MARKET TRACTION

IN THIS ISSUE:

Selling on Earnings + Relentlessly Negative News Cycle = Things Better Change Soon or…

<u>This Week's Trade Ideas:</u>

Bullish Ideas:

(View Webinar) Oracle Corp. > ORCL > $45.95 Last. Buy the May 25th 45 Calls for $1.70 or less with a close or anticipated close above $46.21 in an up market with expectations for continued strength in the major indices.

<u>Bullish Mentions</u>:

(View Webinar) MSFT, INTC, MDT, LVS, TXN, TOL.

Bearish Ideas:

(View Webinar) Vanguard FTSE EMR MKT ETF > VWO > $45.42 Last. Buy the Jun 1st 46 Puts for $1.50 or less with a close or anticipated close below $44.86 in a down market with expectations for continued weakness in the major indices.

AND/OR:

(View Webinar) First Energy Corp. > FE > $33.88 Last. Buy the Jun 15th 35 Puts for $1.90 or less with a close or anticipated close below $33.70 in a down market with expectations for continued weakness in the major indices.

<u>Bearish Mentions:</u>
(View Webinar) RSG, IEMG, EL (**earnings due shortly**).**

<u>Market Overview:</u>
We've shared these sentiments for a few weeks:

NEWS will be made if the earnings are good and the markets do not rise significantly on said news. If that's the case, batten down the hatches mates!

That's exactly what seems to be happening which partially prompted this update on **Monday:**

Once again, we're witnessing the risk of trading in a news-driven market. Stocks started out strong this morning, but international news courtesy of Israel/Iran has derailed the nascent rally. This is rather unfortunate as both bullish ideas were off to a good start earlier and are now weakening along with the rest of the market. We want to reiterate that we can only take from the markets what they offer us.

Below the Radar:

And that's just it…Much of what concerned us that we covered over the course of 2017 has become ABOVE the radar and it is now impacting stocks rather negatively. Naturally, that's really the main point of **BTR**; To avoid being blindsided. In a way, so much has moved from being barely mentioned to sharp focus, and thus there's little left for us to mine! But mine we will…

Options Academy:

This week's **OA** will focus on ways to be happy and avoid stress while trading options. So YES, this is a little different, but in some ways, it may be even more important than our usual nuts and bolts focus. For yours truly, this approach to trading began to take shape back in the early to mid-1990's when major early morning gaps were occurring at an increasing frequency. As so, we were contending with these situations on a fairly-regular basis and thus finding a way to handle them consistently and intelligently became important to our profitability.

Make sure to attend our ***Morning Call*** each Wednesday morning at 11:00am Eastern Time.

This Week's Trade Ideas:

Selling on Earnings + Relentlessly Negative News Cycle = Things Better Change Soon or…

Bullish Ideas:

(View Webinar) Oracle Corp. > ORCL > $45.95 Last. Buy the May 25th 45 Calls for $1.70 or less with a close or anticipated close above $46.21 in an up market with expectations for continued strength in the major indices.

Bullish Mentions:

(View Webinar) MSFT, INTC, MDT, LVS, TXN, TOL.

Bearish Ideas:

(View Webinar) Vanguard FTSE EMR MKT ETF > VWO > $45.42 Last. Buy the Jun 1st 46 Puts for $1.50 or less with a close or anticipated close below $44.86 in a down market with expectations for continued weakness in the major indices.

AND/OR:

(View Webinar) First Energy Corp. > FE > $33.88 Last. Buy the Jun 15th 35 Puts for $1.90 or less with a close or anticipated close below $33.70 in a down market with expectations for continued weakness in the major indices.

Bearish Mentions:

(View Webinar) RSG, IEMG, EL (**earnings due shortly)**.**

We're noting this AGAIN!

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

Volatility remains elevated! 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 **Advantage Point Morning Call** webinar for full details with respect to these idea(s), last week's and options education.

Week 13 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". – We're not ruling it out we're simply acknowledging that we're not quite there yet.

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

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 the newsletter 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:

From last week's **Outlook**:

And that's exactly what happened. We have to sit up and take notice of the fact, that at least for the moment, things are not acting well and the patterns that worked extremely well for about 9 years are not working as they once had. ***Is a new paradigm emerging? It may be too early to say but we can say that complacency has no place in this current market environment.***

Last week in **Outlook** we asked if a new paradigm was emerging. That take continues hold our focus. Stocks continue to act poorly by and large, and they've lost their leadership. Nothing is consistently working to the upside. The Gang is selling into earnings "beats" and when not selling on earnings they're selling on concerning news developments that just keep popping up or re-popping up. In summary, the Wall St. gang is using early day strength to sell into, thus they're liquidating their long holdings. We refer to this as distribution and it is not a good sign. We continue to slowly slog toward another date with destiny in the form of the 200 Day SMA. Stocks are very heavy right now and if that doesn't change soon they'll eventually crack below that critical support zone.

