Cherry Picks

tastytrade's Quantitative Newsletter for Traders

March 6, 2018

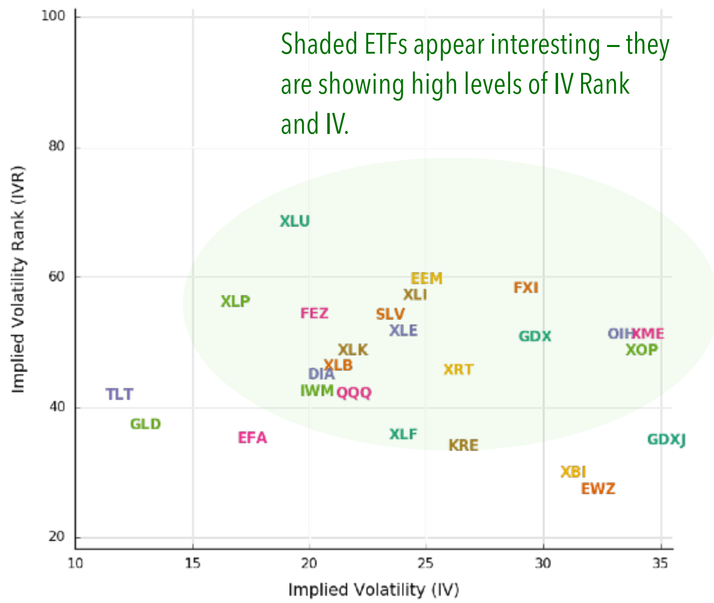
Popular ETFs.

Tech (**XLK**) is up big, so is Brazil (**EWZ**). Metals and Minings (**XME**) is up nearly 7%.

Utilities (**XLU**) appears to have stabilized – it is basically an interest rate play (see **TLT**). The yield on **XLU** is now over 4% – relatively low, but higher than it has been in recent months. I'm still selling premium in utilities – implied volatility that is historically high makes it an interesting play – selling puts is my play. If assigned, I sell calls against the stock. Slow and steady – some would say *boring*.

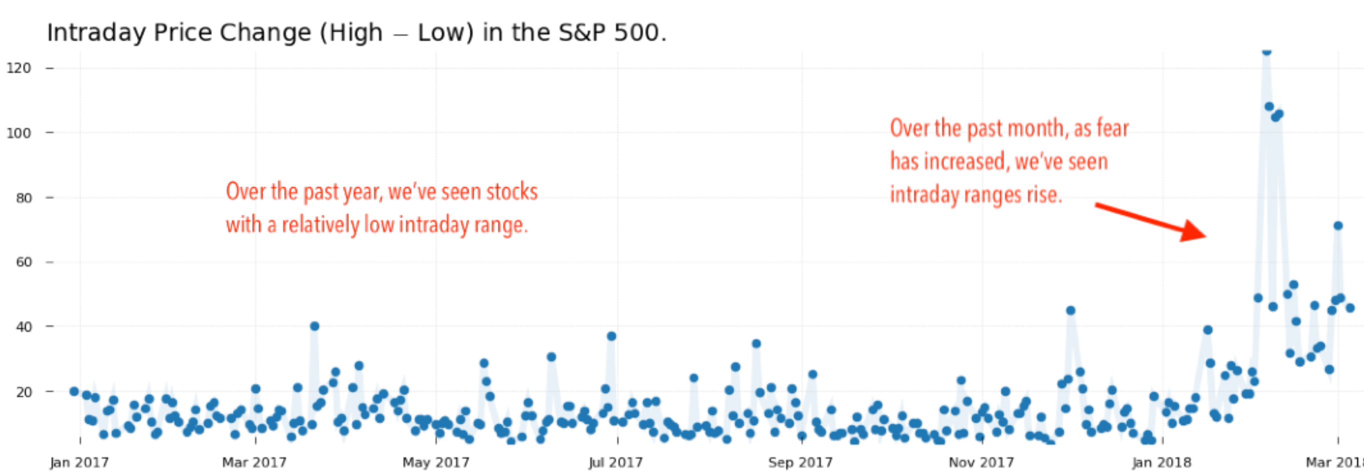
1 Month Returns of Popular ETFs

XLK 8.0%	EWZ 7.0%	XME 6.9%	QQQ 6.8%	XBI 6.2%	KRE 5.0%	IWM 4.0%	XRT 3.6%	EEM 3.4%
SPY 3.3%	XLF 3.1%	XLB 3.0%	DIA 2.3%	XLI 2.2%	XOP 1.4%	EFA 1.0%	GDXJ 0.9%	XLU 0.6%
SLV 0.1%	FEZ -0.1%	GLD -0.2%	XLP -0.7%	TLT -1.7%	XLE -1.9%	GDX -2.8%	FXI -4.0%	OIH -4.2%



Larger Intraday Moves in the Market.

