



Trading Options Around Earnings

Trading Strategy Desk



Disclosures

- ✓ Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, please read [Characteristics and Risks of Standardized Options](#). Supporting documentation for any claims, if applicable, will be furnished upon request.
- ✓ Examples in this presentation do not include transaction costs (commissions, margin interest, fees) or tax implications, but they should be considered prior to entering into any transactions.
- ✓ The information in this presentation, including examples using actual securities and price data, is strictly for illustrative and educational purposes only and is not to be construed as an endorsement, recommendation.



Goals of Today's Webinar

In today's webinar we will cover:

- Researching Earnings
- What Implied Volatility is and how it impacts your trade
- Options Strategies that can be used for earnings plays
- How to estimate expected moves for earnings announcements



Earnings research

Fidelity.com → Research → Stocks → Enter Symbol

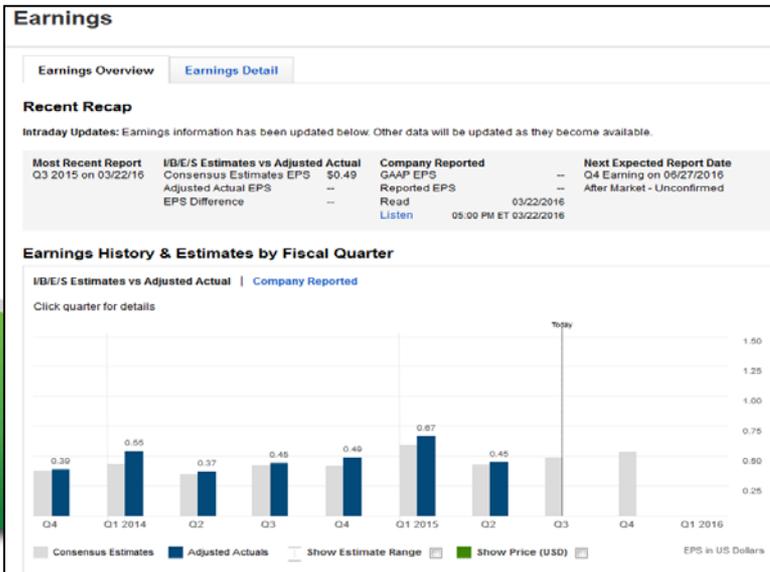
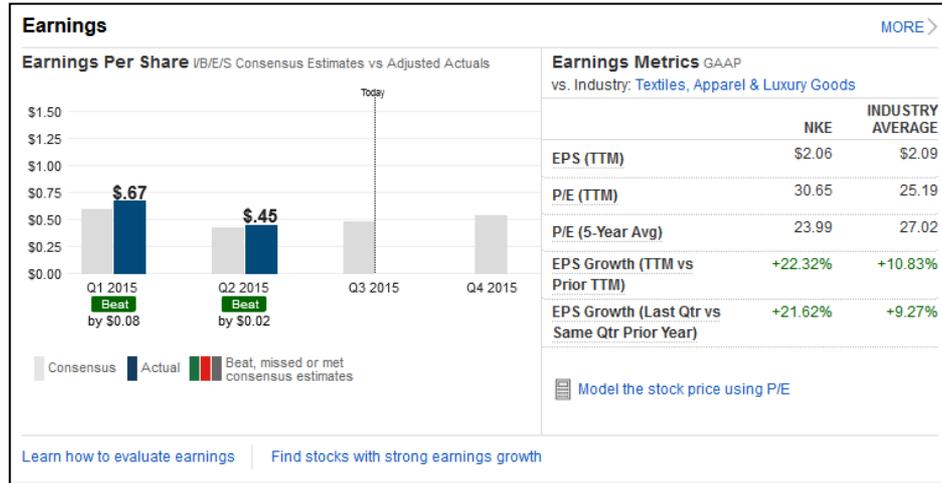
Earnings

Earnings Overview | Earnings Detail

Earnings History & Estimates by Fiscal Quarter

Quarter	Report Date	Report Time	I/B/E/S Estimates vs Adjusted Actual				Est. Low/High Range (\$)	Thomson Reuters SmartEstimate (\$)	StarMine (\$)	Company Reported	
			Consensus Est. EPS (\$)	Adjusted Actuals EPS (\$)	EPS Difference	EPS				GAAP EPS (\$)	Reported EPS (\$)
Q1 2016	09/22/16	After Market	--	--	--	-- / --	--	--	--	--	
Q4 2015	06/27/16	After Market	0.54 (27 Analysts)	--	-0.49 / 0.60	--	--	--	--	--	
Q3 2015	03/22/16	After Market	0.49 (28 Analysts)	--	-0.46 / 0.54	--	--	--	--	--	
Q2 2015	12/22/15	04:15 PM ET	0.43 (28 Analysts)	0.45	+0.02	0.80 / 0.91	0.43	0.45	0.90		
Q1 2015	09/24/15	04:15 PM ET	0.60 (27 Analysts)	0.67	+0.08	1.14 / 1.26	0.60	0.67	1.34		
Q4 2014	06/25/15	04:15 PM ET	0.42 (25 Analysts)	0.49	+0.07	0.78 / 0.88	0.42	0.49	0.98		
Q3 2014	03/19/15	04:15 PM ET	0.42 (26 Analysts)	0.45	+0.02	0.73 / 0.92	0.42	0.45	0.89		

[View More](#)



I/B/E/S Estimates vs Adjusted Actual (Fiscal Year)

	I/B/E/S Estimates vs Adjusted Actual		
	Consensus Est. EPS (\$)	Adjusted Actual EPS (\$)	Est. Low / High Range (\$)
Previous Year (Ends 05/31/15)	3.55 (29 Analysts)	1.85	3.49 / 3.60
Current Year (Ends 05/31/16)	2.15 (32 Analysts)	--	2.05 / 2.23
Next Year (Ends 05/31/17)	2.48 (32 Analysts)	--	2.27 / 2.74

GMI® Risk Rating®

Forensic analysis of financial reporting and governance practices to identify, measure, and monitor potential associated risks.