In technical terms, it would appear that the stretched madness we witnessed at the end of January, priced in perfection for equities and now things are less than perfect and thus the technical overhang in the market continues to make sustained bullish movement tough sledding. Stock prices simply ran up too far, too fast in January and now we're dealing with the hangover. One in which even though over 75% of earnings reports have been "beats", stocks have reacted poorly in the end. This is much different than any other earnings season we've seen in quite some time and we can't forget that we're witnessing "record profits" being reported. Our take a few weeks ago was that the Gang was trying to prevent heavy selling and wanted to string things out to utilize the favorable earnings news to rescue the market. They've tried to do that in the immediate aftermath of earnings, but ultimately, they've failed to hold those initial gains far more frequently than successfully. That, along with the poor action in the indices which seem to get hit by bad news every time they're rallying, has forced us to believe a paradigm shift is occurring. One in which stocks will increasingly face more and more technical challenges. We've said this many times and the bulls have saved the day many times over the past 9 years, but we'll say it again: **"The bulls better step in soon and levitate stock prices away from the danger zone or things could become very ugly, very quickly."**

Technicals:

Will be discussed in-depth in the **Advantage Point 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:

For a change, a recap of last week is quite easy and brief.

Both bullish ideas (which were unusually short-term for us) triggered and essentially have returned to their trigger levels at present. Those would be EIX and PPL. Both had been doing quite well as of early Monday morning, but it seemed the Israel/Iran news then spoked the markets and those stocks began to selloff along with most other stocks. We put out several updates reminding folks that the market became precarious and thus prudence might be in order.

Bearish idea PGR never triggered but did fall a little less than $1.00 from where we spotted it. It never weakened enough to close below the $59.80 level we cited.

Bearish mention RSG, which we haven't liked for some time, has fallen a little too, but it wouldn't completely crack, even today. Apparently, Apple's earnings are going to rescue it from further descent along with all other stocks, or so the thinking seems to go…

In total, last week was about what we'd expect. The market continues to consolidate even more tightly, and the moves are news-driven, swift, and not very long in duration or large in magnitude. That makes for little in the way of opportunity. Small profits were there for those that sough them and aggressively traded them. We need to leave this consolidation behind for better trading. At least we tried!

MARKET TRACTION

The last 2 weeks we managed to dodge a bullet, and some may have been able eek out a small profit respectively. When moment to moment news is pushing markets around thus even swing trade durations are curtailed, that's maybe all we can expect while trying to remain relatively safe.

Market Overview

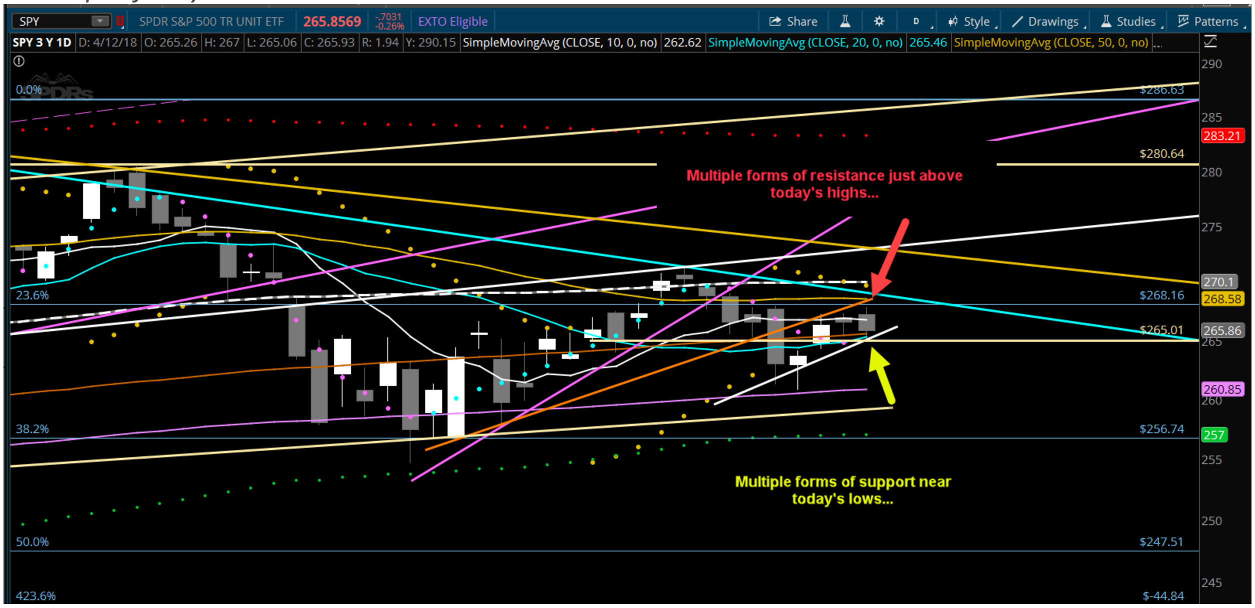
We've shared these sentiments for a few weeks:

NEWS will be made if the earnings are good and the markets do not rise significantly on said news. If that's the case, batten down the hatches mates!

That's exactly what seems to be happening which partially prompted this update on **Monday:**

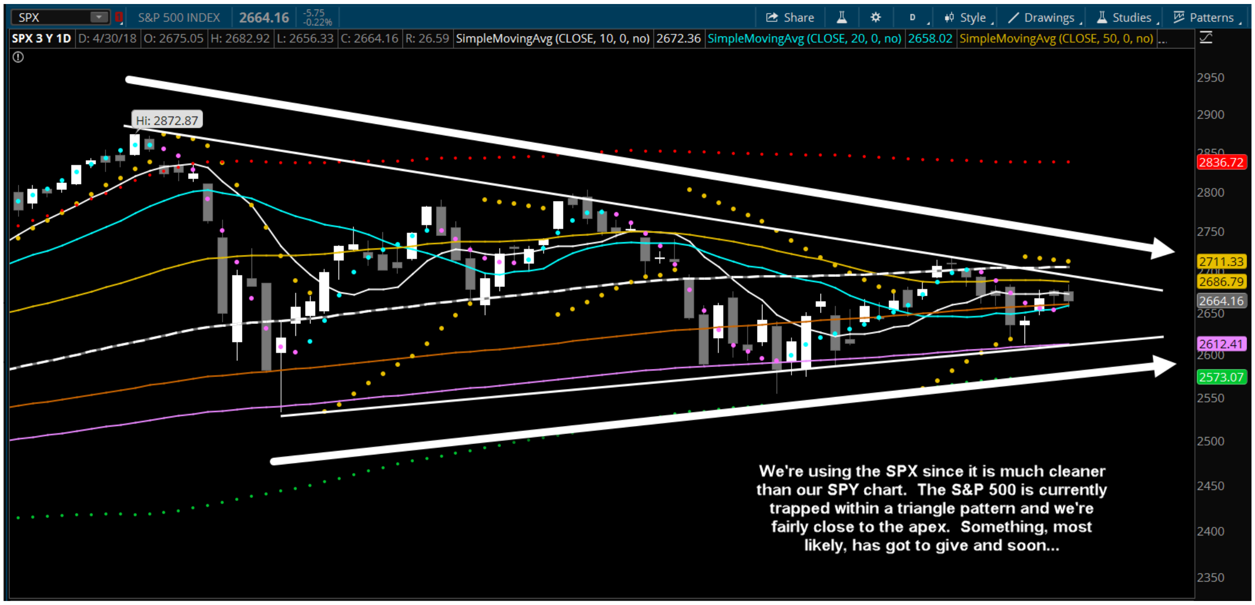
Once again, we're witnessing the risk of trading in a news-driven market. Stocks started out strong this morning, but international news courtesy of Israel/Iran has derailed the nascent rally. This is rather unfortunate as both bullish ideas were off to a good start earlier and are now weakening along with the rest of the market. We want to reiterate that we can only take from the markets what they offer us. Technically speaking, we think there was a little more rally in the tank but it is clear that stocks easily become bothered by news which we simply can't foresee. In other words, stocks aren't taking news in stride and finding a way to selloff. Rallies are being sold off on poor news developments that seem to break every day. Clearly, this is much different than what we observed during stronger phases and thus we need to be prudent in these latter stages of a bull market. If it's not there, it's not there and we need to remain dynamic in our approach.

More specifically...