Check out the graphics below – as implied volatility has increased, so has the intraday ranges in the market has increased. Ninety percent (90%) of the time, the S&P 500 has had a daily high/low range of 28 points of less. We've lately been seeing moves well over 30 a day.



Upcoming Earnings

Symbol	Description	Expected Report Date	Time of Day	Weekly Options	In Dow?	In S&P 500?	In Russell 2000?	In tastytrade Watchlist?
ROST	Ross Stores	Tue Mar-06	After Close	-	-	Yes	-	-
ADSK	Autodesk	Tue Mar-06	After Close	Yes	-	Yes	-	-
DLTR	Dollar Tree	Wed Mar-07	Before Open	Yes	-	Yes	-	-
ANF	Abercrombie & Fitch	Wed Mar-07	Before Open	Yes	-	-	Yes	-
COST	Costco Wholesale	Wed Mar-07	After Close	Yes	-	Yes	-	Yes
KR	Kroger	Thu Mar-08	Before Open	Yes	-	Yes	-	-
AVGO	Broadcom Limiteds	Thu Mar-15	After Close	Yes	-	Yes	-	-
ADBE	Adobe Systems	Thu Mar-15	n/a	Yes	-	Yes	-	-
TIF	Tiffany & Co.	Fri Mar-16	Before Open	Yes	-	Yes	-	-

Upcoming Dividends

Stocks and ETFs with an **upcoming dividend**.

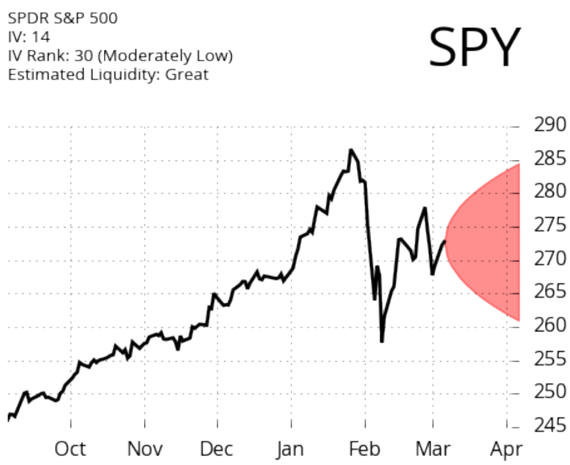
In the money short call options are the only options at risk of additional early assignment due to the dividend. If the extrinsic value of the in the money short call is less than the dividend, the option is at (a greater than average) risk of being assigned.

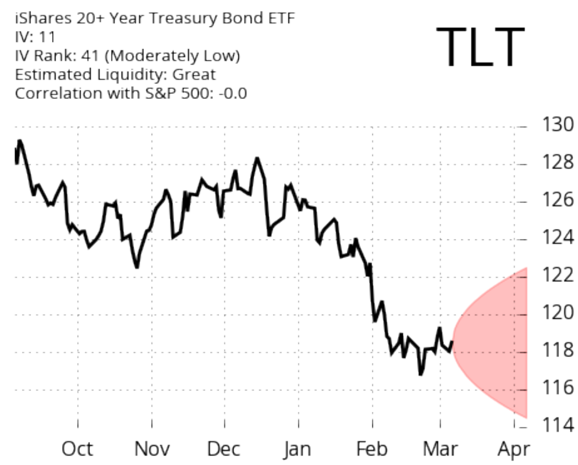
Symbol	Description	Ex-Dividend Date	Dividend Per Share	In Dow?	In S&P 500?	In Russell 2000?	In tastytrade Watchlist?
NEM	Newmont Mining	Wed, Mar 07	0.14	-	Yes	-	-
HD	Home Depot	Wed, Mar 07	1.03	Yes	Yes	-	Yes
ANF	Abercrombie & Fitch	Thu, Mar 08	0.2	-	-	Yes	-
WMT	Walmart	Thu, Mar 08	0.52	Yes	Yes	-	-
MGM	MGM Resorts International	Thu, Mar 08	0.12	-	-	-	-
UNH	UnitedHealth Group (DE)	Thu, Mar 08	0.75	Yes	Yes	-	-
GM	General Motors	Thu, Mar 08	0.38	-	Yes	-	Yes
TRV	The Travelers Companies	Thu, Mar 08	0.72	Yes	Yes	-	-
HPQ	HP	Tue, Mar 13	0.139	-	Yes	-	Yes
MO	Altria Group	Wed, Mar 14	0.7	-	Yes	-	-
M	Macy's Inc	Wed, Mar 14	0.377	-	Yes	-	-
KO	Coca-Cola	Wed, Mar 14	0.39	Yes	Yes	-	-
MRK	Merck & (new)	Wed, Mar 14	0.48	Yes	Yes	-	-
GILD	Gilead Sciences	Thu, Mar 15	0.57	-	Yes	-	Yes

