

Never Pay Retail - Buy These Bargain Stocks Instead

Markets have turned more volatile recently, right on cue with a seasonally weak period of the year. So, today, let's see the best way to use that volatility to buy quality stocks into the dip.

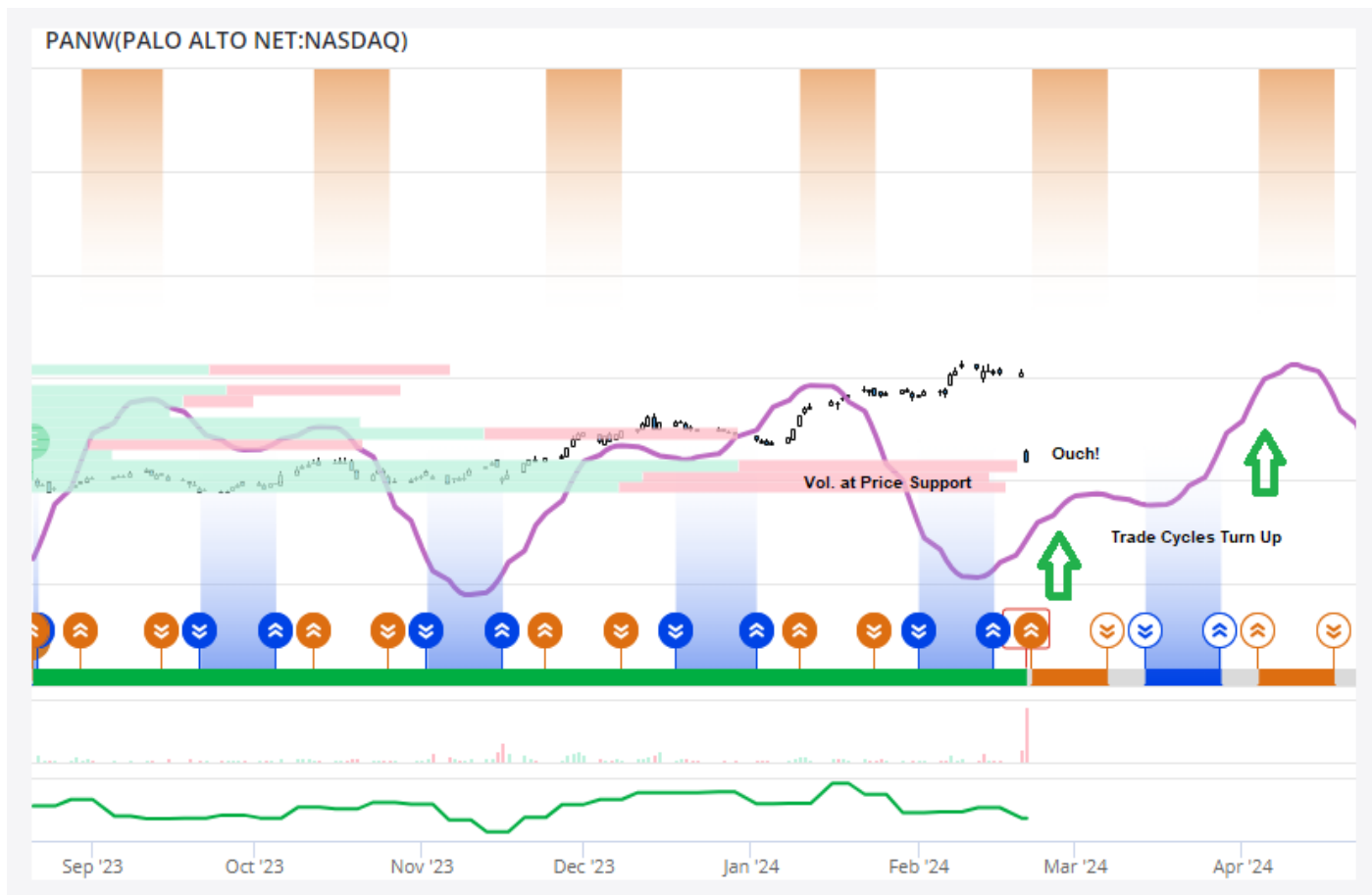
Last week I pointed out that over the past 90-plus years, the S&P 500 typically experiences a seasonal slump during the last two weeks in February. And we're smack in the middle of that time frame right now.

The average move for the S&P 500 has only been -2% during this two-week window. But stocks have become overbought after surging more than 20% higher over the past 15 weeks. That means a market pullback could lie just ahead, and if it gets traction, we could see the selling persist for a few weeks.

The good news is that I expect any pullback to be just a pause that refreshes the stock market for the next move higher. So, here's one good way to draw up your stock market shopping list with the help of *TradeSmith Finance*.

Ask yourself what's been working recently. These are the stocks likely to pull back sharply during a market dip but bounce back even faster. Just look at **Palo Alto Networks (PANW)** this week.

