

[Interactive Brokers Webcast](#)

---

# What Worked and What Didn't in the Option Market Last Month

---

April 15, 2015

Presented by Russell Rhoads, CFA  
Senior Instructor – The Options Institute



# Disclosure

**Options involve risks and are not suitable for all investors. Prior to buying or selling an option, an investor must receive a copy of Characteristics and Risks of Standardized Options. Copies are available from your broker, by calling 1-888-OPTIONS, or from The Options Clearing Corporation at [www.theocc.com](http://www.theocc.com). Futures trading is not suitable for all investors, and involves risk of loss. The information in this presentation is provided solely for general education and information purposes. No statement within this presentation should be construed as a recommendation to buy or sell a security or futures contract or to provide investment advice. Any strategies discussed, including examples using actual securities or futures price data, are strictly for illustrative and educational purposes only. In order to simplify the computations, commissions, fees, margin interest and taxes have not been included in the examples used in this presentation. These costs will impact the outcome of all transactions and must be considered prior to entering into any transactions. Multiple leg strategies involve multiple commission charges. Investors should consult with their tax advisors to determine how the profit and loss on any particular strategy will be taxed. Past performance does not guarantee future results. Supporting documentation for any claims, comparisons, statistics or other technical data in this presentation is available from CBOE upon request. CBOE and Chicago Board Options Exchange are registered trademarks and The Options Institute is a service mark of Chicago Board Options Exchange, Incorporated (CBOE). Russell 2000® is a trademark and service mark of Frank Russell Company, used under license. All other trademarks and service marks are the property of their respective owners.**

**CBOE is not affiliated with Interactive Brokers. This presentation should not be construed as an endorsement or an indication by CBOE of the value of any non-CBOE product or service described in this presentation.**

**Copyright © 2015 CBOE. All rights reserved.**

# What Worked and What Didn't

## Outline

- **LULU Earnings**
- **NKE Earnings**
- **FDX Earnings**
- **OTM RUT Spread**

# LULU Earnings

## Bull Put Spread

- LULU reported earnings before the open Thursday March 26
- Early Wednesday with LULU trading at 62.50 there was a neutral to bullish trade using short dated LULU puts

### Three year summary of LULU earnings reactions

Max	Min	Abs Avg.	Last Q
13.91%	-17.54%	9.34%	9.11%

**Buy 1 LULU Mar 27<sup>th</sup> 58.50 Put at 0.99**

**Sell 1 LULU Mar 27<sup>th</sup> 59.00 Put at 1.14**

**Net Credit = 0.15**

*Data Source: Bloomberg*

# LULU Earnings

## Bull Put Spread

### Long LULU 58.50 Put / Short LULU 59.00 Put



# LULU Earnings

## Short Strangle

- LULU reported earnings before the open Thursday March 26
- Two hours before the close LULU was trading at 61.79 and a neutral trade came into the market

