MARKET TRACTION

IN THIS ISSUE:

It's Gotten Very Serious!

Same level as a Week Ago but…the Technical Damage Mounts…

It's No Time for Complacency!

This Week's Trade Ideas:

If you venture in, be careful out there! FOMC Minutes Imminent!

Bullish Ideas:

(View Webinar) Coca Cola > KO > $43.38 Last. Buy the April 27th 42.5 Calls for $1.60 or less with a close or anticipated close above $43.55 in an up market with expectations for continued strength in the major indices.

(View Webinar) Starbucks Corp. > SBUX > $58.00 Last. Buy the April 20th 57 Calls for $1.80 or less with a close or anticipated close above $58.15 in an up market with expectations for continued strength in the major indices.

Bullish Mentions:

(View Webinar for All*) BSX, XOM, MO, JNJ, HES, DUK, VOD.

Bearish Ideas:

None at this time.

Bearish Mentions:
(View Webinar) WTW.

Market Overview:
Last week's **Market Overview** had it a little bit of everything and that's a good thing because the markets have had a little or a lot of everything since! On the one hand, we were thinking that the markets were short-term oversold, but the cycle was maturing, and that the money manager Gang would do their best to levitate stocks higher to put the best window dressing on the indices that they could.

Below the Radar:
Even those that don't believe much in the charts are concerned about the charts! Mainly, the 200 SMA. While the 200 SMA would always be a concern, it's not just the S&P 500 that's on the precipice. The most beloved of the beloved are also being challenged in the form of FAANG (See Market Overview).

MARKET TRACTION

Options Academy:

Financial liquidity can be loosely defined as the ease at which an asset can be converted into cash. To make things a little more options-specific, let's take that concept and apply it to actual options markets.

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We're noting this AGAIN!

… if you decide to become or remain involved, you must remain nimble!!!

Volatility has picked up in a big way and refuses to subside. A great deal of movement continues to be compressed into very short time periods when viewed relatively. Adjustments and rolls need to be completed much more frequently than during normal phases of market price action.

We strongly suggest viewing this week's **Market Traction Morning Call** webinar for full details with respect to these idea(s), last week's and options education.

Week 9 of our Special Note:

Things may yet sort out for the Markets and we'll be back to All-Time Highs across the board an on our way to even more ATHs, but significant technical work remains to be done before we can issue the "All Clear".

Realize that you may be operating in a fast-moving environment should you decide that to enter the markets*.*

Again, this week, we're happy that we maintained this outlook as it continues to play out. We'll continue to reprint this note as long as the markets remain this volatile!

Swing trading in an environment like this one can be very challenging. We've tried to make that very clear here in **MT** and in our **Morning Call** webinar. The markets have become increasingly driven by news and tweets that we can't know of in advance. Not losing a great deal of money is a very important part of the process of making money over time in the markets!

Outlook:

The FOMC minutes are to be released tomorrow afternoon and that could determine the fate of the indices in the near term. The news cycle continues to deliver more reasons to become or remain uncertain over the future, something that markets typically loathe. Earnings are due out shortly and the 200 SMA is being defended yet again in the SPYs **(see Market Overview & BTR below)**. We continue to strongly suggest that those that venture into these markets have the time and availability necessary to keep an eagle eye on them. There's simply too much movement happening too quickly to treat these times as normal for the purposes of swing trading.

Technicals:

Will be discussed in-depth in the **Market Traction Morning Call** webinar.

Fundamentals:

These trade idea(s) and mentions are technically-driven.

(Editor's note: This trade idea may be updated periodically, in keeping with market conditions. It is intended solely for educational purposes.)

Recap of Last Week:

Last week simply wasn't much of one. The holiday shortened week wasn't very tradeable for that reason alone. We didn't commit to anything because we're unlikely to do that with conviction until things further sort out. Our bullish idea in CNQ wasn't awful as it has moved up, but it, like other recent bullish mentions, was halted abruptly by Monday's massive meltdown. Bearish ideas FXI and EFA are roughly where they were last week. This all makes sense since we've not changed much since last week at this time despite quite a bit of volatility.

Virtually all bullish mentions acted a lot like CNQ. They started out just fine but were hampered by Monday's heavy selling. Just more evidence that swings are short these days! We can't complain too much though because none of the mentions got smoked and we have repeatedly acknowledged that the past 2 weeks have been very tough ones in terms of lasting, uninterrupted trades.

Fortunately, nearly all our bearish mentions are down to neutral, especially the financials. The exceptions are the ones with earnings reports * that we noted. Some sold off on those and others rallied on those. Proving once again that the prudent player sidesteps earnings without a smart axe to grind.

The past week essentially illustrated why we're remaining prudent and advising caution when trading. The moves are swift and fleeting but they can be spectacular. If you insist on playing in these currents, play it smartly!

Market Overview

Last week's **Market Overview** had it a little bit of everything and that's a good thing because the markets have had a little or a lot of everything since! On the one hand, we were thinking that the markets were short-term oversold, but the cycle was maturing, and that the money manager Gang would do their best to levitate stocks higher to put the best window dressing on the indices that they could:

"We must consider how the month of March and thus Q1 are about to finish out. The money manager Gang will likely want to keep March from being a month that technically triggers bearishness on the big picture charts. Additionally, they won't want to show a quarterly loss for Q1 to investors. We can't rule out extraordinary window dressing efforts to close out the week in front of a major American holiday to boot. This is direct from their playbook, so we shouldn't be caught off guard by it. And that's not all…

We haven't published this in a while but there you have it. We reached deep extreme fear levels and as many readers know, this is a contrarian indicator. It would only be natural for a little rise to occur here anyway. If it doesn't, that will be news! Real news!"

We also thought that they'd try to get their jam on to the upside if given the chance. Well, we can't fault them for trying. After a "go nowhere" Wednesday, the used the final trading day of the month and quarter on Thursday to run things up quite nicely. However, that's all they could muster. Monday brought torrential selling which was mostly attributed to more troubling news and tweets. It's clear that markets remain on less than solid footing.

