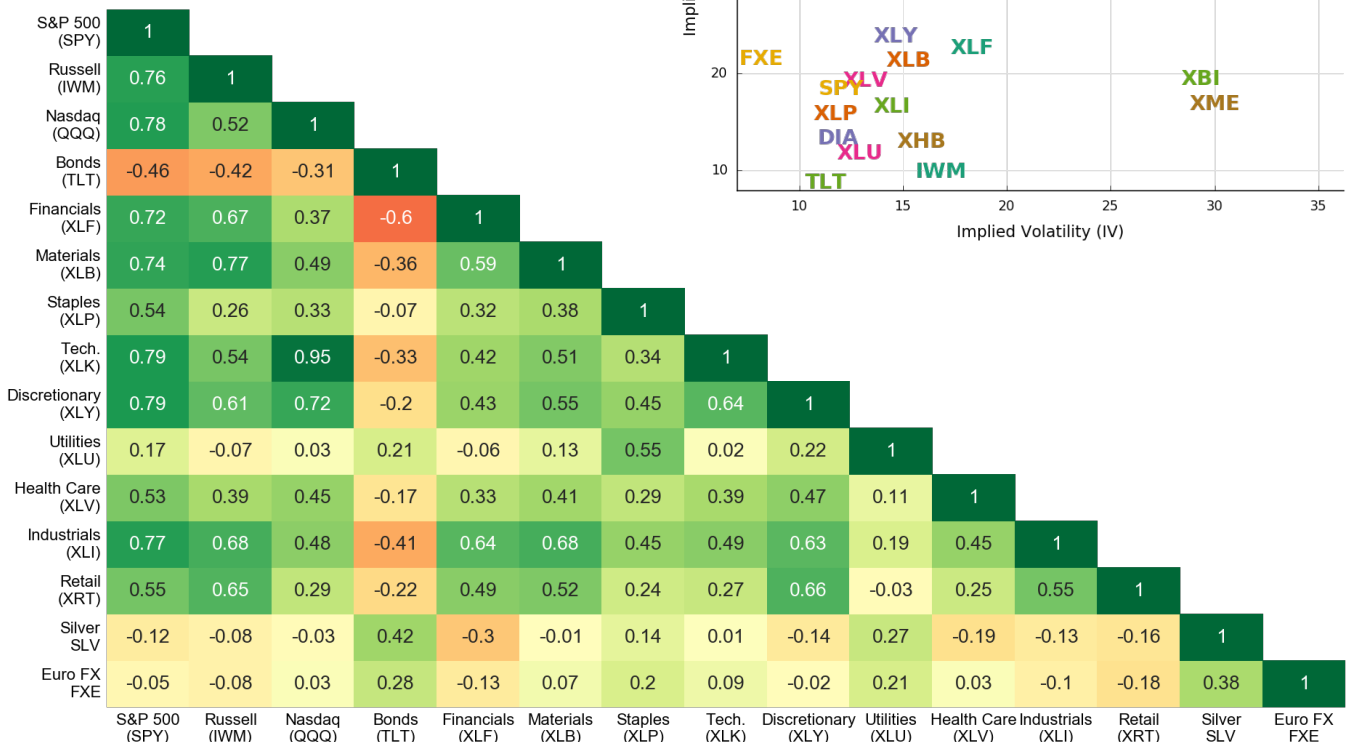
Miscellaneous. Crude was looking pretty ugly last week, but has caught a bid and is off of its \$42.05 low. With the bounce in crude, energy ETFs – namely **XOP**, **XLE**, and **OIH** – have increased from their lows.

The Retail ETF (**XRT**) has also increased from its lows of last week.

Dow stocks that are near their 52-week lows are: **GE, VZ, XOM, NKE, CVX**, and **IBM**. Those that are near their 52-week highs are: **AXP, MCD, UTX, JNJ, UNH, MRK, MMM, BA, TRV, V, KO, CAT, PG, MSFT, DD, HD** and **WMT**.

Correlations. Below we have a visual of the 3-month correlation of returns. Several things stand out: **SLV, FXE** and **XLU** all have a low correlation to the S&P 500. If you are seeking some diversification, perhaps you may want to look into these markets.

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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.

