

[Interactive Brokers Webcast](#)

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

June 17, 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/>>. 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 to provide investment advice. Any strategies discussed, including examples using actual 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® and Russell 2000® are registered trademarks of the Frank Russell Company, used under license. 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

- **HD Earnings**
- **WMT Earnings**
- **BBY Earnings**
- **Russell 2000[®] Trade**
- **Contact Info**

HD Earnings

Bear Call Spread

- HD reported earnings after the close Monday May 18th
- Bear Call spread was executed early in the day when HD was trading at 113.62 (stock closed at 114.33)

Three year summary of HD earnings reactions

Max	Min	Abs Avg.	Last Q
5.69%	-2.43%	3.13%	3.98%

Sell 1 HD May 22nd 114 Call at 1.69

Buy 1 HD May 22nd 115 Call at 1.21

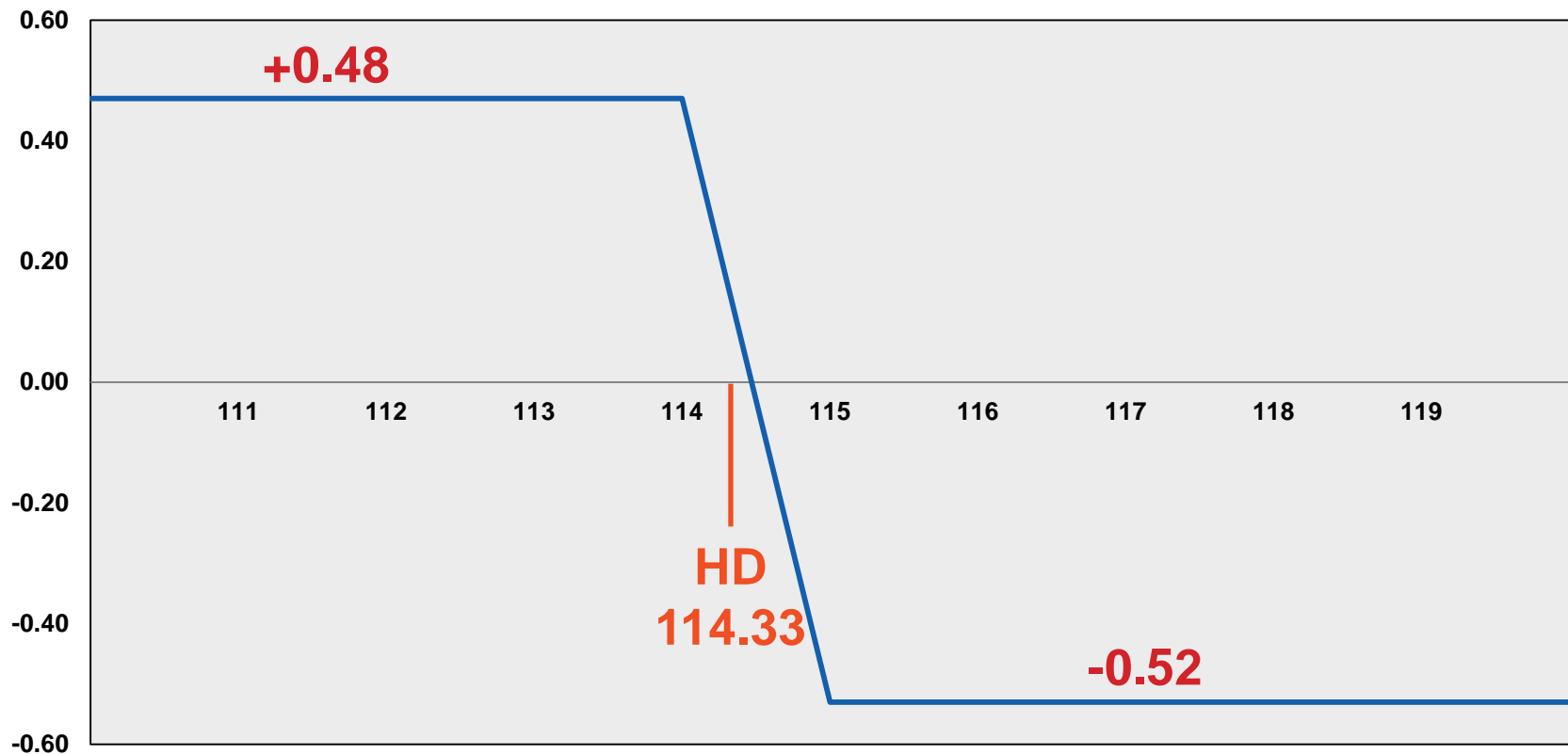
Net Credit = 0.48

Data Source: Bloomberg

HD Earnings

Bear Call Spread

Short HD 114 Call / Long HD 115 Call



HD Earnings

Bullish Butterfly Spread

- HD reported earnings after the close Monday May 18th
- Butterfly spread was executed mid-afternoon when HD was trading at 113.76 (stock closed at 114.33)