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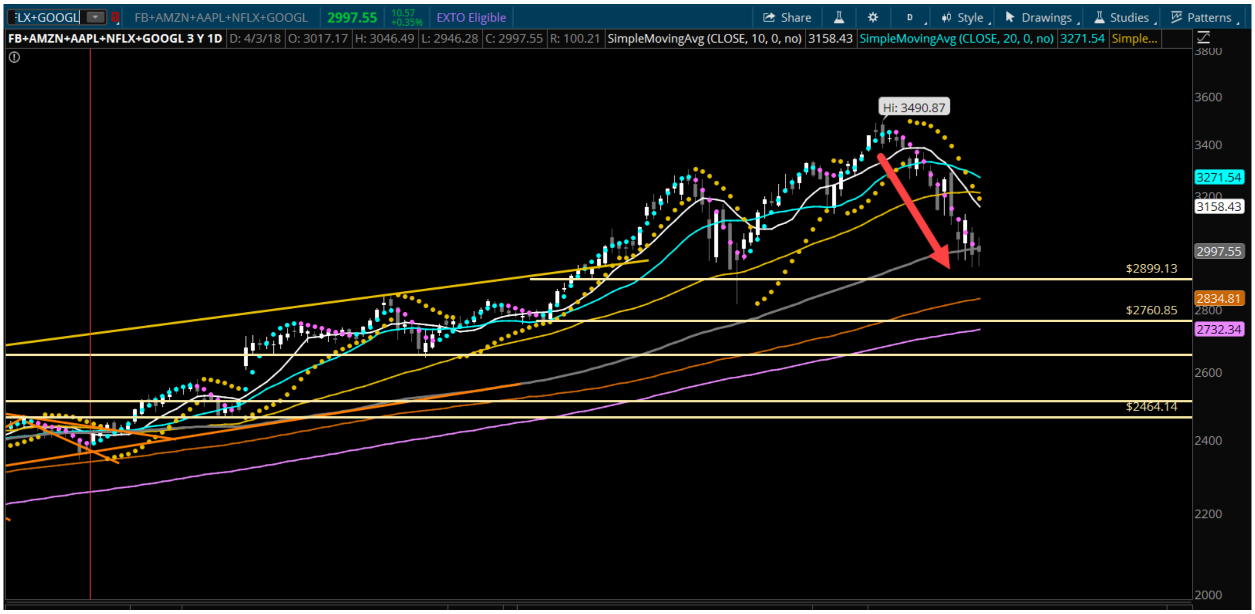
The SPYs are in trouble and the Powers that Be know it. They're doing they're not so level best to hold the S&P 500 above the 200 SMA, which for many, is the critical demarcation line that informs us as to whether "trend" is being held or not. Many times, we've seen the SPYs fall below supposedly key levels only to recover very nicely in the very near future. Will this time be different? As we see it, the technical damage is mounting and to preserve this bull market they'll need to move things North quickly and keep them away from this danger zone. Still though, FAANG isn't what it once was at the moment, and that is also troubling:



The lunatic bull fringe has glanced at FAANG (and TECH) time and time again and come away believing that with FAANG leading the charge, the Great Bull Market remained bullet proof. FAANG is approaching a key low that it needs to hold as well. If that gives way, it's likely that the major indices will follow if not lead lower…

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INTERESTINGLY, there's something on the immediate horizon that could provided panicked bulls with the cover they need to jam equity prices back up. That something would be EARNINGS announcements of course. Though they are backward looking, they can still be used to launch and justify short squeezes and to produce good headlines. They'll begin to trickle out soon, but will that be in time to save the market's bacon? We'll soon see… Our thoughts remain that a FAANG short squeeze from short-term oversold conditions would go a long way towards preventing another wave of massive selling from commencing. Can that be mustered?

It's a relatively light week economically speaking but the FOMC minutes on Wednesday COULD provide cover for squeezing as well. If those show that the FED will be more accommodative, or at least the spin says that's the case, the operators on the Street of Schemes could turn this boat around quickly. We'll be watching…

Below the Radar

Even those that don't believe much in the charts are concerned about the charts! Mainly, the 200 SMA:

While the 200 SMA would always be a concern, it's not just the S&P 500 that's on the precipice. The most beloved of the beloved are also being challenged in the form of FAANG (See Market Overview).

Exhibit 17: Very Important Positions (VIP) for hedge funds

New stocks in basket listed in bold; holdings as of December 31, 2017; pricing as of February 15, 2018

50 stocks that most frequently appear among the largest 10 holdings of hedge funds

