

## TRANSCRIPT

# Generating options trading ideas at Fidelity

**Nicholas DeLisse:** And good afternoon, everyone. My name is Nicholas DeLisse. Of course, joining me is Sam Shore. Both of us are at Fidelity's Trading Strategy Desk. And this afternoon we're going to be talking about a lot of the really awesome options trading tools that Fidelity offers on our website, to help you kind of generate different ideas and help you make those particular trading decisions. Just so many powerful tools that we have. We're going to try and touch on most of them, of course, over the next hour. But keep in mind that you can always, you know, connect with us over the phone. We'll be happy to dive deeper into some of these particular different tools with you. Everything, of course, we're showing today is going to be on [fidelity.com](https://www.fidelity.com), though a lot of these tools are also built into our Active Trader Pro platform. And the big thing to keep in mind is that, so many of these tools, they're not just for idea generation but also ways to analyze a particular trading idea that you have and then help you be sure that you're using the right types of strategy and right types of tools to, of course, implement that. We're going to try and also use a lot of different examples. And we'll look at all these different tools and the way that you might leverage these tools to be sure that you're using the right tool for the job, to not only help you generate ideas, as I said, but make those particular trading decisions. Now honestly, one of the biggest and most

important trading tools that a option trader has in their arsenal is the option chain. And we'll go ahead and cover the option chain first.

**Sam Shore:** And I definitely want to echo Nick's welcome to everyone. Excited to walk everyone through the option tools that we have online. To access all of the option tools, the way that you can get there is by clicking on New & Research, up at the very top of the page, about two-thirds of the way down, Options. And it'll initially bring you to page that looks like this. And couple of navigational notes that we want to have in mind when we're going through our options tools. Firstly, you'll notice we have three tabs in the upper left here, Quotes & Tools, Market Overview, and Trading Ideas. Beneath each of those tabs, we have links that take us to tools within those tabs. So, we're going to be going through basically each tab in order and each of the tools.

The first tool that we have here, that, of course, is, I think, necessary whenever we're going doing trading options, is going to be our option chain. We got to be able to get pricing and be aware of what expirations and strikes are available. We can plug a symbol in the upper left-hand corner here, just beneath where it says Option Chain. And then I either click on the magnifying glass or hit enter. And it'll pull up all of the data for us. At the very top, it'll give us the name of the underlying, as well as the current price and today's

change for that same underlying. Handy thing to be aware of, to the immediate right here, where it says More Quote Information, if you click on it, it gives you some volatility information about options on the underlying. So, we can see what the implied volatility of 30-, 60-, and 90-day options might be for this, as well as some basic information like upcoming dividends for the security.

Scrolling just a little further down, of course, as you might expect, we can see all of the pricing, for the different option contracts, as well as strikes available. Now the way we initially have this set up is that is showing you, in sort of this butterfly format, calls on the left-hand side, puts on the right-hand side. But we have several drop-down menus here that you can utilize in order to actually go in -- and, if you wanted to price out any one of a number of strategies and have the strategy's pricing being displayed in option chain format, you can do so here as well. You'll also notice that you have flexibility to go in and customize the number of strikes shown. So, a lot of times, people say, "Wait a second. Why is there not a 250 strike or a 300 strike?" They only see the range that's around the money. Well, if we go to Strikes, we can make a change. So, let's say we want to see 10 strikes at a time. Whenever we make a change here, we want to hit this blue Apply button on the right-hand side. It will reload the page for us and bring up those additional strikes. We can also filter

through the option chain pretty quickly to look for options that have the most volume or certain levels of volume or the most open interest or certain levels of open interest, by using the Volume and Open Interest drop-downs here. So, if we only wanted to see contracts that have volume above a hundred today, we'll do that, hit Set, and once again go in here and hit Apply. You can also toggle on and off the expirations that are being shown, select from up here at the top. Currently, we have weeklies off, just to make it a little easier to take a look at. You can also toggle on or off the histogram, which just refers to this shading behind the volume and open interest. And that's just a visual aid to show you, for that expiration, which contracts have the most volume or the most open interest.

The columns for the option chain are also customizable. So, you'll notice we have columns like Implied Volatility and Delta. But maybe you wanted to add a column for... Well, let's say you wanted to know the theta of the option contract. To customize columns, just go up here into Settings. And you'll see all of the columns you can choose from, as well as even changing the order of the columns. So, if you wanted Delta displayed before Implied Volatility or you wanted Volume being the rightmost column, what have you, those changes can be made here. And you can make changes to what appears when you pull up the chain initially. So you can set up default preferences, so,

when you come back to the option chain for different stocks or on a different date, it has all of those save in for you and you're not having to reinvent the wheel every time.

Going back to the chain that we have and scrolling down just a little, of course you'll see we have all the different expirations. And we can collapse them, if they're expirations that we're not interested in viewing. But for a given expiration, we want to be aware of a couple of things that we can do directly from the option chain. The first is both the bid and the ask for option contracts are clickable, meaning, if I click on one of these, it will actually pull up an option trade ticket, with a trade to trade that contract. Then, of course, we can go in and specify the number of contracts we want to trade, whether we want a market and limit order and preview and place our order, if we wish.

