



tastytrade Research presents

Cherry Picks

September 19, 2017

Strongest and Weakest ETFs. What a difference a few weeks makes – Oil and Natural Gas Services and Production ETFs are performing considerably better than a month ago. For example, **OIH**, **XOP**, and **XLE** are up 11.9%, 8.0% and 5.6% respectively.

1 Month Returns of Popular ETFs

OIH 11.9%	XBI 11.6%	EWZ 11.1%	XOP 8.0%	XRT 7.9%	XME 6.8%	GDXJ 5.7%	XLE 5.6%	IWM 5.6%
FXI 5.5%	GDX 5.2%	EEM 4.4%	XLB 4.4%	FEZ 3.5%	QQQ 3.4%	XLI 3.3%	SLV 3.2%	XLK 2.9%
EFA 2.8%	DIA 2.7%	SPY 2.7%	GLD 2.6%	KRE 1.3%	XLG 0.6%	XLU 0.5%	TLT 0.2%	XLP 0.0%

What is Tony Doing? Tony placed a defined risk trade:

AAPL Broken Wing Butterfly for 0.65 Cr.



Buy 1x 160 Call in Oct
Sell 2x 162.5 Call in Oct
Buy 1x 170 Call in Oct

"I'm looking for a sideways move, to a down move, in the stock. Since the news has already come out about the new iPhone, I think this may be an example of 'Buy the rumor, sell the news'. Overall, this defined risk trade has a high theoretical probability of achieving a profit by expiration of 74%."

If you are a little uncertain of Broken Wing Butterflies, this trade is going to have no theoretical risk to the downside (if the stock expires below 165.65 it will be a winner), but will have max profitability of \$315 if it expires right at the short strikes of 162.50. The max theoretical loss of \$435, occurs if the stock expires above 170. The probability of that occurring though is relatively small – roughly 13%.

Stocks Above 40% IV Rank

Description	IV Rank	IV	Days Until Earnings
COST Costco	78	22	15
TRV Travelers	61	23	29
ACN Accenture plc	58	23	8
VZ Verizon	56	19	29
PYPL PayPal Holdings	55	28	29
T AT&T Inc	52	19	34
TWX Time Warner Inc.	52	23	42
NKE Nike	52	27	6
AAPL Apple	49	22	34
AMZN Amazon.com	48	21	36
ABBV AbbVie Inc.	47	22	37
BK Bank of New York Mellon	47	21	29
PG Procter & Gamble	45	15	34
FDX FedEx	43	23	Past
IBM IBM	43	20	26
BA Boeing	42	21	35
ALL Allstate Corp.	40	17	42

What Else Are We Trading? The Research Team is also considering:

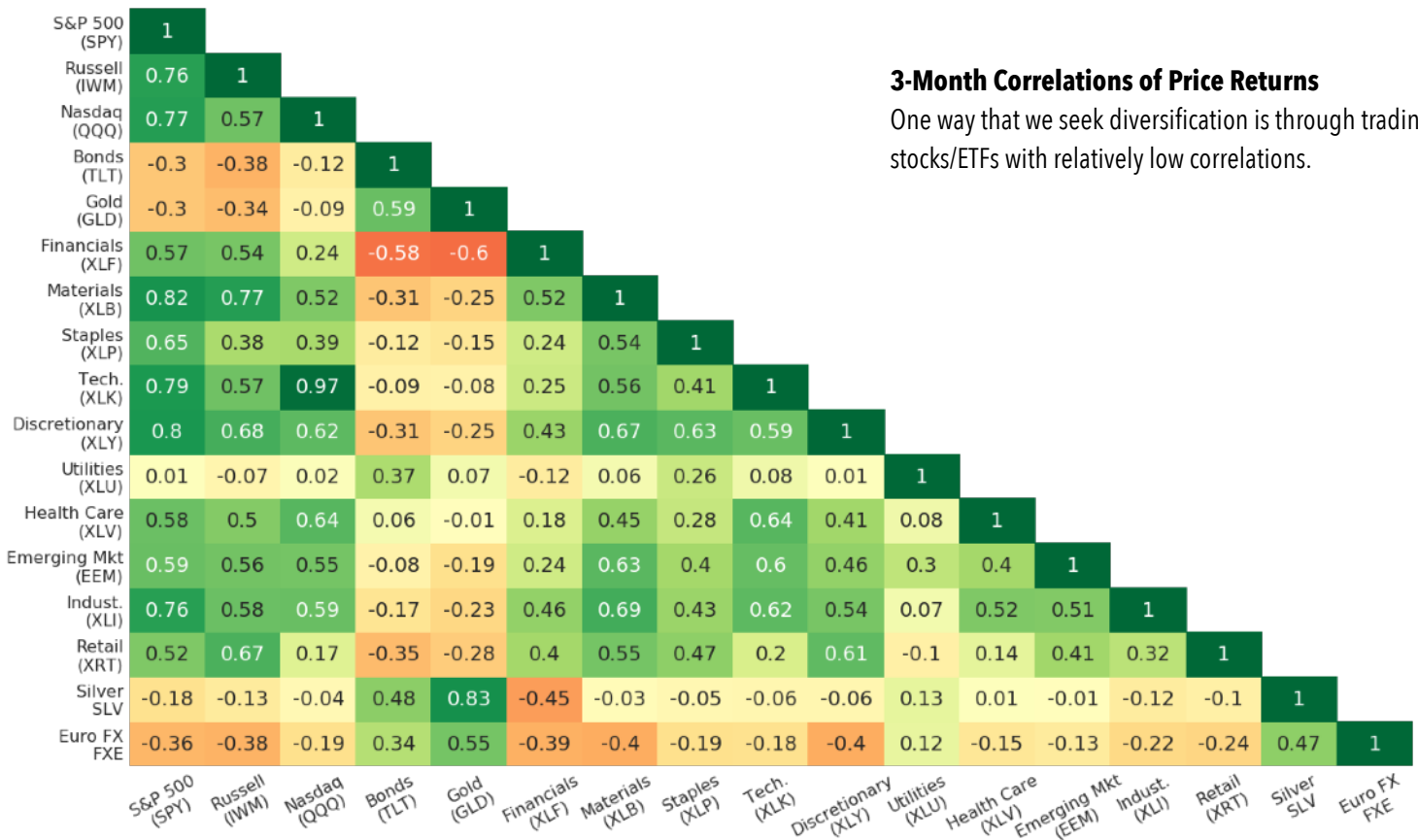
- Bullish Diagonal in **GLD**
- Short put in **VIX**
- Short Call spread in **EWZ**
- Bullish synthetic **UUP**
- Neutral short strangle in **EWY**
- Neutral straddle in **TEVA**
- Neutral straddle in **CBI**

Questions?

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Market Statistics

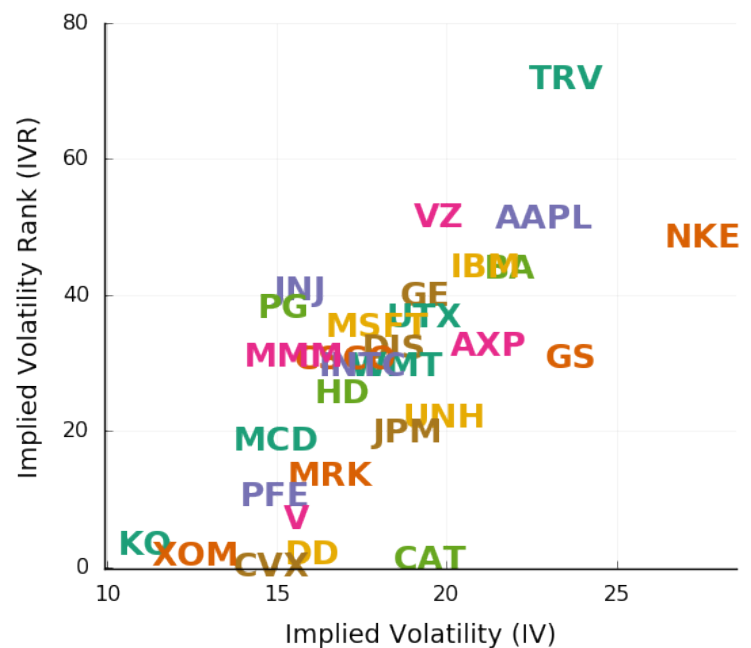


Dow Stocks.

None of the Dow Stocks were particularly interesting this week – Cisco (**CSCO**) did recover nicely from August 18 lows. United Healthcare (**UNH**) and Apple (**AAPL**) has nice returns. At the bottom of the pack was Nike (**NKE**) and Travelers Group (**TRV**).