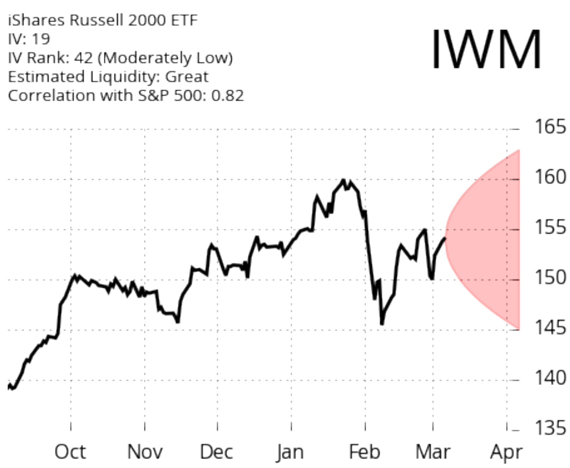
Shows From the Research Team The Past Few Days:

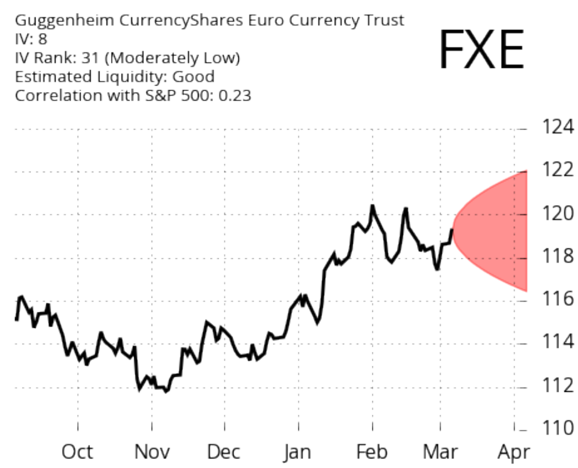
Date	Segment	Title	Link
Mon, Mar 05	tasty Extras	Sosnoff Says | The 2018 Hall Pass Awards	LINK
Mon, Mar 05	Market Measures	GDP Growth Compared to the Market	LINK
Mon, Mar 05	The Skinny on Options: Abstract Applications	The Central Limit Theorem	LINK
Mon, Mar 05	tasty Extras	A Special Announcement	LINK
Fri, Mar 02	Market Measures	Overstated Implied Volatility in Stocks	LINK
Fri, Mar 02	Closing the Gap - Futures Edition	Currencies & Commodities on the Move	LINK
Thu, Mar 01	tasty Extras	Using the tastyworks Web Platform	LINK
Thu, Mar 01	Market Measures	Is Delta Neutral Worth It?	LINK
Thu, Mar 01	Options Jive	A Tale of Two Volatilities	LINK
Thu, Mar 01	Trades From the Research Team LIVE	Trades From the Research Team LIVE	LINK
Wed, Feb 28	Market Measures	Short Calls: Fading the Highs	LINK
Wed, Feb 28	Options Jive	Is There a Trade? Week of Feb 25th	LINK
Wed, Feb 28	Options Jive	What's Tom Trading?	LINK
Tue, Feb 27	Market Measures	Managing Earlier - Volatility	LINK
Tue, Feb 27	The Skinny on Options: Abstract Applications	The Origin of Beta	LINK
Tue, Feb 27	tasty BITES	Target 45	LINK
Mon, Feb 26	Market Measures	Doubling Down on Jade Lizards	LINK
Mon, Feb 26	Options Jive	Understanding the Lizards	LINK
Mon, Feb 26	Best Practices	Skew and the Lizards	LINK
Fri, Feb 23	Market Measures	The Importance of Capital Allocation	LINK
Fri, Feb 23	Resize & Analyze	Week of February 19th	LINK
Fri, Feb 23	Closing the Gap - Futures Edition	Trading "Credit Quality" Divergence at the Short End	LINK
Thu, Feb 22	Market Measures	Emerging Market Opportunities	LINK
Thu, Feb 22	Options Jive	Correlation Risks	LINK
Thu, Feb 22	Trades From the Research Team LIVE	Trades From the Research Team LIVE	LINK
Wed, Feb 21	Market Measures	Trading Small in a Quiet Market	LINK
Wed, Feb 21	Options Jive	Is There a Trade? Week of Feb 20th	LINK
Wed, Feb 21	tasty Extras	Sosnoff Says | Who Is Killing Trading?	LINK
Wed, Feb 21	tasty BITES	Forming an Assumption	LINK