As well, to the left and right of the strike price, you'll notice we have a little down-arrow here. And if we click that arrow, we get a menu. From that menu, we also can go in and place our trades. So, we can buy to open or buy to close. We also have the ability to take ourselves to some of the other tools that we have on fidelity.com. So, we can add a given option contract to our watch list, if we wish. We can go in and model it, using our Profit/Loss

Calculator, which is one of the tools we're cover in just a few minutes here. Or we can go in and do additional research on the underlying security.

Now, I'm going to go ahead and click on View Detailed Quote. And it's going to bring us to a slightly different page. And you'll actually notice, if you're looking up at the top, we've sort of skipped forward past a few, from the Option Chain to the Option Quote & Chart. And we'll come back to the Key Statistics and IV Index in just a moment. But on this page, it brings up some additional quote information for the specified contract. If we had come to this page on its own instead of from the option chain, we would just have to plug in the desired option symbol into this field, hit Quote or hit Enter and it would pull up this same information big differentiator between maybe this page and looking up some of this information on the option chain is you do have the ability to chart the option contract here. And we can click for different durations of the contract. Couple of big notes to keep in mind when you're charting an option is it is only going to extend for the lifetime of that option. So, if it's an option that's not been around for very long, well, there's not going to be six months' or two years' worth of data to be able to chart. And it's only going to chart days where trades are actually going off. So, if you have an option that's rather illiquid and doesn't trade very often, well, the chart may

seem a little disjointed, because it's only going to plot data on those days where there's actually trading activity.

So, going back up to the top now, we'll sort of proceed along. And I'll let Nick take us through our Key Statistics page here.

**Nicholas DeLisse:** There's a lot of interesting information on this particular page.

And a lot of traders that I'll speak with might navigate to this page for the first time and feel that they've kind of reached a holy grail of sorts. But really, the most important information on this page is what you see at the very top. It's a volatility table. You're going to be provided with a 30-, 60-, and 90-day implied volatility in addition to the 10, 20, 30, and 60 historic volatility. But something else that you're going to see -- and this is really the only place on Fidelity.com that you're going to be able to see this -- is you're going to see the 52 range of both implied volatility and historic volatility 30 days, but then also the percentile, where exactly volatility is within that historical range over the last year. A lot of traders like to look at this information, because they consider volatility to be mean-reverting. And this can help them with that decision and that discussion on is volatility near the top end of what it's been historically or near the bottom end of what it's been historically, which really makes this very applicable information for traders in looking at making their trading decisions.

Now down below, we'll see some order flow characteristics. And this becomes some nice to know information. It isn't necessarily trade-critical. The very top, you're going to see total volume. And this is going to show you, in essence, today's volume. You know, so far on this particular security, we can see it's about 47,000 contracts and change that traded hands today, across all strikes and all expirations. Just below that, of course, is the average volume that this particular underlying will see. And that is going to be based off, in essence, about the last 90 days. And this, of course, can be useful information to a trader, where they might look to some of these characteristics to gauge how liquid an option chain might be. The more volume that an underlying has, as far as its option are related, the tighter the bid and ask spread are going to be. Now down below, we're also going to see open interest, in addition to average open interest, just like we had volume and that total volume or that average volume.

Something else about this particular page is, while we also have totals, we do have breakdowns. We can see, traditionally, are there more calls being traded or there are more puts being traded. And we can see as far as open interest is, in addition to the average volume we've had in the past. We've had more puts being traded, on this particular security, versus calls being traded. Today

however, of course, started, you know, a little bit closer to that 50/50 mark.

And you can mouse over all of these, see those very specific breakdowns, how many calls and how many puts are on each side, in addition to, when your mouse isn't over that, you can see that ratio percentage there.

Further below is some other important characteristics. And this deals with whether an option is traded at the bid, at the offer, or potentially in between. And the reason for this is that, many traders, they might look at, let's say, a put and seeing a put as potentially being bearish, for example. Well, if a put is bought, well, that might consider to be bearish. But what if somebody is selling a put? That might then be considered to be bullish. And so this'll help you kind of split off whether the option was bought or whether the option was sold and actually show you the number of contracts that have been sold to the bid and the number of the contracts that have been bought on the ask, for both calls and puts.

Some other information you're going to see here is, of course, net deltas. And this is getting into the option Greeks. And, of course, when you're buying calls, you're adding delta. You know, when you're buying puts, that puts have negative delta. And, of course, when you're selling them, it's going to flip that. And this is, in essence, showing you a little bit of a total of it. If you're having

an assumption that something is bought, that is bought from the ask, it's going to then have that reflect here into these particular net-delta characteristics.

You also see the net premiums that have been paid for these particular options, if people have been more inclined to buy the options versus sell the options. And if you ever have any questions, really, on how this is calculating, you can always mouse over, like we're doing right now. Show you. That net premium information will describe how that will increase, how that will decrease, why it might positive, and why it might be negative.

Now over to the right, we're actually going to see the Today's Biggest Trades. And this is where that bought on the ask and sold to the bid is going to become a little bit more important. Any trades, of course, that occurred at the offer, that occurred on the ask price, traders generally assume that they're bought from that price because the party that was more interested in getting the trade done moved to, of course, that particular side of the market. Those trades are actually marked in green, on this particular page. Trades that occurred at the bid, traders typically will assume that they were sold to the bid because the more interested party -- and getting the trade done -- came down to the bid, to fill at the bid. And those are in red. The ones that are in black occurred between the bid or the ask. And again, this can be interesting

information. And, you know, we'll talk a little bit later on in the presentation how, some traders, they might kind of digest some of this information, with some expert-analysis examples. The one caution I do want to mention is that it can be difficult to judge what exactly a trader might be looking at doing. Because we see this very top trade, this almost 5,000 contracts that were traded. Can't really tell did this occur at the bid, this occur at the ask. Was somebody buying this or selling this? That can make that quite difficult. In addition, if somebody's buying contracts, you also don't know are they buying this to open up a position or are they buying this to close out a position. Or potentially, with the put example, if they're buying puts, they have a large stock position in their account that they might be hedging, were they actually buying puts because they're more bearish on the trade? All this, of course, makes this interesting information, you know, but not necessarily, you know, trade-critical information, where you have to look at this before you trade.