This leading cybersecurity stock beat estimates for both earnings per share (EPS) and revenues, but the forward guidance was a bit ... underwhelming. PANW shares dropped 27.8% yesterday alone as a result.



You can see the big gap down at the last candlestick at right on this chart. Ouch!

But also notice two things that PANW has going for it.

First, the stock price fell right into what should be strong volume at price (VAP) support. That's the range where PANW stock traded for many months late last year.

Investors and traders bought the stock at these levels before, and it should provide support again this time around.

Second, seasonality is turning bullish for PANW according to our *Trade Cycles* timing indicators. The stock is forecast to turn up in March and April.

Knee-jerk selling like this in a high-quality stock can often be a bargain-buying opportunity to scoop up shares at a *double discount*.

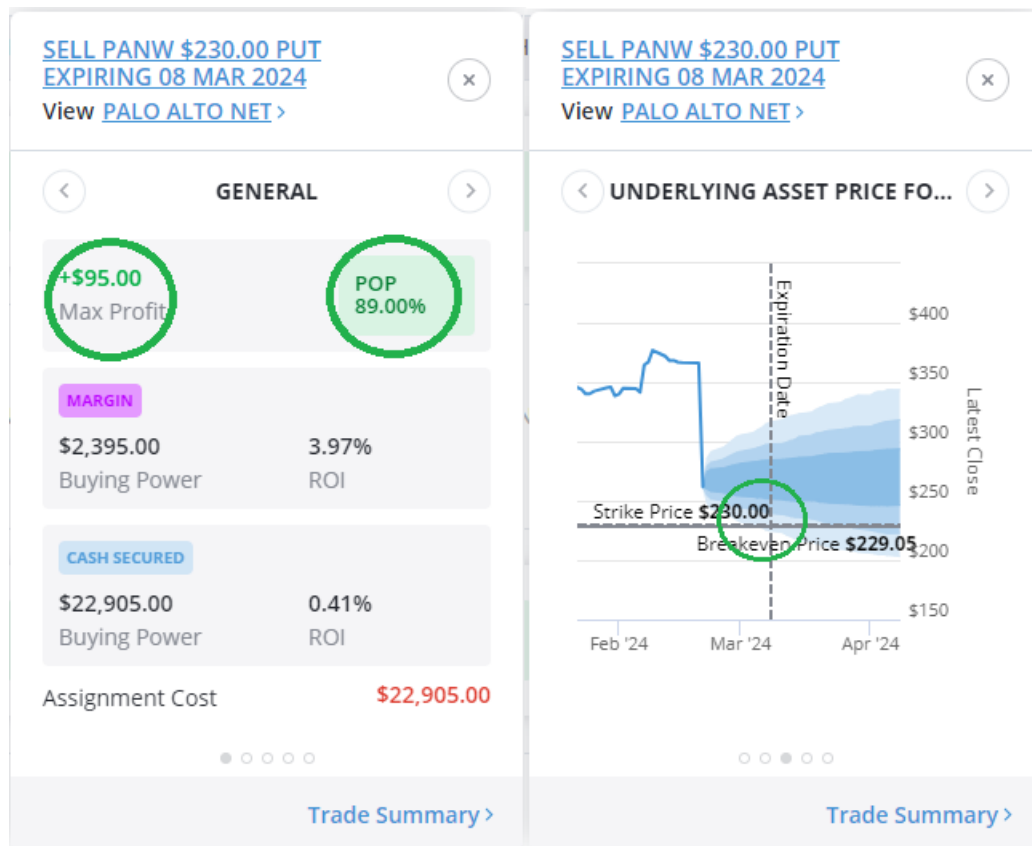
If you missed out on PANW the first time around, here's a low-risk, second-chance entry point. And to protect your downside you can set a stop at the lower end of that VAP support zone about \$225 or so.

But it gets even better.

You know my mantra is “never pay retail!” You could buy PANW stock here and set a tight stop, sure. But you could also buy PANW shares at a *double discount* by selling a cash-covered put option instead.

This simply involves selling a short-term put option at a strike price where you would be comfortable owning PANW stock even below where it’s trading right now.

Here’s an example.



I just uncovered this option trade example for PANW this morning using *Options360* by TradeSmith.

Keep in mind, you can find trades just like this for any stock by simply entering the **ticker symbol**. Then click on **Options** and check the **Sell Put** box.

