



# It's Your Call

## CALL OPTION PLAYBOOK

APRIL 26, 2019

*HEMI DAY*

# Calling the Shots

- ▶ Inventory Includes AAPL, CAH, CVS, DAL, FL, GM, LVS, O, TGT, WMT, etc.
- ▶ Like to keep 100 shares in inventory at all times
  - ▶ Didn't do this with CSCO, CVI and STX; expect those inventories to be called away on or before June 21 (however strike prices are much higher than cost bases)
  - ▶ MET is also getting close

# Placing the Call

- ▶ Buy and hold strategy
  - ▶ Tortoise vs. hare
- ▶ Prefer large or very large cap
  - ▶ Dividend payers
  - ▶ Lower volatility (compared to small cap)
- ▶ Sell calls, collect premiums (great for tax deferred accounts)
  - ▶ Increases positive cash flows
  - ▶ Reduces cost basis

# Rule Call

- ▶ Don't sell a call, if cost basis is higher than market
- ▶ If stock price is expected to go down, look for strike near market and expiry 6 to 12 months out
- ▶ If stock is expected to drop 15% or more, consider in the money strike
  - ▶ When stock hits a major resistance level, buy back call and / or buy more stock
  - ▶ If price is expected to head back up, consider a call spread

# Placing the Call Example

► TGT (Friday close \$77.12)

2019	Symbol	Cost Basis	Price at Trade	STO	Expiry	Strike	Premium	Extended	Price at Expiry	Ex Dividend	Amount	52 Week High	52 Week Low
2-19	TGT	\$58.41	\$73.62	2	3-22	\$80	\$0.66	\$132	\$78.32			\$90.39	\$60.15
3-21	TGT	\$57.76	\$79.39	2	10-19	\$90	\$1.85	\$370	TBD	5-14	\$0.64	\$90.39	\$60.15
										9-20	\$0.64		

# Close Calls

- ▶ XLRE .....hit \$36.71 on April 15 (Friday close \$35.99)
- ▶ CSCO.... hit \$57.53 on April 16 (Friday close \$55.88)
- ▶ MET .....hit \$46.53 on April 12 (Friday close \$45.10)
- ▶ O..... hit \$74.05 on April 15 (Friday close \$70.58)

2019	Symbol	Cost Basis	Price at Trade	STO	Expiry	Strike	Premium	Extended	Price at Expiry	Ex Dividend	Amount	52 Week High	52 Week Low
2-19	XLRE	\$31.16	\$34.32	2	5-17	\$35	\$0.55	\$110	\$TBD	3-15	\$.2035	\$35.22	\$30.11
2-22	CSCO	\$22.75	\$49.93	1	1-17	\$50	\$4.05	\$405	\$TBD	(4)	\$0.35	\$50.22	\$40.25
2-27	MET	\$39.28	\$44.85	2	5-17	\$47.50	\$0.72	\$144	\$TBD	5-06	\$0.44	\$43.83	\$37.76
3-6	O	\$42.72	\$69.88	2	9-20	\$75	\$0.98	\$196	\$TBD	Monthly	\$0.23	\$70.48	\$59.24

# Put up or Shut Up

- ▶ Puts can be riskier
- ▶ Expensive form of insurance
- ▶ Easy way to lose dividend gains
- ▶ Have had better luck with calls



# Call of the Wild

- ▶ Risky small or mid caps
- ▶ Wide bid / ask spreads
- ▶ Greater risk = greater reward

2019	Symbol	Cost Basis	Price at Trade	STO	Expiry	Strike	Premium	Extended	Price at Expiry	Ex Dividend	Amount	52 Week High	52 Week Low
2-19	DFRG	\$9.05	\$8.65	1	6-21	\$10	\$0.70	\$70	\$TBD	N/A	\$18.05	\$35.22	\$5.86
2-21	FOSL	\$14.96	\$14.67	2	1-17	\$25	\$1.38	\$276	\$TBD	N/A		\$32.17	\$12.98
2-27	RDFN	\$20.06	\$19.07	2	1-17	\$27	\$1.10	\$220	\$TBD	N/A		\$26.01	\$13.50



