New year, new options ideas

Sam Shore: Welcome everyone, happy to be here. My name is Sam Shore with our Trading Strategy Desk, and really excited to take a look at the options tools that we have, especially with the beginning of the new year, we've had a fair bit of volatility really, after January at this point, about break-even on the major averages after some upside, and now some recent volatility. And so that begs the question of how we can find opportunities to take advantage of, be it trying to trade volatility, trying to trade direction, what have you, a lot of different things that we need to take a look at and delve into.

We do want to mention as we're going along examples that we're going to use, is for illustrative and educational purposes. They're not an endorsement or recommendation, and with our screenshare, we're going to be using live demonstration, actual stocks, actual price data as it is right now.

So, with our webinar, we're going to sort of lay it out with two topics that we want to cover. The first is, we're going to spend a little time talking about things that should probably be included in your option trading plan. The reason being is, we need to have some idea of what criteria are or are not important, as we're looking for trades and managing trades is going along.

Then we're going to go through a variety of our different options tools and really these tools allow us to try to find trading opportunities in one or two ways.

The first, I'll refer to as "underlying-centric," so with a focus toward being interested in a particular stock, or characteristics of a particular stock. Now if you're someone who just trades stock, this is something that hopefully is old hat to you. It's going to be using things like our stock screener, going in, maybe taking a look at fundamentals, or analyst opinions, or maybe if you're technically-based, looking at some technical studies, where it is in relation to the moving average, what momentum might be, so on and so forth.

But then our other approach is going to be based on option pricing, primarily, and they include that to be option pricing and option order flow, to taking a look at what is going on with options in a particular stock, to try to find stocks of interest for us.

Now you'll notice with both of these, we have to get to one from the other, so if we investigate a stock and decide well, I want to trade stock XYZ, that doesn't necessarily mean that there's a good option trade to put on for stock XYZ. We'd have to take a look at what's option pricing, maybe take a look at what is the volatility skew for the options for the stock look like, what events

are going in the stock, so on and so forth. Conversely, if we find a stock that

we're interested in, and we've done so solely by using options order flow,

there's probably some fundamental information about the company that we're

going to need to dig into to have some idea of what we're trading. What is the

name of the company? What sector are they in? What are their competitors,

maybe. Do they have a dividend? When is the dividend coming up? When

are earnings from the company, so on and so forth. And so, we'll try to

highlight as we're going along which approach, which tool is using, so sort of

the focus on, are looking for stocks based on the stock characteristic, or are we

looking for stocks based on the characteristic exhibited by options for that

stock. But even with that focus, it doesn't get rid of our need to look at some

of the other factors.

Now, I mentioned we're going to start off talking about our trading plan, and

the reason why we always like to do this with our options-based sessions is it's

a little more complex than just a stock trade. With a stock trade, identifying

our outlook is just, do we think the stock is going to go up, or do we think the

stock is going to go down? And certainly, we place a stock trade based upon

that.

With an option trade, there are really three components to our outlook that we

need. One of them is the same: what do we think the price of the stock is

going to do? Go up, go down, maybe even stay flat. But the second two components are components that we don't have to have when trading stock necessarily. The first, and hopefully one of the obvious ones, is we need some sort of time component to our outlook. If we're buying a call option because we think the stop is going to go up, certainly it would change our trade if we through the stock was going to go up this week versus this month versus this year, so on and so forth. The other thing we need to have is we need to have some thinking about volatility. And this can take two forms; one can simply be our expectation for a move in the stock vis-à-vis what the option market has priced in. So, if we're looking at an at-the-money call option, and we think the stock is going to go up $5, but the call costs $10, well is buying a call option a viable trade in that circumstance? It's not. We're going to pay for too much volatility and we're getting less. As well, we can take a look at what is our expectation for changes in demand for the option, those of you who are familiar with the concept of implied volatility, and our expectations for potential changes in that implied volatility value.

Now when we have those three components to outlook, price, volatility, and a timing component, that's what's going to drive us towards the strategies that we're interested in, whether we're wanting to do a spread, or buy a call, or buy a put, or sell a put, or do a covered call, what have you, in order to make that determination, that's usually not our starting point; our starting point is what is

the expectation or the thesis that we're trading around. And then when we come up with one or two potential strategies to take advantage of our outlook, we need to take a look at, does this make sense? Is the risk worth the reward? What is the capital requirement for such a trade? Are we willing to put up or have that much risk per trade, so on and so forth. Then with an eye toward exiting our trade, certainly a necessary thing; in order to have some sort of profit, we've got to close out our trade at some point in time. And usually, we'll have some sort of profit target, either based on, I think the stock was going to go up by this amount, and it did; maybe that profit target's based on a percentage of the total profit, or also have some sort of loss threshold; if the stock goes down to X price, I'm going to look to exit the trade, or I'm willing to risk $100 of my $500 investment, so on and so forth, and you can use alerts and limit orders to help you manage that exist as you're going along.