Another very important tool is that next tool to the right, that Sam was mentioning, that IV Index. And this is actually going to give a very detailed breakdown of implied volatility. And this is one of the few option-related tools that is only on fidelity.com, isn't necessarily in Active Trader Pro. And when you were to launch this tool in Active Trader Pro, it will actually bring up a fidelity.com page, bringing you back to this particular page. With this, of

course, you're going to see much more detailed breakdowns of both implied volatility and historic volatility below. We're able to see some much shorter-term volatilities, a 7-, 14-, 21-day, you know, in addition to that 30-day implied volatility we saw beforehand. We're also seeing those longer-term implied-volatility factors, four months, five months, six months, etc. And with this, this is also breaking down implied volatility based on call pricing and implied volatility based on put pricing. We're seeing that difference right here, in these different columns on this chart. We're also able to see that change, on how implied volatility's changed since yesterday. And we can look at this and we can see, based on, you know, 30-day implied volatility, it really hasn't changed very much. But those shorter-term figures, 21 days, 14 days, 7 days, are actually elevated recently, compared to, you know, what they were yesterday. We also have other columns of information here, that will show what these factors and what these figures were a week ago and what they were a month ago. So again, you can see some of those changes. You can see some of those trends and information on was implied volatility higher or lower, in the history.

Further down below, you're able to see historic volatility. And you're able to see a lot of that same information, on that one week ago and one month ago, what it was. And you'll actually also be able to see what the 52-week high and

52-week low is for historic volatility, for all of these different factors, to give you an idea of how much that can range.

And then there's also a very informative chart that we'll see down below. It's actually going to chart the HV30 and IV30. And you're able to look at and see where implied volatility's been, to help you formulate those outlooks and those opinions. This also becomes a very useful chart for somebody that might be trading around earnings, to see how implied volatility might rush and crush around those particular events. And then also, is there a spike in actual realized volatility, due to those particular events?

It's a lot of really good information here. And all of this volatility information actually really plays into the next tool that we want to talk about, our Probability Calculator. And you can, of course, access that that next link at the very top of the page, as we go along.

**Sam Shore:** The Probability Calculator is a tool that really helps, I think, with planning out a trade, especially for someone who's primarily an option seller or premium seller. What we're doing is looking at, given the probability distribution and a date that we select and a target price, what is the probability of the stock being above or below that given price. Now, it's important to

remember when we're using this tool, though, that all of that is math driven. It's all a calculator. So, for every stock that we pick, since we're going to use normal distribution, there's going to be an equal probability assigned to the stock going up or the stock going down. So we could think about a company that we all know is going bankrupt or a company that we know has the cure to cancer and it's still going to assign a 50 percent probability it goes up or a 50 percent probability that it goes down. So the usefulness that comes into play is, given our volatility assumption, well, what sort of strike price might we be looking at for, say, a covered call or for writing a put or for a condor, something of that sort, in order to have our strike prices around our desired level of risk, in terms of probability?

So, let's walk through an example of usage of this tool. So, we have QQQ here. And let's say we wanted to go out one month and we wanted to write a call option, and we didn't necessarily know what strike we wanted to write but we knew that we wanted to write a strike that has a 20 percent probability of being in the money at expiration. Couple of things we have to go in and adjust about this tool, to do that. First is, that distribution is going to be based on how volatile we expect the stock to be. As a default, it is going to use the 90-day historic volatility. But if we click our drop-down here, you'll notice we can actually choose from several different durations. Or we could even plug in

a custom value. Let's go ahead and choose the 180-day historic volatility. We'll see it's a bigger number. And so that distribution gets wider. There's a wider range of potential prices, given that level of volatility. Next, we can go in and select our target date. You can either type it in... I'm a big fan of clicking the little calendar here. And that way you can just click through to your desired date. Or you can even hold down with your left mouse button and drag this line to your desired date. And you'll notice you can even choose dates that are not options expirations, if you wish. Now the last thing we have to go in and do is we have to go in and get or figure out, well, what strike price, what price point would give us that desired level of probability above and below at expiration. So, we can do so either by sort of process of elimination, typing in price targets here, in the upper left... You'll notice you can do two price targets, if you wish. Or we can actually drag this horizontal bar up, just by holding down with your left mouse button and moving it up. You'll see we get pretty close here. You'll also notice, when we drag it, it will allow us to choose intervals that might not be strike prices. So, see, we have \$292.99. There probably is not such a strike price. But we can always then go up into our price target. Let's say we want to adjust it to 292. And we'll see it moves it to 292. That even takes us sort of a little bit lower probability, above being that price point, than the 20 percent that we may have desired. Now, you'll also notice, and the last adjustment we can make, that we haven't talked

about yet -- is the number of standard deviations that's being displayed on the chart. Now this is really just a visual aid. So, when we adjust this... Let's say we go from three to two. You'll notice the number of deviations that are shaded on the price chart here are adjusted. Now we only see two of those shaded cones, instead of three. The darkest-shaded cone, closest to the current price, is going to be that one standard deviation. The slightly lighter shading is two standard deviations. But it changed nothing else on the chart aside from what's being shown in terms of those cones. You'll notice our price target didn't change, the probabilities didn't change, our target date didn't change, our volatility didn't change. And so it's really just to make it so, if you're really looking at something closer to one standard deviation or two standard deviations, you can sort of narrow up the chart, functionally zooming in a little, to look just at the data that you're desiring to look at.