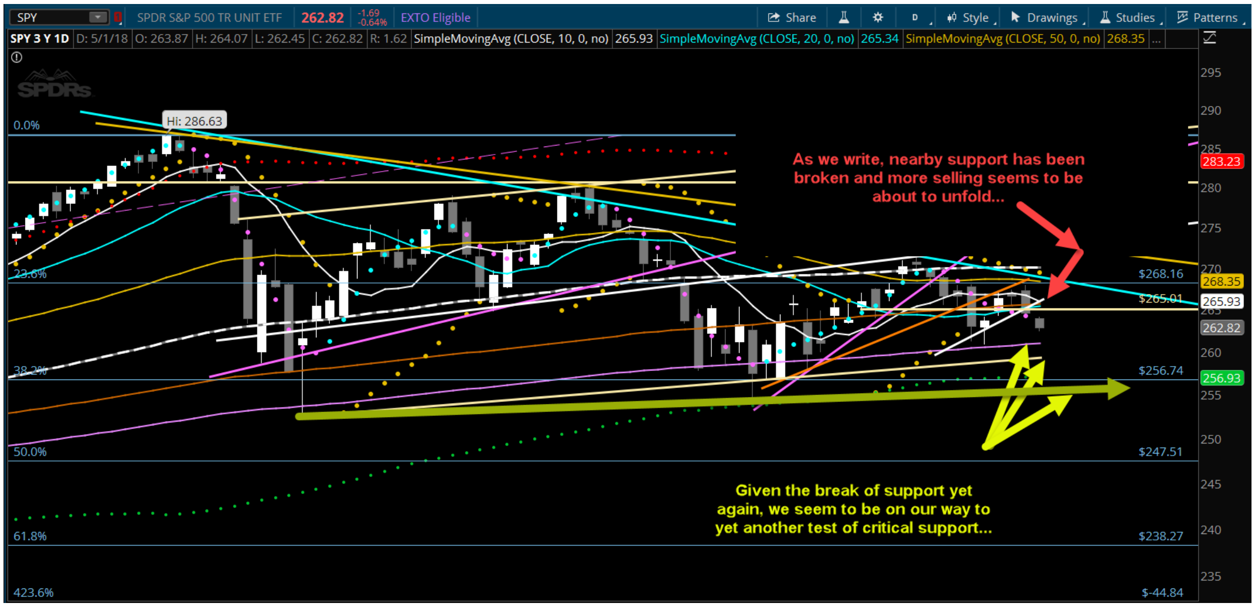
MARKET TRACTION

The SPYs are trapped between both multiple forms of resistance and multiple forms of support. However, they're very close to breaking below support after performing so poorly after their promising start. Bulls will be called upon again to lift stocks or face yet another visit of the 200 SMA. But that's not all:

