

PALOS

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Options Corner

By Robert Mendel

I walk into my daughter's room the other day and ask her what she's doing. Now, as you know, with teenage daughters that is always a tricky question, but I was feeling bold enough to ask. Of course, it helps I bring my catcher's mask just in case she lobs something at my face. Anyway, she says she has nothing to do. What about all those quality hours you spend watching your TV I ask. "Nothing to watch, summer re-runs" she replies.

And then it hit me – no, not anything she threw, but an idea. Since I really have nothing to say anyway for my weekly Options Corner let's have solidarity with the TV season and run re-runs and do a top 10 list of my favorite ones. So, without further delay, let us go back to May 3rd, 2018 Issue 18. Have fun reading below and as usual feel free to talk about it with the family around the dinner table.

Mendel's Option Corner by Robert Mendel

I was in the kitchen the other week minding my own business trying not to get sucked into anybody's vortex when my daughter the princess comes in and says 'daddy, make me an egg. Now, who can say no to such a heartfelt request? "With cheese," she then says. Yes, cheese! Who doesn't like cheese? And then it occurred to me; isn't Saputo back to price levels not seen in two years? So, I dusted off my pad and paper and got to work and this is what I did the following morning. A classic put selling strategy. With SAP at \$41.27 I sold July 38 puts for \$1.60. The return if SAP is above 38 is 4.2% (1.60/38) in 93 days which is 16.5% annualized. I still have 7.9% stock downside to still generate maximum profit. I have 11.8% downside before any loss of capital (41.27-36.40)/41.27. The returns above are non-leveraged. The bottom line is that I could be wrong by 11.8% on the direction of the stock (which would take it below the 2-year low) and still not lose any money. Now that's not bad. Of course, my daughter just likes her cheese.

Until next week...

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