### Three year summary of LULU earnings reactions

Max	Min	Abs Avg.	Last Q
13.91%	-17.54%	9.34%	9.11%

**Sell 1 LULU Mar 27<sup>th</sup> 56.00 Put at 0.50**

**Sell 1 LULU Mar 27<sup>th</sup> 67.00 Call at 0.70**

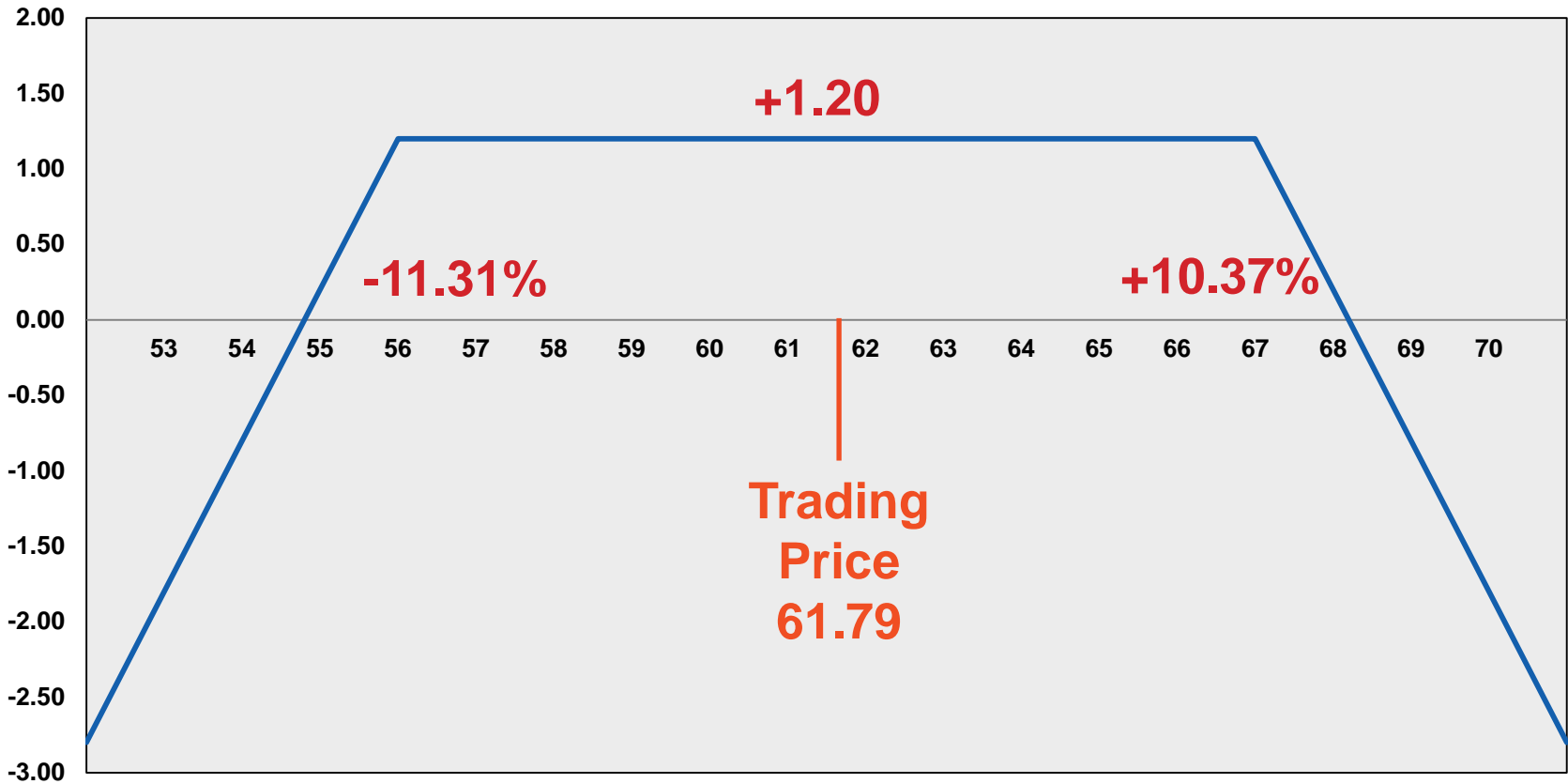
**Net Credit = 1.20**

*Data Source: Bloomberg*

# LULU Earnings

## Short Strangle

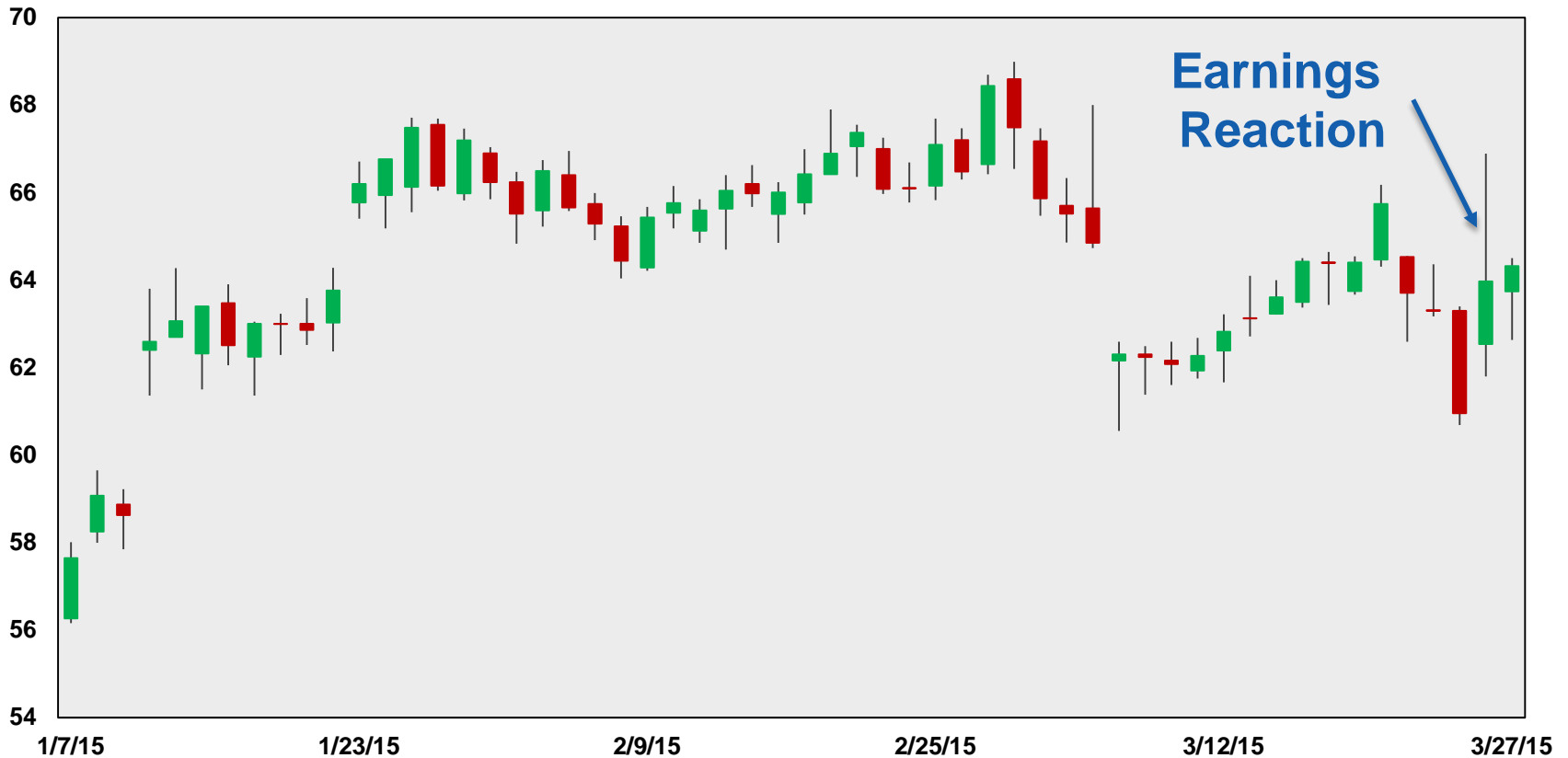
### Short LULU 56 Put / Short LULU 67 Call



# LULU Earnings

## Price Action

### Daily Prices



Data Source: Bloomberg



# NKE Earnings

## Ratio Spread

- NKE Reported earnings Thursday March 19 after the market close
- A very precise bullish ratio spread came into the market when NKE was trading at 98.10