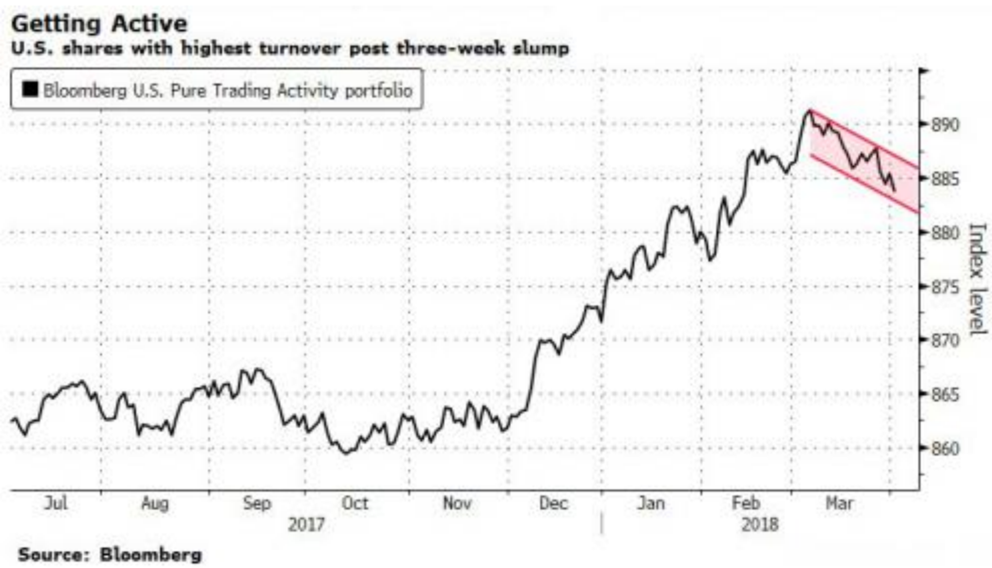
Company	Ticker	Sub-sector	Equity cap ($ bn)	No. of funds with 10 to 200 positions owning stock 31-Dec-17	No. of funds with stock as top 10 holding 31-Dec-17	Average portfolio weight when stock ranks among top 10 holdings	% of equity cap owned by hedge funds 31-Dec-17	Total return YTD
Amazon.com Inc.	AMZN	Internet & Direct Marketing Retail	$704	106	80	8 %	2 %	25 %
Facebook Inc.	FB	Internet Software & Services	429	114	70	6	4	2
Time Warner Inc.	TWX	Movies & Entertainment	74	84	65	9	19	4
Alphabet Inc.	GOOGL	Internet Software & Services	654	83	54	7	3	4
Microsoft Corp.	MSFT	Systems Software	715	84	52	7	2	9
Bank of America	BAC	Diversified Banks	336	68	48	7	2	9
NXP Semiconductors	NXPI	Semiconductors	40	60	44	10	41	(0)
Alibaba Group Hldg (ADR)	BABA	Internet Software & Services	473	65	41	7	2	9
Visa Inc.	V	Data Processing & Outsourced Services	222	68	38	7	4	7
Comcast Corp.	CMCSA	Cable & Satellite	187	53	35	6	4	0
Apple Inc.	AAPL	Technology Hardware Storage & Peripherals	888	57	34	6	1	3
Citigroup Inc.	C	Diversified Banks	204	55	28	6	2	4
Netflix Inc.	NFLX	Internet & Direct Marketing Retail	121	36	28	9	9	46
PayPal Holdings	PYPL	Data Processing & Outsourced Services	94	46	28	6	4	6
Wells Fargo & Co.	WFC	Diversified Banks	296	34	25	6	1	(0)
Charter Communications	CHTR	Cable & Satellite	90	44	24	9	9	8
Aetna Inc.	**AET**	**Managed Health Care**	**58**	**40**	**23**	**7**	**12**	**(2)**
Constellation Brands	STZ	Distillers & Vintners	37	28	23	6	17	(5)
Caesars Entertainment Corporation	**CZR**	**Casinos & Gaming**	**9**	**45**	**22**	**7**	**33**	**4**
JPMorgan Chase	JPM	Diversified Banks	401	40	21	5	1	9
Broadcom Limited	AVGO	Semiconductors	102	36	20	6	6	(2)
DowDuPont Inc.	DWDP	Diversified Chemicals	168	44	20	5	3	1
Monsanto Co.	MON	Fertilizers & Agricultural Chemicals	53	32	20	7	12	4
Mastercard Inc.	**MA**	**Data Processing & Outsourced Services**	**182**	**40**	**19**	**6**	**2**	**16**
Dell Technologies Inc Class V	DVMT	Systems Software	14	37	18	6	28	(15)
Micron Technology	MU	Semiconductors	50	36	18	9	11	6
Berkshire Hathaway	BRK.B	Multi-Sector Holdings	503	25	17	11	1	3
FleetCor Technologies	FLT	Data Processing & Outsourced Services	18	26	17	8	14	2
MGM Resorts Intl	MGM	Casinos & Gaming	20	29	17	7	20	5
Nexstar Media Group, Inc. Class A	NXST	Broadcasting	3	26	17	7	32	(5)
Ally Financial Inc.	ALLY	Consumer Finance	13	24	16	8	17	(1)
Delta Air Lines	DAL	Airlines	38	40	16	7	8	(5)
XPO Logistics, Inc.	XPO	Air Freight & Logistics	11	22	16	10	21	0
IQVIA Holdings Inc.	IQV	Life Sciences Tools & Services	21	22	15	5	22	4
Liberty Media Corp. Series C Liberty SiriusXM	**LSXMK**	**Cable & Satellite**	**9**	**22**	**15**	**6**	**18**	**5**
Priceline Group	**PCLN**	**Internet & Direct Marketing Retail**	**91**	**35**	**15**	**6**	**7**	**8**
Allergan plc	**AGN**	**Pharmaceuticals**	**55**	**28**	**14**	**8**	**7**	**1**
JD.com Inc. (ADR)	**JD**	**Internet & Direct Marketing Retail**	**67**	**25**	**14**	**7**	**8**	**14**
Liberty Interactive Corporation Ventures Series A	LVNTA	Internet & Direct Marketing Retail	5	22	14	8	29	3
QUALCOMM Inc.	**QCOM**	**Semiconductors**	**96**	**21**	**14**	**5**	**4**	**2**
Activision Blizzard	**ATVI**	**Home Entertainment Software**	**54**	**21**	**13**	**6**	**6**	**14**
Boeing Co.	**BA**	**Aerospace & Defense**	**212**	**18**	**13**	**5**	**2**	**21**
DXC Technology	DXC	IT Consulting & Other Services	29	21	13	6	11	7
GoDaddy, Inc. Class A	GDDY	Internet Software & Services	7	16	13	7	22	11
Liberty Broadband Corp. Class C	LBRDK	Cable & Satellite	14	21	13	7	22	8
Rockwell Collins	**COL**	**Aerospace & Defense**	**22**	**18**	**13**	**5**	**11**	**1**
ServiceNow Inc.	**NOW**	**Systems Software**	**26**	**22**	**13**	**5**	**9**	**17**
Zayo Group Holdings, Inc.	**ZAYO**	**Alternative Carriers**	**9**	**23**	**13**	**7**	**23**	**2**
Autodesk Inc.	ADSK	Application Software	25	24	12	6	13	8
Adient plc	ADNT	Auto Parts & Equipment	6	19	11	10	25	(19)
Average			$159	40	25	7 %	12 %	5 %
Median			56	35	18	7	9	4

Note: Constituents will reflect the new composition of the basket when it is rebalanced following the close on February 23, 2018.