But there are really two questions I like to leave people with when looking at evaluating their trade during the life of the trade, that I think are very useful, and this will be sort of the last comment we have on having a trading plan in place, and then we'll start to get into some of the tools. The first is, would I put the same trade on today? If the answer is yes, likely you should stay in that trade. If the answer is no, well either A, there's a better trade to put on. Maybe different moneyness to the option, different expiration, maybe an entirely different strategy. Maybe you're looking to reduce volatility exposure,

what have you. Or the other question of, I wouldn't place a trade on this stock

at all at this point, in which case you're likely looking at exiting your trade. So

it's important to have in mind what is the thesis or outlook that I'm trading;

when that gets invalidated, you need to look to exit the trade to manage risk,

because you've been proven incorrect with what you were trying to take

advantage of, and we can always go ahead and look for the next opportunity;

there's not a need to win on every trade, and I think most traders are going to

have trades where they lose. I might even say all traders are going to have

trades where they lose.

So with that in mind, let's start to take a look at one of the tools that's sort of a

blend of our underlying focus and option focus as we're going forward that is

going to focus on a particular strategy of covered calls, and actually diagonal

or calendar spread.

Nick Delisse: And Sam, yes, that's one of the common questions that we'll have

traders ask us that are starting to option trade, is they're looking for idea

generation, specifically on those covered calls. And we do have a lot of tools

that can actually help you with that. Now, from Fidelity.com, and most of the

tools we're going to talk about today are on Fidelity.com, you simply go up to

"News and Research" and then come down to "Options," this is going to take

you to the landing page for options. Now all these tools, you do need to be

logged in to be able to see them so if you're not logged in, you'll want to go ahead and do that. And then if you click on the "Market Overview" tab, this will actually take you to kind of a landing point to view everything that's kind of going on from an options perspective.

Now, a really interesting tool that I like to look at is the Argus Focus List over here on the side. In essence, what this is doing is this is providing a top-ten list, so to speak, as provided by Argus on different covered call trades. Now, it's important to keep in mind what it is you're looking at, and the reason why these might be on the list. Of course, these are stack-ranked by that annualized return percentage, and as Sam was mentioning, there is no return without risk. And so, when you're seeing something has a very high-percentage return, you have to keep in mind that there's that risk correlated with that. So, if you're looking for some sort of, you know, recommendation, or something like that to trade covered calls, this is really the closest thing that Fidelity offers.

Now from here, of course, you can dive into these companies to look and learn more information. Let's go ahead and take a look at DIS, this is Disney. I'm sure a lot of people are of course familiar with this particular security, and we can dive into this and look at and actually see what this report generates.

Now there are two things this top-ten list has. They list covered calls, and they list diagonal spreads. If we actually shift back over and we see this tab where it goes back and forth, and of course we see the diagonal spreads have a much higher potential annualized rate of return because they add a little bit of leverage associated with that. And before you trade those, you of course want to dive into that difference, and you want to learn about that and see why they might have that increased return potential and what those increased risks are and be aware of those.

Now with the covered call, covered call of course involves buying stock. And so, first and foremost, we see what that buy assumption is. This is, of course, based on yesterday's closing price, which is that Disney is up a little bit today. And it offers on both of these, the sell side, what call are you selling. For both of these, it's the February that expires next Friday, only nine days, 138 strike call. Now if you're looking at the diagonal spread, this then offers a June expiration at 105. This is quite a bit in the money, and a lot of people might term this as a poor man's covered call, where you're buying, in essence, a long call that replaces buying the stock, a lot less capital that you're putting up, but does have that leverage risk that could cut both ways.

From this standpoint, of course, it'll list other factors, such as your downside protection, such as how much this particular option is in the money. Now, the

138 strike is slightly out of the money compared to Disney being at 136.06, so

that's why this is a negative number here, and if you actually added 143% to

the 136.06 price, you get pretty close to 138. And the same thing if you took a

look at this net debit that you're paying, that's that downside break-even,

you'll notice that it's 1.91% down, and so this gives you a lot of that

information to help you make some of those trade decisions, with of course

the break-even being that particular price that you paid for the long-stop, less

premium received for the call.