Three year summary of HD earnings reactions

Max	Min	Abs Avg.	Last Q
5.69%	-2.43%	3.13%	3.98%

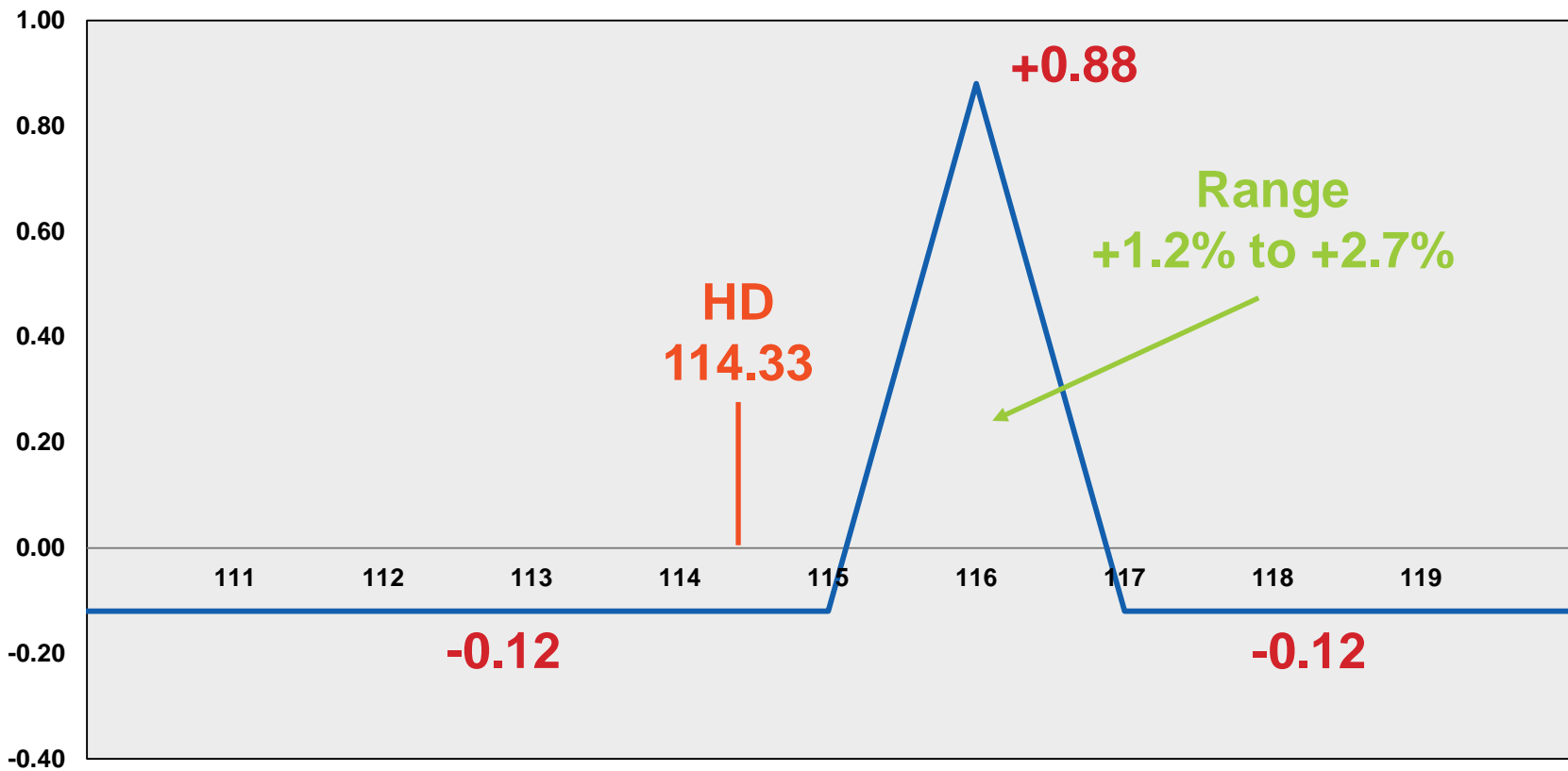
Buy 1 HD May 22nd 115 Call at 1.11
Sell 2 HD May 22nd 116 Calls at 0.74
Buy 1 HD May 22nd 117 Call at 0.49
Net Debit = 0.12