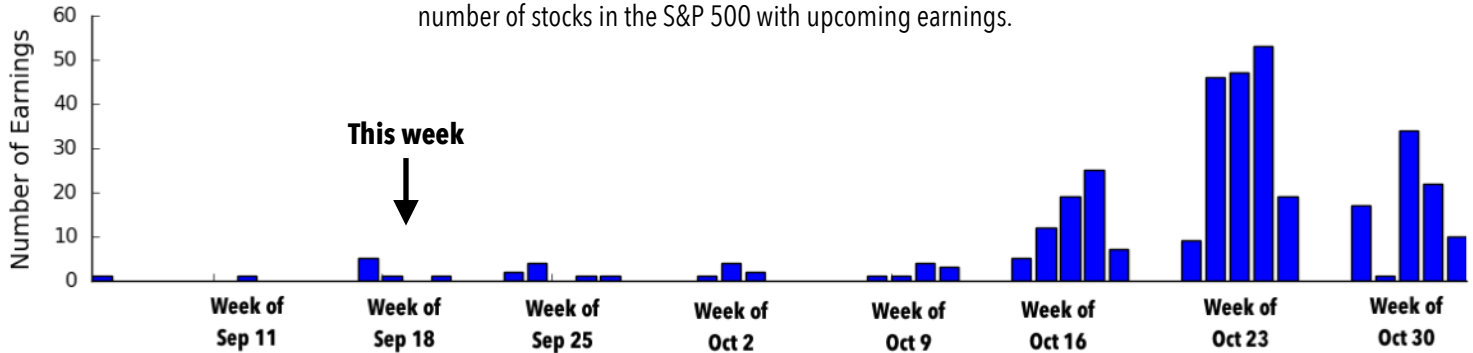
1 Month Returns of Dow Stocks

CSCO	UNH	AAPL	MRK	PFE	UTX
6.1%	4.2%	4.1%	3.9%	3.8%	3.7%
DD	CAT	MSFT	IBM	HD	BA
3.4%	3.1%	3.1%	2.4%	1.6%	1.6%
MCD	CVX	V	AXP	GS	VZ
1.4%	1.1%	1.0%	0.8%	0.7%	0.6%
DIS	MMM	JPM	INTC	GE	PG
0.5%	0.4%	0.2%	0.2%	0.0%	-0.2%
JNJ	KO	XOM	WMT	NKE	TRV
-0.2%	-0.3%	-0.4%	-1.6%	-3.9%	-5.2%



Upcoming Earnings

Earnings season will start back **mid-October** – expect to see few big name companies report until then. Seen below is a visualization of the number of stocks in the S&P 500 with upcoming earnings.



Upcoming Earnings

Symbol	Description	Expected Date	Release Time	Weekly Options?	Capitalization (Billions)
ADBE	Adobe Systems Incorporated	Tue Sep-19	After Close	Yes	77
FDX	FedEx Corp.	Tue Sep-19	After Close	Yes	58
BBBY	Bed Bath & Beyond	Tue Sep-19	After Close	Yes	4
GIS	General Mills	Wed Sep-20	Before Open	-	32
NKE	Nike	Tue Sep-26	After Close	Yes	88
MU	Micron Technology	Tue Sep-26	After Close	Yes	39

Historical Stock Moves Around Earnings

Earnings Release Date		Historical Price Move From Immediately Before Earnings to Friday's Expiration								
		2nd Q	1st Q	4th Q	3rd Q	2nd Q	1st Q	4th Q	3rd Q	2nd Q
		2017	2017	2016	2016	2016	2016	2015	2015	2015
ADBE	Sept 19 (After Close)	3%	4%	-1%	7%	-8%	4%	3%	1%	-0%
FDX	Sept 19 (After Close)	3%	-2%	-3%	7%	-8%	13%	-1%	-6%	-3%
BBBY	Sept 19 (After Close)	-12%	4%	-11%	1%	0%	-4%	0%	1%	1%

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.

Stocks with Upcoming Dividends

Symbol	Description	Ex-Dividend Date	Dividend Per Share	In Dow?	In S&P 500?	In Russell 2000?
LVS	Las Vegas Sands Corp.	Wed, Sep 20	\$0.73	-	-	-
SRE	Sempra Energy	Thu, Sep 21	\$0.82	-	Yes	-
RCL	Royal Caribbean Cruises Ltd.	Thu, Sep 21	\$0.60	-	Yes	-
AAP	Advance Auto Parts Inc	Thu, Sep 21	\$0.06	-	Yes	-
ZBH	Zimmer Biomet Holdings	Thu, Sep 21	\$0.24	-	Yes	-
OMC	Omnicom Group	Thu, Sep 21	\$0.55	-	Yes	-
STNG	Scorpio Tankers	Fri, Sep 22	\$0.01	-	-	Yes
JCI	Johnson Controls International plc	Fri, Sep 22	\$0.25	-	Yes	-
PM	Philip Morris International Inc	Tue, Sep 26	\$1.07	-	Yes	-
CY	Cypress Semiconductor	Wed, Sep 27	\$0.11	-	-	-