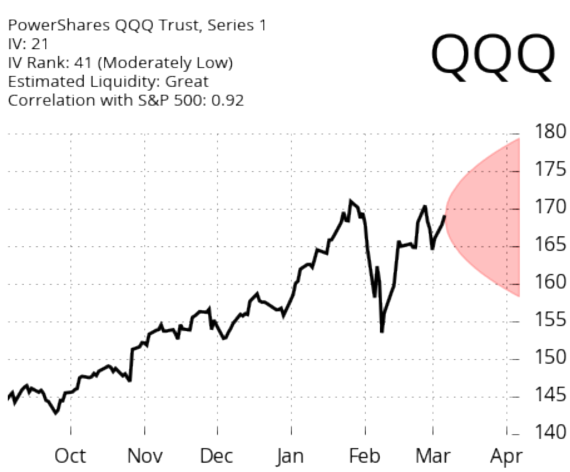
30-Day Expected Range Plots – The colored cone represents a 30-day expected theoretical price range that is calculated from the options' implied volatilities. In theory, we expect that prices will stay, with a 68% probability, within the boundary of the cone.

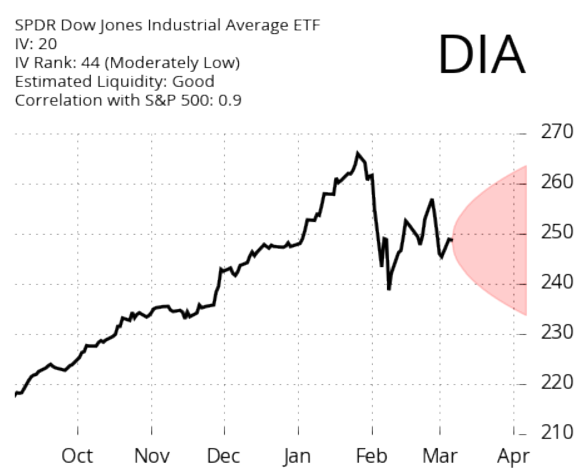












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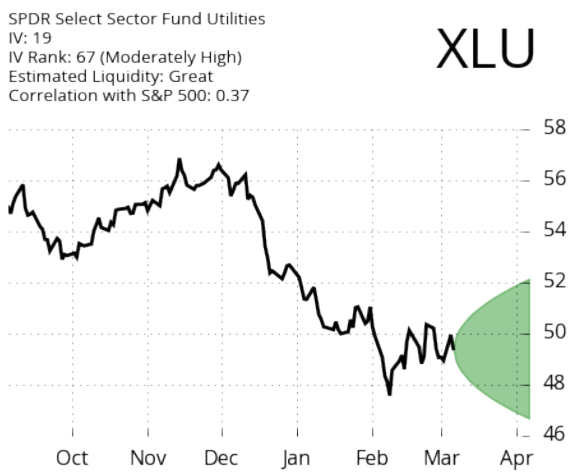
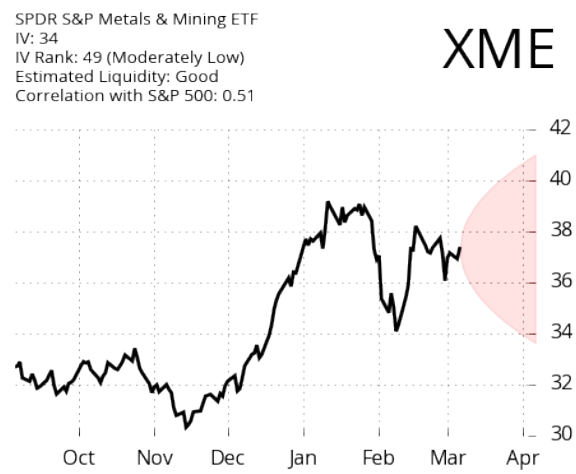
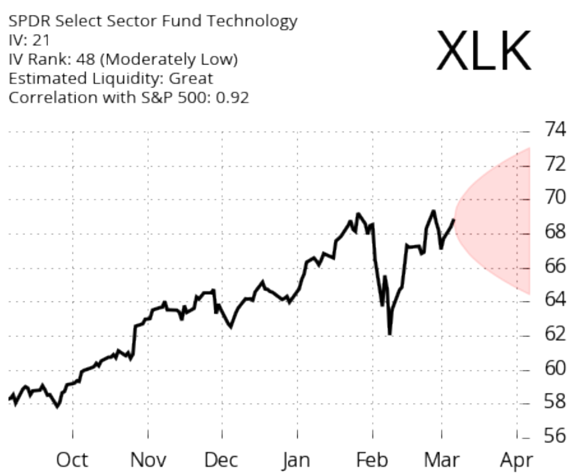
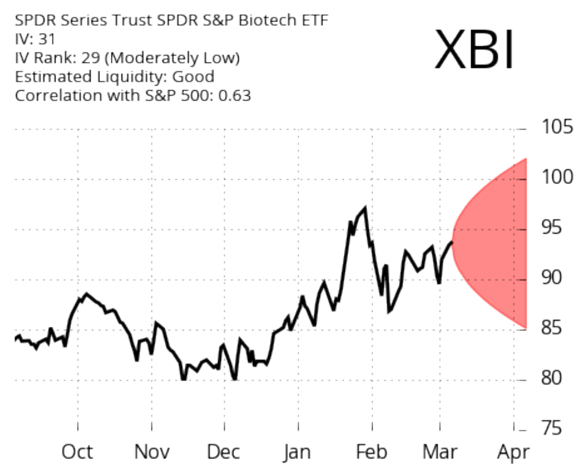
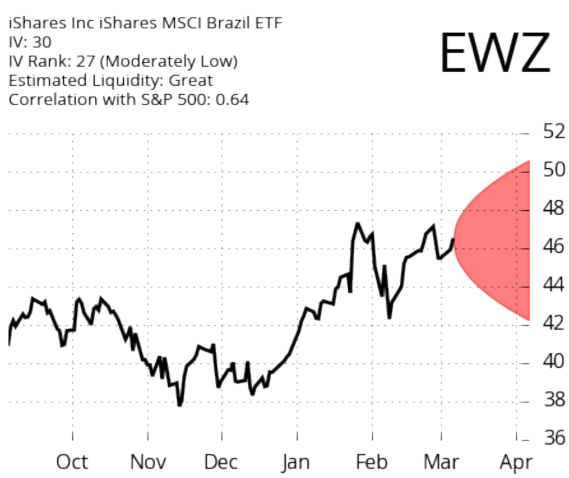