[Full GMI Company Report \(PDF\)](#) - 06/02/15

	1	2	3	4	5
					5

Worst Neutral Best

*AGR® Equity Risk Factor is a metric developed by GMI to correlate a firm's AGR Score with the general expected return of a firm's stock price.

EPS Market Comparison

	Compustat				I/B/E/S	
	P/E Ratio		PEG Ratio (5-Year Proj)	EPS Growth		Current Year vs. Previous Year
	TTM	5-Yr Historical Avg		Last Qtr vs. Same Qtr Prior Yr	TTM vs. Prior TTM	
NKE Nike Inc	30.7	24.0	2.4	+21.62%	+22.32%	+15.95%
Industry: Textiles, Apparel & Luxury Goods	25.2	27.0	2.6	+9.27%	+10.83%	+12.88%
Sector: Consumer Discretionary	20.8	77.2	2.7	+71.91%	+11.46%	+30.06%
Market S&P 500® Index	--	--	--	-15.48%	--	--

Historical vs. Implied volatility

➤ Historical volatility (HV)

- Uses *actual* pricing data over the specified period
- Measure of *realized* volatility
- Can be gauged by looking at a price chart
- Based on number of trading days – i.e. HV20 includes 20 trading days worth of data



Historical vs. Implied volatility

➤ Implied volatility (IV)

- Derived from the option contract prices on the given security
 - Measure of *expected* movement
 - Based on calendar days for a theoretical option i.e. IV30 is for 30 calendar days.
- Volatility is both an *input* for, and an *output* from, option theoretical pricing models such as Black Sholes, Bi-Nomial, and others
- HV is considered when pricing the initial IV in the contract
 - Estimate of IV can be derived by working backwards through the formula since the option's price and all other components are known



Implied Volatility

- Measures what the market “expects” volatility of the security to be in the future, based on premiums for option contracts on that security
- Annualized percentage for future expected move
- Dynamic - will change with option prices based on supply and demand for contracts

VOLATILITY							
IV30	62.35	IV60	65.63	IV90	65.48		
HV10	28.05	HV20	30.24	HV30	45.02	HV60	47.97

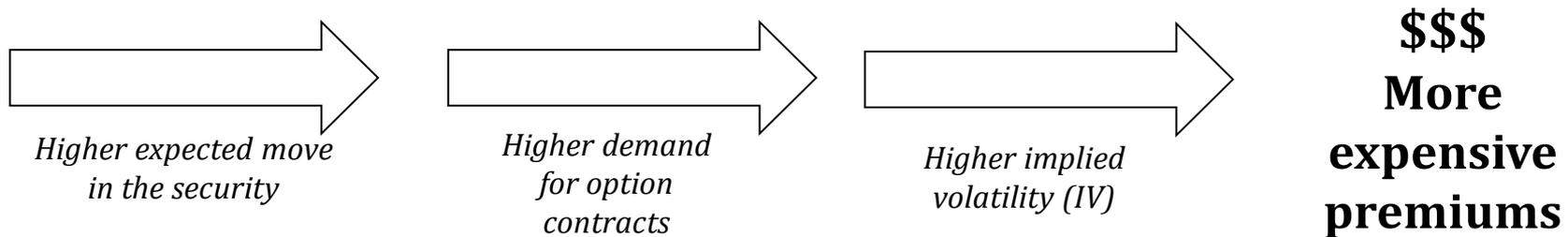
Image shows volatility data from the option statistics tool in Active Trader Pro

62.35% annualized expected move based on hypothetical 30 day option contracts



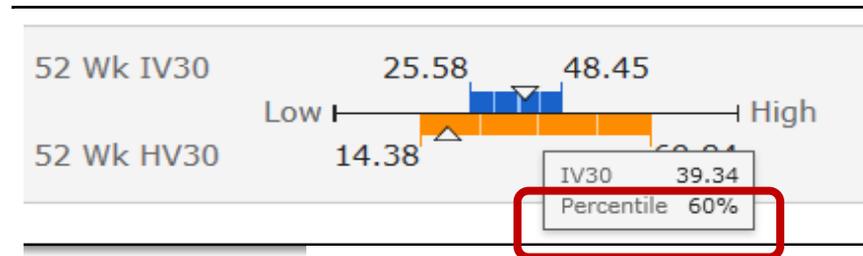
Implied Volatility

IV is a product of supply and demand for option contracts, and therefore has an affect on option prices. It can be a measure of relative expensiveness.



How can you determine whether a specific stock's IV is relatively expensive (or inexpensive?)

IV percentile shows where a specific stock's IV is compared to where its been within the last 52 weeks.



IV percentile can be found in the option statistics feature on ATP.

Implied Volatility

How can you determine whether a specific stock's IV is relatively expensive (or inexpensive?)



IV index chart compares historical volatility (HV) with implied volatility (IV) over the last year

IV Index chart can be found in the option research section on Fidelity.com

- Helps to compare current volatility data with historical data to identify potentially high or low levels
- Allows traders to identify divergence and convergence between HV and IV
- Quick way to find when volatility measures could be at extremes and may revert to their mean values

Implied Volatility

- **Trader's point of view:** It's important to remember each option contract has its own IV. Traders will often look at the IV's of different expiration dates to see the impact of an event like earnings. The earnings date on this example is 2/25/16.

