tastytrade Research

Cherry Picks

October 24, 2017

High IV / IV Rank Stocks

This week is the peak of earnings season – that explains much of the stocks on the right with high implied volatility.

A few of the stocks have had large moves over the past month. For example, Walgreens (**WBA**) and CVS Pharmacy's (**CVS**) large decrease can be attributed partially to Amazon (**AMZN**) potentially entering the pharmaceutical industry.

AT&T (**T**) has also been hit (down 9%) as has General Electric (**GE**), down 11%.

I welcome comments/feedback. Best of luck in this week's trading.

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Stocks With IV Ranks Above 50%

Symbol	Description	IV Rank	IV	1-Month Price Change	Expected Report Date	Days Til Earnings
BA	Boeing Co.	99	27	3%	2017-10-25	1
WBA	Walgreens	92	30	-14%	2017-10-25	1
AAPL	Apple Inc.	90	26	5%	2017-11-02	9
CVS	CVS Health	84	31	-6%	2017-11-06	13
GOOG	Alphabet Inc	83	25	6%	2017-10-26	2
FB	Facebook	82	30	6%	2017-11-01	8
MCD	McDonald's Corp	76	19	5%	2017-10-24	Today
AMZN	Amazon.com	74	28	3%	2017-10-26	2
INTC	Intel Corporation	74	23	10%	2017-10-26	2
MSFT	Microsoft	74	22	8%	2017-10-26	2
DIS	Disney	73	22	-1%	2017-11-09	16
T	AT&T Inc	73	22	-9%	2017-10-24	Today
PCLN	Priceline	73	27	6%	2017-11-06	13
GE	General Electric Co	72	30	-11%	2017-10-20	Past
GD	General Dynamics	71	21	4%	2017-10-25	1
RTN	Raytheon	69	21	3%	2017-10-26	2
MA	MasterCard Inc	66	22	5%	2017-10-31	7
TXN	Texas Instruments	65	24	10%	2017-10-24	Today
MMM	3M Company	65	18	5%	2017-10-24	Today
GILD	Gilead Sciences	61	29	-4%	2017-10-26	2
CSCO	Cisco Systems	59	21	3%	2017-11-15	22
TGT	Target Corp.	57	29	9%	2017-11-15	22
KHC	Kraft Heinz	53	22	-2%	2017-11-01	8
MO	Altria Group	53	23	1%	2017-10-26	2

Market Statistics

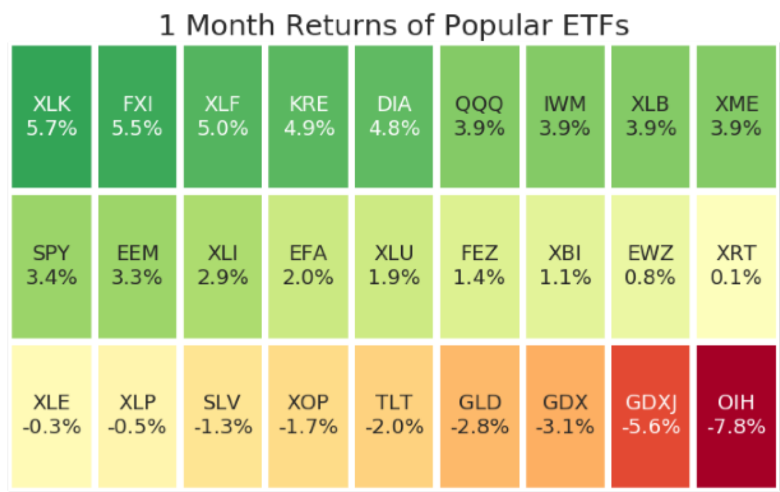
Popular ETFs.