Data Source: Bloomberg

HD Earnings

Bullish Butterfly Spread

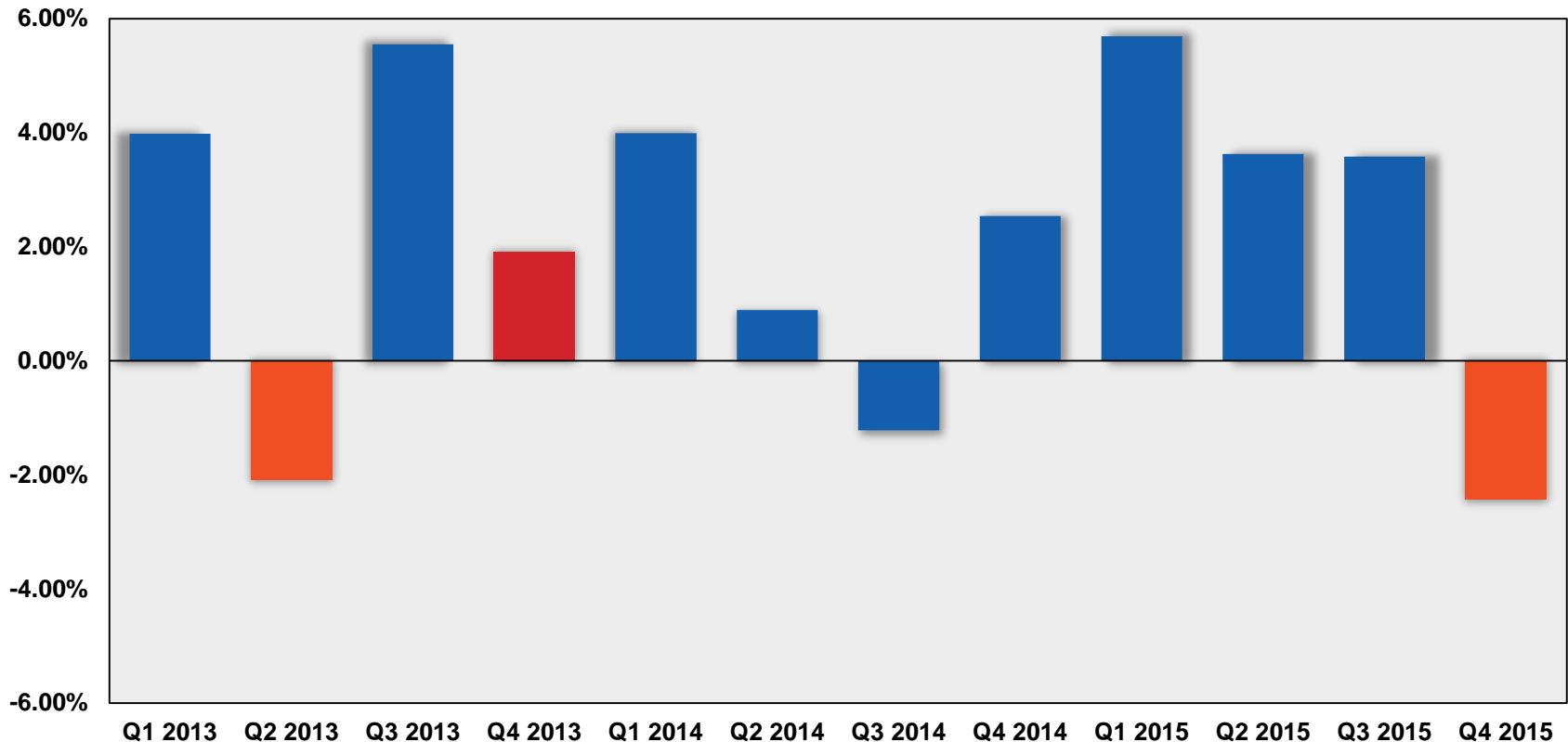
Long HD 115 Call / Short 2 HD 116 Calls / Long HD 117 Call