Now of course it's slightly different for the diagonal spread, because there's

some assumptions being made on what the other call that you bought might

be worth when you liquidate it. And the annualized rate of return, this

particular trade, it's only lasting for nine days. And so, this is all, of course,

assuming you can do this every week once a week for 365 days which might

not actually be possible to do.

The reason why I mention that is of course with options, that risk and reward

tradeoff, a lot of companies that have much higher premiums on their options,

much higher applied volatility, this might be because there's earnings coming

up, and a lot of these names from that top-ten list, traders now just might

recognize as having some sort of event that's happening that might be driving

up that particular option premium, and causing these numbers to be quite a bit higher.

Another very useful thing on this is of course this Argus rating, and the risk ranking it has as well. The reason why this can be important is, if you're looking at trading a covered call, or this type of diagonal spread it mentions, these types of trades, they're at a bare minimum, neutral. You want to be neutral-to-bullish, or even cautiously bullish on this type of trade. The reason why is if you were to buy this security, and you expected it to go down to 130, 120, 100, well you're then expecting to lose money even if you're bringing in a premium, so it wouldn't make sense. Where if you expect at least the stock to go sideways, you're expecting to then get out of the stock for what you paid for it, and then keep the option premium, you're expecting to make a little bit of money, and so that rating is important if you don't have your own opinion already on the security.

Now from this particular page, it's very, very easy to open up the Stock Research Center and actually dive into the company to learn more about it, to look at things like what is the equity summary score? Is it positive; is it not? And you can see that there are a couple companies, of course, that are bullish on this, and there are several companies that are not, leading this to a net lower equity summary score. Doesn't necessarily mean that this is a good

trade or a bad trade, but you just keep in mind of course, Argus is simply one

analyst that follows this particular company, that you want to do more due

diligence on this before placing a trade like this.

Now, let's say you're not necessarily interested in any of these companies that

are on this top-ten list. Well, from the research report here, if you scroll up,

you can actually click, and you can look for a specific company. Maybe you're

looking for something like Apple, which happens to be the largest

capitalization company in the S&P 500. You can actually type in the symbol,

hit "Go," and then it will load the results down here below, with both that

covered call and the diagonal spread. Of course, not all securities have the

diagonal spread, but it of course lists all that pertinent information.

Now if you don't necessarily have a specific security in mind, and you just want

to simply screen for different things, maybe for example, the fact that this is all

expiring next Friday, you may not want to trade a weekly option; you want to

screen for something else, you can actually come up here into the report

finder and set the specific variables that you want. Now of course this report

finder is above where it shows the information on the report, but let me show

you real quick where you can actually go to to find this particular report finder.

If you're on this market overview tab, if you click on "Trading Ideas," then up

here at the top, "Tools," "Report Finder," this actually loads up this particular tool.

Now let's say we want to look for a couple different companies, and we only want companies that Argus has a buy rating on, and as I mentioned, we don't want any of those weekly options, so maybe we're looking at stocks that have an expiration at least 20 days away up to 2 months away. And so we'll do from 20 to 60; we're only going to be looking at covered calls, and if you want, there are additional things you can screen for, but we're not going to filter it in any of those other things; we're just simply letting days to expiration, we're looking at-the-money options. We're going to hit "see results." This will then list different companies below, and we can of course sort by various characteristics. Maybe we're just looking for something that has high returns, that we can then do more due diligence on, see if they might be worth it. You can actually click on this and this'll stack-rank this. We'll see this has a higher annualized rate of return. But keep in mind, for all this, you'll want to go in, and you want to do more due diligence on this, to be sure this trade still makes sense, because with higher returns, there's higher risk.

Now, from here, there's a lot of other information and different tools you have that you can look at. Why don't we take a look at what some of those other tools are?

Sam Shore: Yeah, and sometimes this can be a little overwhelming. You can type in any company; you can type in some attributes, and there are dozens of reports, and there's actually a place where Argus will go through, and every day, usually we'll highlight two or three of these ideas. So up at the very top of that same page, if we click on "Intra-Day Trade Ideas," and we see we already have two today, DOW and McDonalds, and it'll give you similar, what is the covered call, and then it has a little research note from Argus. So instead of just saying, well I'm looking at the Argus buys, you can see, well why does Argus have a buy on this stock? What do they like about the stock? And any comments that they have about risk, or on the trade. So, for instance, they mention here that there's that roughly 2% downside buffer to threaten to breakeven.