But that being said, let's say we've got this set up and we want to put in our bottom price target, as well. Maybe we have a more complex strategy, like a condor. Well, we can take our second field here and we can go ahead and even plug in a lower price target. So, I'll type in 200, hit Enter. We'll see it plots another horizontal line. It gives me the probability of being below there, also between my two price targets. And just like the first one, if we want to drag this to different price points, we're able to do so.

It is also important to remember that the probabilities that are being shown are the probabilities of being between or beyond those given price points at expiration. This tool is not making a statement about prior to expiration and what's sometimes referred to as the probability of touch, the probability that that price threshold is touched between now and expiration. And when we have these probability levels, so 11 percent below or 17.5 percent above, roughly, well, it's usually about twice that probability that we have a probability of touching that price point between now and our target date for expiration. So certainly, can be a very, very useful tool when trying to figure out, "Well, where might I be choosing a strike price, given these probabilities?" But we've got to remember it has no directional bias. This could be the best stock ever. It could be the worst stock ever. It doesn't include analyst opinion. It is a 100 percent math-driven tool that we're utilizing, and that has a lot of power but we've just got to be understanding and accepting of the limitations of using a tool that's 100 percent math-driven and not to try ascribe meaning to it that might not be there.

So, we have just a couple more links here on our Quotes & Tools tab. Next, we'll go through the Profit/Loss Calculator, which, if you remember, we could

actually access directly from the option chain, if there was a desired option that we wanted to look at that we found in the chain.

**Nicholas DeLisse:** And speaking about math-driven tools, this is another very, very powerful math-driven tool for an options trader. And this is actually based on some math that has actually won people Nobel Prizes. Specifically, two of the big math concepts that will drive these tools are Black-Scholes formula or binomial. This particular tool, of course, is based off of the binomial model for options pricing. Now as we navigate to this tool, we've pulled up with QQQ in that top left-hand corner. But to really take advantage of the tool, we have to add a particular option contract. And as we click on that Add Contract, we're going to get a pop-up, that will, in essence, give us a sort of option chain that we can utilize to go and select our contract. Now, it will, in essence, show all the strikes and all the expirations for QQQ. So, one of the things that you'll want to do, of course, is... As you look down, you'll see a little arrow. It's sideways, a little bit of a minus symbol. If you click on that, you can compress, you can compact those particular expirations. And we're actually going to look for the August monthly contracts. This is going to be the August 21<sup>st</sup> expiration. And, of course, right now, with QQQ being about 260... Let's take a look at a put that is, you know, about 30 points down below the money. And so, we're going to see if we can find a 225-strike put, to use as our particular

example here. And let's make the assumption, of course, that we're going to sell this particular option. And so, of course, don't forget that left column is the bid, the right column is the ask. And so, if we click on the bid in that, it's actually going to send that particular option to the tool that we have in the background. And then we can just leave this particular tool up. We can close it out, hit Close Window, minimize it, whatever your preference is. Of course, if you're wanting to be adding other option contracts, because you want to take a look at some more complex strategies, you might want to leave this up. But we're going to go ahead and close this out at this time.

Now, that you notice everything isn't gray anymore. And, of course, the profit and loss diagram even looks like what you'd expect a put to look, with increasing losses on the left side and having that minimum gain on that right side. If you look at the very bottom of the screen, it's actually going to have the particular option that we were looking at. Now, if you accidentally did something like click on the ask and you meant to have this be a sell, if you notice, there's that little radio box that's on that left-hand side. You can simply click on Buy or click on Sell to flip it from being long this particular contract to short this particular contract. And you see that, as we do this, that profit/loss graph changes. If you want to model some other quantity other than one, you can also change that here, in addition to we have that longer form -- the

expiration date, strike. And this is a put, next to that. So, you can, of course, confirm that you actually made the right contract that you wanted to and tell the difference between different contracts you might add. Further out, we're going to have the bid and the ask. And then, of course, there's a theoretical price. And this Theoretical Price column is actually one of the most important parts of this particular tool. And we notice right now, of course, that theoretical price is going to be pretty close to the midpoint between the bid and the ask. Because, course, this is based on current data and this is based on a implied volatility based on that midpoint, so that is the price that you would expect.

Now that we have our attention on this particular column, on this particular price, let's actually make a couple different modifications to this tool. Let's say something like time went by. We can actually model changes to time. And so, there's a slider, where we can drag it back and forth. Or we can just go ahead and select a particular date that we might want, in that Days to Expiration. And this is generally the place that a lot of traders actually prefer to do that. So, let's say two weeks of time goes by and we're now looking at July 31<sup>st</sup>. And we can see immediately, down below, that theoretical price has changed. It's actually dropped about 70 cents, showing us the effect of time decay on this particular option.