## Three year summary of NKE earnings reactions

Max	Min	Abs Avg.	Last Q
12.23%	-9.40%	4.98%	-2.31%

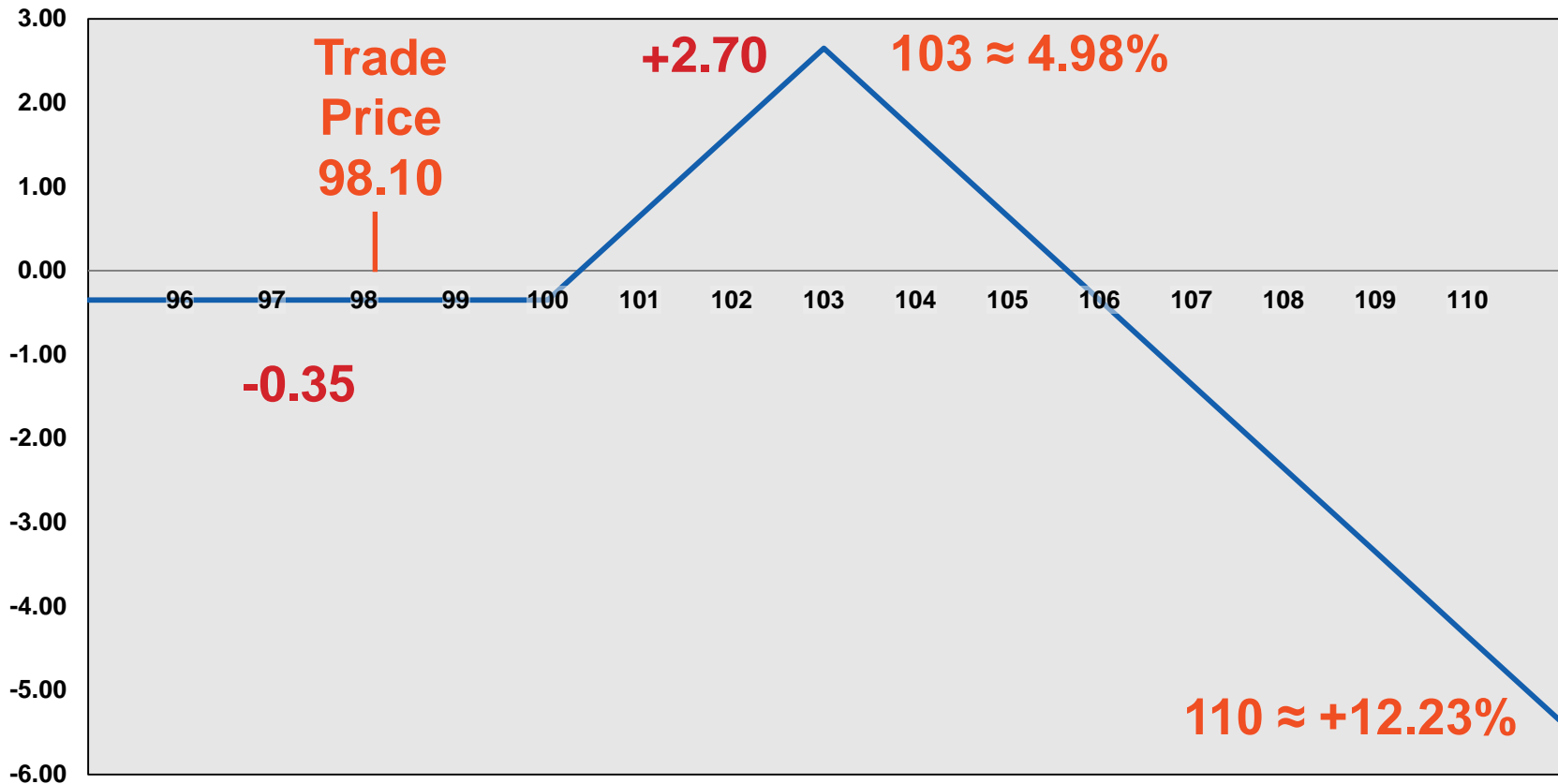
**Buy 1 NKE Mar 20<sup>th</sup> 100 Call at 1.09**  
**Sell 2 NKE Mar 20<sup>th</sup> 103 Calls at 0.37 each**  
**Net Cost = 0.35**