Source: Solactive, FactSet, data compiled by Goldman Sachs Global Investment Research

FAANG isn't only psychologically important but that basket is very important in a "nuts and bolts" sense since we can see that those are 5 of the most held stocks the momentum crowd likes to hold on to for big gains. The problem is, as we noted many times towards the tail-end of 2017, many are overloaded and their all on one side of the boat. This *imbalance*, can create turmoil and since we have an enormous FAANG feedback loop in place in the markets, it can create a lot of turmoil! Don't take it from us, take it from Bloomberg! These "momo" names aren't acting well!:

MARKET TRACTION



Panic Buying Turns to Panic Selling as Fast Money Cashes Out

By **Dani Burger**
April 3, 2018, 7:53 AM EDT

- Most heavily-traded shares are now the worst-performing
- Suggests short-term traders are dumping stocks in hot market

Fear of missing out has turned into fear of getting caught.

In a sign of the times, a strategy that buys the most heavily-traded U.S. stocks was the worst-performing among 10 quantitative factors tracked by Bloomberg on Monday. In fact, the market-neutral gauge has declined for the past three weeks, its biggest slump since March 2017.

That the most actively-traded shares are now the market's worst performers may be a sign that fast-money investors who jumped on the bandwagon in technology stocks are the same ones driving the selling.

https://www.bloomberg.com/news/articles/2018-04-03/panic-buying-turns-to-panic-selling-as-fast-money-cashes-out

In normal times, heavily-traded stocks don't overlap much with momentum. Market leaders can carry the market higher without any frenzied buying or selling. During the first three months of the year however, speculative buyers created a strange market quirk, in which the highest turnover shares were also the best-performing ones.
The fact that this relationship has now reverted to normal may be a sign that a phenomenon some warned of earlier in the year is coming to pass.

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"The issue with speculator money is they can come in and drive prices up and once they see signs of something happening, they quickly leave and drag prices down," Vitali Kalesnik, head of equity research at Research Affiliates LLC, told Bloomberg News in January.

So, it appears, at least for now, that the momentum names which only recently were the wind under the wings of January's market, are now cement shoes for it, potentially! Also, friend of FAANG, Tesla, is experiencing challenging technicals and price action and that has JP Morgan concerned, rather significantly concerned. They seem to believe that the wheels could come off Tesla:

https://www.zerohedge.com/news/2018-04-03/jpm-buy-tesla-crash-puts-stock-may-drop-100

It's worth reading the full piece if Tesla interests or concerns you but here's how they wrapped it up:

*JPM's striking conclusion**: the Tesla "story" may be over:***

... a continued stock decline could accelerate equity dilution concerns and create a self-feeding downward spiral in the stock, making our tail risk scenario plausible. J.P. Morgan Auto and Auto Parts analyst Ryan Brinkman is Underweight TSLA with a 2018 year-end price target of $190. Our model incorporates better than expected Model 3 Q1 production results (vs. Street expectations), but does not incorporate any type of equity dilution, thus a potential bear-case scenario could be significantly lower than our price target.

Finally, some more on the actual trade reco:

June options provide investors exposure to Q1 production results and the maturity of TSLA's 2018 convertible bonds. ***June options imply an approximate 4% probability TSLA will close at/below $100 by June expiry. We believe this may be underpricing the likelihood of a tail event by June expiry.***

The concluding line is remarkable since they made it a point to discuss a 4-delta put combined with the fact that TSLA recently traded above $300 per share only last week! We recently discussed TSLA's vulnerability on the chart but what's mind-boggling is that the $100 level could be reached in just over 2 months if JPM is to be believed! Whoa! That's a drop and then some! That could cause problems in and by itself!

When hedge funds and other fast money players are late to exit and then are forced to, we often see blood on the street. That type of ugly scenario playing out is one we must finally consider. The stakes are really rising and TPTB better ride to the rescue of this market soon or there likely will be much more technical carnage:

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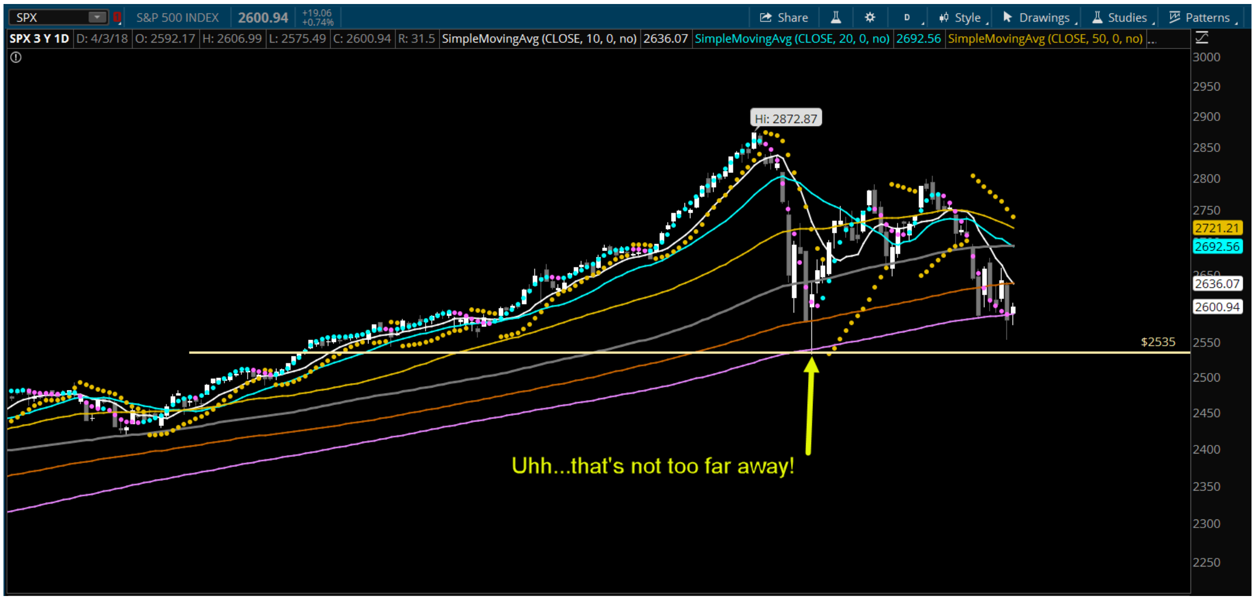