From here, we could then make other adjustments, that -- if we wanted to take a look at what might happen if price went down. We can actually opt to do that. And let's make that adjustment now and say price drops to \$235 a share. And we can see that, with this particular drop, of course, that theoretical price rises. But it doesn't rise, you know, so much that it puts it way out of whack, with this particular tool. This has actually taken this up to almost 4.5 dollars. And so, from the perspective of an option trader, if you're a seller you can see that you have in excess of a hundred percent loss with this. We could then model and say, "Well, if it did make this particular drop and it was even a week before expiration..." We can see what those particular changes might be.

Now, of course, looking back at the top right, still have that graph as being that long put, so to speak. But then also, if we look further left, we're going to see a table that's going to show what our gains and what our losses might be, at important points of notice. And these are larger, round figures, as you can see, you know, 250, 225, 200. And it is, of course, going to have a line item showing what the break-even price would be on this particular date, based, of course, on this volatility information. We can see that, with that assumption of having that price, that breakeven is going to be about that \$247.13. So while this doesn't put this particular option, you know, too far out of the money, this

would be about that level where that time premium would about come to what you pay for that particular option, come to about that theoretical breakeven so far. Of course, the at-expiration break-even's going to be very different. You would actually have to have this option go slightly in the money, so that breakeven is actually going to be lower than that 225 strike.

A lot of very interesting information, very important information here, that can allow an option trader to model a couple different types of trades that they might want to take a look at. And this can be very powerful, very impactful, you know, for a trader that might be trading option around something like earnings. Or I simply want to compare and contrast different strikes -- they happen to be looking at, at that particular time.

Now, this starts to then build into some of the other tools that we have. And this was one of the last tools on that list of tools from the Quotes & Tools. Why don't we go ahead and take a look at the Market Overview part of our website and some of the additional, other analysis-based tools that we even have to help you generate some ideas?

**Sam Shore:** Yeah. And for those who are particularly astute, you'll notice we're going to skip over this Market Commentary tab, the reason being, though, is,

when we go to our Market Overview, it's actually, on the Market Overview, going to give us sort of a shortened or summary version of a lot of different tools, all in one place. And so, we have that exact same market commentary right here, up at the top of the Market Overview. You can hit See More Commentary. So, if you wanted to see the rest of this paragraph or go through past commentary that's been out, you can do so. That's going to bring you to the exact same place -- see more commentary, as if we clicked Market Commentary on the Quotes & Tools tab.

Now I did mention it's a summary here of a lot of other tools. Namely, it's going to give us some information about our Market Scanner -- or from our Market Scanner, a miniature version of it, and some information from our Report Finder. So, let's go through these different tools that we're able to look at a glance, from the Market Overview page

On the left-hand side [right-hand side], it has a number of heavily traded underlying securities and their current level of 30-day implied volatility. It shows you if they have increasing or decreasing 30-day implied volatility right now, as well as giving you the range for 30-day implied volatility on that underlying over the past year. You'll notice, if we mouse over any of these... So QQQ, that we've been using for an example a few times here, is displayed.

And down below, we get a little chart that shows us what is occurring to that implied volatility, over the course of the trading day. So, we can see, since the open, implied volatility has declined a little bit in 30-day options on this underlying -- since 9:30 this morning.

Now on the left-hand side here, labeled as the Argus Focus List, is really going to be a short version of our Report Finder, that we'll spend some more time going into in just a minute. But what the Argus Focus List here does is Argus, a third-party analyst, has a number of companies that they focus on for their analysis, their focus list, of course. And of those companies, they look at potential covered-call and diagonal-spread strategies. And here is a ranking of those strategies which currently have the highest annualized rate of return. Now as you likely expect, with higher annualized rates of return, we're probably seeing higher levels of implied volatility. Could also be a circumstance where we're taking on additional risk. But we can go through each of these. And if you click on any of them, it'll actually bring up a report that shows the trade that Argus would be looking at. That is the summary version of it. So certainly, we'll spend some more time taking a look at that in a few minutes here, when we get to the Report Finder. But I just wanted to point that out to everyone and make sure you're aware it's there.

Toward the middle-bottom here, we have sort of a miniaturized version of our Market Scanner. And our Market Scanner allows us to go in and find four different options -- or four different stocks -- unusual circumstances in their options. And so, for instance, the three scans it has for us right here are going to be stocks where there's unusually high volume today, as well as exploding and imploding implied volatility, so stocks that are seeing big increases or decreases in their implied volatility. It tells us what the scan is, right here at the very top, and then starts to give us the results. Now, you'll notice we can view the full results. So, let's go ahead and click that. We've gone through all of the tools on the Market Overview tab.

Well, notice it pulls us into the Trading Ideas tab, so our third and final tab, and we're on the Market Scanner tool. On this tool, there are a bunch of different categories of scans that we can look at. So, we'll see some of the familiar ones, that we had on the Market Overview tab, high option volume, imploding and exploding IV30s. But we could even narrow it down more than that.