Now, you'll notice at the top, there's another link here for "Expert Options Analysis," which is another way that we can get sort of daily options marketplace breakdowns. So, remember, we started from what is a given underlying with some respects, what are some characteristics we're looking for. These are primarily going to focus on what are interesting characteristics of option trading in different underlying. It could be volatility differences; it could be a particular large trade that's gone through. Maybe the company has earnings coming up, and this comes out daily from LiveVol which is a

subsidiary of the CBOE, and it will go through and use Fidelity's tools with constructing this trade idea, or trade analysis, and you can see, well, if I saw a similar trade, how might I walk through it? On the lower-righthand side, each of these is categorized, so if you wanted to see all of the past ones on time spreads, certainly you could do so. Or you can go into the archives and go through about 10 past years of these analyses that come out on a daily basis. If you just want to see the most recent ones, there are those tabs located along the top that you can click on, or you can view past ones that have come out. So, it's a daily look-in for the options market in a varying way.

Now, let's go to a tool that's really pure; let's look at the option pricing, and find potential ideas based on this, and that's going to be our "Strategy Ideas" tool, which is here in the upper left-hand corner under "trading ideas," and there are two different ways I like to use this tool. The first way is, if I have a particular strategy in mind, you can go ahead and click on that strategy. So maybe I'm wanting to put on an iron condor, or I know I'm wanting to sell option premium, and so I want to look at, what are trades where that might be beneficial? And down below, it gives us an expansion where we can read more about that particular strategy. Certainly, there are a little over a dozen strategies listed there. We may not be familiar with all of them; we need to see, well what is the construction; what does the P&L look like? And then if we scroll down, for each of the different strategies, it will look at particular trades

based on a favorable characteristic. So, the characteristic it's going to use for iron condors is it's looking at the risk/reward ration on the trade based on the recent volatility of the stock.

So, we'll see the first one listed there is Twitter, for a trade on the 7th of February; the 7th seems to be a really popular date with a lot of these results. Let's say we're interested in Twitter, but we don't want to do a trade that short-term. Maybe we want to do a six-month trade. Just above, we have the ability to customize what it's showing in our scan. So, it's still going to scan based on risk-reward ratio compared to volatility, but we can enter in a given stock. So, let's go ahead and enter in Twitter. And then we can choose days to expiration. We'll choose 180 days or more, and then click the "Apply" button.

Now we'll see we get a lot less results, but all of these results now are just Twitter trades, and we see we have longer-dated expirations. There's a couple September contracts on there, there's a January 2021. There's even a trade going all the way up to January of 2022, and it's stack-ranking them by this risk-reward ratio here on the righthand side. Certainly if you wanted to sort by one of the different columns, similar to many of the other tools on the Report Finder that Nick was just showing us, you can click on the "Call" in-header, and it'll allow you to sort by that column. As well, maybe we didn't want to just focus on Twitter, but we did want the longer-term trades. We don't have to fill

in an underlying there; we can just customize that days-to-expiration for the type of trades that we're wanting to see, and it will pull up those results. Remember, the characteristics that it's looking for are going to be different based on what the strategy is, and as we've mentioned a few times this doesn't tell us at all what this stock is. For instance, the first one listed, GWRE. We can click a little expansion; it'll tell us what sector it's in, when the earnings are, but if you knew nothing about this company, you still would not even know the name of this company, so we definitely want to go in, do some research on what is this stock we're about to trade options on, even if the way that we've generated our idea is solely looking at the option trading.

So, let's go back up to the top. If you remember for a moment ago, I said there are two ways we can use this tool. The first one is, we already have our strategy in mind, so we clicked on the desired strategy. The second way is, maybe we have a desired outlook that we're trying to trade, and risk/reward profile. But we don't know what strategies might be available to us given that. So maybe we decide we want bullish trades; we want limited risk potential, and we want substantial profit potential. Actually, let's go ahead and say, "limited profit potential." You'll notice you can click on multiple of them if you like. It'll pull up for us, and leave highlighted, which trades match our criteria. So, bullish, limited profit potential, limited risk gives us short vertical put

spread, long vertical call spread, long call butterfly, a call-time spread and a caller.