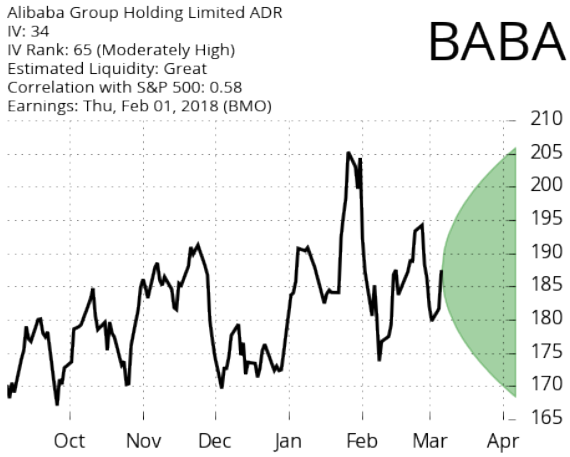


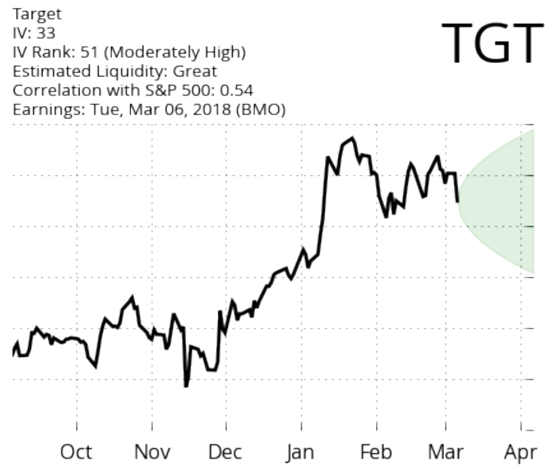


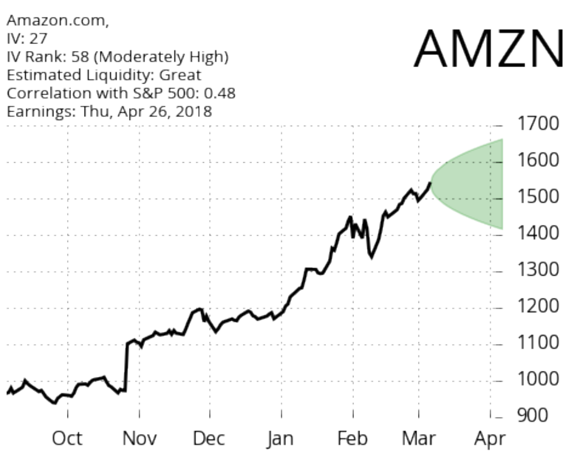


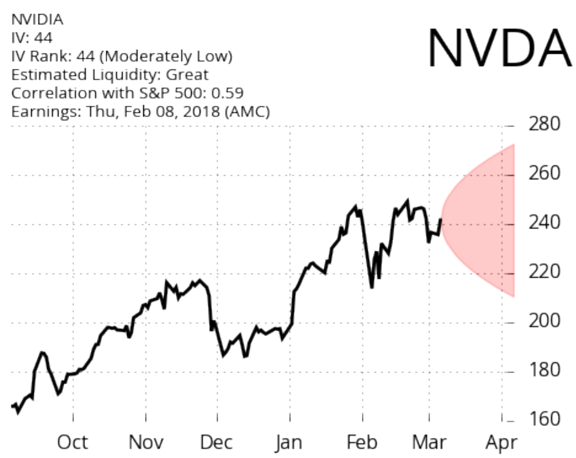
Current Stock Watchlist

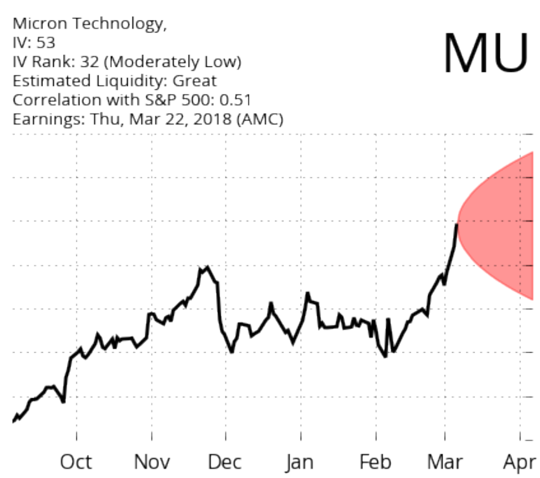
30-Day Expected Range Plots – The colored cone represents a 30-day expected theoretical price range that is calculated from the options' implied volatilities. In theory, we expect that prices will stay, with a 68% probability, within the boundary of the cone.







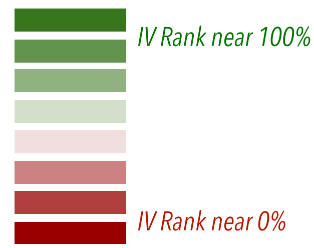




Reading this Report

Expected Range Cone. 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

Options involve risk and are not suitable for all investors. Please read Characteristics and Risks of Standardized Options before deciding to invest in options: https://www.theocc.com/components/docs/riskstoc.pdf

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