Note:

Next Tuesday (**September 26**) is a big quarterly dividend date for many of the iShares ETFs. This includes, according to the iShares website the following:

iShares U.S. Preferred Stock (**PFF**), iShares U.S. Healthcare (**IYH**), iShares U.S. Industrials (**IYJ**), iShares U.S. Real Estate (**IYR**), iShares U.S. Technology (**IYW**), iShares U.S. Pharmaceuticals (**IHE**), iShares U.S. Financials (**IYF**), iShares U.S. Basic Materials (**IYM**), iShares Select Dividends (**DVY**), iShares S&P 100 (**OEF**), iShares Core S&P Total U.S. Stock Market (**ITOT**), etc.



Show of the Highest Viewed Shows Include:

Date	Segment	Title
Mon, Sep 18	Market Measures	Diversification in a Short Strangle Portfolio
Mon, Sep 18	Anatomy of a Trade	Anatomy of a Trade - Defending Earnings IC
Mon, Sep 18	Best Practices	How to Improve Cost Basis
Fri, Sep 15	Assume the Position	Nothing To Do With News
Fri, Sep 15	Market Measures	Short Premium Returns on Defined Risk
Fri, Sep 15	Resize & Analyze	Week of September 11th
Fri, Sep 15	Closing the Gap - Futures Edition	A Tale of Two Curves
Thu, Sep 14	Market Measures	Delta Decisions: How Low is Too Low?
Thu, Sep 14	Options Jive	So You Wanna Get Short?
Thu, Sep 14	Trades From the Research Team LIVE	Trades From the Research Team LIVE
Wed, Sep 13	Market Measures	Scaling Up in High IVR?
Wed, Sep 13	Options Jive	Trading Trade-Offs Strangles
Wed, Sep 13	Strategies for IRA	Sizing Iron Condors
Tue, Sep 12	Market Measures	Performance of 2 SD Strangles
Tue, Sep 12	Options Jive	Components of Liquidity
Tue, Sep 12	tasty BITES	Favorable Fills
Mon, Sep 11	Market Measures	Fading Moves with Skewed Strangles
Mon, Sep 11	Options Jive	Seasonality in Equities & Implied Volatility
Mon, Sep 11	Best Practices	Trade Defense
Fri, Sep 08	Assume the Position	Political Risk, Climate Risk, Financial Risk
Fri, Sep 08	Market Measures	Wait or Stay Engaged?
Fri, Sep 08	Resize & Analyze	Week of September 5th
Fri, Sep 08	Closing the Gap - Futures Edition	North of the Border, South of the Wall

Geeks on Parade videos are in the archives

- The Data Science Behind Financial Backtesting (Dr. Data)
- Vol Skew, Probability & Why Selling Excess Risk Premium Makes Money (TP)
- Contango & Backwardation: Opportunities in Fixed vs. Variable Cost of Carry (Pete)
- The Trouble with Overfit & the Advantages of Model Simplicity (Jacob)
- Covariance & Correlation: Origin, Understanding and Application (Jim)



Current Market Outlook



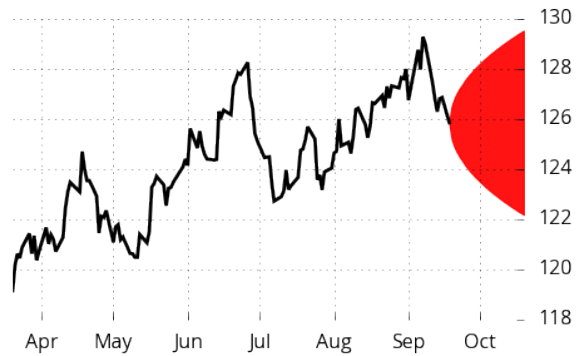
SPDR S&P 500
IV: 10
IV Rank: 3 (Extremely Low)
Estimated Liquidity: Great

SPY



iShares 20+ Year Treasury Bond ETF
IV: 10
IV Rank: 3 (Extremely Low)
Estimated Liquidity: Great
Correlation with S&P 500: -0.31