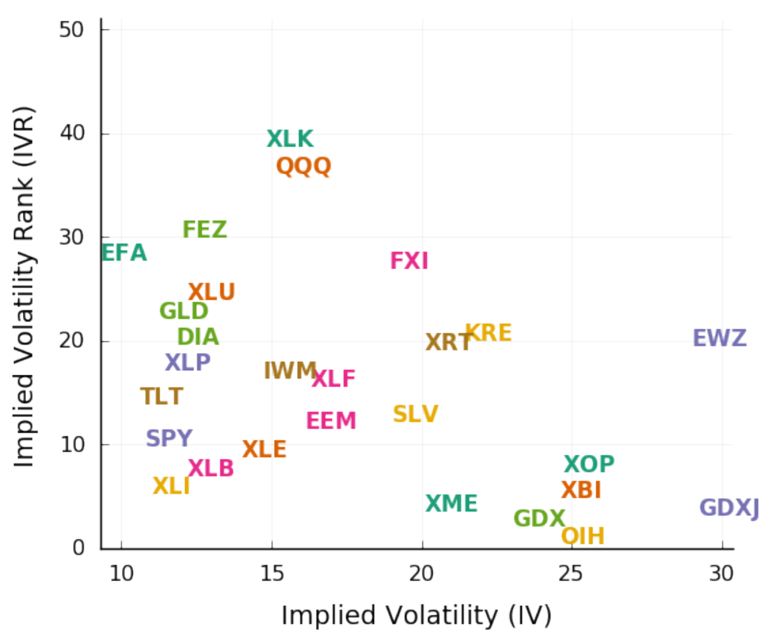
What a difference a few weeks makes – Oil Services (**OIH**) went from top monthly return in the October 10th newsletter to now the worst. Crude has increased slightly over this timespan (up 3%).

The Dow (**DIA**) has continued to perform well, followed by the Nasdaq 100 (**QQQ**), Russell 2000 (**IWM**), and finally the S&P 500 (**SPY**). The action, according to implied volatility, appears to be in the Nasdaq 100 (**QQQ**) – not only is the implied volatility higher, but the implied volatility rank is as well. As a comparison, **QQQ** for the December monthly options have an implied volatility of 15, while **DIA** has an implied volatility of 12. The market, in other words, is pricing in a 25% premium in **QQQ** options over **DIA**.

XLK has among the highest implied volatility ranks – **AAPL**, **MSFT**, **FB**, and **GOOG** alone make up 43% of this sector etf and they have still to report their earnings.

DIA	Dow Jones
EEM	Emerging Index Fund
EFA	MSCI EAFE
EWZ	Brazil
FEZ	Euro Stoxx 50
FXI	China Large Cap
GDX	Gold Miners
GDXJ	Junior Gold Miners
GLD	Gold
IWM	Russell 2000 ETF
KRE	Regional Banking
OIH	Oil Services
QQQ	Nasdaq 100
SLV	Silver
SPY	S&P 500
TLT	20+ Year Treasury Bond ETF
XBI	Biotech
XLB	Materials
XLE	Energy Select Sector
XLF	Financial
XLI	Industrial
XLK	Tech
XLP	Consumer Staples
XLU	Utilities
XME	Metals and Mining
XOP	Oil & Gas Exploration & Product
XRT	Retail





