

Investing in the market's volatility: Bristow's Puts and Calls

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Note from the Publisher: We asked writer Dean Bristow to diarize his day in the market for our reader's pleasure. Please note that the below is for entertainment purposes only and is not intended to provide trading advice. Dean Bristow is not a licensed investment advisor and may not extend buy or sell recommendations. One final note: Prices where stated are in Canadian dollars.

Wow! What a wild ride over the last several days in the market, to say the least. The old adage that the market goes up like an escalator and down like an elevator was pretty accurate for this microcosm in time. I have been completely engrossed by the market action since the first U.S. bank earnings came across the wire on Jan 14th. You could already see the market getting twitchy and unsettled which could signal that it was time to get defensive, or it could be a sign of opportunity knocking. Now typically I consider myself an investor and not a trader but every once in a while, I get a little too self-confident and think I can possibly outwit the market. This is a tale of my last week in the markets and only time will tell if I'm smart, lucky or about to get my face ripped off.

As I noted above, things got started for me after J.P. Morgan Chase & Co. (NYSE: JPM) released earnings on Jan 14th. Despite beating on earnings and revenue, guidance was for higher expenses and moderating Wall Street revenue leading to a potential dip in returns relative to recent years. This caused

J.P. Morgan's stock to fall over 6% on the day, which is a huge single day move for a boring bank stock. To me, this was a case of opportunity knocking. With the specters of inflation and higher interest rates, which are typically a boon for financial institutions, I decided to act. With the stock trading at around \$158 at the time I sold near term (Feb 18/22) puts with a \$150 strike for what I thought was a pretty reasonable return of \$1.36. For those not keen on options trading, it means someone has the right to sell me JPM at \$150 any time between now and Feb 18th, in the meantime I collected \$1.36. From a technical perspective, I thought \$145 was a solid floor or a technical support level and was happy to own JPM at a net price of \$148.64, with limited downside. I figured I might as well generate some income while the market figures things out.

Obviously, that wasn't my smartest trade as turned out that Jan 14th was merely the beginning of this latest market correction. At one point in time yesterday JPM traded at \$139.60 putting me offside 6% before I even own the stock (most of the time options get put to the writer at expiry, or within a few days thereof, if they are "in the money"). Remember, I've committed to pay \$150 for this stock less the \$1.36 I've already collected. The safe move would have been to buy back the put option, terminate the obligation and take my lumps. You've probably figured out by now that this isn't a story about the safe path forward.

The market continued to swoon and by last Friday it was looking pretty beaten up. Surely it was time for dip buyers to step up to the plate. So, I pulled up my charts and looked for some more technical support levels and decided to try again. This time I targeted Amazon.com Inc. (NASDAQ: AMZN) and Palantir Technologies Inc. (NYSE: PLTR). The latter being a play on the double whammy for stocks that are large holdings of Kathy Wood's ARK Innovation ETF (AMEX: ARKK) and its massive outflows through

this stretch. The theory being that big holding in ARKK are seeing double selling pressure from both the fund and individual investors. Keep in mind this is Dean logic, not necessarily market logic. Again, I was selling puts, albeit short term on PLTR (Feb 18/22 \$13 strike for \$0.84) and longer term on AMZN (Jan 20/23 \$1,740 strike for \$32.31) given I have more comfort and conviction around being a shareholder of AMZN. As of mid-day Monday, this was looking like strike two, as I was still too early.

They say fortune favors the bold so for better or worse I went back to the trough yesterday. For me, the market action on Monday was a complete adrenaline rush. I had charts and options chains open in several different windows. If I had more screens, I probably would have looked at a lot more and transacted a lot more. However, because my wife is still working from home, and I've been relegated to the kitchen table with my laptop, I did as much as I felt comfortable doing, which wasn't insignificant (at least for me). A summary of my executed Monday trades are as follows:

AMZN – Sell Jan 20/23 \$1,650 PUT @ \$42.73

JPM – Sell Jan 20/23 \$105 PUT @ \$5.39

PLTR – Sell Jun 17/22 \$10 PUT @ \$1.29

SHOP – Sell Jan 20/23 US\$430 PUT @ \$29.45

V – Sell Jan 20/23 \$150 PUT @ \$7.60

MSFT – Buy @ \$287.91

FB – Buy @ \$302.00

CYBR.T0 – Buy @ C\$41.84

I also bought a small amount of crypto on both Friday and Monday, because, apparently, I've been locked in my house for far too long and I'm in desperate need of stimulation. There were also several more trade orders that didn't get executed. And if that wasn't exciting enough, about an hour before market close when I was taking a breather and staring out the window to try and relax, I caught a porch pirate attempting to make off with a package from the neighbor's house. A ran outside and yelled at him and he put the package back and ran away but at this point in time, I had to turn off Bloomberg TV and close my computer screen to decompress. I didn't see how the market finished the day until about an hour after the close. I'll be happy when things calm down a little and I can put all this excitement behind me. Once every couple of years for market action like this is plenty for me.