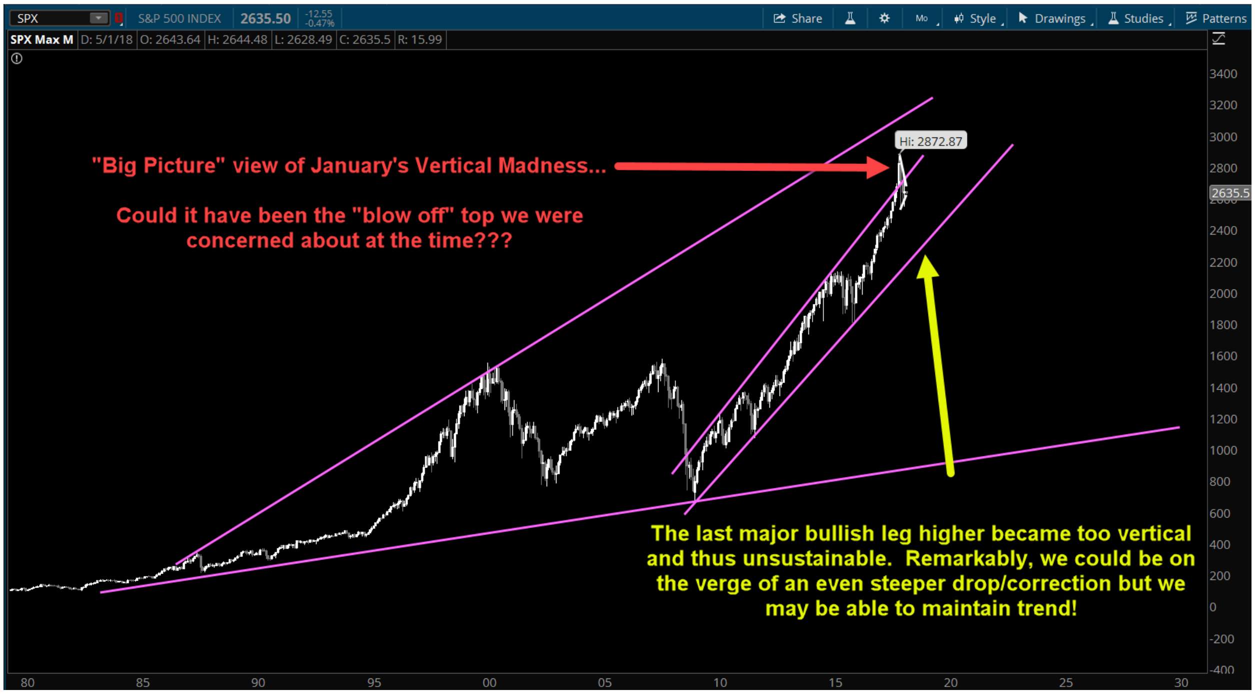


The large corrective triangle pattern is quite obvious for all to see and it portends significant movement potential for the market. It shouldn't be too long before the price action tries to move beyond key support or resistance. Thus, there's quite a bit of risk as a result. The news cycle needs to flip to the positive side or a visit of the 200 SMA and support nearby it will be under attack in the not so distant future... may be happening as we type. Things, at this writing, have deteriorated again and rather quickly:

MARKET TRACTION



Normally, we stay more in the here and now when discussing the market's next move but we're including this for critical perspective because we may be approaching an extremely critical juncture:

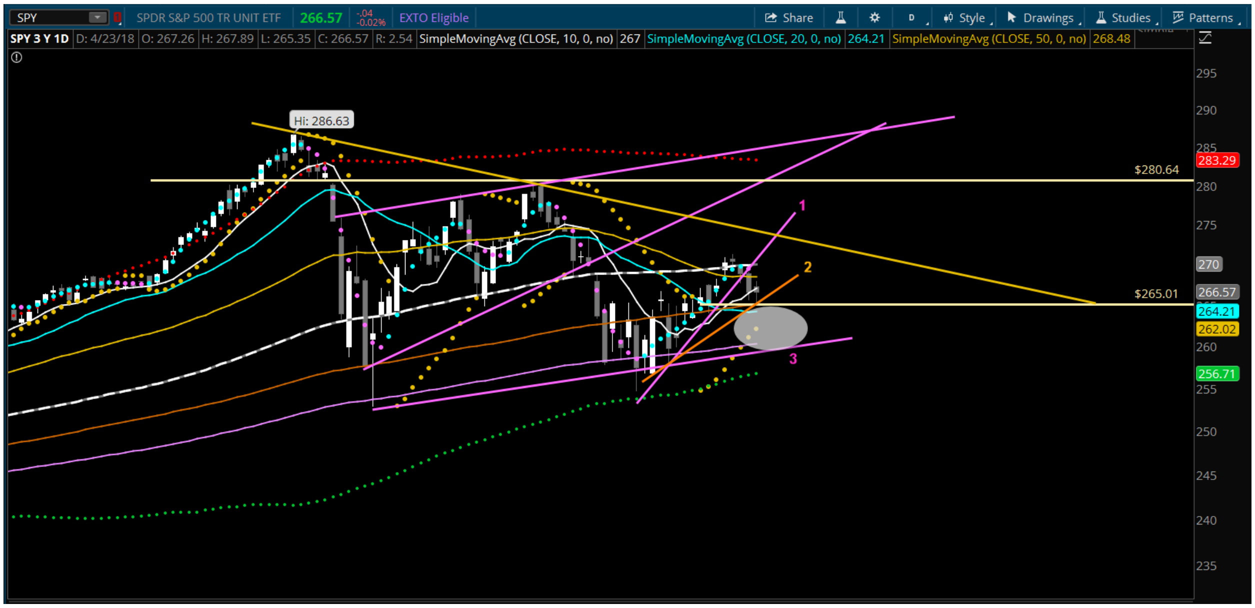


Above is a very "big picture" view of the S&P 500 (SPX) over the past 35 years. This really puts this bull market and its nature into perspective. Given what we witnessed in January and the subsequent hangover since, things could become very challenging for bulls if new lows are made...