Upcoming Earnings

Part 1 of 2

Symbol	Description	Expected Report Date	Time of Day	Weekly Options	In Dow?	In S&P 500?	In tastytrade Watchlist?	Market Cap (Billions)
TXN	Texas Instruments	Tue Oct-24	After Close	Yes	-	Yes	-	92
CMG	Chipotle Mexican Grill	Tue Oct-24	After Close	Yes	-	Yes	Yes	9
AKAM	Akamai Technologies	Tue Oct-24	After Close	Yes	-	Yes	-	9
AMD	Advanced Micro Devices	Tue Oct-24	After Close	Yes	-	Yes	-	14
T	AT&T	Tue Oct-24	After Close	Yes	-	Yes	-	219
KO	Coca-Cola	Wed Oct-25	Before Open	Yes	Yes	Yes	-	197
V	Visa	Wed Oct-25	Before Open	Yes	Yes	Yes	-	249
WBA	Walgreens Boots Alliance	Wed Oct-25	Before Open	Yes	-	Yes	-	73
FCX	Freeport-McMoRan	Wed Oct-25	Before Open	Yes	-	Yes	Yes	21
BA	Boeing	Wed Oct-25	Before Open	Yes	Yes	Yes	Yes	155
GG	Goldcorp	Wed Oct-25	After Close	Yes	-	-	Yes	12
LUV	Southwest Airlines	Wed Oct-25	Before Open	Yes	-	Yes	-	35
TSLA	Tesla	Wed Oct-25	After Close	Yes	-	-	Yes	60
BMY	Bristol-Myers Squibb	Thu Oct-26	Before Open	Yes	-	Yes	-	108
UPS	United Parcel Service	Thu Oct-26	Before Open	Yes	-	Yes	-	103
COP	ConocoPhillips	Thu Oct-26	Before Open	Yes	-	Yes	-	60
MCK	McKesson	Thu Oct-26	Before Open	Yes	-	Yes	-	31
HSY	The Hershey	Thu Oct-26	Before Open	Yes	-	Yes	-	23
F	Ford Motor	Thu Oct-26	Before Open	Yes	-	Yes	-	48
NEM	Newmont Mining	Thu Oct-26	Before Open	Yes	-	Yes	-	21
AAL	American Airlines Group	Thu Oct-26	Before Open	Yes	-	Yes	-	26
MO	Altria Group	Thu Oct-26	Before Open	Yes	-	Yes	-	126
TWTR	Twitter	Thu Oct-26	Before Open	Yes	-	-	Yes	14
MSFT	Microsoft	Thu Oct-26	After Close	Yes	Yes	Yes	Yes	597
AMZN	Amazon.com	Thu Oct-26	After Close	Yes	-	Yes	Yes	483
GOOG	Alphabet (Class C)	Thu Oct-26	After Close	Yes	-	Yes	Yes	690
GILD	Gilead Sciences	Thu Oct-26	After Close	Yes	-	Yes	Yes	106
INTC	Intel	Thu Oct-26	After Close	Yes	Yes	Yes	-	186
BIDU	Baidu, ADR	Thu Oct-26	After Close	Yes	-	-	Yes	92
EXPE	Expedia	Thu Oct-26	After Close	Yes	-	Yes	-	23

Upcoming Earnings

Part 2 of 2

Symbol	Description	Expected Report Date	Time of Day	Weekly Options	In Dow?	In S&P 500?	In tastytrade Watchlist?	Market Cap (Billions)
MRK	Merck & (new)	Fri Oct-27	Before Open	Yes	Yes	Yes	-	174
CVX	Chevron	Fri Oct-27	Before Open	Yes	Yes	Yes	-	226
ABBV	AbbVie	Fri Oct-27	Before Open	Yes	-	Yes	-	145
XOM	Exxon Mobil	Fri Oct-27	Before Open	Yes	Yes	Yes	Yes	349
RCL	Royal Caribbean Cruises Ltd.	Fri Oct-27	Before Open	Yes	-	Yes	-	27
PFE	Pfizer	Tue Oct-31	Before Open	Yes	Yes	Yes	-	216
UAA	Under Armour (Class A)	Tue Oct-31	Before Open	Yes	-	Yes	-	7
MOS	Mosaic	Tue Oct-31	Before Open	Yes	-	Yes	-	8
MA	Mastercard	Tue Oct-31	Before Open	Yes	-	Yes	-	158
EA	Electronic Arts	Tue Oct-31	After Close	Yes	-	Yes	-	37
X	United States Steel	Tue Oct-31	After Close	Yes	-	-	Yes	5
DDD	3D Systems	Tue Oct-31	After Close	Yes	-	-	-	1