So, let's go ahead and click on one of those. So, let's click on the short vertical-put spread. Also, for those of you who are familiar with it known as a "bull-put spread." We can scroll down just a little bit. We have that same sort of expansion, so we can see what's going on with this strategy if we weren't already familiar with it. And then if we scroll down even further, we can see what is it screening by. So, it's looking for what's referred to as a "flat volatility skew," which means it's looking at a comparison between the implied volatility on the short strike, and the implied volatility on the long strike, and we can go through and do the same sorting here. So, if we want to see bull-put spreads on a given stock, we can plug in our given stock. If we want to see them for certain expirations, so maybe we wanted a longer-term versus short-term, we can make this adjustment here. Or if we just want to sort by one of these column headers, we can do that. So maybe we realized, wait a second, these trades all have relatively flat volatility skew, but I want to trade the bull-put spreads that have higher 30-day implied volatility, and have this skew characteristic. I can sort by this IV-30 column, and you'll see all of a sudden it brings the one with the highest 30-day implied volatility to the top, and shows me that trade there, so this is PLRY, the February 14th expiration, the long-strike, so the strike you'd be buying would be the 16; the strike you'd be

selling would be the 19, and currently this prices out at $1.07 credit. So very straightforward way to get a very specific trade idea; we just want to make sure we have an idea of well what is causing this pop up; what's going on with this stock, how is this trade going to behave if I put it in my account.

Now we're going to focus on one more tool here, that really is solely looking at options characteristics, and then we'll look at a couple that more so focus on the stock side of the house.

Nick Delisse: One tool that actually we'll wind up talking with clients quite a bit about, they're actually searching for stock ideas based on options characteristics, is actually the market scanner tool. And if you go up to the very top and you see these scans and screens, if you click on "Market Scanner," that will actually take you to the Market Scanner tool. Alternatively, if you simply click on the "trading ideas" tab, it defaults this particular market scanner tool as well.

Now, the first tool that it pulls up is of course the high option volume scan, and all of these scans have this description at the top that will tell you exactly what they do, and it's just like it sounds: high option volume today, relative its average volume. And of course, this is sorting by looking at a minimum of 200 contracts on average. And that becomes important because, well if a

company only has 10 contracts on average and somebody places an order for 100 contracts, it might not take a lot of capital to do that, and all of a sudden, boom, this is the very top of the list with 1,000% of its average volume just because somebody placed one small order for 100 contracts.

Now this does sort over here in the left, a couple top-scans; we'll be looking at high-option volume, high-call volume, put volume, open interest, imploding implied volatility and exploding implied volatility, and you see it has this description labeled in all these. So, if you're not sure what any of these do, simply mouse over this and you'll see well exploding implied volatility is simply looking for underlying securities which the IV-30 has risen the most over the past week. Of course, also setting that average volume on particular contracts.

Now, if there's other things that you want to look at, maybe you want to take at some scan dealing with applied volatility, there are a lot of pre-built scans in here comparing implied volatility versus historic volatility. Earnings, if you want to take a look at different stocks that have had a lot of implied volatility gain before earnings; you can actually do that. You can click on this, pull it up, and have this list. Then you have other interesting things, of course. Now, most people might expect companies, for example, to have that rush-and-crush of implied volatility, with implied volatility typically dropping after earnings after that expected big move happens, but what about companies

that have earnings announcement, and their implied volatility actually goes up,

maybe because sometimes was announced, and the management disclosure

is talking about some uncertain event in the future. So, you can actually scan

for that, for companies that had earnings announcements, and then had

implied volatility actually go up instead of actually dropping and getting

crushed back down.

So, there's a lot of very, very interesting pre-built scans already in here. But

maybe you have some very specific characteristics that you want to search for,

you want to pull up. You can actually go, and you can create a custom scan.

So, if you come up here to the top, and simply expand out, you can take a look

at any custom scans you might have previously saved. If you don't have any,

you can simply "Create New" and pull up a new custom scan. Now this

particular scan, I'm just going to name "Webinar," and then we're going to

come down, and we're actually going to add a couple items to this particular

scan. Now, default on everything, always has the symbol on here, but maybe

when a company is listed, you're not necessarily familiar with all the symbols,

so a common thing I'll see traders will do is they'll come to "fundamentals,"

and they'll add company name. That way in addition to the symbol, we also

see the name of the company. Something else that they might do is they

might actually come up and take a look and add the price that the company

last traded at. So, we have that last trading price of the company. Again, just seeing some basic information about the company.