*Data Source: Bloomberg*

# NKE Earnings

## Ratio Spread

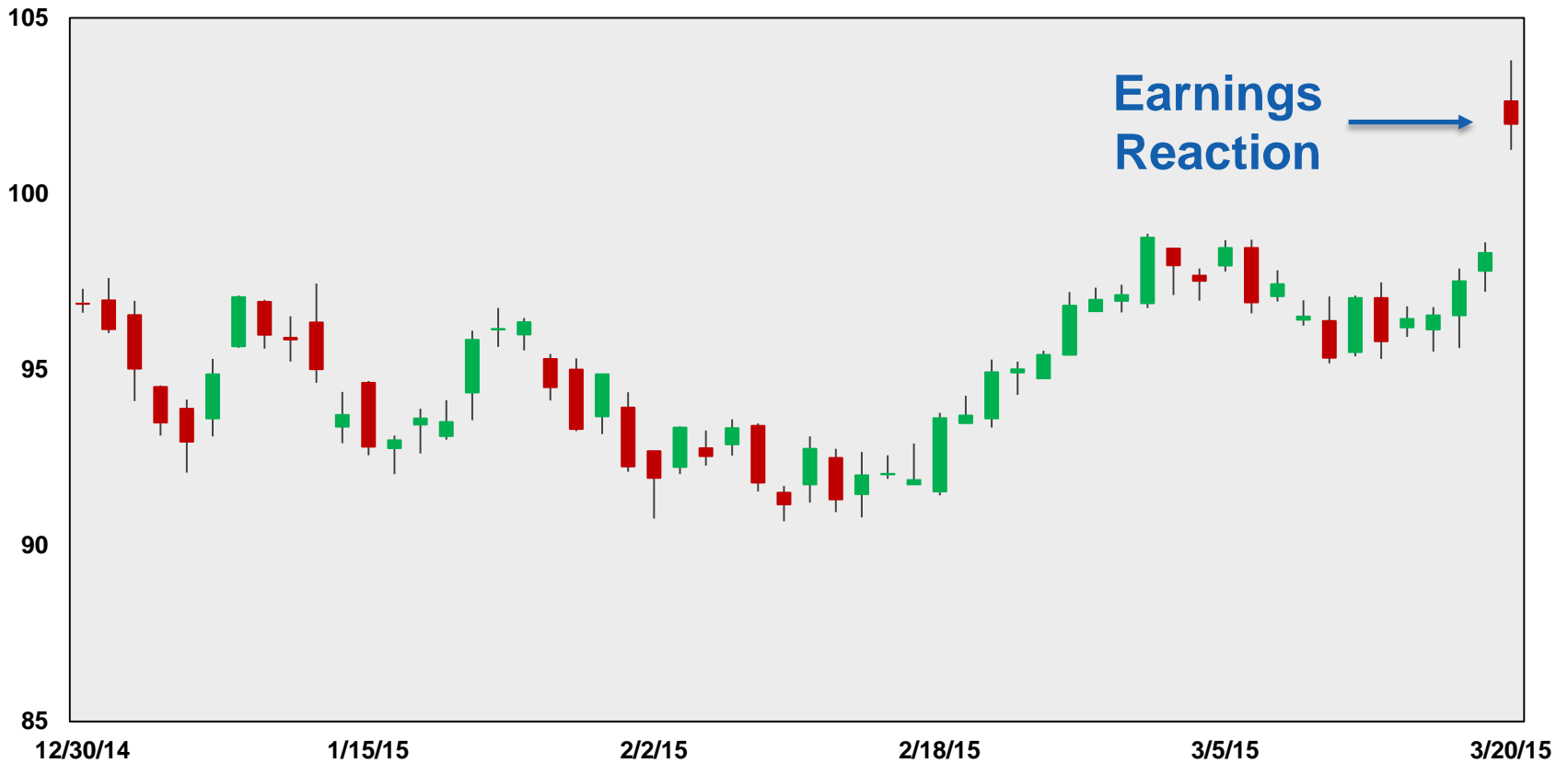
### Long 1 100 Call / Short 2 103 Calls



# NKE Earnings

## Price Action

### Daily Prices



Data Source: Bloomberg

# FDX Earnings

## Bear Call Spread

- FDX Reported earnings Wednesday March 18 before the market open
- Early in the trading day, with FDX stock around 178.04 someone sold a bear call spread

### Three year summary of FDX earnings reactions

Max	Min	Abs Avg.	Last Q
6.16%	-6.89%	3.08%	-3.72%

**Sell 1 FDX Mar 20<sup>th</sup> 177.50 Call at 3.72**

**Buy 1 FDX Mar 20<sup>th</sup> 182.50 Call at 1.57**

**Net Credit = 2.15**

*Data Source: Bloomberg*

# FDX Earnings

## Bear Call Spread

**Short 1 177.50 Call / Long 1 182.50 Call**



Trade Price  
178.04

+2.15

-2.85

# FDX Earnings

## Bull Put Spread

- FDX Reported earnings Wednesday March 18 before the market open
- Later in the trading day, with FDX stock around 176.80 someone sold a bull put spread