We're sounding the alarm because we've become very concerned. Above, is the SPX. We normally share the SPY and we have, above in Market Overview, but we need the SPX this time, so readers can see that we're not the only technicians concerned right now. Nomura's prepared to start going aggressively short with just a little more weakness.

https://www.zerohedge.com/news/2018-04-03/nomura-if-sp-hits-2535-ctas-go-max-short-sell-100-billion

Nomura: If S&P Hits 2535, CTAs Go "Max Short", Sell $100 Billion

by Tyler Durden
Tue, 04/03/2018 - 10:00

36 SHARES

By Charlie McElligott, Nomura head of Equity Derivative Sales

Loud Noises

- Asian equities and price action reversals in Gold / CDX / VIX further evidences that this is another "US equities-centric" de-risking
- **$100B for sale from systematic CTA's in SPX *IF we were to breach the 2535 level*,**as they would pivot from current "43% long" all the way through "Neutral" and immediately **"MAX SHORT"** across 1m, 3m and 6m models
- This 2535 level 'clusters' along with the 1Y ES1 VWAP (2539) and the YTD lows (2532.5) in the same range, **effectively creating a "stop loss" for many where 'longs' turn into losses**
- Volumes are in the index futures / VIX futures / ETF space are screaming higher, as **'dynamic hedging' adds incremental "short gamma" effect to market on top of dealer gamma hedging**
- As thematic trades and "momentum" / sectors reverse recent performance, "Growth over Value" is the largest area of "factor" pain as it has been the de-facto trade since the GFC
- **US equities outlook remains medium-term constructive however** (before late-year / early '19 "financial tightening" convo), as after the next two weeks of chop around the seasonal "momentum unwind" phenomenon, you have "earning macro blinders" kick-in which synchronizes with Banks resuming buy-backs (mid-April) and Tech EPS growth leaders doing the same shortly thereafter (last week April)
- Additional, both "200dma breach after sustained period above-" and "TRIN index / exposure purge-" analogs show excellent forward returns for SPX
- **Broad CTA "macro positioning" however is reflecting loss of "global growth" momentum**, as SPX nears "max short," Crude nears "sell" level, Industrial Metals pivot from "long" to "neutral" and broad Fixed-Income "longs" are established over the past month

Now you know another reason as to why we believe that the Gang better start levitating equities back up and away from the danger zone!

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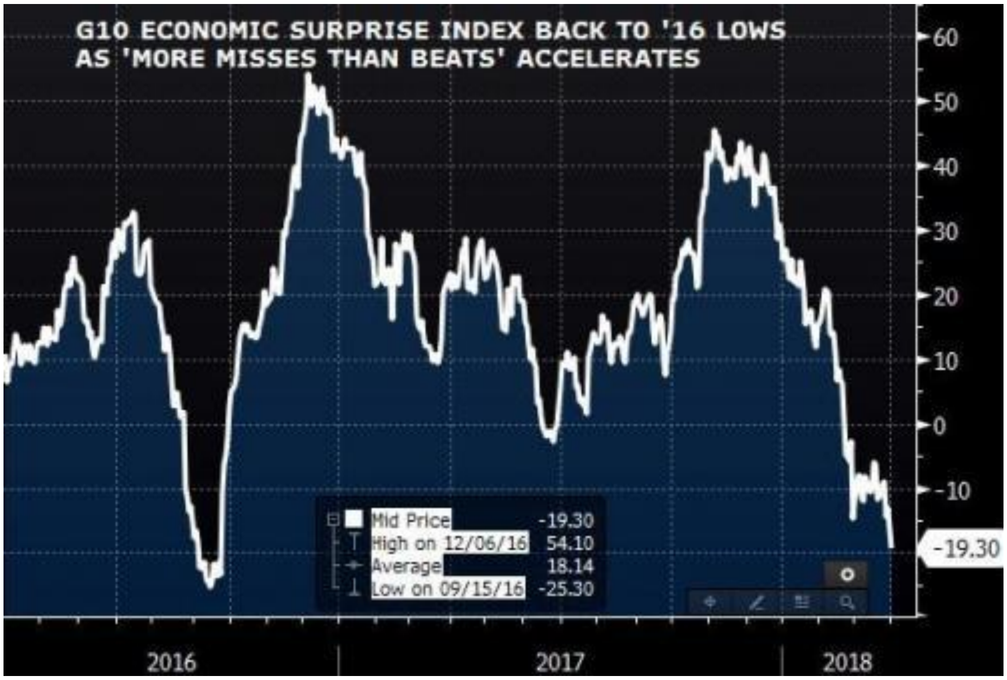
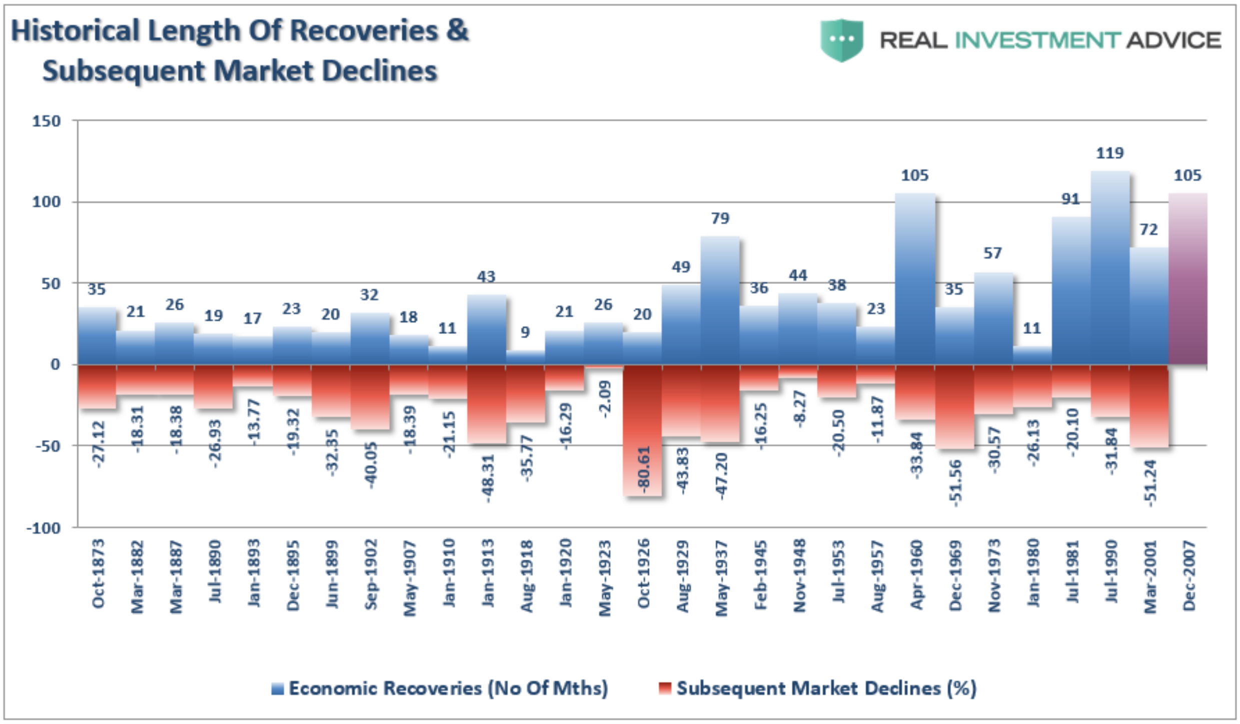
The data they've used for the longest time to keep the party going around the globe, may not be ripe for the picking at present:



As we wrap up, let's bring just a few items back from last week to keep the proper perspective as to why NOW isn't a good time to be vulnerable:



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2nd longest US equity bull market of all time

Chart 8: History of US Equity bull markets

History of US Equity bull markets							
Start	**End**	**Start Price**	**End Price**	**Total price return**	**Annualized price return**	**Duration (months)**	**Prior Bear Market**
6/1/1932	3/5/1937	4	19	323%	35%	57	-86%
4/29/1942	5/29/1946	8	19	153%	26%	49	-54%
6/14/1949	8/2/1956	14	50	265%	20%	86	-30%
10/22/1957	12/12/1961	39	73	86%	16%	50	-22%
6/27/1962	2/9/1966	53	94	79%	17%	44	-28%
10/7/1966	11/29/1968	73	108	48%	20%	25	-22%
5/26/1970	1/11/1973	69	120	74%	23%	32	-36%
10/3/1974	11/28/1980	62	141	126%	14%	73	-48%
8/12/1982	8/25/1987	102	337	229%	27%	60	-27%
12/4/1987	7/16/1990	224	369	65%	21%	31	-34%
10/11/1990	3/24/2000	295	1527	417%	19%	113	-20%
10/9/2002	10/9/2007	777	1565	101%	15%	60	-49%
3/9/2009	2/23/2018	677	2873	#2 325%	17%	108 #2	-57%
Average				**174%**	**21%**	**61**	**-39%**

moments ago:

Stocks are crumbling. Bond yields are falling. Yield curves are flattening. Sentiment is wobbling. Trump is jawing. The Chinese are - no doubt - smiling. Add another couple of hundred items to the retaliatory tariff list, but not yet serious stuff. Keep markets nervous. Occidental marketplace economies might be about to get their shreddies shredded....? Nope, I suspect, this is more likely to prove a Selective Correction moment… meaning it will probably still test new lows (despite y'day's late bounce and hopeful Asian action this morning.

Do we continue to believe the fundamentals of strong global synchronized growth justified higher stocks and monetary tightening? There are very solid reasons to think so.

Or should we be increasingly concerned about the fractious market mood triggering a stock crisis, a slide in global sentiment and the flat yield curve proving right about slowing economic activity? A global recession? That would hurt... But, its unlikely. I guess we will see signs on Friday with the payroll data confirming the US economic miracle continues.

<u>However, the mood has changed. Two major factors:</u>

1. ***Political fears are proving highly volatile. The possibility the China/Trump spat turns serious is a valid concern. Politics can be like a simple scratch that turns septic - a minor irritant like Trump causes such pain and rawness that other bruises, nicks and cuts turn dangerous. So concerns about Russia vs Europe/US, Turkey, the Middle East, Europe and Brexit are all proving raw spots of market pain – jangling already hurting nerves. Donald Trump's insistence on tying his success to the stock market might just have been a mistake!***
2. ***Suddenly the massive expectations driven bubble valuations on New Economy / Tech Revolution stocks looks like it might have popped.***

MARKET TRACTION

Facebook looks certain to garner a massive regulatory fine. Amazon may have built itself into a monopolistic internet shop, but does that justify its stock price? Well... perhaps. But Tesla? At the end of the day its a car company that's not making many cars - and the ones it does aren't all they are cracked up to be.. (I can't tell you how many of my chums over the weekend we're regurgitating all the Tesla propaganda about its tech genius, game changing capacitance IP, and solar revolution. Stop - its a niche car maker. Nothing more. Nothing less.