Symbol	Description	Expected Date	Release Time	Market Cap (Billions)	Weekly Options
GIS	General Mills	Wed Jun-28	Before Open	32.4	
PAYX	Paychex	Wed Jun-28	Before Open	21.3	
WBA	Walgreens Boots Alliance	Thu Jun-29	Before Open	82.5	Yes
STZ	Constellation Brands	Thu Jun-29	Before Open	35.8	
CAG	ConAgra Brands	Thu Jun-29	Before Open	16.0	
RAD	Rite Aid Corp.	Thu Jun-29	Before Open	3.3	Yes
NKE	Nike	Thu Jun-29	After Close	88.0	Yes
MU	Micron Technology	Thu Jun-29	After Close	36.1	Yes
AOBC	American Outdoor Brands Corp.	Thu Jun-29	After Close	1.3	
YUMC	Yum China Holdings	Wed Jul-05	After Close	15.5	



Upcoming Dividends



Stocks and ETFs 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
O	Realtyome Corp.	Thu, Jun 29	0.212	Fri, Jul 14
STT	State Street Corp.	Thu, Jun 29	0.38	Tue, Jul 18
A	Agilent Technologies	Thu, Jun 29	0.132	Wed, Jul 26
APD	Air Products and Chemicals	Thu, Jun 29	0.95	Mon, Aug 14
CMCSA	Comcast CorpClass A	Fri, Jun 30	0.157	Wed, Jul 26
GPS	Gap	Fri, Jun 30	0.23	Wed, Jul 26
RTN	Raytheon	Fri, Jun 30	0.798	Thu, Aug 03
KIM	Kimco Realty Corp.	Mon, Jul 03	0.27	Mon, Jul 17
JPM	JP Morgan Chase & Co.	Mon, Jul 03	0.5	Mon, Jul 31
CSCO	Cisco Systems	Wed, Jul 05	0.29	Wed, Jul 26
MDT	Medtronic plc	Wed, Jul 05	0.46	Wed, Jul 26
NTAP	NetApp	Wed, Jul 05	0.2	Wed, Jul 26
MON	Monsanto	Wed, Jul 05	0.54	Fri, Jul 28
SYU	Sysco Corp.	Wed, Jul 05	0.33	Fri, Jul 28
BMJ	Bristol-Myers Squibb	Wed, Jul 05	0.39	Tue, Aug 01
AXP	American Express	Wed, Jul 05	0.32	Thu, Aug 10
GD	General Dynamics Corp.	Wed, Jul 05	0.84	Fri, Aug 11



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

Date	Segment	Title
Tue, Jun 27	Market Measures	Defined Risk Pairs Trade
	Options Jive	Mechanics of Diagonal Spreads
	Strategies for IRA	Long Premium in your IRA
Mon, Jun 26	Market Measures	Covered Calls on Volatility
	Options Jive	Diversification in One Market
	Best Practices	Deciphering tastytrade Studies
Fri, Jun 23	Market Measures	Managing Profits or Managing Time
	Options Jive	Take Some "Luck" Out of Trading
	Closing the Gap - Futures Edition	Global Equities & Interest Rates
Thu, Jun 22	Market Measures	Directional Efficiency
	Options Jive	Risks of Managing Losers Too Early
	Trades From the Research Team LIVE	Trades From the Research Team LIVE
Wed, Jun 21	Market Measures	TED Spread & Financials
	Options Jive	Delta and Probability II
	Strategies for IRA	Where Iron Condors Beat Strangles
Tue, Jun 20	Market Measures	SPX Calendars: Manage Our Losers?
	Options Jive	Staying Mechanical in 2017
	tasty BITES	Probabilities & Position Size
Mon, Jun 19	Market Measures	Covered Calls in Oil Stocks
	Options Jive	Financials, Treasuries & Yields
	Best Practices	Credit Spreads



Current Market Outlook



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

SPDR S&P 500
IV: 11
IV Rank: 6 (Extremely Low)
Estimated Liquidity: Great

SPY



iShares Russell 2000 ETF
IV: 15
IV Rank: 9 (Extremely Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.76

IWM



iShares 20+ Year Treasury Bond ETF
IV: 10
IV Rank: 8 (Extremely Low)
Estimated Liquidity: Good
Correlation with S&P 500: -0.43