### Three year summary of FDX earnings reactions

Max	Min	Abs Avg.	Last Q
6.16%	-6.89%	3.08%	-3.72%

**Buy 1 FDX Mar 20<sup>th</sup> 170.00 Put at 0.91**

**Sell 1 FDX Mar 20<sup>th</sup> 172.50 Put at 1.46**

**Net Credit = 0.55**

*Data Source: Bloomberg*

# FDX Earnings

## Bull Put Spread

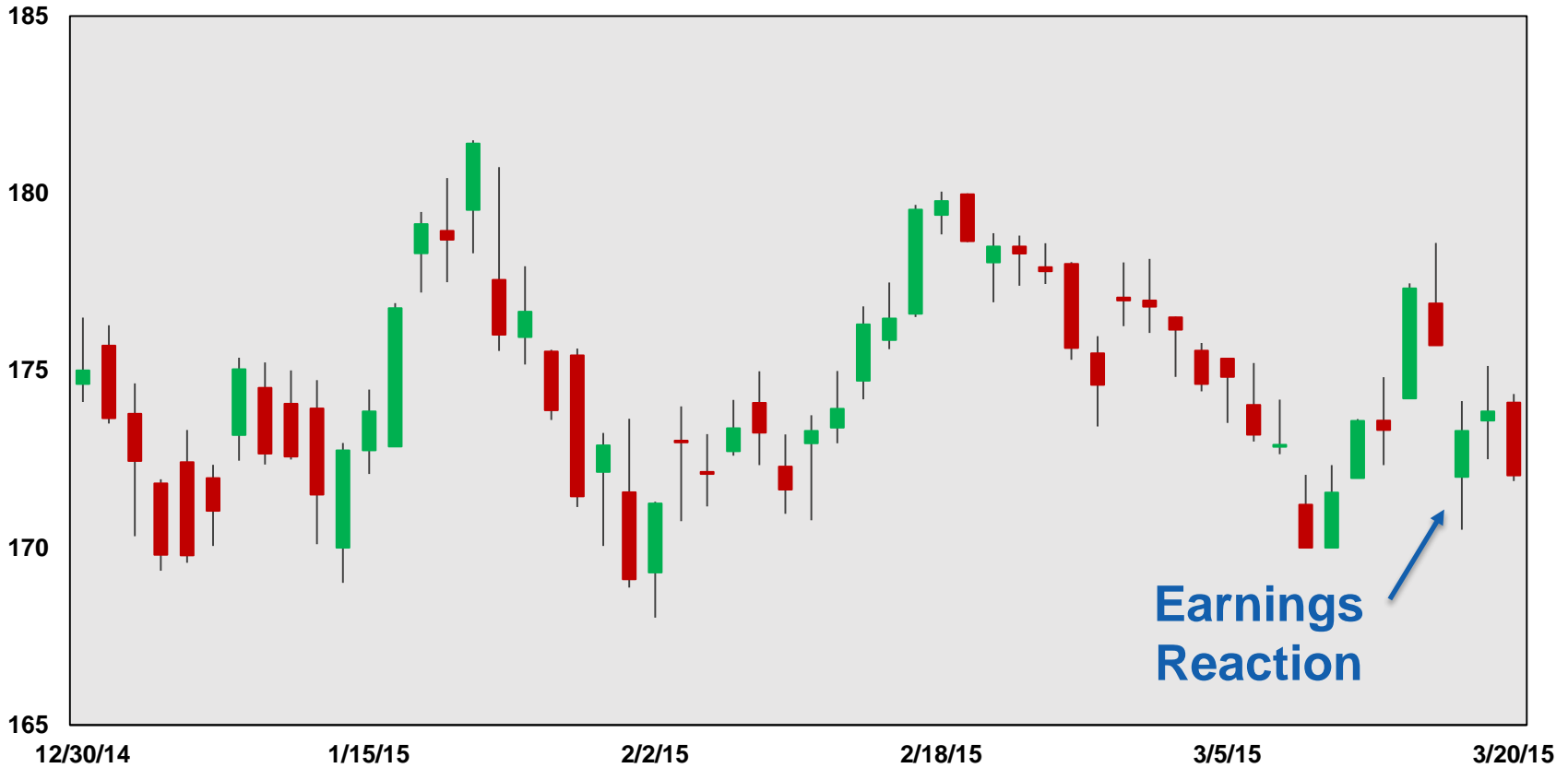