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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 Per Share	In Dow?	In S&P 500?	In Russell 2000?	In tastytrade Watchlist?
CLX	Clorox	Tue, Oct 24	$0.84	-	Yes	-	-
LOW	Lowe's Companies	Tue, Oct 24	$0.41	-	Yes	-	-
RY	Royal Bank Of Canada	Wed, Oct 25	$0.91	-	-	-	-
WSM	Williams-Sonoma (DE)	Thu, Oct 26	$0.39	-	-	-	-
SIG	Signet Jewelers Limited	Thu, Oct 26	$0.31	-	Yes	-	-
PNM	PNM Resources (Holding Co.)	Fri, Oct 27	$0.24	-	-	Yes	-
CAG	ConAgra Brands	Mon, Oct 30	$0.21	-	Yes	-	-
TXN	Texas Instruments	Mon, Oct 30	$0.62	-	Yes	-	-
NI	NiSource Inc	Mon, Oct 30	$0.18	-	Yes	-	-
HAS	Hasbro	Tue, Oct 31	$0.57	-	Yes	-	-

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Some of the Highest Viewed Segments

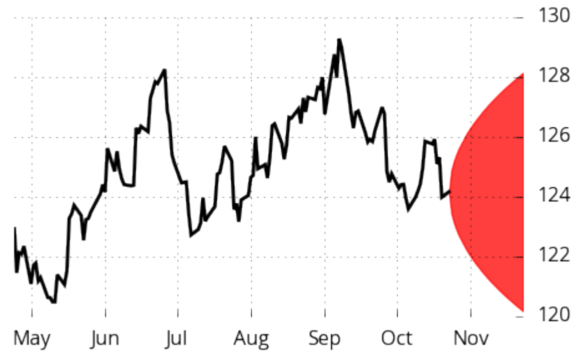
Date	Segment	Title
Mon, Oct 23	Market Measures	VVIX to VIX Ratio at All Time High?
Mon, Oct 23	Options Jive	Managing Ratio Spreads and Lizards
Mon, Oct 23	Anatomy of a Trade	Bad Timing, Good Mechanics in TLT
Fri, Oct 20	Market Measures	Short vs. Long Term IV?
Fri, Oct 20	Resize & Analyze	Week of October 16th
Fri, Oct 20	Closing the Gap - Futures Edition	The New Gold Standard?
Thu, Oct 19	tasty Extras	The 3rd Industrial Revolution | Power
Thu, Oct 19	Market Measures	FAANG Stocks & The Probability of Touch
Thu, Oct 19	Options Jive	Neutral Strategies Compared to their Parts
Thu, Oct 19	Trades From the Research Team LIVE	Trades From the Research Team LIVE
Wed, Oct 18	Market Measures	Rolling - 30 Delta Calls
Wed, Oct 18	tasty Extras	Sosnoff Says | Where Finance is Wasted
Wed, Oct 18	tasty Extras	VIX with Alex the Trader
Wed, Oct 18	Best Practices	Earnings Mechanics
Tue, Oct 17	Market Measures	Selling Puts During Selloffs
Tue, Oct 17	Options Jive	Stock or Commodity | Gold Miners
Tue, Oct 17	tasty BITES	Why We Start With ETFs
Mon, Oct 16	Market Measures	VIX: Doubling Down on Put Spreads
Mon, Oct 16	Options Jive	When Implied Volatility Understates
Mon, Oct 16	Best Practices	Ways to Make Money Trading Options
Fri, Oct 13	Market Measures	Rolling Puts - In Difficult Times
Fri, Oct 13	tasty Extras	Sosnoff Says | Traditional Finance
Fri, Oct 13	Resize & Analyze	Week of October 9th
Fri, Oct 13	tasty Extras	TP Says | Market Participation
Fri, Oct 13	Closing the Gap - Futures Edition	The Equities and Bond Ratio