TLT



PowerShares QQQ Trust, Series 1
IV: 17
IV Rank: 50 (Moderately High)
Estimated Liquidity: Great
Correlation with S&P 500: 0.78

QQQ



Guggenheim CurrencyShares Euro Currency Trust
IV: 7
IV Rank: 21 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: -0.02

FXE



SPDR Dow Jones Industrial Average ETF
IV: 11
IV Rank: 13 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.83

DIA





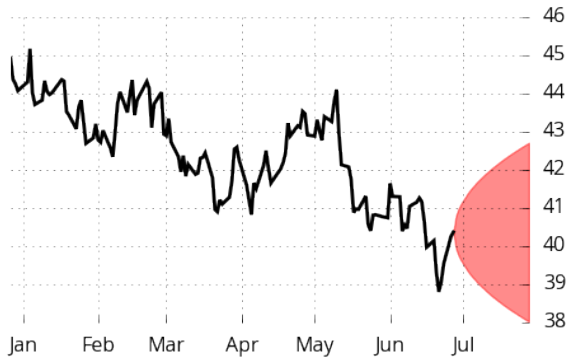
Current ETF Watchlist



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.

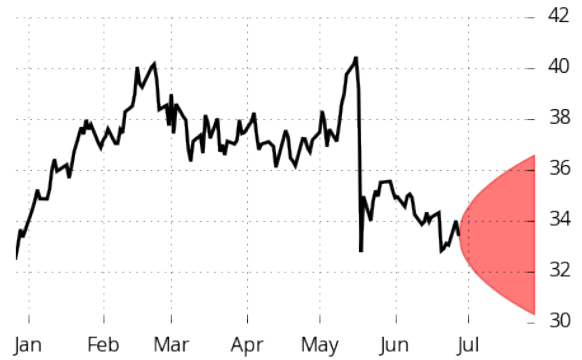
SPDR S&P Retail ETF
IV: 19
IV Rank: 29 (Moderately Low)
Estimated Liquidity: Moderate
Correlation with S&P 500: 0.54

XRT



iShares MSCI Brazil Capped Index Fund
IV: 32
IV Rank: 26 (Moderately Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.26

EWZ



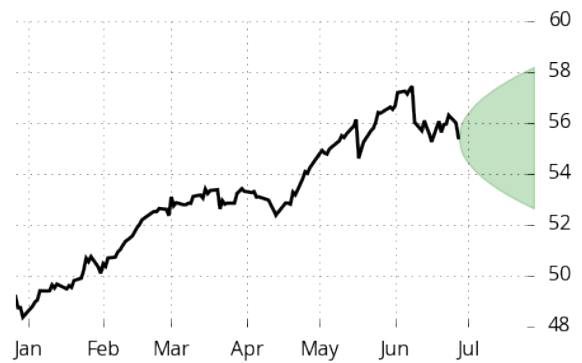
SPDR S&P Oil & Gas Explor & Product
IV: 33
IV Rank: 40 (Moderately Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.29

XOP



SPDR Select Sector Fund - Technology
IV: 17
IV Rank: 57 (Moderately High)
Estimated Liquidity: Good
Correlation with S&P 500: 0.79

XLK



VanEck Vectors Oil Services ETF
IV: 31
IV Rank: 53 (Moderately High)
Estimated Liquidity: Good
Correlation with S&P 500: 0.33

OIH



SPDR Select Sector Fund - Energy Select Sector
IV: 19
IV Rank: 28 (Moderately Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.3