Short 1 172.50 Put / Long 1 170.00 Put



# FDX Earnings

## Price Action

### Daily Prices



Data Source: Bloomberg



# OTM RUT Spread

## Bear Call Spread

**March 12, 2015**

**Russell 2000<sup>®</sup> Index at 1235**

**Sell 1 RUT Mar 20<sup>th</sup> 1280 Call at 0.30**

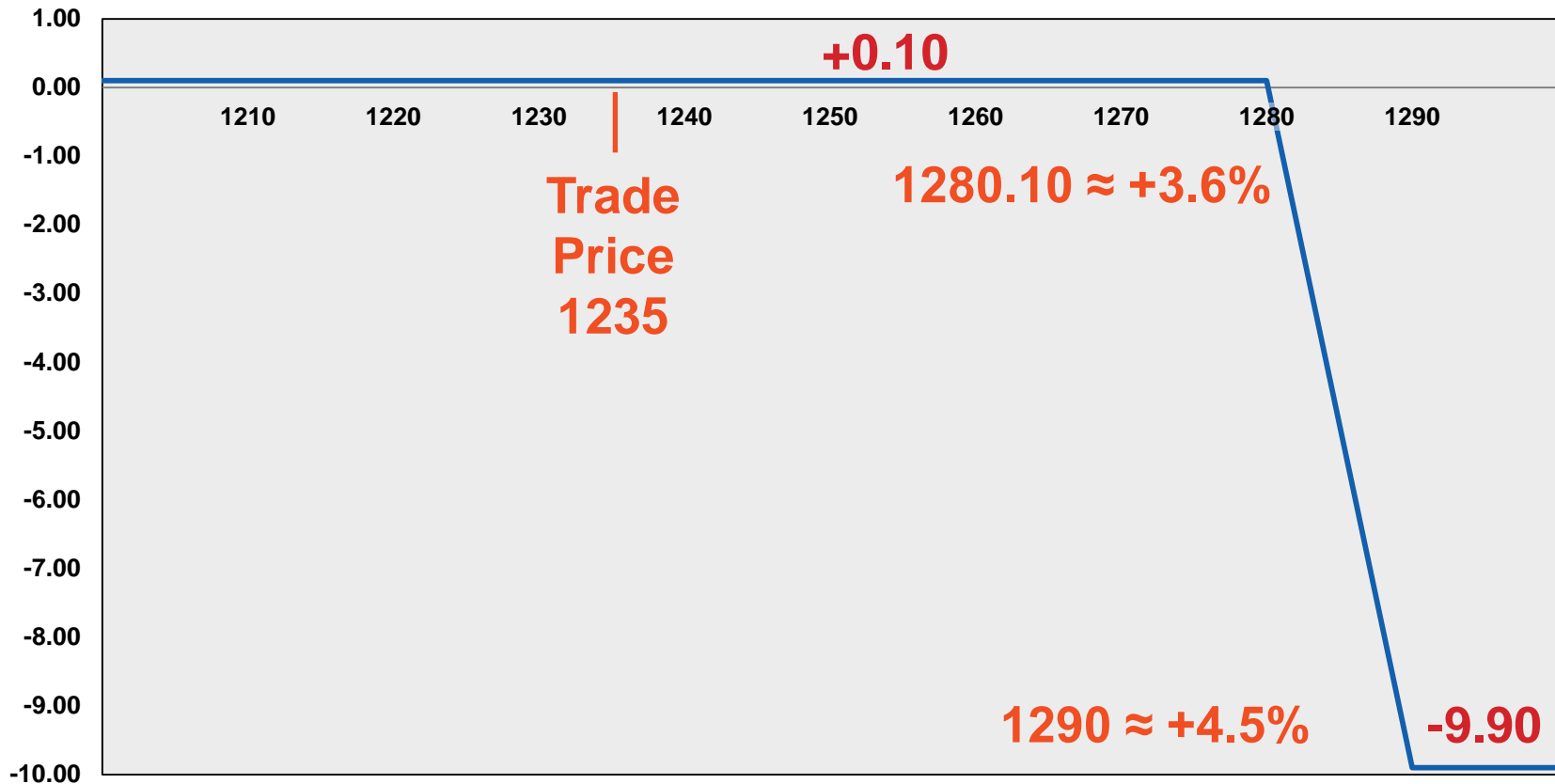
**Buy 1 RUT Mar 20<sup>th</sup> 1290 Call at 0.20**