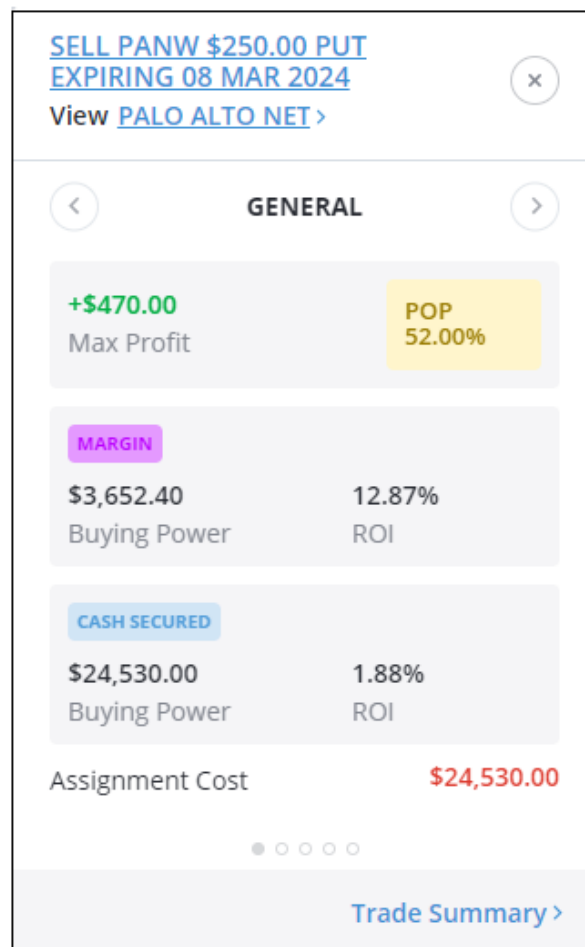
With PANW shares trading at about \$270 now, I scrolled down to find a lower strike price to potentially acquire the stock at an even bigger discount. And as shown above, I chose the \$230 strike, because that is another \$30 below the low in PANW yesterday after it gapped down.

This trade could earn you instant income of \$95 and has a very high **Probability of Profit (POP)** at 89%. If you’re using a margin account, as most traders do, that adds up to a **Return on Investment (ROI)** of 3.97%, which is awesome for roughly a two-week trade.

To the right you can see that, according to our exclusive *TradeSmith Underlying Asset Price Forecast*, there's only a small chance of this option being in the money at the March 8 expiration, just over two weeks away.

Of course, if you really want to own PANW shares, then you could be more aggressive, choosing a higher strike price. That means a greater chance of being put the stock, and you can earn more income in the process.

For instance, the PANW \$250 Put expiring March 8 could earn you \$470 of instant income, for a 12.87% margin ROI, and it still has a POP just above 50%!



It all depends on your objective as a trader:

1. Buying the stock at a discount and earning more premium income in the process, or
2. Earning quicker, smaller profits by accepting less premium income but with less chance of getting put the stock.

How to Find Other Buy-The-Dip Opportunities or Just Earn Income

Members with *Options360*, *Trade360*, or *TradeSmith* Platinum can find trades like this every day using our Options tools within their platform. (And if you don't see these tools in your *TradeSmith Finance* dashboard — and would like to — call 888-623-0858 to discuss.)

Log in to **TradeSmith Finance** and select **Options** from the top menu bar. Then select **Opportunities** from the next menu down. In the **Strategies** box, select Options360, then select **Sell Puts**.

The screenshot shows the TradeSmith Finance interface. The top navigation bar includes 'Dashboard', 'My Portfolios', 'Markets', 'Invest', 'Options' (highlighted), 'My Services', 'Calendar', 'Pubs', 'Baskets', and 'More'. Below this, the 'Opportunities' tab is selected. A 'Strategies' dropdown menu is open, showing 'All Strategies' and 'Options360' (highlighted with a green arrow). Under 'Options360', 'Buy Calls', 'Buy/Write Covered Calls', 'Sell Calls', and 'Sell Puts' (highlighted with a green arrow) are listed. Below the dropdown, three trade cards are displayed:

Trade	Max Profit	POP	Margin	Buying Power	ROI
SELL SMC \$775.00 PUT EXPIRING 23 FEB 2024 View SUPER MICRO COMP >	+\$6,290.00	80.00%	\$14,040.00	44.80%	
SELL NVDA \$685.00 PUT EXPIRING 23 FEB 2024 View NVIDIA >	+\$3,640.00	80.00%	\$10,490.00	34.70%	
SELL DELL \$81.00 PUT EXPIRING 23 FEB 2024 View Dell Tech-C >	+\$130.00	81.00%	\$1,238.80	10.49%	

This will show you an entire menu of possible Sell Put trades curated by our A.I.-powered algorithms. These are programmed specifically to be trades with the best combination of high POP and high ROI.

You can also use our **Options Screener** tool to find Sell Put trades on your own, and according to the filters you choose.

Mike Burnick's Bottom Line: When markets dip, it's time to go shopping for bargains. One of the best moneymaking ways to do that is by selling cash-covered put options to buy quality stocks at a double-discount. Selling puts is also a consistent way to earn instant income every day without intending to buy the stocks. Either way, *TradeSmith* tools can help you uncover the best high-profit-potential trades.

Good investing,

Mike Burnick

Senior Analyst, *TradeSmith*