HD Earnings

Bullish Butterfly Spread

3 Year Earnings History Breakdown –

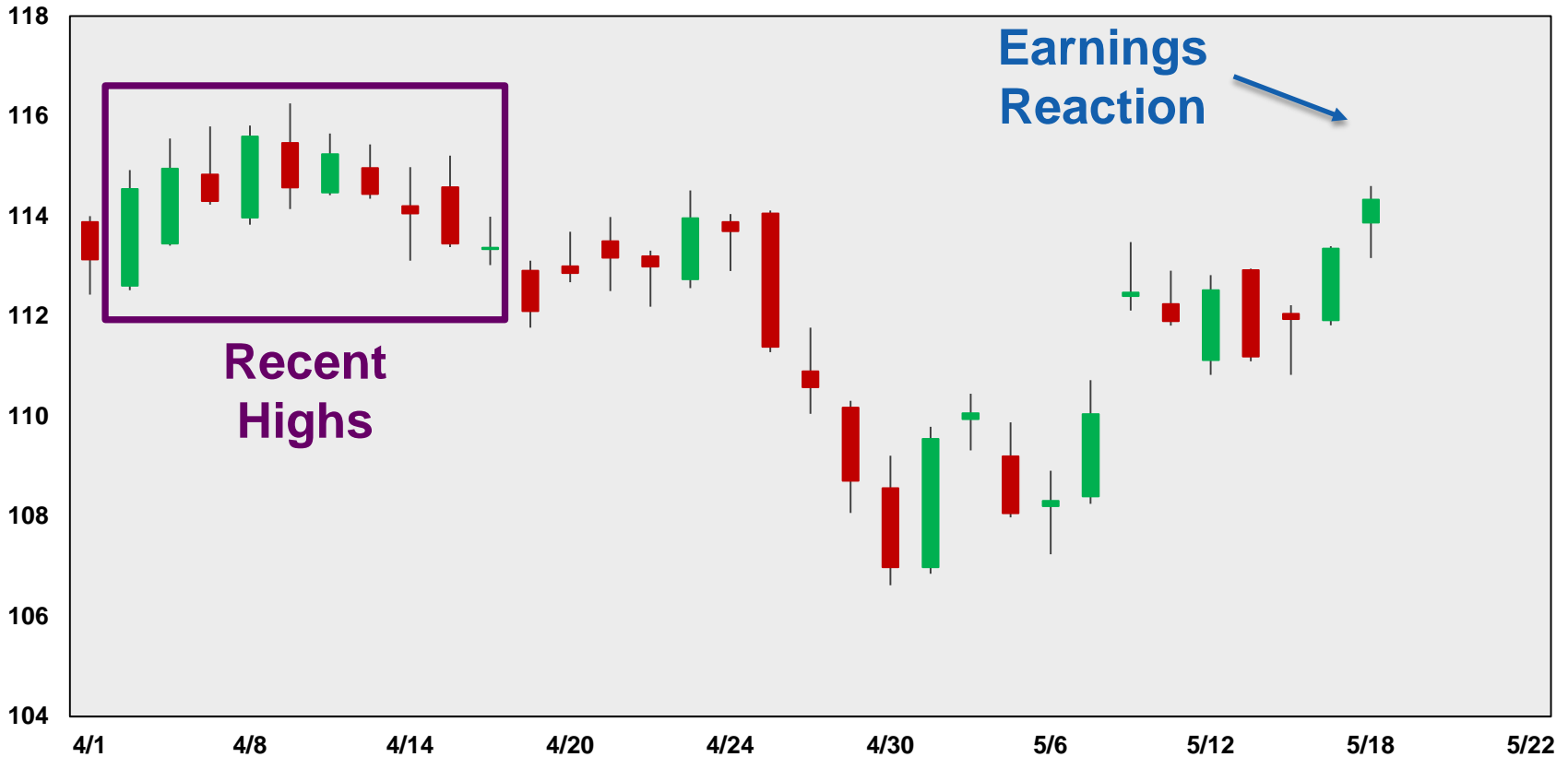


Data Source: Bloomberg

HD Earnings

Price Action

Daily Prices



Data Source: Bloomberg

WMT Earnings

Long Put

- WMT reported earnings after the close Monday May 18th
- There was a buyer of WMT 77.50 Puts at 0.35 and 0.36 throughout the trading day