**Net Credit = 0.10**

# OTM RUT Spread

## Bear Call Spread

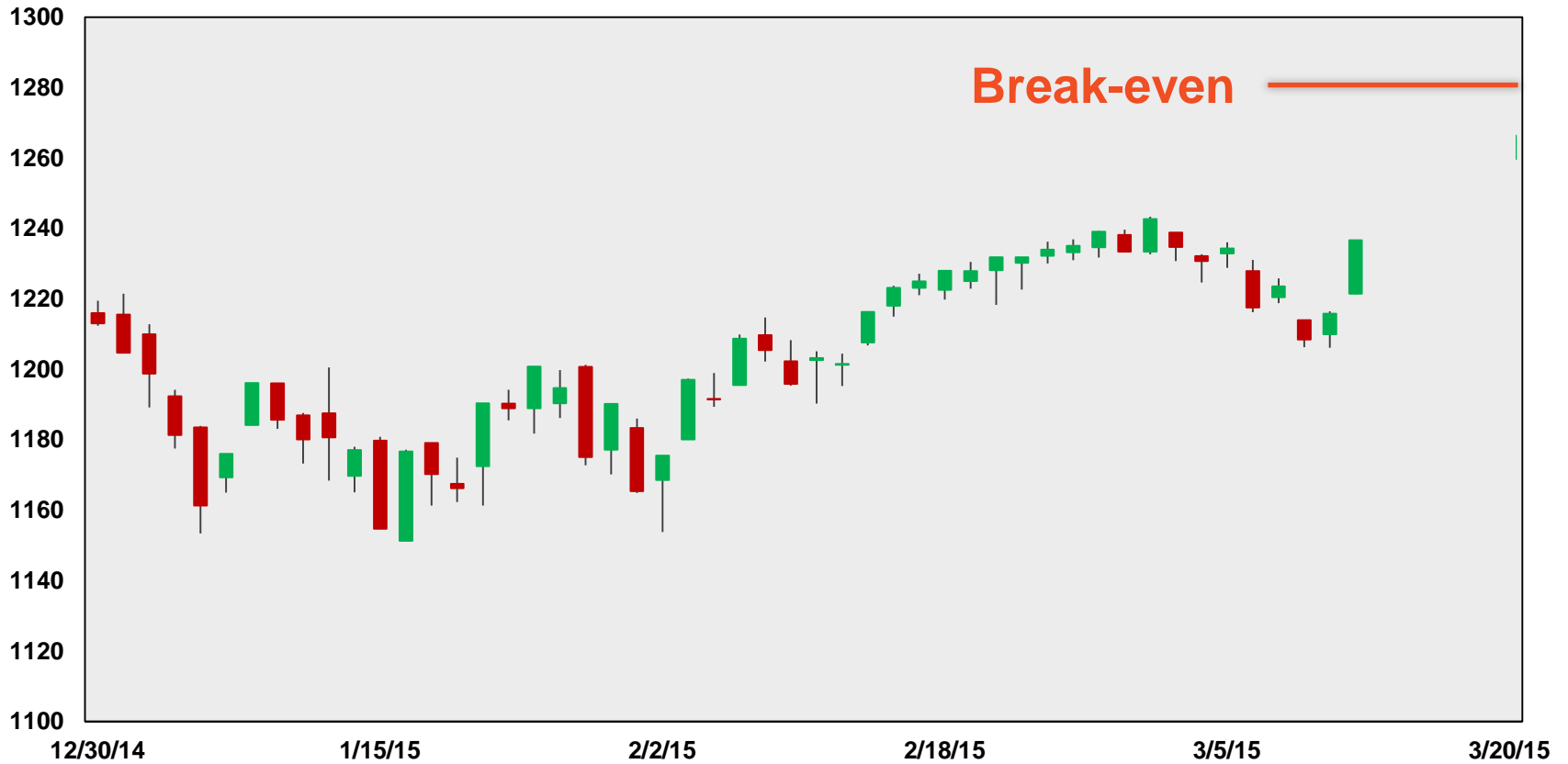
### Short 1280 Call / Long 1290 Call



# OTM RUT Spread

## Price Action

### Daily Prices



Data Source: Bloomberg

# Questions / Resources / Suggestions

## Questions?

[www.cboeoptionshub.com](http://www.cboeoptionshub.com)

[www.cboe.com/weekly](http://www.cboe.com/weekly)

## Contact with suggestions

[rhoads@cboe.com](mailto:rhoads@cboe.com)