COVERED OPTION WRITING

ON MARCH 15 WE DISCUUSED A COVERED CALL ON **WYNN**

WYNN was $99.00 per share…. Call option to buy WYNN @ 105.00 (expiring on April 19TH) was $1.65

March 15th-April 19th is 35 Calendar days and 25 trading days

1. For the option to just break even stock would have to move from $99 to $106.65. (105 strike price plus the $1.65 paid for the option). Equals $7.65
   a. 7.65 divided by 35 is 22 cents per calendar day
   b. 7.65 divided by 25 is 31 cents per market day
   c. Everyday the stock doesn't move UP the option losses 7 cents,
2. On March 20th WYNN closed at 100.00 option was 1.63
3. On March 28, WYNN closed at $102.23 option closed at 1.76
   a. Stock was up 3.26% and option made 7.97%
   b. Stocks average daily move is 25 cents, calendar, 32 cent trading
      i. Just what we calculated the stock had to move for option to NOT loss value
4. WYNN announces earnings in early May (10th?) and goes EXDIVIDEND MAY 17th.
   a. So there was going to be no trigger for the stock to rally

ANOTHER EXAMPLE:

TGT on March 22nd was $168.63 , goes ex dividend for 1.10 on May 14th

The May 175 (expires May 15th, AFTER stock goes EX=DIV) sells for $3.16

1. You get called away. Bought at 168.63, received 3.16 (option prm) + 1.10 (div) + 6.37 (appreciation) = 10.63.. 10.63/168.63= 6.30% in 7 weeks
   a. Event risk Earnings date 05/17, could be moved forward)
2. TGT chart pattern is cup and handle
3. March 18th Stock at 177.14, option at 6.80
4. TGT is a stock you can consistently make 2% per month selling 5% out of the money calls

AND ANOTHER EXAMPLE:

SCCO March 22nd was $104.36 May 115 sells for 2.40.. stock yields 3.10%. ex div 05/08 earnings 4/26

1. You get called away receive 2.40 + .80+ 10.64 = 13.84/104.36 =13.26% in 7 weeks
2. Chart pattern is a break out to new highs
3. March 28 stock closes at 106.46 option at 2.60
4. Stock lacks consistency

KNOW YOUR GREEKS

DELTA is the total amount the option price is expected to move based on a $1 change in the underlying security.

GAMMA measures the rate of change in the delta for each one-point increase in the underlying asset

VEGA measures the sensitivity of the price of an option to changes in volatility.

THETA a measure of the time decay of an option, the dollar amount an option will lose each day due to the passage of time.

TOPIC : ETFs that do covered call writing for you

JEPI 7.6% yield dropping?

JEPQ 8.9% short history yield dropping

QYLD Yield about 12%, payout dropped consistently until 2024

QYLG Yield about 5.5%

FTHI Yield 8.5% monthly, consistent amount

PBP. Yield 10.25%, but has transitioned from quarterly to monthly