TLT



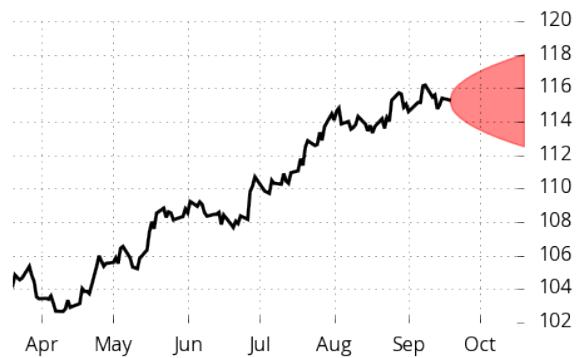
iShares Russell 2000 ETF
IV: 13
IV Rank: 5 (Extremely Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.76

IWM



Guggenheim CurrencyShares Euro Currency Trust
IV: 8
IV Rank: 29 (Moderately Low)
Estimated Liquidity: Good
Correlation with S&P 500: -0.34

FXE



PowerShares QQQ Trust, Series 1
IV: 13
IV Rank: 20 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.74

QQQ



SPDR Dow Jones Industrial Average ETF
IV: 10
IV Rank: 3 (Extremely Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.79

DIA





Current ETF Watchlist



iShares MSCI Brazil Capped Index Fund
IV: 28
IV Rank: 16 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.31

EWZ



SPDR S&P Oil & Gas Explor & Product
IV: 26
IV Rank: 16 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.35

XOP



iShares MSCI Emerging Index Fund
IV: 15
IV Rank: 7 (Extremely Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.59

EEM



VanEck Vectors Oil Services ETF
IV: 25
IV Rank: 9 (Extremely Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.35

OIH



SPDR S&P Retail ETF
IV: 19
IV Rank: 10 (Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.51

XRT



iShares Silver Trust
IV: 20
IV Rank: 20 (Low)
Estimated Liquidity: Great
Correlation with S&P 500: -0.18

SLV



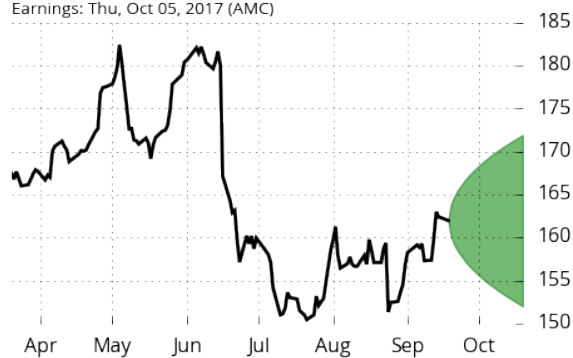


Current Stock Watchlist



Costco Wholesale Corp.
IV: 21
IV Rank: 75 (High)
Estimated Liquidity: Good
Correlation with S&P 500: 0.36
Earnings: Thu, Oct 05, 2017 (AMC)

COST



AT&T
IV: 18
IV Rank: 46 (Moderately Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.44
Earnings: Tue, Oct 24, 2017 (AMC)

T



NVIDIA Corp.
IV: 37
IV Rank: 28 (Moderately Low)
Estimated Liquidity: Good
Correlation with S&P 500: 0.47
Earnings: Thu, Nov 09, 2017

NVDA



Nike
IV: 26
IV Rank: 52 (Moderately High)
Estimated Liquidity: Great
Correlation with S&P 500: 0.39
Earnings: Tue, Sep 26, 2017 (AMC)

NKE



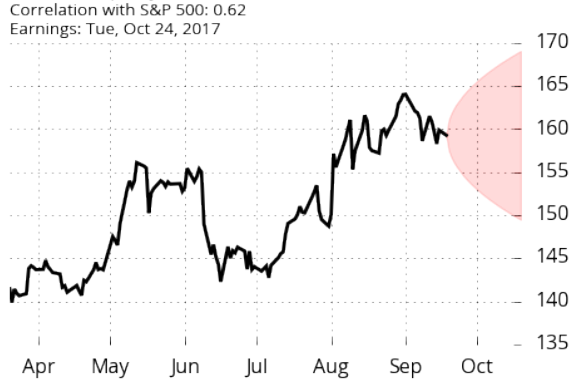
Verizon Communications
IV: 19
IV Rank: 49 (Moderately Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.36
Earnings: Thu, Oct 19, 2017 (BMO)

VZ



Apple
IV: 21
IV Rank: 47 (Moderately Low)
Estimated Liquidity: Great
Correlation with S&P 500: 0.62
Earnings: Tue, Oct 24, 2017

AAPL



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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