Now from here, this is actually where you might start adding some options characteristics. What characteristics are common that a lot of traders might want to add? Well maybe they want to screen by implied volatility. And so, you might go to volatility. You can come down and maybe you want to add IV-30, the 30-days implied volatility. Maybe also in addition to adding IV-30, you might want to add IV-30 percentile. And so, with this, you can add all these companies, so if you hit "preview scan," this will of course load up a lot of different companies. This will only show to first 100. You can see as we scroll down, we don't even make it out of the As, there are so many companies because we haven't really eliminated any companies yet.

So, from here, let's go ahead and add in a couple things to eliminate some of these companies that might be on here. One common thing that traders might do is I might take a look at liquidity of the options contracts. So, if we come to "option volume" and we actually come down to average option volume, they might add this. Because, if the options are liquid, they tend to have tighter bid and ask spreads. And so, might make it easier to get in and out of the security, and what traders might look for, is they might say, a minimum of a certain number of contracts. And with this, of course, you can

change all this and set minimum values; you can set maximum values. So, let's

say, for example, we want to take a look at stocks that have a minimum of

5,000 contracts a day. In addition to that, we want to take a look at companies

that aren't penny stocks. So maybe we say that last trade value is a minimum

of $10. We can actually then preview the scan, and we still have a lot of names

on this list to go through, and so we still need to add some other

characteristics to reduce this back down. Maybe what we might also do is

we'll go through and we want to actually set something on IV-30 percentile.

Or only wanting to look at companies that have high implied volatility relative

to its 52-week history. And so, this might be common, and traders might try

and find securities that have that higher implied volatility, because they're

looking to sell options on underlyings and then trying to generate ideas on

this. So, we might set this and say, 75%, first to 75th percentile, and then let's

go ahead and save this scan. Now if you notice this has been saved, here's

"Webinar," and it still has quite a bit of companies on this particular list. All

we've done so far is we've said, show us the implied volatility, show us the

company's name, show us the last trade price, and of course this IV-30

percentile, we want to have that minimum amount of options volume.

Now let's say we want to reduce this list a little bit more. We can actually

come back here, and we can edit this particular option list. So, let me go

ahead and bring this back up and we'll edit this list that we're working on, and

maybe we want to set this at $10,000, instead of $5,000. And we actually

come down here and we can preview some of the changes that we make.

Maybe something else we might also want to do is we might only want to look

at companies that are larger capitalization companies. We don't want to see

smaller capitalization companies, so we might come back here and we can

edit this list again, and we can actually come back to, and add this

fundamental characteristic, market capitalization, maybe we only look at

companies that have a market capitalization of $1 billion or greater. So, we

add that in here, and maybe, we preview this particular scan, this has that

capitalization here, but we don't really want to see that. And so, if you notice,

there's a "show" column, so we can uncheck that box, and all of a sudden, this

is still sorting by this, but it doesn't show that column anymore. We can add

that in there. From here, if we want to, we can change other values. We can

even say by default, I want to take a look at those companies that have the

highest implied volatility first, stack-rank it by this. We can actually come here,

go to IV-30, and then let's say, descending, and let's go ahead and save this

particular scanner. And now we have this, as it goes through, has those with

the highest implied volatility first, and then it scrolls down, and we have this

list. If this is too few, we can always come back and we can loosen up some of

these characteristics. Maybe we only make this a 70 percentile. Say this

scanned, and we noticed that there are a couple more companies, including

even Disney, that we're looking at beforehand on that particular covered call trade.

Now, one very interesting thing about this, of course, is if we go back to Active Trader Pro, this will actually port over and will have this within Active Trader Pro. So, I'm actually going to go ahead and do that. I'm just going to bring it back to Trader Pro, already have a layout up here with the filters up. Now if you don't happen to have the filters tool pulled up, set to come up to quotes and watchlist first and it'll bring up the filters tool for you. We now have two of them up here, so I'm going to go ahead; I'm just going to close out this one I already had. We can move it over, right where we want it, and make this larger. Now, to find those particular option filters, we come to the very top, we click on "Options" we notice high option volume, which was that first filter that we already had. And we now have a lot of default filters that are in here that are those other, more used filters that traders have and have quick, easy access to, whether it's high-option volume, exploding implied volatility, imploding implied volatility, all this particular information. And if we want, we can actually come to "custom," click on "custom," and we now have all the different filters that we set up, that we save, we can come up, we can actually view those filters within this particular tool. We see all that information, if we want to jump through, want to change that. We can see those filters that

we've created right here within Active Trader Pro that do more other due diligence with it, maybe technical analysis, or something else.