Three year summary of WMT earnings reactions

Max	Min	Abs Avg.	Last Q
4.72%	-3.63%	2.47%	3.21%

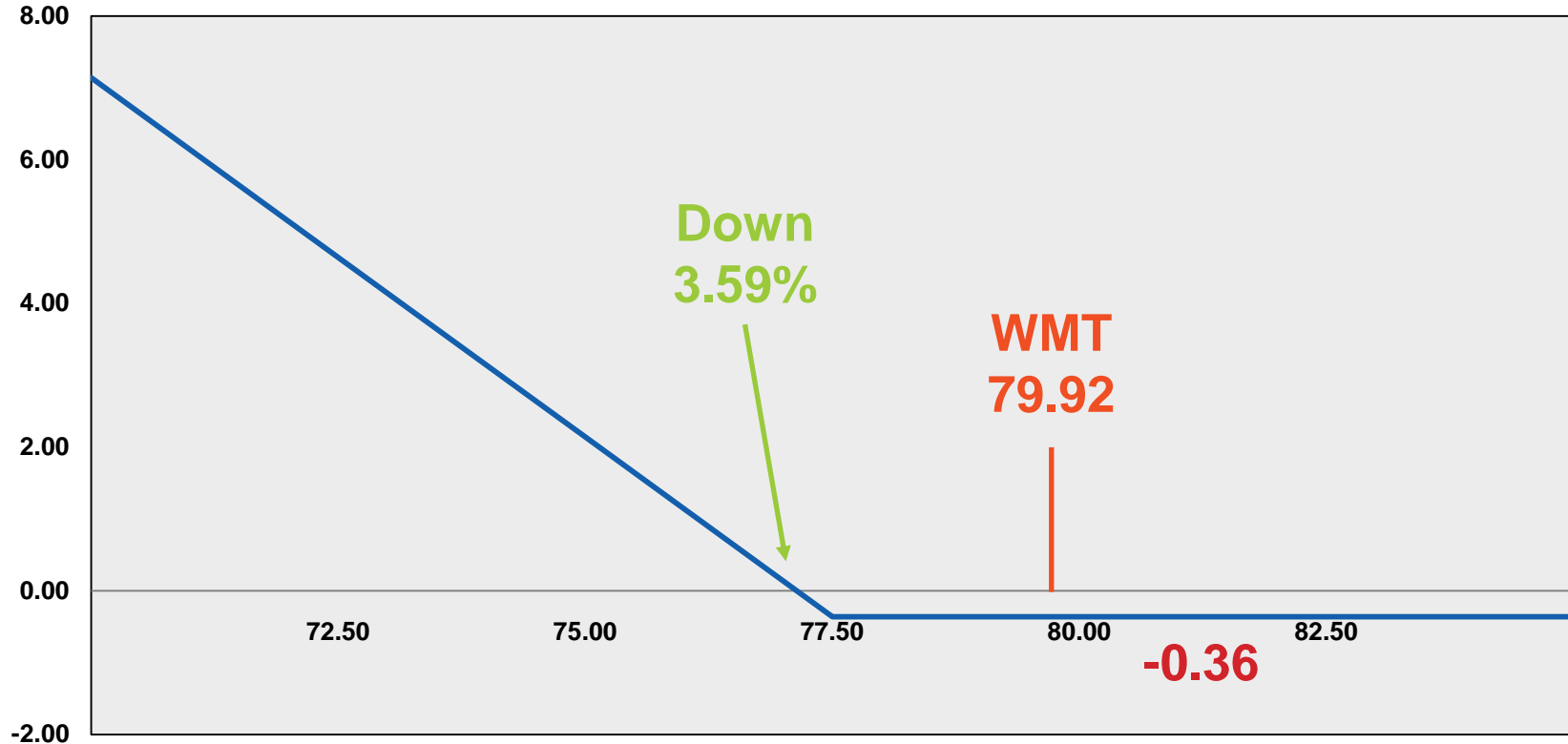
Buy 1 WMT May 22nd 77.50 Put at 0.36

Data Source: Bloomberg

WMT Earnings

Long Put

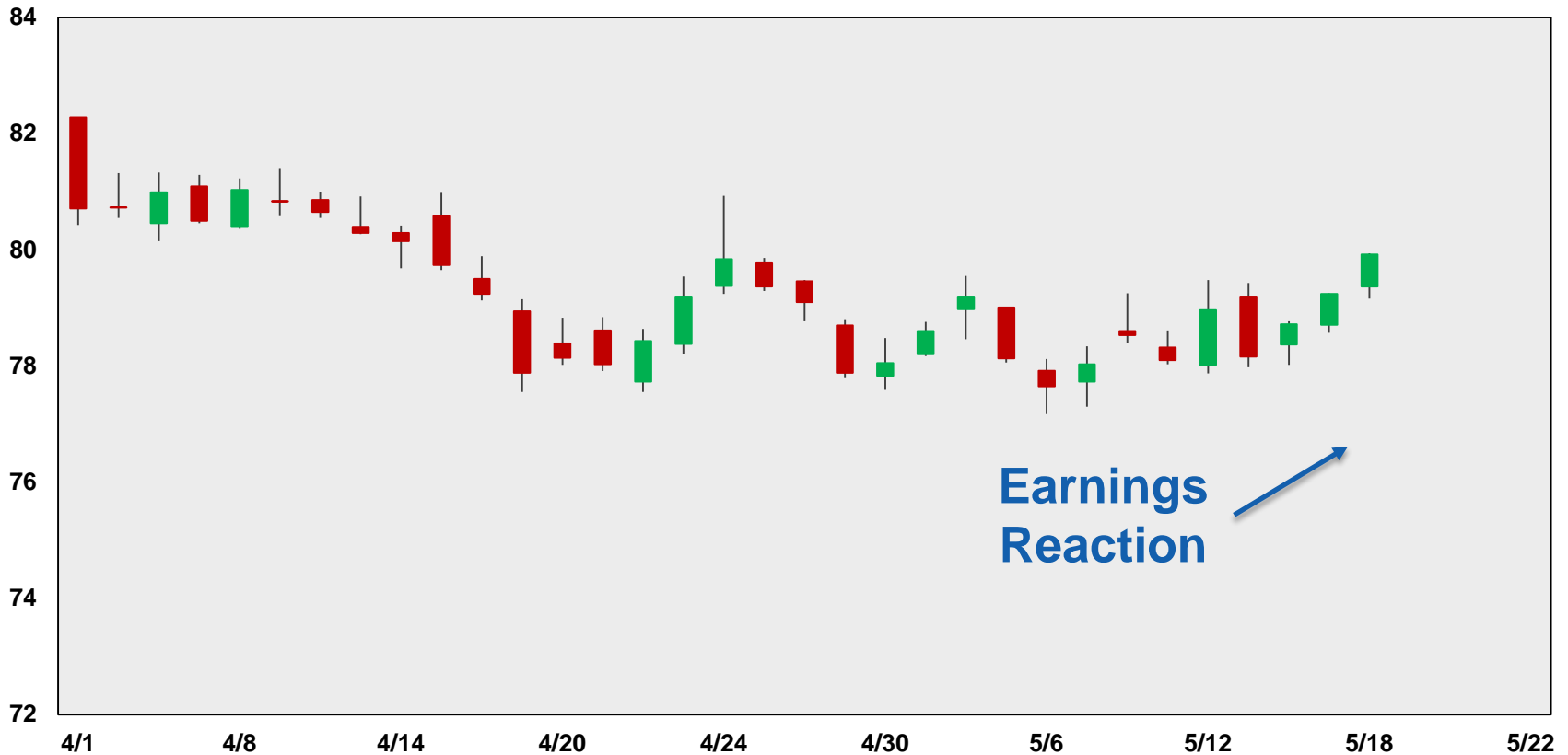
Long 77.50 Put



WMT Earnings

Price Action

Daily Prices



Data Source: Bloomberg

BBY Earnings

Long Call Spread

- **BBY reported earnings before the open on Thursday May 21st**
- **There was a buyer of an out of the money call spread late in the trading day on May 20th**

