

PALOS

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Palos Weekly Commentary

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Options Corner

By Robert Mendel

I'm baaack...

For my friend Cunny in Toronto, I want to explain a Tesla position I put on yesterday (Tuesday March 19). If only Elon would stay quiet for at least several days but really why should I complain, the price fall hasn't hurt me at all.

Remember a month or so ago, with Tesla trading around \$300, I sold a March 15 \$330 call and a \$270 put for a total credit of around \$8? Well that worked out even though Tesla fell to the \$270 area because it stayed above \$262. I would like to do something similar but with Tesla this low the probability of a snapback is now even greater. So that won't work. But with the stock trading near a 52-week low of \$244.59 and a lot of negative sentiment built in I thought the time was right for another put sale. And this is where my friend Cunny comes in.

So yesterday, (Tuesday March 19) with it trading down \$5 and near \$264, I sold a March 22 \$257.5 put for \$3.40 which would equate to a 1.3% 4-day return if it stays above the strike ($3.40/257.50$) even if the stock falls 2.5% ($264-257.5/264$). Now we know it can fall more than that in 25 seconds especially with our friend Elon tweeting all the time – hey maybe he and the Donald have a private bet on who can tweet the most?? – but I thought the risk/reward was worth it.

On another note FedEx just missed on earnings and will now trade near 11x earnings after opening at \$170. But since this is the second downward revision 11x may be a little optimistic. I will look to add to my position, yes that's right, adding. I guess I wasn't so smart in the first place. Will let you know if and when I re-enter. In the meantime, I am tired of writing so until next week...

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