# When Nature Calls

## Natural Resources

- ▶ Oil (energy) sector
  - ▶ ETFs: OIH, XLE
  - ▶ Stocks: PAA, PBR, CCR, CNQ, CVI, DKL, DO, ENB, MIC, MUR, RIG, VLO
- ▶ Mining and Materials: CENX, CLF, FCX

# When Nature Calls

2019	Symbol	Cost Basis	Price at Trade	STO	Expiry	Strike	Premium	Extended	Price at Expiry	Ex Dividend	Amount	52 Week High	52 Week Low
1-31	PBR	\$7.48	\$16.29	4	7-19	\$20	\$0.57	\$228	\$TBD	N/A		\$17.20	\$9.02
2-8	PBR	\$7.48	\$15.67	2	7-19	\$17	\$1.09	\$218	\$TBD	N/A		\$17.20	\$9.02
3-7	PBR	\$7.48	\$15.02	2	1-17	\$15	\$2.32	\$464	\$TBD	N/A		\$17.20	\$9.02
2-22	RIG	\$6.70	\$8.36	6	8-16	\$12	\$0.23	\$138	\$TBD	N/A		\$14.47	\$6.19
2-27	DKL	\$18.55	\$31.21	2	8-16	\$35	\$0.81	\$162		5-01	\$0.82	\$35.50	\$27.02

# When Nature Calls

2019	Symbol	Cost Basis	Price at Trade	STO	Expiry	Strike	Premium	Extended	Price at Expiry	Ex Dividend	Amount	52 Week High	52 Week Low
2-20	FCX	\$12.19	\$13.51	3	8-16	\$16	\$0.75	\$225	\$TBD	4-12 7-12	\$0.05	\$19.68	\$9.60
2-28	MUR	\$29.55	\$28.94	1	7-19	\$32.50	\$1.08	\$108	\$TBD	5-17	\$0.25	\$36.53	\$21.51
2-28	CLF	\$(2.66)	\$11.45	5	7-19	\$14	\$0.54	\$270	\$TBD	N/A		\$13.10	\$7.44

# Doctor's House Call

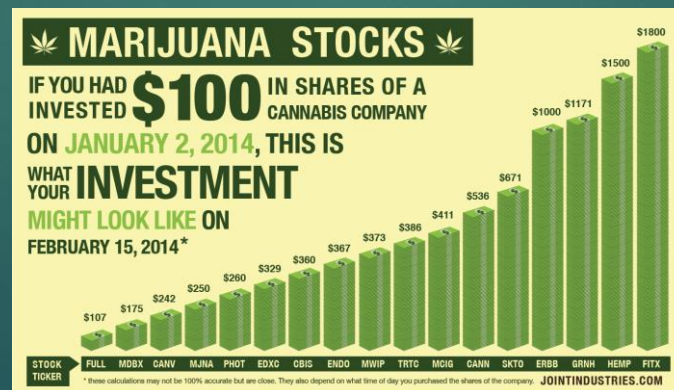
## Healthcare

- ▶ ACB
- ▶ BHC
- ▶ CAH
- ▶ GILD
- ▶ PSCH
- ▶ XLV

Top 10 Health Care Stocks For Dividend Growth And Income					
Rank	Company	Ticker	10/5/15 Price	4/07/17 Price	% Difference
1	AbbVie Inc.	ABBV	\$56.68	\$65.54	13.52%
2	Pfizer Inc.	PFE	\$33.48	\$34.10	1.82%
3	Merck & Company	MRK	\$51.23	\$63.13	18.85%
4	Johnson & Johnson	JNJ	\$94.76	\$124.92	24.14%
5	Gilead Sciences Inc.	GILD	\$99.26	\$66.58	-49.08%
6	Owens & Minor Inc.	OMI	\$34.08	\$34.19	0.32%
7	Quest Diagnostics	DGX	\$63.66	\$97.85	34.94%
8	Amgen Inc.	AMGN	\$143.80	\$163.38	11.98%
9	Abbott Labs	ABT	\$41.39	\$43.83	5.57%
10	Medtronic plc.	MDT	\$70.87	\$80.37	11.82%
Average Return:					7.39%
Health Care SPDR (ETF)		XLV	\$68.47	\$74.41	8.68%
SPDR S&P 500 ETF Trust		SPY	\$198.47	\$235.20	18.51%