Three year summary of BBY earnings reactions

Max	Min	Abs Avg.	Last Q
13.24%	-13.02%	5.73%	1.42%

Buy 1 BBY May 22nd 35.00 Call at 0.70

Sell 1 BBY May 22nd 36.50 Call at 0.25

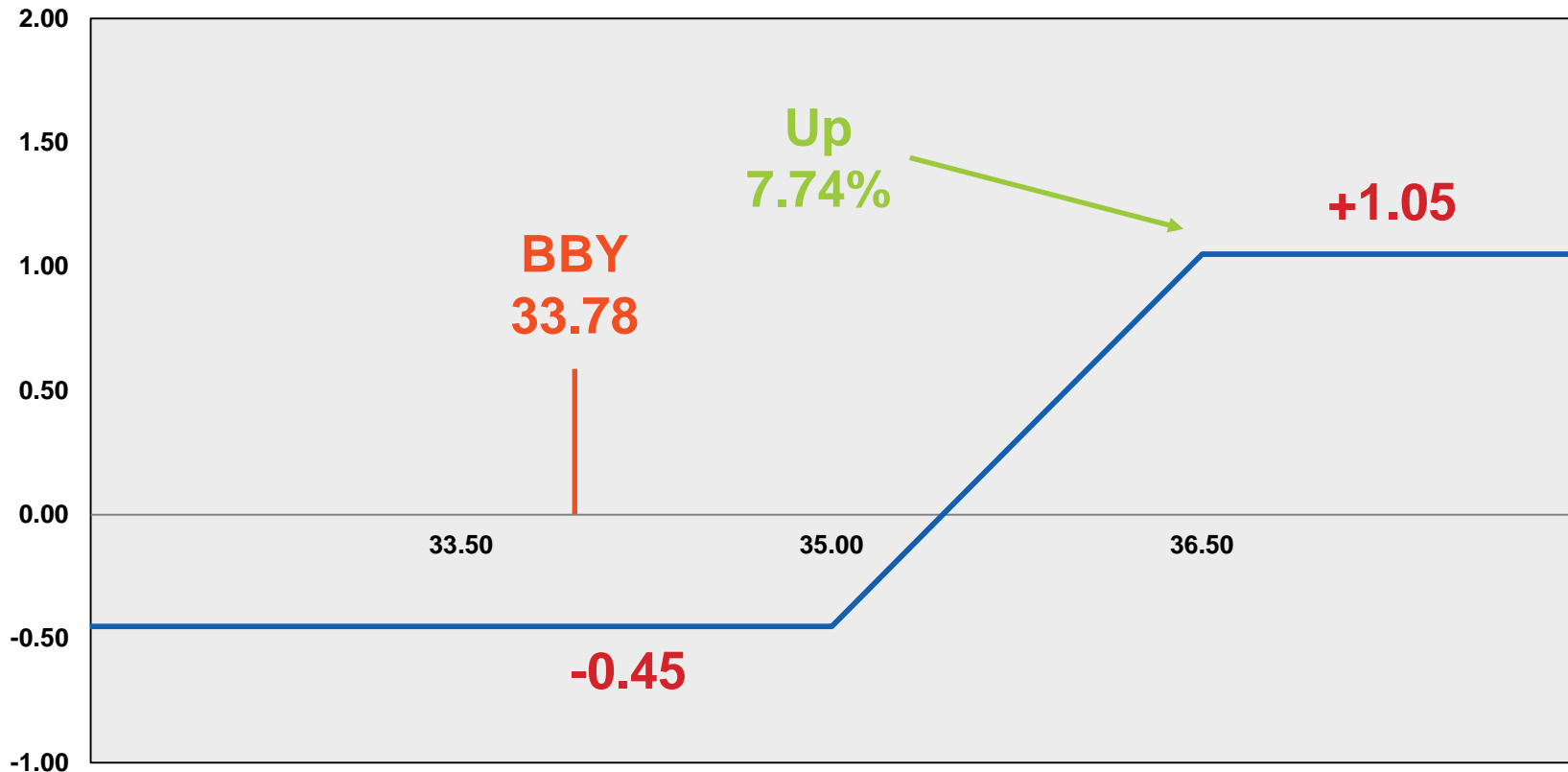
Net Debit = 0.45

Data Source: Bloomberg

BBY Earnings

Long Call Spread

Long 35.00 Call / Short 36.50 Call



BBY
33.78

Up
7.74%

+1.05

-0.45

33.50

35.00

36.50

2.00
1.50
1.00
0.50
0.00
-0.50
-1.00

BBY Earnings

Ratio Call Spread

- BBY reported earnings before the open on Thursday May 21st
- The afternoon before earnings was a buyer of one in-the-money BBY call who also sold two out-of-the-money calls