Tread Lightly! & Bank and Roll!

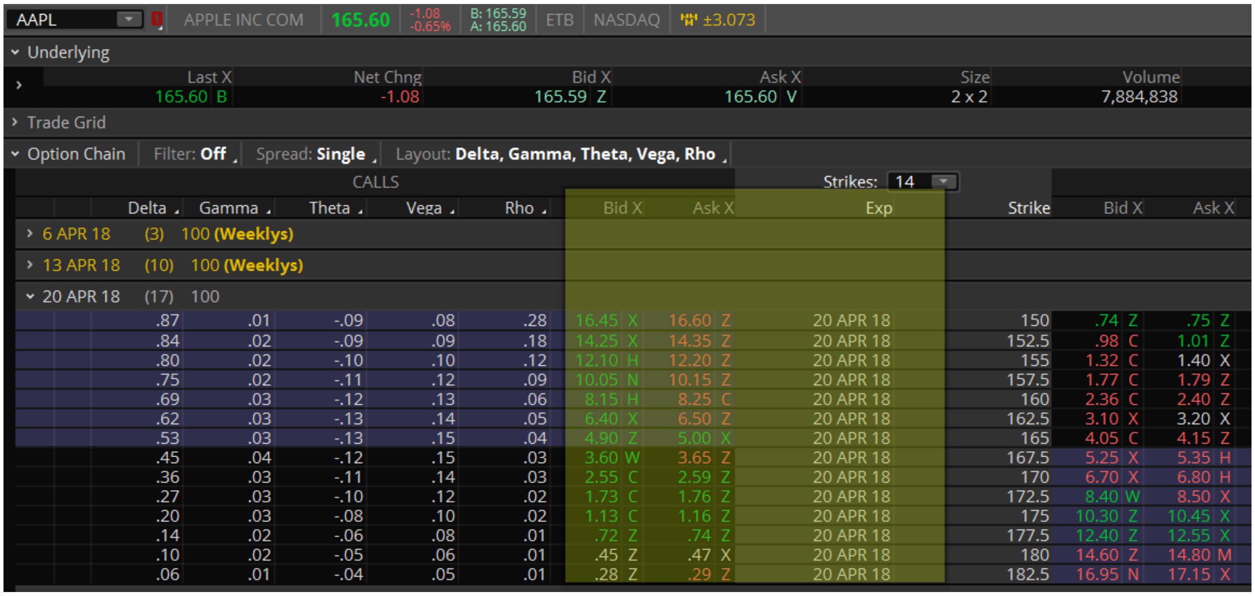
Options Academy

Last week's **OA** concluded with us considering sinking a little deeper into liquidity. So… this week we will!

Financial liquidity can be loosely defined as the ease at which an asset can be converted into cash. To make things a little more options-specific, let's take that concept and apply it to actual options markets.

It's often said that we should seek out options that have high levels of Open Interest and Volume totals. We covered those two concepts last week but to add to things just a little, that sentiment is a good one. Certainly, if an option series consistently has high volume levels and open interest builds over time, that would be greatly preferred than not. However, as we noted last week, if an option series is "new", and hasn't traded before due to its newness, it will quite obviously not have any open interest. Should we then avoid that option? Our answer is…IT DEPENDS! It's all relative! Much like other considerations when trading options, liquidity must be evaluated within context and thus it becomes relative and can vary from stock to stock. Let's dig in…

MARKET TRACTION



AAPL | APPLE INC COM | 165.60 | -1.08 -0.65% | B: 165.59 A: 165.60 | ETB | NASDAQ | ±3.073

Underlying

Last X	Net Chng	Bid X	Ask X	Size	Volume
165.60 B	-1.08	165.59 Z	165.60 V	2 x 2	7,884,838

Trade Grid

Option Chain | Filter: Off | Spread: Single | Layout: Delta, Gamma, Theta, Vega, Rho

CALLS | Strikes: 14

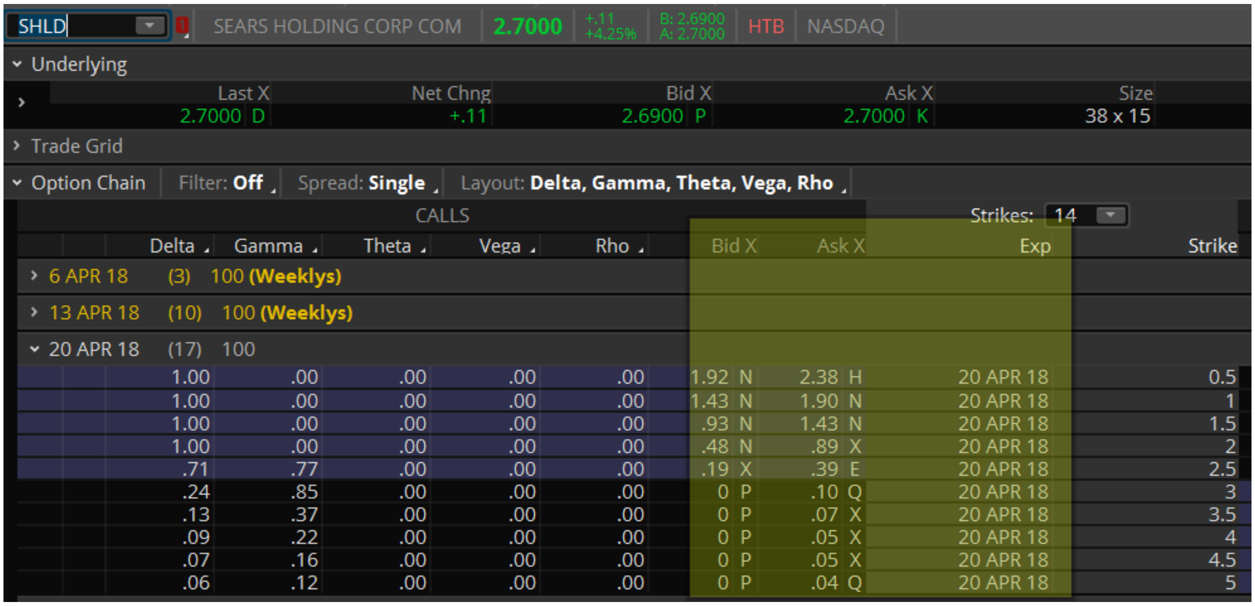
6 APR 18 (3) 100 (Weeklys)