Maybe, instead of high option volume, we want high call volume. Or maybe we want a scan that doesn't even have anything to do with volume. Maybe we want to go in and take a look at a scan based on order flow and see, well, what stocks are trading a lot of calls on the offer. If I click on it, you'll notice it tells us, up at the very top here, what is the scan. It'll bring up the new results. And

for each of these results, we can sort by any of these columns, if we wish. So, if you wanted alphabetically, instead of being sorted by the percentage of calls that are traded out of the money, you could do so. And if you want to find out more about any of the companies or ETFs that show up in this list, hit the little plus sign next to the symbol. It gives us some basic information about the company. We can also go in and check out the news on that company, without even leaving the page. Or if we click Action here, we can go in and take this company into some of other tools. So, we could take this company into the Probability Calculator or the Profit/Loss Calculator, the Option Chain, so on and so forth, or, of course, go in and research the underlying or add it to a watch list. Whenever we're on this, of course, it is going to pull up in real time when we pull up the page. But if we ever want to refresh the page... So maybe we're on it for a few minutes, we want to see, well, has this data changed. Just click the Refresh Data button here.

Now the last thing to display on the Market Scanner is... We have a number, of course, of prebuilt scans here. But let's say there's criteria that you want to customize a scan based off of. You can certainly do so. Just go up to Custom Scans. You'll notice we have some saved in here from the past. Or if we hit Create New. When we hit Create New, on the left-hand side now we have groupings of different criteria. So, we can choose from these different

groupings. If we click on a grouping, it shows us all the criteria, if we mouse over it, gives us a definition of that criteria. Then when we click on it, it allows us to add that into the filter here. We can specify a minimum and maximum value. You don't have to specify both. So, if there was no maximum you wanted but you wanted to do minimum 10,000 contracts, you could do that. If you hit Preview Scan, it's going to pull up how many results -- or the actual results for your scan. So you can see, "Well, have I started to narrow it down very much or do I just have a bunch of things that begin with A?" in which case I probably want to tighten down my criteria a little more, to weed out more securities that might not interest me. Whenever you have the scan set up as you want, you can hit Save Scan. That'll save all your criteria here, so, next time when you're in the Market Scanner, under Custom Scans you'll just have to click on the name of that scan that you'd saved and it will load that criteria in and pull up the current results based on your criteria. So really powerful tool, great way to generate ideas and get some ideas for what underlyings might have unusual circumstances or, with a custom scan, your particular desired circumstances in their options activity.

So, let's continue on to the next tool that we can get, to our next idea generation tool, really. To the immediate right of the Market Scanner is going to be our Strategy Ideas tool.

**Nicholas DeLisse:** With the Strategy Ideas tool, it can be very useful if maybe you're coming to the table with a broader-based outlook and a certain risk profile. You can then take a look at what types of option strategies might fit that particular profile. And so, on the left-hand side we're going to have some filters that we can click on. And in the right-hand side, it's going to show some strategies, some options strategies might fit those particular filters.

So first, let's click on the Bullish filter, on that left-hand side. And we're going to see immediately it's already starting to reduce, you know, a couple of the other selections that we have. Now we can also then, say, click on a Limited profit potential trade on this. And it's reduced this even more, of what might actually be available out there. And let's take a look at some of the different choices that we have on the right-hand side. And let's start off with -- maybe we might mouse over a Long Call Butterfly. As you mouse over that Long Call Butterfly, you're going to see it's going to give you a couple things. And it's going to show you, for example, this is a bullish-to-neutral trade, with that limited profit potential. And with that being bullish-to-neutral, you're able to see that, well, if you'd selected bullish or neutral, this particular trade would have come up. This trade does also have that limited risk profile associated with that. And if we take a look at a different trade, where maybe we're

looking at going... Why isn't something like an out-of-the-money call or a regular long call on this? If we mouse over that Bullish Out-of-the-Money Call that's grayed out, that top-center, we're going to see this is going say bullish but also that has that unlimited profit potential. And because we selected limited profit potential, that's why this particular trade wasn't there.

Now, I'd actually like to dive into looking into cash-covered puts. And we can mouse over that, to see what its particular qualifications are. I'm going to go ahead and actually click on that now. And it's then going to show us some more information down below. So first and foremost, just below that box we're going to see it's going to say Cash Covered Puts, to show us that's what we clicked on. But we're going to expand that particular box out, see some additional information on this. And this'll actually give you a short description of what this particular strategy is, in addition to why traders might actually utilize this strategy. And then an interesting piece of information, of course, is what level options that you need to be approved for, in order to place this particular trade. Of course, on the far right-hand side, it's going to have a profit-and-loss chart, of what selling cash-backed put might look like. And, of course, this is showing limited upside potential as the security moves up, with that substantial loss as it moves over to the right.

Now what we're going to see, further below, is we're actually going to start to see different securities that maybe we might want to look at, that, if we're bullish in general, want to take that type of risk, we can find some different securities. Now one thing to keep in mind is, if we look at the very top left-hand of this particular table of information, it's going to actually show, "High yields on out-of-the-money puts." And so, you know, first and foremost, with these particular securities, these are out-of-the-money and it's based on yield. And that's what we're actually going to be seeing here. And if we look over and we see that Yield to Strike, we see that's actually exactly what's going on. That very top one has the highest yield-to-strike. The next one... You know, it's just kind of stack-ranked and sorted by that yield information. One very, very important thing to keep in mind when it comes to options trading is that there is not return without risk. And so, of course, with these particular securities, to have a higher potential level of return, there has to be that risk associated with that. Now something else, of course, is you notice this is sorted by that yield-to-strike, but annualized yield-to-strike is a little bit different here. And so, as we go down, we see, about six down, there's a security that, the annualized yield-to-strike jumps up a little bit more. But that's because, while this has a lower yield-to-strike, you'll see has a quicker expiration date. And so, this tool is making an assumption this particular trade could be done more frequently. And, of course, if you're able to make a eight

percent return over a three-week timeframe versus a five-week timeframe, that is going to make a large difference to the calculation of this tool.