SPY

SPDR S&P 500
IV: 11
IV Rank: 9 (Extremely Low)
Estimated Liquidity: Great

TLT

iShares 20+ Year Treasury Bond ETF
IV: 11
IV Rank: 12 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: -0.48

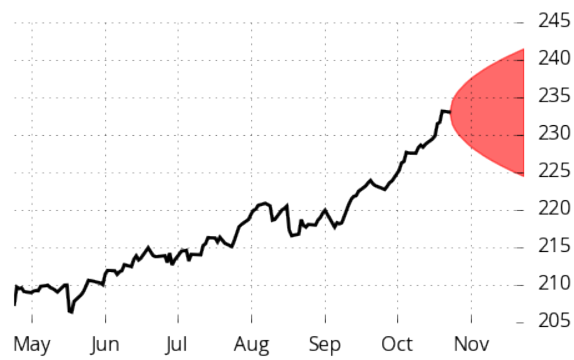


IWM

iShares Russell 2000 ETF
IV: 15
IV Rank: 20 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.74

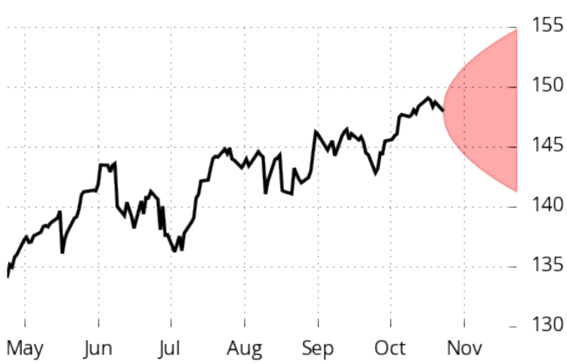
DIA

SPDR Dow Jones Industrial Average ETF
IV: 12
IV Rank: 22 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.77



QQQ

PowerShares QQQ Trust, Series 1
IV: 15
IV Rank: 36 (Moderately Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.75



FXE

Guggenheim CurrencyShares Euro Currency Trust
IV: 7
IV Rank: 24 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: -0.24

Current ETF Watchlist

iShares MSCI Brazil Capped Index Fund
IV: 30
IV Rank: 18 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.24

EWZ

VanEck Vectors Oil Services ETF
IV: 24
IV Rank: 8 (Extremely Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.25

OIH

iShares MSCI South Korea Capped Index Fund
IV: 23
IV Rank: 45 (Moderately Low)
Estimated Liquidity: Moderate
Correlation with S&P 500: 0.51

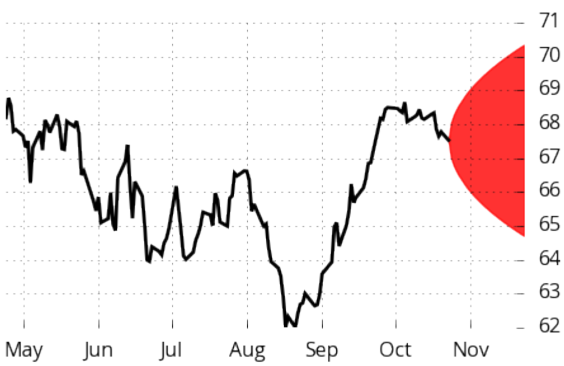
EWY

SPDR Select Sector Fund Financial
IV: 16
IV Rank: 15 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.68

XLF

SPDR Select Sector Fund Energy Select Sector
IV: 14
IV Rank: 10 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.31

XLE



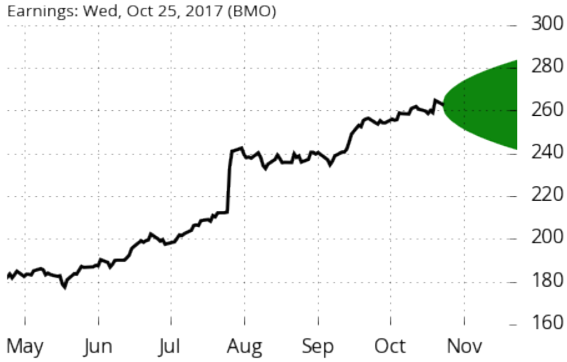
SPDR S&P Regional Banking ETF
IV: 21
IV Rank: 18 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.57