Three year summary of BBY earnings reactions

Max	Min	Abs Avg.	Last Q
13.24%	-13.02%	5.73%	1.42%

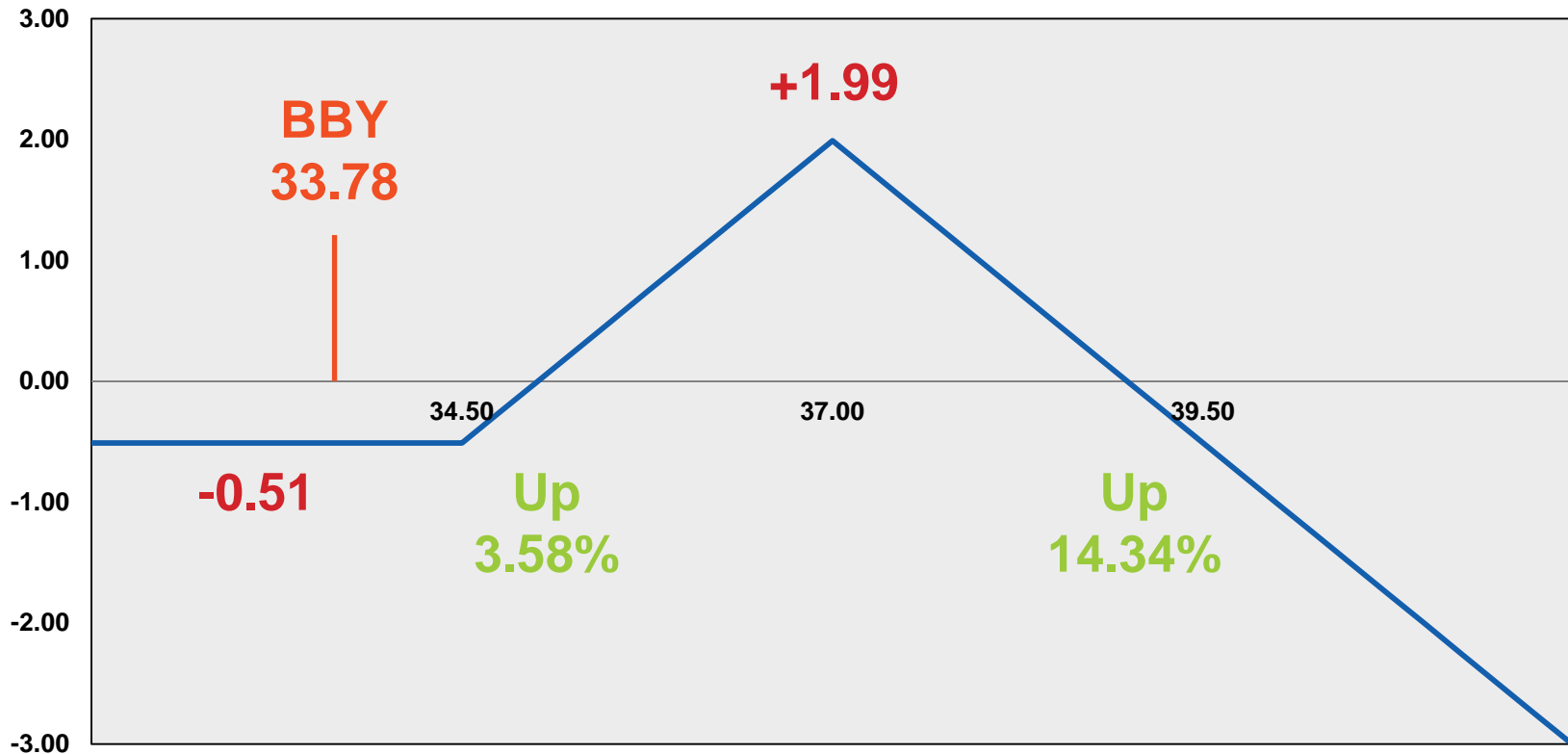
Buy 1 BBY May 22nd 34.50 Call at 0.91
Sell 2 BBY May 22nd 37.00 Calls at 0.20 ea
Net Debit = 0.51