Strike ▲	Last	Chg	Bid	Ask	Volume	Open Int	Theta	IV Mid	Delta
▼Feb 26 CALLS									
160	11.84	3.54	11.55	11.95	42	869	-0.5852	92.68 %	0.6357
162.5	10.15	3.24	10.10	10.45	40	365	-0.6019	91.93 %	0.5906
165	8.90	3.00	8.90	9.10	538	1,171	-0.6159	92.09 %	0.5443
167.5	7.70	3.19	7.60	7.70	160	371	-0.6067	90.19 %	0.497
170	6.55	3.19	6.50	6.60	3,327	2,140	-0.5981	89.73 %	0.4501
▼Mar 04 CALLS									
160	10.70	1.50	12.35	13.00	14	88	-0.3258	73.82 %	0.627
162.5	10.64	2.04	11.00	11.40	23	61	-0.3334	73.01 %	0.5853
165	9.95	2.55	9.70	10.00	25	320	-0.3352	72.13 %	0.5447
167.5	8.47	1.62	8.40	8.80	1	141	-0.3343	71.49 %	0.5023
170	7.00	1.50	7.20	7.60	56	116	-0.3275	70.43 %	0.4592
▼Mar 18 CALLS									
155	16.55	3.15	16.70	17.25	85	1,657	-0.1726	59.55 %	0.6904
160	13.85	2.82	13.75	14.00	148	1,789	-0.1842	58.99 %	0.6209
165	11.15	2.80	10.95	11.20	263	1,476	-0.1883	57.67 %	0.5477
170	8.10	2.10	8.50	8.70	306	1,637	-0.1857	56.61 %	0.4722
175	6.50	2.05	6.40	6.65	602	1,592	-0.175	55.18 %	0.396

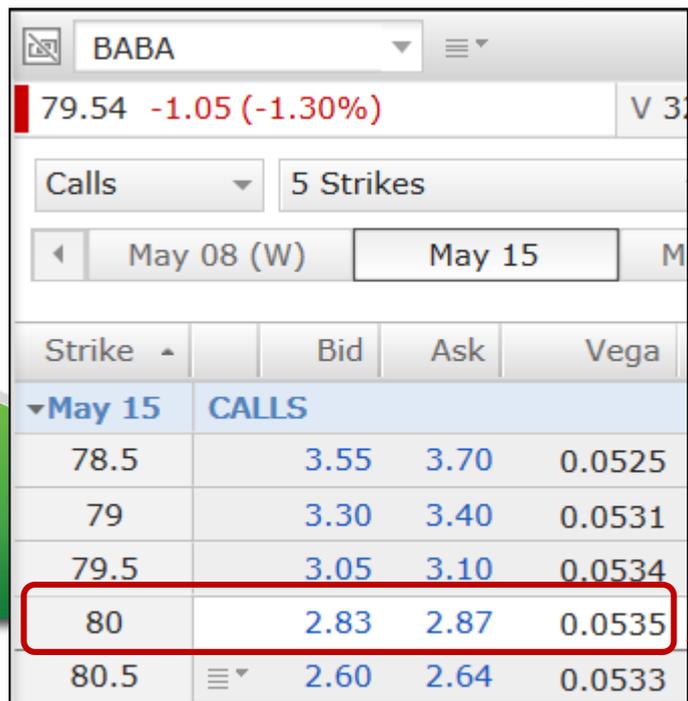


Impact on Option Prices

Q: Which option Greek measures the impact of implied volatility (IV) changes on an option contract's value?

A: **Vega** estimates the amount an option contract will change due to a 1% move in IV

Let's look at an example...



Strike	Bid	Ask	Vega
78.5	3.55	3.70	0.0525
79	3.30	3.40	0.0531
79.5	3.05	3.10	0.0534
80	2.83	2.87	0.0535
80.5	2.60	2.64	0.0533

Vega = .0535

Theoretically, the option will make \$5 per contract with each 1% move up in IV, and lose \$5 per contract with each 1% move down in IV.

Example:

You are predicting a 8% drop in IV after an earnings announcement.

$$-8 \times .0535 \times 100 = -\$42.80 / \text{contract}$$

You are expecting the contract price to go from 2.83 to 2.40 (2.83 - .428) resulting in a loss of \$42.80 from the 8% IV drop, if everything else remained constant.

Long ATM Call

	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	Strike ▲
▼								CALLS	Mar 24
	2.34	0.01	2.30	2.40	1,896	1,337	0.0187	97.12 %	64
	2.08	0.01	1.75	2.16	1,019	1,187	0.0192	90.50 %	64.5
	1.81	-0.01	1.69	1.81	7,031	10,232	0.0193	92.88 %	65
	1.55	-0.01	1.53	1.60	4,389	568	0.0192	94.91 %	65.5
	1.29	-0.05	1.15	1.38	1,822	1,314	0.0189	90.13 %	66

Long Call:

Cost: \$1.81 * 100 shares = \$181

Maximum Gain = Unlimited

Maximum Loss = \$181



Long ATM Put

Strike ▲	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid
Mar 24	PUTS							
64	1.44	-0.15	1.29	1.40	3,548	471	0.0186	92.25 %
64.5	1.59	-0.22	1.48	1.68	968	647	0.0191	92.67 %
65	1.88	-0.18	1.85	1.88	842	311	0.0193	94.38 %
65.5	2.05	-0.25	1.97	2.22	122	112	0.0192	92.21 %
66	2.38	-0.24	2.19	2.48	135	63	0.0188	89.35 %

Long Put:

Cost: $1.88 * 100 \text{ shares} = \188

Maximum Gain = $\$65.00 - \$1.88 = \$63.12 * 100 \text{ shares} = \$6,312$

Maximum Loss = $\$188$



Long Straddle

Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	Strike		Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	
CALLS									Mar 24	PUTS								
2.34	0.01	2.30	2.40	1,896	1,337	0.0187	97.12 %	64		1.44	-0.15	1.29	1.40	3,548	471	0.0186	92.25 %	
2.08	0.01	1.75	2.16	1,019	1,187	0.0192	90.50 %	64.5		1.59	-0.22	1.48	1.68	968	647	0.0191	92.67 %	
1.81	-0.01	1.69	1.81	7,031	10,232	0.0193	92.88 %	65		1.88	-0.18	1.85	1.88	842	311	0.0193	94.38 %	
1.55	-0.01	1.53	1.60	4,389	568	0.0192	94.91 %	65.5		2.05	-0.25	1.97	2.22	122	112	0.0192	92.21 %	
1.29	-0.05	1.15	1.38	1,822	1,314	0.0189	90.13 %	66		2.38	-0.24	2.19	2.48	135	63	0.0188	89.35 %	

Long Straddle:

Cost: $\$1.81 + \$1.88 = \$3.69 * 100 \text{ shares} = \369

Maximum Gain = Unlimited

Maximum Loss = \$369



Short Straddle

Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	Strike		Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid
CALLS									Mar 24	PUTS							
2.34	0.01	2.30	2.40	1,896	1,337	0.0187	97.12 %	64		1.44	-0.15	1.29	1.40	3,548	471	0.0186	92.25 %
2.08	0.01	1.75	2.16	1,019	1,187	0.0192	90.50 %	64.5		1.59	-0.22	1.48	1.68	968	647	0.0191	92.67 %
1.81	-0.01	1.69	1.81	7,031	10,232	0.0193	92.88 %	65		1.88	-0.18	1.85	1.88	842	311	0.0193	94.38 %
1.55	-0.01	1.53	1.60	4,389	568	0.0192	94.91 %	65.5		2.05	-0.25	1.97	2.22	122	112	0.0192	92.21 %
1.29	-0.05	1.15	1.38	1,822	1,314	0.0189	90.13 %	66		2.38	-0.24	2.19	2.48	135	63	0.0188	89.35 %

Short Straddle:

Credit: $\$1.69 + \$1.85 = \$3.54 * 100 \text{ shares} = \354

Maximum Gain = \$354

Maximum Loss = Unlimited



What Happened? Long Call

	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	Strike ▲
									CALLS Mar 24
	2.34	0.01	2.30	2.40	1,896	1,337	0.0187	97.12 %	64
	2.08	0.01	1.75	2.16	1,019	1,187	0.0192	90.50 %	64.5
	1.81	-0.01	1.69	1.81	7,031	10,232	0.0193	92.88 %	65
	1.55	-0.01	1.53	1.60	4,389	568	0.0192	94.91 %	65.5
	1.29	-0.05	1.15	1.38	1,822	1,314	0.0189	90.13 %	66

	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	Strike ▲
									CALLS Mar 24
	0.07	-2.27	0.05	0.10	313	1,682	0.0068	40.97 %	64
	0.05	-2.03	0.05	0.10	143	1,299	0.0062	48.68 %	64.5
	0.05	-1.76	0.04	0.05	855	13,214	0.0044	49.69 %	65
	0.04	-1.51	0.03	0.04	140	4,364	0.0035	53.09 %	65.5
	0.04	-1.25	0.02	0.05	189	1,926	0.0033	58.95 %	66

Long Call:

Cost: $\$1.81 * 100 \text{ shares} = \181

Maximum Gain = Unlimited

Maximum Loss = \$181

Results:

Value: $\$0.04 * 100 \text{ shares} = \4

Gain/Loss = $\$0.04 - \$1.81 = -1.77 * 100 = \mathbf{\$(177)}$



What Happened? Long Put

Strike ▲	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid
Mar 24 PUTS								
64	1.44	-0.15	1.29	1.40	3,548	471	0.0186	92.25 %
64.5	1.59	-0.22	1.48	1.68	968	647	0.0191	92.67 %
65	1.88	-0.18	1.85	1.88	842	311	0.0193	94.38 %
65.5	2.05	-0.25	1.97	2.22	122	112	0.0192	92.21 %
66	2.38	-0.24	2.19	2.48	135	63	0.0188	89.35 %

Strike ▲	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid
Mar 24 PUTS								
64	1.98	0.54	1.85	2.02	2,569	3,606	0.0041	32.27 %
64.5	2.40	0.81	2.10	2.50	69	721	0.0063	41.39 %
65	2.67	0.79	2.77	2.99	134	878	0.0062	33.23 %
65.5	3.67	1.62	3.00	3.65	7	186	0.0077	58.22 %
66	3.90	1.52	3.55	4.00	7	159	0.0053	46.86 %

Long Put:

Cost: $\$1.88 * 100 \text{ shares} = \188

Maximum Gain = **\$6,312**

Maximum Loss = **\$188**

Results:

Value: $\$2.77 * 100 \text{ shares} = \277

Gain/Loss = $\$2.77 - \$1.88 = \$0.89 * 100 = \89



What Happened? Long Straddle

Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	Strike	CALLS	Mar 24	PUTS	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid
2.34	0.01	2.30	2.40	1,896	1,337	0.0187	97.12 %	64				1.44	-0.15	1.29	1.40	3,548	471	0.0186	92.25 %
2.08	0.01	1.75	2.16	1,019	1,187	0.0192	90.50 %	64.5				1.59	-0.22	1.48	1.68	968	647	0.0191	92.67 %
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0.05	-1.76	0.04	0.05	855	13,214	0.0044	49.69 %	65				2.67	0.79	2.77	2.99	134	878	0.0062	33.23 %
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0.04	-1.25	0.02	0.05	189	1,926	0.0033	58.95 %	66				3.90	1.52	3.55	4.00	7	159	0.0053	46.86 %

Long Straddle:

Cost: \$369

Maximum Gain = Unlimited

Maximum Loss = \$369

Results:

Value: $\$0.04 + \$2.77 = \$2.81 * 100 \text{ shares} = \281

Gain/Loss = $\$2.81 - \$3.69 = \$0.88 * 100 = \mathbf{\$(88)}$



What Happened? Short Straddle

Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	Strike	CALLS	Mar 24	PUTS	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid
2.34	0.01	2.30	2.40	1,896	1,337	0.0187	97.12 %	64				1.44	-0.15	1.29	1.40	3,548	471	0.0186	92.25 %
2.08	0.01	1.75	2.16	1,019	1,187	0.0192	90.50 %	64.5				1.59	-0.22	1.48	1.68	968	647	0.0191	92.67 %
1.81	-0.01	1.69	1.81	7,031	10,232	0.0193	92.88 %	65				1.88	-0.18	1.85	1.88	842	311	0.0193	94.38 %
1.55	-0.01	1.53	1.60	4,389	568	0.0192	94.91 %	65.5				2.05	-0.25	1.97	2.22	122	112	0.0192	92.21 %
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0.04	-1.25	0.02	0.05	189	1,926	0.0033	58.95 %	66				3.90	1.52	3.55	4.00	7	159	0.0053	46.86 %

Short Straddle:

Credit: \$354

Maximum Gain = \$354

Maximum Loss = Unlimited

Results:

Value: $\$0.05 + \$2.99 = \$3.04 * 100 \text{ shares} = \304

Gain/Loss = $\$3.54 - \$3.04 = \$0.54 * 100 = \54



Volatility Crush and Vega

Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid	Strike	Last	Chg	Bid	Ask	Volume	Open Int	Vega	IV Mid
						CALLS		Mar 24			PUTS					
2.34	0.01	2.30	2.40	1,896	1,337	0.0187	97.12 %	64	1.44	-0.15	1.29	1.40	3,548	471	0.0186	92.25 %
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1.29	-0.05	1.15	1.38	1,822	1,314	0.0189	90.13 %	66	2.38	-0.24	2.19	2.48	135	63	0.0188	89.35 %
						CALLS		Mar 24			PUTS					
0.07	-2.27	0.05	0.10	313	1,682	0.0068	40.97 %	64	1.98	0.54	1.85	2.02	2,569	3,606	0.0041	32.27 %
0.05	-2.03	0.05	0.10	143	1,299	0.0062	48.68 %	64.5	2.40	0.81	2.10	2.50	69	721	0.0063	41.39 %
0.05	-1.76	0.04	0.05	855	13,214	0.0044	49.69 %	65	2.67	0.79	2.77	2.99	134	878	0.0062	33.23 %
0.04	-1.51	0.03	0.04	140	4,364	0.0035	53.09 %	65.5	3.67	1.62	3.00	3.65	7	186	0.0077	58.22 %
0.04	-1.25	0.02	0.05	189	1,926	0.0033	58.95 %	66	3.90	1.52	3.55	4.00	7	159	0.0053	46.86 %

Volatility on the Calls:

IV Mid was 92.88% with Vega at \$0.0193

IV Mid ended up at 49.69%

Option Value Lost due to Volatility = 92.88% - 49.69% = 43.19% * \$0.0193 = about \$0.83

Volatility on the Puts:

IV Mid was 94.38% with Vega at \$0.0193

IV Mid ended up at 33.23%

Option Value Lost due to Volatility = 94.38% - 33.23% = 61.15% * \$0.0193 = about \$1.18



Buying an Iron Condor

Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega	Action	Strike ▲	Action	Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega
CALLS																		
Mar 24 2016 - Exp in 1 days																		
PUTS																		
5.15	0.00	4.80	5.45	0	1,673	86.10 %	0.0088	▼	60	▼	0.32	0.00	0.27	0.32	0	5,887	95.18 %	0.01
5.11	0.00	4.70	5.10	0	472	104.72 %	0.0123	▼	60.5	▼	0.36	0.00	0.31	0.38	0	1,912	92.61 %	0.0111
4.22	0.00	3.95	4.75	0	1,484	92.88 %	0.0125	▼	61	▼	0.44	0.00	0.40	0.60	0	6,113	97.83 %	0.013
4.15	0.00	3.60	4.30	0	841	92.52 %	0.0138	▼	61.5	▼	0.58	0.00	0.50	0.69	0	1,106	96.64 %	0.0142
3.70	0.00	3.50	3.70	0	906	93.59 %	0.0152	▼	62	▼	0.70	0.00	0.62	0.72	0	2,541	93.18 %	0.0152
3.45	0.00	3.15	3.45	0	3,864	97.78 %	0.0166	▼	62.5	▼	0.87	0.00	0.85	0.96	0	1,145	98.90 %	0.0166
2.82	0.00	2.56	3.00	0	1,992	86.94 %	0.0171	▼	63	▼	1.00	0.00	1.00	1.02	0	3,987	95.18 %	0.0174
2.75	0.00	2.50	2.70	0	1,241	94.62 %	0.0182	▼	63.5	▼	1.29	0.00	1.15	1.29	0	2,183	96.54 %	0.0182
2.34	0.00	2.30	2.40	0	1,682	97.12 %	0.0187	▼	64	▼	1.44	0.00	1.29	1.40	0	3,606	92.25 %	0.0186
2.08	0.00	1.75	2.16	0	1,299	90.50 %	0.0192	▼	64.5	▼	1.59	0.00	1.48	1.68	0	721	92.67 %	0.0191
1.81	0.00	1.69	1.81	0	13,214	92.88 %	0.0193	▼	65	▼	1.88	0.00	1.85	1.88	0	878	94.38 %	0.0192
1.55	0.00	1.53	1.60	0	4,364	94.91 %	0.0192	▼	65.5	▼	2.05	0.00	1.97	2.22	0	186	92.21 %	0.0192
1.29	0.00	1.15	1.38	0	1,926	90.13 %	0.0189	▼	66	▼	2.38	0.00	2.19	2.48	0	159	89.35 %	0.0188
1.15	0.00	1.02	1.20	0	829	90.31 %	0.0182	▼	66.5	▼	2.69	0.00	2.52	2.78	0	110	89.27 %	0.0182
0.93	0.00	0.85	0.95	0	2,071	89.36 %	0.0175	▼	67	▼	2.90	0.00	2.52	3.20	0	74	81.92 %	0.0171
0.75	0.00	0.72	0.75	0	12,510	87.34 %	0.0164	▼	67.5	▼	3.25	0.00	3.05	3.50	0	6	85.04 %	0.0161
2.21	0.00	0.55	0.65	0	3,615	87.28 %	0.0153	▼	68	▼	3.75	0.00	3.60	3.90	0	33	91.23 %	0.0156

Trade:

Sell \$62 Put for \$0.62
 Buy \$64 Put for \$1.40
 Buy \$66 Call for \$1.38
 Sell \$68 Call for \$0.55