XLE

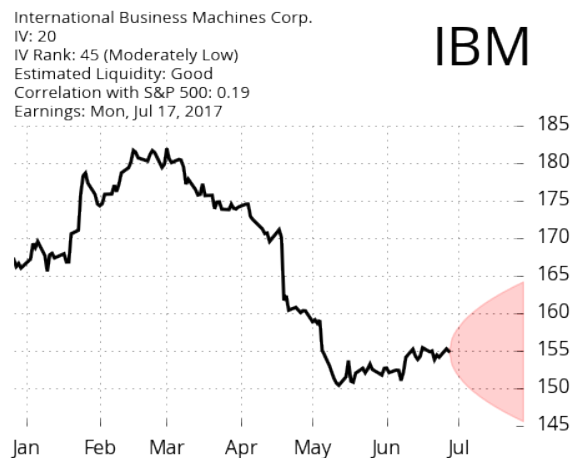
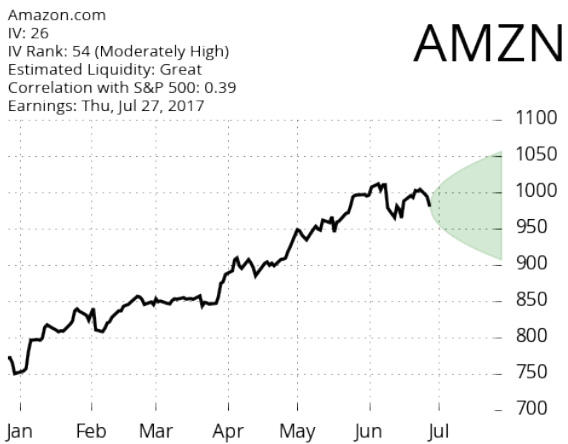
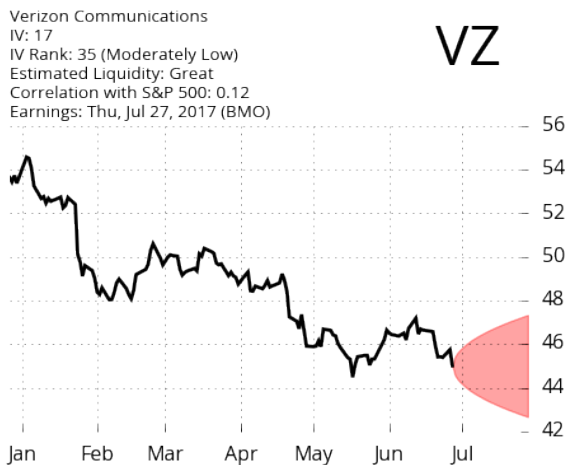
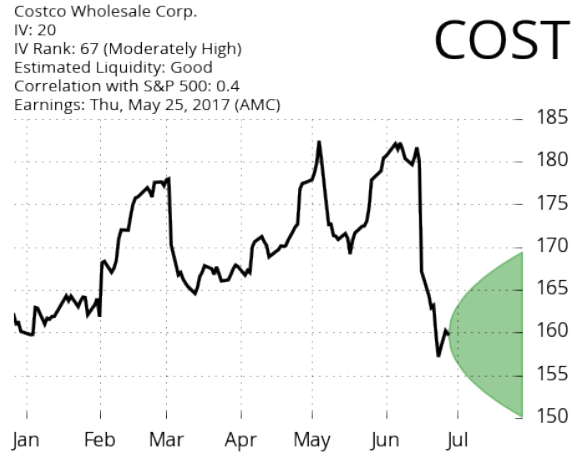
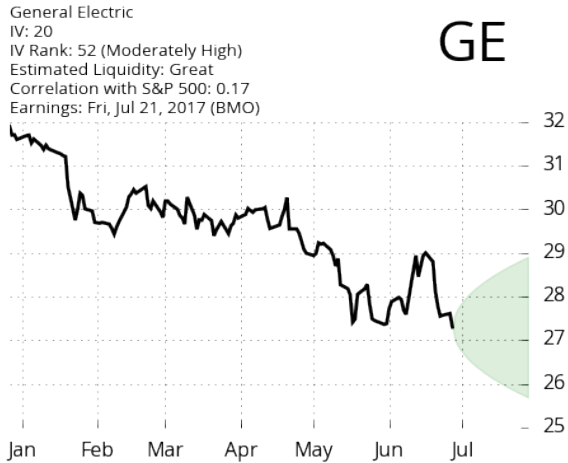




Current Stock Watchlist



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.



Reading this Report

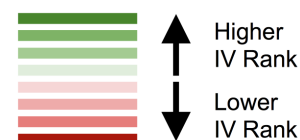
Expected Range Cone. The following pages show stocks and ETFs that the tastytrade Research Team currently find have relatively high or low volatility. The colored cone represents a 30-day expected theoretical price range that is calculated from the options' implied volatilities. If the implied volatility 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.

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

XYZ



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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