13 APR 18 (10) 100 (Weeklys)

20 APR 18 (17) 100

Delta	Gamma	Theta	Vega	Rho	Bid X	Ask X	Exp	Strike	Bid X	Ask X
.87	.01	-.09	.08	.28	16.45 X	16.60 Z	20 APR 18	150	.74 Z	.75 Z
.84	.02	-.09	.09	.18	14.25 X	14.35 Z	20 APR 18	152.5	.98 C	1.01 Z
.80	.02	-.10	.10	.12	12.10 H	12.20 Z	20 APR 18	155	1.32 C	1.40 X
.75	.02	-.11	.12	.09	10.05 N	10.15 Z	20 APR 18	157.5	1.77 C	1.79 Z
.69	.03	-.12	.13	.06	8.15 H	8.25 C	20 APR 18	160	2.36 C	2.40 Z
.62	.03	-.13	.14	.05	6.40 X	6.50 Z	20 APR 18	162.5	3.10 X	3.20 X
.53	.03	-.13	.15	.04	4.90 Z	5.00 X	20 APR 18	165	4.05 C	4.15 Z
.45	.04	-.12	.15	.03	3.60 W	3.65 Z	20 APR 18	167.5	5.25 X	5.35 H
.36	.03	-.11	.14	.03	2.55 C	2.59 Z	20 APR 18	170	6.70 X	6.80 H
.27	.03	-.10	.12	.02	1.73 C	1.76 Z	20 APR 18	172.5	8.40 W	8.50 X
.20	.03	-.08	.10	.02	1.13 C	1.16 Z	20 APR 18	175	10.30 Z	10.45 X
.14	.02	-.06	.08	.01	.72 Z	.74 Z	20 APR 18	177.5	12.40 Z	12.55 X
.10	.02	-.05	.06	.01	.45 Z	.47 X	20 APR 18	180	14.60 Z	14.80 M
.06	.01	-.04	.05	.01	.28 Z	.29 Z	20 APR 18	182.5	16.95 N	17.15 X

Just above is a snapshot we took of Apple April 20th Expiration options. A quick glance at the call strikes that we highlighted informs us that Apple's options are very liquid. Why? Because the difference between the Bid and Ask prices are relatively small. That means, that we can buy on the ask at not very much higher prices than we can sell on the bid. That's good! That means we can execute our opening and closing trades efficiently. In other words, we can convert back into cash (electronic cash but what isn't these days!) without losing much to slippage. Slippage can be thought of as the difference between the price we ultimately transact at and the "fair value" price. In options, "fair value" is thought to be the midpoint between the bid and ask prices. As we can see, Apple's options are very tight as the bid-to-fair-value-to-ask price spread doesn't cover all that much ground. We're making that claim but how do we know that to be true? Well, let's consider the alternative:



SHLD | SEARS HOLDING CORP COM | 2.7000 | +.11 +4.25% | B: 2.6900 A: 2.7000 | HTB | NASDAQ

Underlying

Last X	Net Chng	Bid X	Ask X	Size
2.7000 D	+.11	2.6900 P	2.7000 K	38 x 15

Trade Grid

Option Chain | Filter: Off | Spread: Single | Layout: Delta, Gamma, Theta, Vega, Rho

CALLS | Strikes: 14

6 APR 18 (3) 100 (Weeklys)

13 APR 18 (10) 100 (Weeklys)

20 APR 18 (17) 100

Delta	Gamma	Theta	Vega	Rho	Bid X	Ask X	Exp	Strike
1.00	.00	.00	.00	.00	1.92 N	2.38 H	20 APR 18	0.5
1.00	.00	.00	.00	.00	1.43 N	1.90 N	20 APR 18	1
1.00	.00	.00	.00	.00	.93 N	1.43 N	20 APR 18	1.5
1.00	.00	.00	.00	.00	.48 N	.89 X	20 APR 18	2
.71	.77	.00	.00	.00	.19 X	.39 E	20 APR 18	2.5
.24	.85	.00	.00	.00	0 P	.10 Q	20 APR 18	3
.13	.37	.00	.00	.00	0 P	.07 X	20 APR 18	3.5
.09	.22	.00	.00	.00	0 P	.05 X	20 APR 18	4
.07	.16	.00	.00	.00	0 P	.05 X	20 APR 18	4.5
.06	.12	.00	.00	.00	0 P	.04 Q	20 APR 18	5

Unfortunately, Sears Holding Corp. is a shell of what it once was in the landscape of American business. It has a stock price of $2.70 which is obviously very low vs. most other well-known stocks. A lower stock price typically results in tighter option markets but behold! Even on very low-priced options, there are greater spreads between the bid and ask prices. This is the opposite of what is normally the case, but the bottom line is that getting in and out of SHLD options efficiently will be more difficult than operating in AAPL options which have much tighter spreads despite AAPL's much higher stock price.

Some folks like to apply the 10% rule to an option's spread. To summarize, they want to see that the bid price is > than the (ask price – 10% of the ask price). That's not a bad way to go but checking things on a relative basis will inform you as to what stocks have better liquidity than others. This is important to active traders as losing as little as possible when we access the markets matters greatly as the number of trades we make grows significantly over time. There is a little more in the liquidity tank and perhaps we'll pick up on that next week.

If you have questions, ask away in this week's **Market Traction Morning Cal**l webinar.