

PALOS

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Palos Weekly Commentary

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Options Corner

By Robert Mendel

As slow last week was, this week was anything but.

With oil continuing to slide, I thought it was finally time to sell a put. Why not? the same so-called experts who just 2 months ago called for oil at \$100 were now calling for a break below \$50. So with oil in the low \$50s I sold the Spider S&P Oil and Gas ETF, better known as XOP (now I have a problem with this symbol. Do I put it under 'X' or under 'O' on my screen? this is my big dilemma for the week, I had someone in the office tell me to put it somewhere else, I left that one alone...)

Anyway, back to my plays – which is why I know you guys get up in the morning. On December 06 with it trading at \$31.10 (52 week high of \$45 and low of \$30) I sold the Dec 14 \$30 puts for .69 cents which equated to a 2.3% return for 8 days. I didn't have to wait that long because the following morning I bought it back at .19 cents. Job well done. On Monday the 10th I reloaded and with the stock at \$30.45, I sold the same ones for .92 cents, this time for a 3.1% return in 5 days – if it works. I did the same thing with Marathon Oil. It traded at \$15.78, so I sold the December 14 \$15 put for .33 cents, a 2.2% return in 8 days. Again, I didn't have to wait that long as I bought it back the next morning at .11 cents.

I also wanted to play some US financials as that sector was hit hard too. On December 06 with Citigroup at \$58.50 I sold the December 14 \$58 puts for \$1.12, a 1.9% return in 8 days and sold the JP Morgan December 14 \$102 puts for \$1.55 with the stock at \$103.25, a 1.5% return here. On the same day I sold Blackstone Group (the private equity shop) December 14 \$30 puts for .55 cents with the stock at \$31.15, a 1.8% return in 8 days. Its 52-week hi/lo is \$40.60 and \$29.29

And the reason the potential returns are so good for all these plays is because the volatility is so high, which is why I want to stay only one week out.

Wait, just had to run to the presses and stop the printing... Just bought back the XOP Dec 14 puts I sold Monday for .39 cents. Two for two! Now I can resubmit it.

Until next time.

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