# Doctor's House Call

2019	Symbol	Cost Basis	Price at Trade	STO	Expiry	Strike	Premium	Extended	Price at Expiry	Ex Dividend	Amount	52 Week High	52 Week Low
2-27	CRON	\$13.36	\$20.91	2	5-17	\$29	\$0.90	\$180	\$TBD	N/A		\$25.10	\$4.75
4-18	CRON	\$13.36	\$16.23	2	6-21	\$20	\$0.71	\$142	\$TBD	N/A		\$25.10	\$4.75



# Keeping Track

2019	SYMBOL	Cost Basis	Price at Trade	BTO	STC	STO	BTC	Expired	Called Away	EXPIRES	STRIKE	PREM	EXTENDED	COMM	FEE	Option Value	NET	Buy Back?	Expired?	Exercised?	Ex Div.	Pay Date	Amount	Extended	Principal	% Yield	Annualize d Yield	NOTES	52 Wk High	52 Wk Low		
	22-Jan	DKL	\$ 18.55	\$ 29.37						16-Aug	\$ 35.00	\$ 0.60	\$ 60.00	\$ (3.95)	\$ (0.04)	\$ 56.01	\$ 56.82					1-Feb	12-Feb	\$ 0.81	\$ 81.00	\$ 1,855.00	3.06%	5.25%		\$ 35.50	\$ 27.02	
	24-Jan	KR	\$ 29.20	\$ 28.71						18-Apr	\$ 31.00	\$ 0.78	\$ 78.00	\$ (3.95)	\$ (0.05)	\$ 74.00	\$ 74.14					14-Feb	1-Mar	\$ 0.14	\$ 14.00	\$ 2,920.00	2.54%	15.23%		\$ 32.74	\$ 32.74	
	18-Apr							1																								
	25-Jan	PAA	\$ 19.63	\$ 23.23						15-Aug	\$ 27.00	\$ 0.57	\$ 57.00	\$ (3.95)	\$ (0.04)	\$ 53.01	\$ 53.31					30-Jan	14-Feb	\$ 0.30	\$ 30.00	\$ 1,963.00	2.72%	5.43%		\$ 27.70	\$ 19.65	
	30-Jan	LVS	\$ 27.16	\$ 57.07	1					20-Sep	\$ 65.00	\$ (2.52)	\$ (252.00)	\$ (4.60)	\$ (0.05)	\$ (256.65)	\$ (255.88)					19-Mar	28-Mar	\$ 0.77	\$ 77.00	\$ 2,716.00						
	31-Jan	GM	\$ 29.44	\$ 38.83						21-Jun	\$ 46.00	\$ 0.46	\$ 46.00	\$ (3.95)	\$ (0.04)	\$ 42.01	\$ 42.39					7-Mar	22-Mar	\$ 0.38	\$ 42.01	\$ 2,944.00	1.44%	3.46%		\$ 45.00	\$ 30.56	
																						7-Jun										
	31-Jan	PBR	\$ 7.48	\$ 16.29						19-Jul	\$ 20.00	\$ 0.57	\$ 114.00	\$ (3.95)	\$ (0.08)	\$ 109.97	\$ 109.97					N/A		\$ 109.97	\$ 1,496.00	7.35%	14.70%		\$ 17.20	\$ 13.09		

# Last Call!

THANK YOU FOR SITTING THROUGH MY PRESENTATION



**LAST  
CALL**