Cost: \$1.61

Maximum Gain: \$2.00 - \$1.61 = \$0.39

Maximum Loss: \$1.61



Selling an Iron Condor

Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega	Action	Strike ▲	Action	Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega																			
CALLS																			PUTS																		
Mar 24 2016 - Exp in 1 days																																					
5.15	0.00	4.80	5.45	0	1,673	86.10 %	0.0088	▼	60	▼	0.32	0.00	0.27	0.32	0	5,887	95.18 %	0.01																			
5.11	0.00	4.70	5.10	0	472	104.72 %	0.0123	▼	60.5	▼	0.36	0.00	0.31	0.38	0	1,912	92.61 %	0.0111																			
4.22	0.00	3.95	4.75	0	1,484	92.88 %	0.0125	▼	61	▼	0.44	0.00	0.40	0.60	0	6,113	97.83 %	0.013																			
4.15	0.00	3.60	4.30	0	841	92.52 %	0.0138	▼	61.5	▼	0.58	0.00	0.50	0.69	0	1,106	96.64 %	0.0142																			
3.70	0.00	3.50	3.70	0	906	93.59 %	0.0152	▼	62	▼	0.70	0.00	0.62	0.72	0	2,541	93.18 %	0.0152																			
3.45	0.00	3.15	3.45	0	3,864	97.78 %	0.0166	▼	62.5	▼	0.87	0.00	0.85	0.96	0	1,145	98.90 %	0.0166																			
2.82	0.00	2.56	3.00	0	1,992	86.94 %	0.0171	▼	63	▼	1.00	0.00	1.00	1.02	0	3,987	95.18 %	0.0174																			
2.75	0.00	2.50	2.70	0	1,241	94.62 %	0.0182	▼	63.5	▼	1.29	0.00	1.15	1.29	0	2,183	96.54 %	0.0182																			
2.34	0.00	2.30	2.40	0	1,682	97.12 %	0.0187	▼	64	▼	1.44	0.00	1.29	1.40	0	3,606	92.25 %	0.0186																			
2.08	0.00	1.75	2.16	0	1,299	90.50 %	0.0192	▼	64.5	▼	1.59	0.00	1.48	1.68	0	721	92.67 %	0.0191																			
1.81	0.00	1.69	1.81	0	13,214	92.88 %	0.0193	▼	65	▼	1.88	0.00	1.85	1.88	0	878	94.38 %	0.0192																			
1.55	0.00	1.53	1.60	0	4,364	94.91 %	0.0192	▼	65.5	▼	2.05	0.00	1.97	2.22	0	186	92.21 %	0.0192																			
1.29	0.00	1.15	1.38	0	1,926	90.13 %	0.0189	▼	66	▼	2.38	0.00	2.19	2.48	0	159	89.35 %	0.0188																			
1.15	0.00	1.02	1.20	0	829	90.31 %	0.0182	▼	66.5	▼	2.69	0.00	2.52	2.78	0	110	89.27 %	0.0182																			
0.93	0.00	0.85	0.95	0	2,071	89.36 %	0.0175	▼	67	▼	2.90	0.00	2.52	3.20	0	74	81.92 %	0.0171																			
0.75	0.00	0.72	0.75	0	12,510	87.34 %	0.0164	▼	67.5	▼	3.25	0.00	3.05	3.50	0	6	85.04 %	0.0161																			
2.21	0.00	0.55	0.65	0	3,615	87.28 %	0.0153	▼	68	▼	3.75	0.00	3.60	3.90	0	33	91.23 %	0.0156																			

Trade:

Buy \$62 Put for \$0.72
 Sell \$64 Put for \$1.29
 Sell \$66 Call for \$1.15
 Buy \$68 Call for 0.65

Credit: \$1.07

Maximum Gain: \$1.07

Maximum Loss: \$2.00 - \$1.07 = \$0.93



What Happened? Long Iron Condors

Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega	Action	Strike ▲	Action	Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega																			
CALLS																			PUTS																		
Mar 24 2016 - Exp in 1 days																																					
5.15	0.00	4.80	5.45	0	1,673	86.10 %	0.0088	▼	60	▼	0.32	0.00	0.27	0.32	0	5,887	95.18 %	0.01	5.11	0.00	4.70	5.10	0	472	104.72 %	0.0123	▼	60.5	▼	0.36	0.00	0.31	0.38	0	1,912	92.61 %	0.0111
4.22	0.00	3.95	4.75	0	1,484	92.88 %	0.0125	▼	61	▼	0.44	0.00	0.40	0.60	0	6,113	97.83 %	0.013	4.15	0.00	3.60	4.30	0	841	92.52 %	0.0138	▼	61.5	▼	0.58	0.00	0.50	0.69	0	1,106	96.64 %	0.0142
3.70	0.00	3.50	3.70	0	906	93.59 %	0.0152	▼	62	▼	0.70	0.00	0.62	0.72	0	2,541	93.18 %	0.0152	3.45	0.00	3.15	3.45	0	3,864	97.78 %	0.0166	▼	62.5	▼	0.87	0.00	0.85	0.96	0	1,145	98.90 %	0.0166
2.82	0.00	2.56	3.00	0	1,992	86.94 %	0.0171	▼	63	▼	1.00	0.00	1.00	1.02	0	3,987	95.18 %	0.0174	2.75	0.00	2.50	2.70	0	1,241	94.62 %	0.0182	▼	63.5	▼	1.29	0.00	1.15	1.29	0	2,183	96.54 %	0.0182
2.34	0.00	2.30	2.40	0	1,682	97.12 %	0.0187	▼	64	▼	1.44	0.00	1.29	1.40	0	3,606	92.25 %	0.0186	2.08	0.00	1.75	2.16	0	1,299	90.50 %	0.0192	▼	64.5	▼	1.59	0.00	1.48	1.68	0	721	92.67 %	0.0191
1.81	0.00	1.69	1.81	0	13,214	92.88 %	0.0193	▼	65	▼	1.88	0.00	1.85	1.88	0	878	94.38 %	0.0192	1.55	0.00	1.53	1.60	0	4,364	94.91 %	0.0192	▼	65.5	▼	2.05	0.00	1.97	2.22	0	186	92.21 %	0.0192
1.29	0.00	1.15	1.38	0	1,926	90.13 %	0.0189	▼	66	▼	2.38	0.00	2.19	2.48	0	159	89.35 %	0.0188	1.15	0.00	1.02	1.20	0	829	90.31 %	0.0182	▼	66.5	▼	2.69	0.00	2.52	2.78	0	110	89.27 %	0.0182
0.93	0.00	0.85	0.95	0	2,071	89.36 %	0.0175	▼	67	▼	2.90	0.00	2.52	3.20	0	74	81.92 %	0.0171	0.75	0.00	0.72	0.75	0	12,510	87.34 %	0.0164	▼	67.5	▼	3.25	0.00	3.05	3.50	0	6	85.04 %	0.0161
2.21	0.00	0.55	0.65	0	3,615	87.28 %	0.0153	▼	68	▼	3.75	0.00	3.60	3.90	0	33	91.23 %	0.0156																			