Sam Shore: And this really takes us to the part where we're going to start looking at, well what if we don't want to start with the options characteristics first? What if we want to start with looking for the stock first, just like we were placing a regular stock trade, and finding stocks that we're either bullish or bearish on based on price factors of the stock, or maybe fundamentals around the stock, and the filters tool actually has two tabs that allow us to do this.

Let's go ahead and work from right to left, so look at technical tab real quickly, and this tab is going to show us a number of different ways to filter for different technical events that are occurring for different stocks, so nothing about this includes anything to do with the option. If we wanted, for instance, let's find stocks that have a short-term uptrend, and let's find ones that it's on 40% higher volume. So it'll pull those right up for us, and these are stocks that have that short-term uptrend, and you can see with a lot of these filters, we'll have a second screening characteristic that we can set, in this case, the volume threshold that needs to be done. If there's ever a question as to, well what is a short-term uptrend, or what does it mean that there's bullish morning momentum for a stock, or what have you, if you click the "Description" button here on the right-hand-side, it'll bring you to a glossary of sorts where you can

go through and find the exact criteria that it's screening for, similar to the other

tools in Active Trader Pro. These columns are customizable, so if we want to

have the percentage change be our first column, we can do that. If we want

the last trade to be up here and may have a little more traditional, so we have

the symbol, the last trade, the dollar change, then the percent change, and we

can also sort by any of these columns. So, if we want to sort by dollar change,

we can do that. Or maybe we just want it alphabetical based on however our

individual brain works.

The other way we can filter here is, it's going to call it the "market filter," and

this is going to be a lot of comparisons amongst stocks. So, the first one that

pulls up is the most active stocks, across all markets. But let's say you wanted

to find, well what are the top gainers today in the S&P 500? I see the S&P

500's up about 4 points; that's really leading the way? If we click here on our

dropdown, we can go to "top percentage gainers," then we can set our

secondary criteria, can be either by exchange, or by index. So, let's say by the

S&P 500, and now we can see the top gainers in the S&P 500, certainly as a

creative pun, now happens to be the NOW showing, top percentage gainer,

up about 9% today.

You notice there's a wide variety of other criteria was can look for, so maybe

we want to look at stocks that are making new 52-week highs on a day that has

been maybe sort of a ho-hum of a day, or a down day for a good chunk of it.

So, we can say, what's hitting a new 52-week high, and we can say we only

want stocks greater than $20 a share. And we can see the stocks that are at

new highs for today and allows us to go through this every day using the live

market data, we can see things changing, as we're looking at it even right this

minute.

Now, we do on Fidelity.com have a tool that allows us to go in and actually

work through some of these changes. Maybe we're looking for things that are,

I'll phrase it as "less timely," but maybe not an intraday change, and that's

actually going to be located in our stock screener. There's a similar screener

for ETFs, but let's focus on the stock side of the house. So, we'll go to "News

and Research" and "Stocks" on the left-hand side of the page. You can click

on "Stock Screeners." On this page, big blue button, "Start a Screen," and let's

go ahead and click on that. And when we initially get to the stock screener,

let's talk a little bit about the right-hand side of the page. For a lot of our tools,

there are some pre-built filtering criteria that you can utilize. So, let's say, you

want to find stocks that pay dividends, but you don't necessarily know what

characteristics you might want to use outside of just the fact that the stock

pays a dividend. Well, there are a number of strategies here, so let's take a

look at income, and let's say we want real estate investment trusts. If we click

on that, it'll bring up a description of what we're looking for, and then on the

left-hand side, we can see all of the different criteria it's utilizing. There are dozens more that we have available even, and we can go in and start looking at what are the stocks that match this criteria. So very, very quickly you can see, we can go in and find a lot of ideas for different stocks that we might be interested in trading.