KRE

Current Stock Watchlist

Boeing
IV: 27
IV Rank: 98 (Extremely High)
Estimated Liquidity: Moderate
Correlation with S&P 500: 0.24
Earnings: Wed, Oct 25, 2017 (BMO)

BA

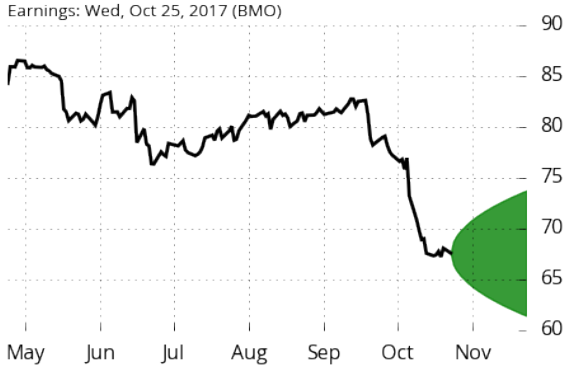


Target
IV: 28
IV Rank: 52 (Moderately High)
Estimated Liquidity: Good
Correlation with S&P 500: 0.26
Earnings: Wed, Nov 15, 2017 (BMO)

TGT

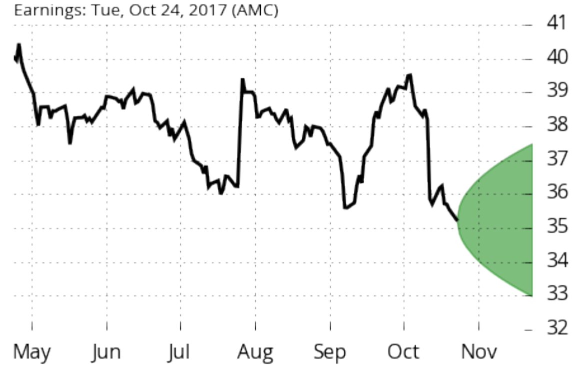
Walgreens Boots Alliance,
IV: 31
IV Rank: 89 (High)
Estimated Liquidity: Moderate
Correlation with S&P 500: 0.37
Earnings: Wed, Oct 25, 2017 (BMO)

WBA



AT&T
IV: 21
IV Rank: 73 (Moderately High)
Estimated Liquidity: Great
Correlation with S&P 500: 0.33
Earnings: Tue, Oct 24, 2017 (AMC)

T

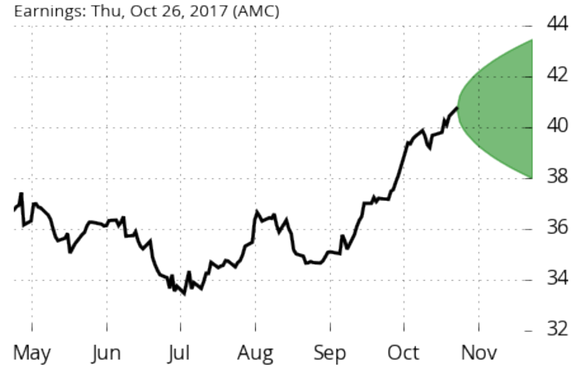


General Electric
IV: 30
IV Rank: 75 (High)
Estimated Liquidity: Great
Correlation with S&P 500: 0.31
Earnings: Fri, Oct 20, 2017 (BMO)

GE

Intel
IV: 23
IV Rank: 74 (Moderately High)
Estimated Liquidity: Great
Correlation with S&P 500: 0.35
Earnings: Thu, Oct 26, 2017 (AMC)

INTC



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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 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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