Cost: \$1.61
 Maximum Gain: \$2.00 - \$1.61 = \$0.39
 Maximum Loss: \$1.61

Result:
 Value: \$0.83 * 100 shares = \$83
 Gain/Loss: \$0.83 - \$1.61 = \$(78)

Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega	Action	Strike ▲	Action	Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega																			
CALLS																			PUTS																		
Mar 24 2016 - Exp in 1 days																																					
3.20	-1.95	3.00	3.30	1,571	1,673	—	0.0064	▼	60	▼	0.02	-0.30	0.01	0.03	3,467	5,887	50.21 %	0.0024	2.71	-2.40	2.54	2.97	20	472	55.24 %	0.0049	▼	60.5	▼	0.02	-0.34	0.02	0.03	424	1,912	44.90 %	0.0031
2.18	-2.04	2.05	2.27	1,247	1,484	—	0.0066	▼	61	▼	0.03	-0.41	0.01	0.04	5,984	6,113	38.16 %	0.0034	1.77	-2.38	1.57	2.03	404	841	47.99 %	0.0083	▼	61.5	▼	0.05	-0.53	0.03	0.06	1,301	1,106	34.93 %	0.0054
1.20	-2.50	1.21	1.31	1,677	906	30.73 %	0.0074	▼	62	▼	0.10	-0.60	0.07	0.13	2,769	2,541	33.76 %	0.0086	0.79	-2.66	0.75	0.93	1,798	3,864	31.33 %	0.0117	▼	62.5	▼	0.20	-0.67	0.14	0.22	902	1,145	31.40 %	0.0116
0.45	-2.37	0.43	0.52	3,143	1,992	26.81 %	0.0136	▼	63	▼	0.35	-0.65	0.28	0.38	2,932	3,987	30.80 %	0.0137	0.25	-2.50	0.21	0.29	1,013	1,241	28.35 %	0.0132	▼	63.5	▼	0.56	-0.73	0.54	0.66	2,088	2,183	30.64 %	0.0134
0.13	-2.21	0.09	0.15	1,181	1,682	28.71 %	0.0102	▼	64	▼	0.85	-0.59	0.96	1.07	3,305	3,606	36.18 %	0.0113	0.09	-1.99	0.06	0.09	579	1,299	33.40 %	0.0075	▼	64.5	▼	1.38	-0.21	1.34	1.49	260	721	36.26 %	0.0082
0.05	-1.76	0.05	0.06	3,564	13,214	38.41 %	0.0058	▼	65	▼	1.91	+0.03	1.79	1.94	406	878	39.92 %	0.006	0.04	-1.51	0.01	0.04	301	4,364	39.03 %	0.0034	▼	65.5	▼	3.16	+1.11	2.01	2.52	111	186	—	0.0084
0.02	-1.27	0.01	0.02	411	1,926	41.60 %	0.0023	▼	66	▼	2.68	+0.30	2.48	2.93	37	159	—	0.0065	0.01	-1.14	0.01	0.02	120	829	47.21 %	0.0021	▼	66.5	▼	3.16	+0.47	2.97	3.50	101	110	—	0.007
0.01	-0.92	0.00	0.01	438	2,071	45.69 %	0.0009	▼	67	▼	4.00	+1.10	3.50	4.00	77	74	—	0.0067	0.01	-0.74	0.00	0.01	418	12,510	50.46 %	0.0009	▼	67.5	▼	3.25	0.00	3.80	4.55	0	6	—	0.0073
0.01	-2.20	0.00	0.01	358	3,615	89.34 %	0.0008	▼	68	▼	3.75	0.00	4.45	5.00	0	33	—	0.0061																			



What Happened? Short Iron Condors

Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega	Action	Strike	Action	Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega
CALLS Mar 24 2016 - Exp in 1 days PUTS																		
5.15	0.00	4.80	5.45	0	1,673	86.10 %	0.0088	▼	60	▼	0.32	0.00	0.27	0.32	0	5,887	95.18 %	0.01
5.11	0.00	4.70	5.10	0	472	104.72 %	0.0123	▼	60.5	▼	0.36	0.00	0.31	0.38	0	1,912	92.61 %	0.0111
4.22	0.00	3.95	4.75	0	1,484	92.88 %	0.0125	▼	61	▼	0.44	0.00	0.40	0.60	0	6,113	97.83 %	0.013
4.15	0.00	3.60	4.30	0	841	92.52 %	0.0138	▼	61.5	▼	0.58	0.00	0.50	0.69	0	1,106	96.64 %	0.0142
3.70	0.00	3.50	3.70	0	906	93.59 %	0.0152	▼	62	▼	0.70	0.00	0.62	0.72	0	2,541	93.18 %	0.0152
3.45	0.00	3.15	3.45	0	3,864	97.78 %	0.0166	▼	62.5	▼	0.87	0.00	0.85	0.96	0	1,145	98.90 %	0.0166
2.82	0.00	2.56	3.00	0	1,992	86.94 %	0.0171	▼	63	▼	1.00	0.00	1.00	1.02	0	3,987	95.18 %	0.0174
2.75	0.00	2.50	2.70	0	1,241	94.62 %	0.0182	▼	63.5	▼	1.29	0.00	1.15	1.29	0	2,183	96.54 %	0.0182
2.34	0.00	2.30	2.40	0	1,682	97.12 %	0.0187	▼	64	▼	1.44	0.00	1.29	1.40	0	3,606	92.25 %	0.0186
2.08	0.00	1.75	2.16	0	1,299	90.50 %	0.0192	▼	64.5	▼	1.59	0.00	1.48	1.68	0	721	92.67 %	0.0191
1.81	0.00	1.69	1.81	0	13,214	92.88 %	0.0193	▼	65	▼	1.88	0.00	1.85	1.88	0	878	94.38 %	0.0192
1.55	0.00	1.53	1.60	0	4,364	94.91 %	0.0192	▼	65.5	▼	2.05	0.00	1.97	2.22	0	186	92.21 %	0.0192
1.29	0.00	1.15	1.38	0	1,926	90.13 %	0.0189	▼	66	▼	2.38	0.00	2.19	2.48	0	159	89.35 %	0.0188
1.15	0.00	1.02	1.20	0	829	90.31 %	0.0182	▼	66.5	▼	2.69	0.00	2.52	2.78	0	110	89.27 %	0.0182
0.93	0.00	0.85	0.95	0	2,071	89.36 %	0.0175	▼	67	▼	2.90	0.00	2.52	3.20	0	74	81.92 %	0.0171
0.75	0.00	0.72	0.75	0	12,510	87.34 %	0.0164	▼	67.5	▼	3.25	0.00	3.05	3.50	0	6	85.04 %	0.0161
2.21	0.00	0.55	0.65	0	3,615	87.28 %	0.0153	▼	68	▼	3.75	0.00	3.60	3.90	0	33	91.23 %	0.0156