So, let's go back here real quick, and there's also a theme. There's a number of common themes that people are looking for in the marketplace, and this allows you to find stocks that may be a part of that theme. So, let's say we're really interested in mobile payments; we think that's going to be a revolutionary area, maybe. We can go in and see, well what are companies that have exposure to mobile payments, where it's a part of their business in a meaningful way. Let's say, we're very independent, and we want to go it on our own, entirely. So, on the left-hand side, we have a number of different groupings of criteria. We can click on any of these groupings of criteria, and it shows us the individual criteria within it. So, for instance, we were talking a minute ago about dividends. If we click on "dividends," we can see all of the criteria around dividends, so maybe we want to do dividend yield. Whenever we add a criteria, then we have to select the parameters for the criteria. It's going to default to showing us everything, but the whole point of choosing a criteria is we don't want everything, so we can choose this either with checkboxes that tries to make it easy for us, or maybe we have a specific

number in mind; maybe we want things that are yielding 8% or above,

particularly high, the very high of the higher range, and it will show us those

stocks here.

Now maybe there's a company that we expect to show up, and it's not

showing up for some reason, and we want to see, well why is it not showing

up? So, had Disney as an example earlier; I know Disney pays in dividends.

Why is not showing up in my dividends screen here? If you click "Add My

Stocks," we can type in the symbol, hit "Continue," it will add it in a highlighted

line to the top of our screen, and for any criteria that does not match, it'll give

us are little "no" sign next to, so we know the reason why, if our sole screening

criteria is "dividend yield," Disney is not being included because we said it's

got to be more than 8%, and Disney only yields around one-and-a-third

percent.

Now, let's say this was the first time you come for the tool, and there are a lot

of things you know you want stocks to have, a lot of criteria you want to use,

but you don't know what are all the available criteria, and you're a little

worried about digging. Two ways to go about it: one, in search criteria you

can start to type things in, so if I start to type, let's say, "price," it'll show me

what are all the criteria with "price" in the name, and we can click it; it'll add it

to the filter, and we can set the various parameters for it. Or, we can click

"View All." If we click "View All," it lets us at a glance see all the criteria that exist. You'll notice under "Basic Company Facts," we have a pretty important one here for if we want to do an option trade. Got to be optionable; can't do option trading on a stock without options, of course. Maybe we want to do security price, like Nick did just a moment ago. Maybe we want to do PEs in next year's estimated earnings. Maybe we want to look at stocks that have recently hit their 52-week high. And then let's scroll even further down, and let's add, we want to do something that is above its 20-day simple moving average, so above, a percent off 20-day SMA, and let's say I have one more in even. Let's go ahead and we'll add the Equity Summary Score, and then we'll hit "Apply Criteria."

We'll see we get all of these criteria in the upper-left here, but now we have to go on through and set the parameter for each criteria. So, for "optionable," we want securities with options, security price. Similar to Nick, let's say we want above $10 a share. Let's go to PE. And maybe we don't know what a good PE is, or where we should be choosing. It'll give us the market median down here as a reference, but we can also see this visually to get an idea of, well for all the stocks out there, what does the chart of their PEs look like? And we can choose by actually dragging on this graphic. So that should be roughly everything that's above the market median PE using next year's estimate. We can choose days since the 52-week high. Let's choose things from the past

week. And you'll notice, as we're going, we're getting smaller and smaller and smaller numbers. We started with over 3,000 companies; we're now down to 156. So, let's say we want it to be above the simple moving average, but not too far. Let's say we want it to be within 0-1% of the 20-day simple moving average. If you wanted stocks below the simple moving average, you could use a negative number here as well. And then let's say we want these stocks that have a very bullish equity summary score.

And so, we'll see with only about half-a-dozen criteria, we've gone from all of the stocks in existence down to six of them, where we can do our additional digging. Maybe we want to add these to a watch list. We can check the boxes to the left of the stock. There's the ability to take action on here, so we can create a comparison between them, add them to a watch list. Maybe, the companies we've heard of, we can even go ahead and put it into a trade ticket, or we can go through these different tabs, and it will give us different criteria. The search criteria fields are going to be columns based on the criteria we've selected, then maybe we want to look at the valuation growth and ownership criteria, and you'll notice these columns are not at all columns that we included in our screen, but we can view the information for all of these companies that are in our screen very quickly.

Lastly, so you don't have to reinvent the wheel every time you come to this, in the upper-left-hand corner, you can click "Save to My Screens," choose your screener name, and save it, and so next time when you come to the screener, you can click on "My Screens" in the upper-right-hand corner, and that'll allow you to get to your saved screen. Please remember what it's saving though is your criteria, not the companies that show up. So, you could get entirely different companies if we save this screen, come back to it from a year from now, and run this same screen, we might get six different companies than the six that we have right now. If we want to save the companies, that's really where we want to make use of the watch list.

END OF AUDIO FILE