Data Source: Bloomberg

BBY Earnings

Ratio Call Spread

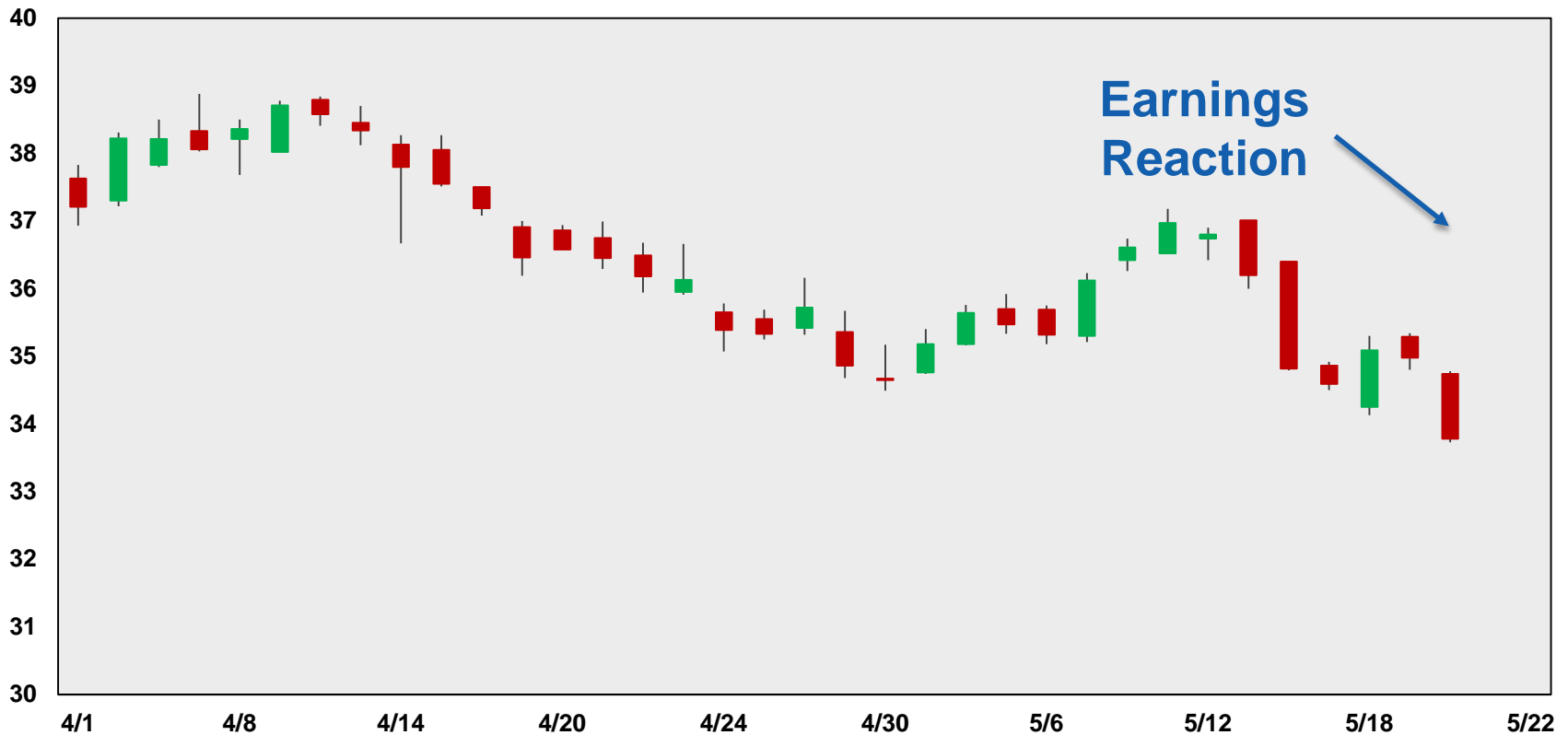
Long 1 34.50 Call / Short 2 37.00 Calls



BBY Earnings

Price Action

Daily Prices



Data Source: Bloomberg

Russell 2000 Trading

OTM Bear Call Spread

- Near the close on Friday May 8th there was a seller of an out-of-the-money calls spread
- The Russell 2000 closed the day at 1234.93

Sell 1 RUT May 15th 1275 Call at 0.14

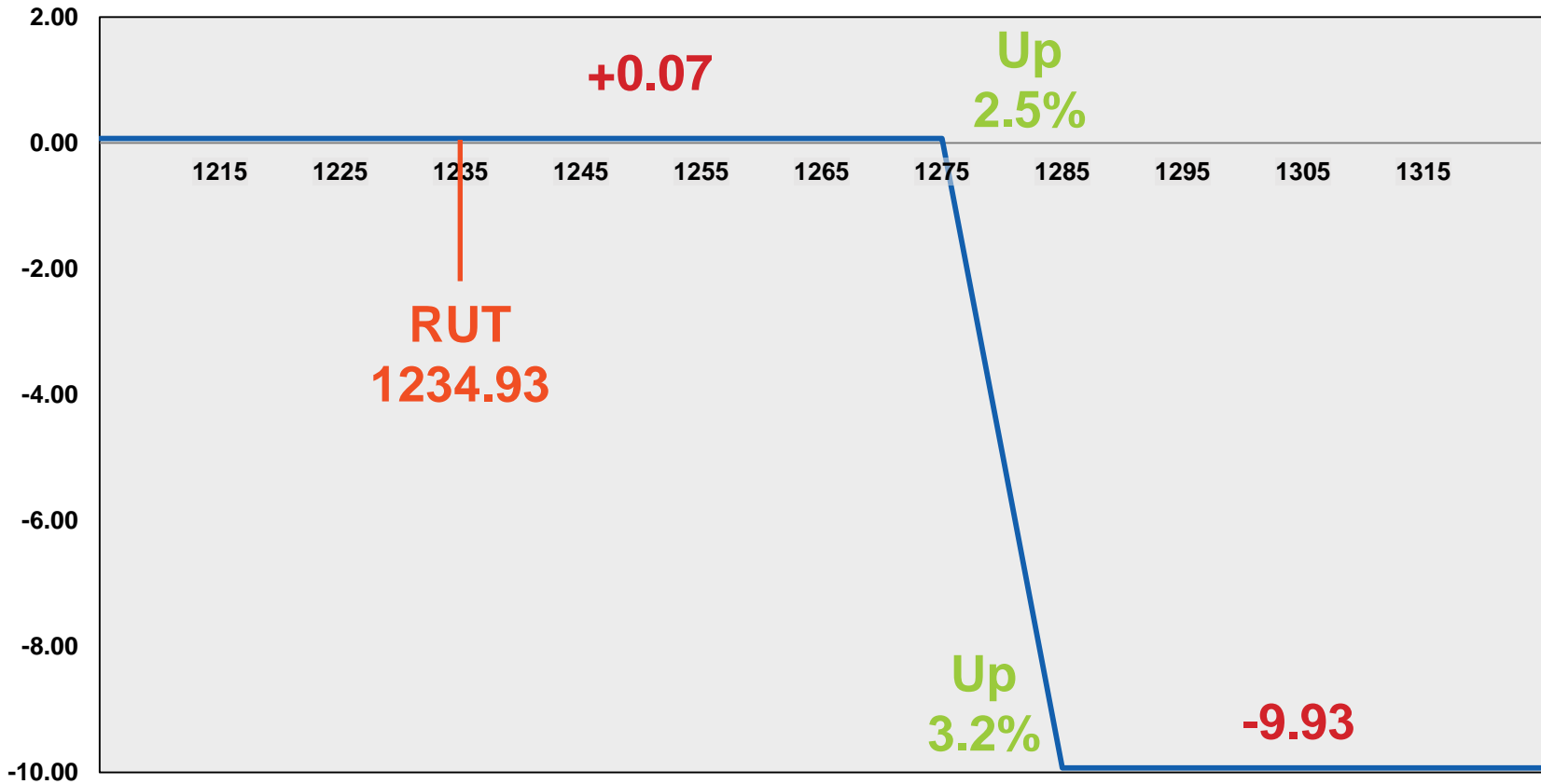
Buy 1 RUT May 15th 1285 Call at 0.07

Net Credit = 0.07

Russell 2000 Trading

OTM Bear Call Spread

Short 1 RUT 1275 Call / Long 1 RUT 1285 Call



Russell 2000 Trading

Price Action

Daily Prices



Questions / Resources / Suggestions

Questions?

www.cboeoptionshub.com

www.cboe.com/weeklys

Contact with suggestions

rhoads@cboe.com