Cost: \$1.07 (Credit Received)
Maximum Gain: \$1.07
Maximum Loss: \$0.93

Result:
Value: \$0.99 * 100 shares = \$99
Gain/Loss: \$1.07 - \$0.99 = \$8

Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega	Action	Strike	Action	Last	Change	Bid	Ask	Volume	Open Int	Imp Vol	Vega
CALLS Mar 24 2016 - Exp in 1 days PUTS																		
3.20	-1.95	3.00	3.30	1,571	1,673	--	0.0064	▼	60	▼	0.02	-0.30	0.01	0.03	3,467	5,887	50.21 %	0.0024
2.71	-2.40	2.54	2.97	20	472	55.24 %	0.0049	▼	60.5	▼	0.02	-0.34	0.02	0.03	424	1,912	44.90 %	0.0031
2.18	-2.04	2.05	2.27	1,247	1,484	--	0.0066	▼	61	▼	0.03	-0.41	0.01	0.04	5,984	6,113	38.16 %	0.0034
1.77	-2.38	1.57	2.03	404	841	47.99 %	0.0083	▼	61.5	▼	0.05	-0.53	0.03	0.06	1,301	1,106	34.93 %	0.0054
1.20	-2.50	1.21	1.31	1,677	906	30.73 %	0.0074	▼	62	▼	0.10	-0.60	0.07	0.13	2,769	2,541	33.76 %	0.0086
0.79	-2.66	0.75	0.93	1,798	3,864	31.33 %	0.0117	▼	62.5	▼	0.20	-0.67	0.14	0.22	902	1,145	31.40 %	0.0116
0.45	-2.37	0.43	0.52	3,143	1,992	26.81 %	0.0136	▼	63	▼	0.35	-0.65	0.28	0.38	2,932	3,987	30.80 %	0.0137
0.25	-2.50	0.21	0.29	1,013	1,241	28.35 %	0.0132	▼	63.5	▼	0.56	-0.73	0.54	0.66	2,088	2,183	30.64 %	0.0134
0.13	-2.21	0.09	0.15	1,181	1,682	28.71 %	0.0102	▼	64	▼	0.85	-0.59	0.96	1.07	3,305	3,606	36.18 %	0.0113
0.09	-1.99	0.06	0.09	579	1,299	33.40 %	0.0075	▼	64.5	▼	1.38	-0.21	1.34	1.49	260	721	36.26 %	0.0082
0.05	-1.76	0.05	0.06	3,564	13,214	38.41 %	0.0058	▼	65	▼	1.91	+0.03	1.79	1.94	406	878	39.92 %	0.006
0.04	-1.51	0.01	0.04	301	4,364	39.03 %	0.0034	▼	65.5	▼	3.16	+1.11	2.01	2.52	111	186	--	0.0084
0.02	-1.27	0.01	0.02	411	1,926	41.60 %	0.0023	▼	66	▼	2.68	+0.30	2.48	2.93	37	159	--	0.0065
0.01	-1.14	0.01	0.02	120	829	47.21 %	0.0021	▼	66.5	▼	3.16	+0.47	2.97	3.50	101	110	--	0.007
0.01	-0.92	0.00	0.01	438	2,071	45.69 %	0.0009	▼	67	▼	4.00	+1.10	3.50	4.00	77	74	--	0.0067
0.01	-0.74	0.00	0.01	418	12,510	50.46 %	0.0009	▼	67.5	▼	3.25	0.00	3.80	4.55	0	6	--	0.0073
0.01	-2.20	0.00	0.01	339	3,615	85.34 %	0.0008	▼	68	▼	3.75	0.00	4.45	5.00	0	33	--	0.0061



Expected move calculation

A lot of traders will convert the annualized expected move into daily expected move or expected move until expiration using the following formula:

$$\text{One standard deviation move} = \frac{\text{Stock Price} \times \text{Implied Volatility} \times \sqrt{\text{Days to expiry}}}{\sqrt{\text{Trading Days in a year}}}$$

➤ Lets take the previous example and convert it to daily expected move...

Stock price = \$100

IV = 20%

Sq. root of trading days in a year = approx. 16

$$\frac{\$100 \times .20 \times 1}{16} \quad + \text{ or } (-) \quad \$1.25$$

Trader's View:

➤ Something helpful to remember is **16% IV results in a 1% daily expected move**

For example: Stock price = \$100 IV = 16%

[\$100 x .16 x 1]/16 = +/- \$1

Key Takeaways

- Fidelity.com offers research to help develop an outlook on an earnings report.
- Know what you're trading: Implied Volatility and the Volatility Crush can have significant impacts on your trades.
- No trade is perfect, every trade has a trade-off.
- Have a plan: Understanding the risks that you are willing to take and the impacts of various factors, can help you to plan your trade more effectively and manage your overall expectations.



Trading Options Around Earnings

This concludes today's presentation.

Thank you for attending.

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