Something else, of course, with this tool is maybe you want to take a look at selling puts but you have a security in mind. You can actually go ahead and do that. And if we look at that top of that page, we enter in, let's say, QQQ, the same thing we've been looking at... You can actually do that and then hit Enter or Apply, to go ahead and look at different puts with this security. Again, keep in mind this is ranked on high yields on out-of-the-money puts.

Something else, of course, is this is going to be showing options with 60 days to expiration or less. If you want to change that, there's that drop-down box. You can say, "Show me options that are two to six months out," "Show me options that are more than six months out." You can actually have the tool display that particular information for you, to help you generate those particular ideas.

Now something else, of course, with this is you can also send this information to other tools. And so maybe you've come down to this and you decide, "I'd like to trade this," or "I want to look at this in the profit-and-loss calculator." That right-hand side, where it has that column, that Action column, it's the same column that Sam was showing us earlier in the presentation. Or I can

even go down to Analyze. And you're going to get a little pop-out, where it has some of that information. Or, of course, even trade strategy and trade underlying. A lot of different easy ways to link back and forth to different tools that we have, to, of course, help you make that particular trade decision.

Now while this could be a great tool to, you know, help you generate ideas on securities, let's actually take a look at our Report Finder, that is that cover call- and that diagonal trade-based Sam had mentioned earlier on when we were taking a look at that Market Overview tab.

**Sam Shore:** Yeah. Remember, we had -- remember, I said, the summary version on the Market Overview tab. So now, on our Trading Ideas tab, we'll click Report Finder. And it'll bring us right into the tool. And the circumstances where we would use this tool are going to be either, A, we want to do a covered call or a diagonal spread and we're looking for different potential underlyings and trades -- or, B, we can even look at, well, if have a given stock, how can we find reports on that stock. So, let's do the latter one first -- a little more straightforward. You'll notice on the right-hand side here it says, "Find by symbol." If we plug in our desired symbol and hit OK, if Argus has a report for that security, it will pull up here down below. And you'll notice it has, for QQQ, both a covered call and a diagonal spread. We get what is QQQ, but

we also get the specific contract that they would look at for the diagonal spread. Now, this is updated every night and so all of this pricing is as of yesterday's closing price. So, of course, if we go in to place this trade right now, which we could do by clicking in the Net Debit for our desired trade, that pricing is going to be based on where it was previously. It might be at a different price right now. But it is also going to give us a number of statistics, granted, using that same pricing, for that given trade. We can see what sort of, if any, downside protection is offered; what is the breakeven of the trade; the rates of return on the trade; if there's going to be a dividend on the underlying stock, what is our annualized yield in terms of dividend. So, we get all of that information right here. Also, when Argus has reports on symbols, there's a PDF that you can pull up. And in that PDF it has a lot of this summary information, similar to what we're seeing in this table, but it also goes in and gives some examples of, based on your outlook for the stock, what may or may not be the appropriate kind of trade. So, for instance, if you thought QQQ was going to go to 500, well, a covered call might not be the appropriate trade, given that outlook. Similarly, if you thought it was going to go to 100, a covered call might not be appropriate trade, given that outlook. And so, it goes through some of those examples in that PDF, in that report that you're able to pull up.

Now, let's say we're approaching it from the other way. So, the second way was we already have the symbol. But let's say we don't know what stock or ETF we want to trade -- and we can toggle between one or the other, in the upper left here -- but we have a number of attributes for a trade that we might be interested in. So, let's say we want to look primarily at out-of-the-money covered calls. You can make those selections here. Let's say we want trades that are a minimum of 30 days out. So, we'll say 30 days to -- let's call it 180 days. And then we can also go in and choose a number of things here. So, if we have a maximum net debit that we want -- maybe we don't want a really, really high-dollar security -- we can put in a maximum net debit of \$100. And we can also... Let's say we only want to do stocks that Argus has a buy rating on. After we make our selections here... And you'll notice we don't have to fill out everything, only the ones we're interested in. If we hit See Results, it will pull up for us the securities that Argus has reports on, that match up with our results.

And we'll see there are certainly, for such a wide set of criteria, a lot of different results, 158 results. We can go through all the different pages of it, if we want. But if we wanted to sort by a given column... So maybe we want to see the ones that have the highest downside protection. If we click on that column, it'll allow us to sort by that. We can also go in and sort by Argus's

relative risk rating. So, they assign each of these potential trades one through five keys, five being the lowest relative risk, one being the highest relative risk for that trade. We can also go in, of course, view the PDF of the report that we mentioned earlier, when we were looking at QQQ. And we can take a look at any information or what's going on with that company, look at the news and events, or, similar to the Market Scanner, go in, hit our little expansion next to the symbol, and get this summary information for the symbol. If one of these things is something, we decide we want to trade, if we click on the Net Debit, it will also bring us right into the trade ticket to place such a trade. So, we'll see this top trade is the September 18<sup>th</sup>, '22, strike call. If we click this, it's going to load up a trade ticket to buy 100 shares and sell that call option.

