

PALOS

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Palos Weekly Commentary

Issue No. 16 | APRIL 18 2019

Options Corner

By Robert Mendel

Oops, or maybe I should say it more professionally. Ok, here goes... oops. Remember last week I spoke about my play on Intuitive Surgical? (ISRG) just goes to show you why I do what I do. I was wrong. But because I only had a 40% position I can now add more if I wish. I may very well, after earnings which will be released this afternoon after the close (April 18). Why did it come down? Nothing company specific but it was tied into the healthcare slide this week so it gives me confidence that once this short-term noise is over so too will the correction. And by selling calls against the stock my cost was \$551.97. As I write this, the stock is opening at \$525, so no good but certainly not terrible. My April 18 call 565 call is expiring this afternoon so I will let it expire and then sell calls after the earnings as I am willing to bet there will be a spike. Here is the current ISRG position.

ISRG US	200.0000	524.50	104,900.00	561.26	112,251.00	03/28/19	-7,351.00
ISRG US 04/18/19 C565	-2.0000	0.55	-110.00	21.00	-4,200.00	04/15/19	4,090.00

Since my friend AG told me I should brag about my successes I thought the only appropriate thing to do was talk about my headaches. And boy have I had a big one in the last several weeks with my healthcare positions, most notably United Health (UNH). It reported fantastic earnings but really who knows what the heck will happen with all the political uncertainty. But like I said I think the noise will die down and it will end up being business as usual. Take a look at this golden play! And you guys thought I was smart... ha, joke's on you. Here you can see I bought it on March 4 at \$265 (now granted I was assigned on puts I sold at \$5 and I have sold calls totaling \$6, so my cost is actually \$254) and have averaged down through another put sale on April 11 at \$220 and received \$2.35. As I write this the stock is at \$217.50. My plan is not to roll but to take the stock once again and average down and continue selling out of the money calls. Remember, I can do this because I have stuck to my own rules. And that is to never put on a full position right away. In this case I have allocated \$250,000 for UNH, so even with this second position it will only take me to \$194,000 (400x265+400x220)- excluding options sold.

UNH US	400.0000	215.84	86,336.00	265.00	106,000.00	03/04/19	-19,664.00
UNH US 04/18/19 P220	-4.0000	5.20	-2,080.00	2.35	-940.00	04/11/19	-1,140.00

Let's see, until next time...

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PALOS

1 Place Ville Marie, Suite 1670
Montreal (QC) H3B 2B6, Canada

T. +1 (514) 397-0188
F. +1 (514) 397-0199

1 St. Clair Avenue East Suite 504
Toronto, Ontario M4T 2V7

T. +1 (647) 276-0110
F. +1 (647) 276-0110

www.palos.ca