If we set up criteria in a way that we like, we can go in and save our criteria, just like we could in the Market Scanner, by hitting Save Search. Name your search and save it. And then you can find past searches up here in the upper right-hand corner. So that you can go in, you don't have to retype in your criteria. It'll rerun the criteria that you've saved against the current options marketplace. And you'll be able to see the reports that exist that match up with your criteria.

Now, we have last two tools here, the Intra-Day Trade Ideas and the Expert Options Analysis. I'll let Nick sort of take us through those. Although I think we'll notice, with the Intra-Day Trade Ideas, there's a lot of similarities with some of the information that we get from the Report Finder.

**Nicholas DeLisse:** Yeah. We find a lot of similarities. And Intra-Day Trade Ideas generally has, in essence, you know, cover-call ideas. And you'll actually see these intraday. Now, they don't pop up every day. And as we look back, we see that there actually aren't any that have generated today. We see that there were some that were generated yesterday, you know, but none that generated Wednesday or Tuesday, earlier on this week. And generally you're going to see these ideas will come up -- you might see three of them or so in the morning and then you might see three of them about that eleven o'clock hour, about that midday hour, that might come up.

You see this first one, of course, is for ADI, the Analog Devices. And it'll kind of describe the particular strategy that they're looking to implement. It has, below that, that buy side, the sell side, the strike price, the expiration, and those nets that you might be looking at. It's all information to kind of provide this idea to you, on an intraday basis, versus something that might be based on -- back to that prior day's closing information. Of course, down further below

we're going to see some research notes that Argus has on this particular security. A lot of this is a little bit formulaic, is automatically generated. But you're going to see some good information, that might be important; of course, if you're looking to trade this security, that you want to take a look at. And then it wraps everything up down below, with a comment, of course, ADI has to drop that five and almost a quarter of a percent to threaten the particular break-even point, and gives you that relative risk, of course, that Sam was commenting beforehand, that this particular trade is rated at four stars, out of -- or four keys, out of five keys, showing has a lower relative risk than other potential trades that are out there. This can be a great tool, of course, for traders looking for some intra-trade -- from intraday trading ideas on things like, of course, covered calls.

Another very valuable tool is the Expert Options Analysis. And this is actually a little bit more of a blog-based -- that I think, and a lot of traders think it's a great tool to look through, to see how experts might actually look at different data and analyze different data. Now, of course, we see on the blog post that was made yesterday -- of course, all this is provided to us through LiveVol -- was on Moderna. And it gives that overview of the company, kind of what the company's looking at, what they're focusing on, and will have that chart at the top, that's showing us, you know, little bit of a chart of what's happened on the

past. And it's also then giving us a little explanation on why this particular security might have come to the attention of the analyst. And as we scroll down, we're going to see some additional information, that actually goes back to that particular tool was talking about earlier, showing that there was something dealing with today's biggest trades that caught the attention of the analysts. And so, they're kind of looking at that, looking at a potential, you know, one-by-two spread that might have occurred on the security. There's an -- showing a quick evaluation of what that might look like in the profit-and-loss calculator, and, of course, based on a expiration diagram, and is just showing the details of what could be going on, what might be going on, from that analysis perspective, just kind of giving a opinion of what might be happening and ways to look at this particular information. And what a lot of traders find so useful about this is, again, the way that it incorporates a lot of Fidelity's tools to generate this analysis -- and a way that you might utilize these tools on your own. Does, of course -- as you look down below, it will show the author of the tool and also the particular category. This is based on that order flow information that we were talking about beforehand, with that key statistics page.

On the right-hand side, you'll see there are some, of course, different categories. If you want to look at past archives that we've had over the years,

you can see that. But then maybe there's something specific you want to dive into, like... We're getting into the middle of earnings season, that, if you want to take a look at some earnings opportunities and the way that these particular analysts have looked at it, we can do that from here.

As we scroll down, maybe about the sixth one down is a Kroger. And let's actually dive in and take a look, real quick, and what the analyst has mentioned on Kroger. And it's going to be a lot of the same things, the same thought process that we saw, of course, beforehand, where we're going to have a little bit of that blip of information at the top and we're going to have a chart. But then now we see this trade breakdown, again, from that key statistics page, and what this analyst was looking at on that. As we scroll down, of course, we're going to see some additional implied move that's happened in the past, how much the security's actually moved compared to how it's implied, that can be important for a trader around earnings. And a lot of this information, of course, can be gleaned from that IV Index chart that we were talking about before, and showing how implied volatility rushed and crushed around earnings and actually seeing how much the security actually moved. Of course, this -- getting a little insight on, you know, a contract that might have traded. Again, just as a thought process, from some interesting information

based on an earnings that's coming up with Kroger and just ways to take a look at different tools that we have.

A lot of traders find this very informative to help them building their thought process and utilizing some of the tools and generating some of these ideas.

And it can be just a great way to take a look at the way experts might look at this.

Now this actually wraps up the last tool that we wanted to talk about today.

We do, of course, want to thank everybody for spending about an hour of your time with Sam and I. And we really look forward to seeing everybody in future sessions.

END OF AUDIO FILE

---

Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, contact Fidelity Investments by calling 800-544-5115 to receive a copy of 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.

There are additional costs associated with option strategies that call for multiple purchases and sales of options, such as spreads, straddles, and collars, as compared with a single option trade.

Greeks are mathematical calculations used to determine the effect of various factors on options.

Any screenshots, charts, or company trading symbols mentioned, are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.

Investing involves risk, including risk of loss.

938667.1.0