Finally, the lead sled dogs of this market seem to have at least momentarily *lost it*:

MARKET TRACTION

From last week, let's have another look at the chart:



Though that chart is from a week ago, the forecast that left us concerned, seems to be playing out:

MARKET TRACTION

The calendar is fairly-stout this week, and generally, the news has been good in terms of reports and in earnings but…it's not mattering much other than to initially produce rallies that are being heavily sold into. More key earnings and significant reports are due out this week. They're likely to be good as that is the engineered trend in both cases. However, will that matter for bulls? That's what we're wondering…

MARKET TRACTION

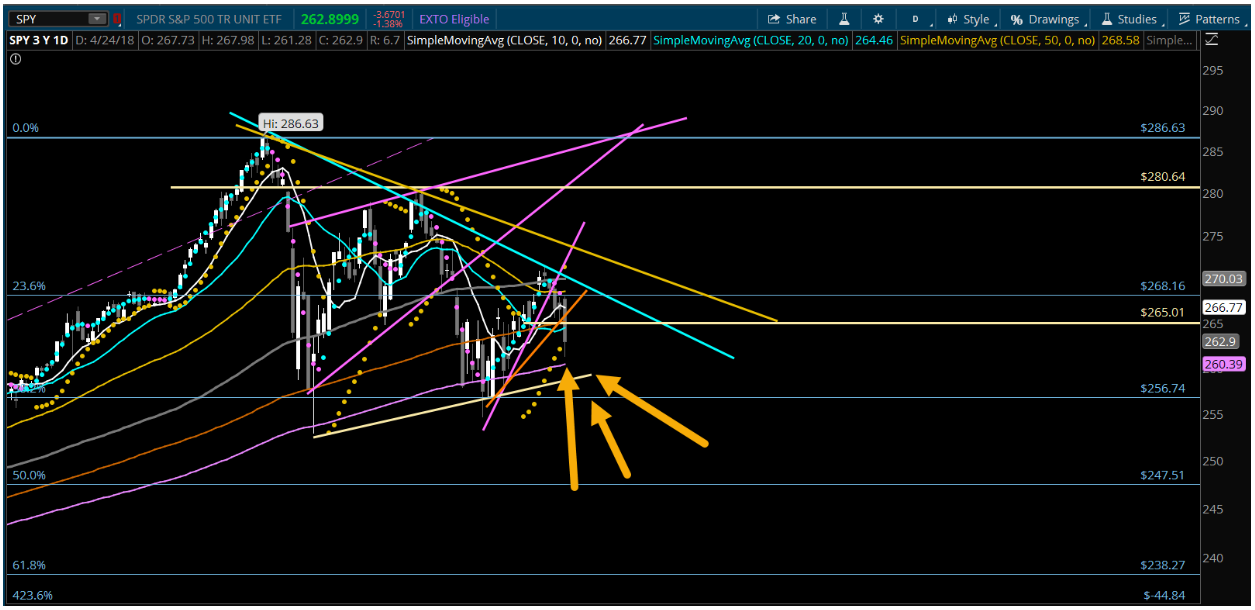
This Week's Economic Calendar

TIME (ET)	REPORT	PERIOD	ACTUAL	MEDIAN FORECAST	PREVIOUS
MONDAY, APRIL 23					
8:30 am	Chicago Fed national activity index	March	0.10	--	0.98
9:45 am	Markit manufacturing PMI (flash)	April	56.5	--	55.6
9:45 am	Markit services PMI (flash)	April	54.4	--	54.0
10 am	Existing home sales	March	5.60 mln	5.52 mln	5.54mln
TUESDAY, APRIL 24					
9 am	Case-Shiller home prices	Feb.	6.3%	--	6.1%
10 am	Consumer confidence index	April	128.7	125.9	127.0
10 am	New home sales	March	694,000	630,000	667,000
WEDNESDAY, APRIL 25					
	None scheduled				
THURSDAY, APRIL 26					
8.30 am	Weekly jobless claims	4/21	209,000	230,000	233,000
8:30 am	Durable goods orders	March	2.6%	2.5%	3.5%
8:30 am	Core capital equipment orders	March	0.1%	--	0.9%
8:30 am	Advance trade in goods	March	-$68.0 bln	-$73.4 bln	-$75.4bln
10 am	Housing vacancies	Q1			
FRIDAY, APRIL 27					
8:30 am	Gross domestic product	Q1	2.3%	2.0%	2.9% (Q4)
8:30 am	Employment cost index	Q1	0.8%	0.7%	0.6%
10 am	Consumer sentiment index	April	98.8	98.0	97.8 (initial)

Below the Radar

In last week's **BTR**, we included a little technical research of our own as we concluded matters:

A full-on retest of the 200 SMA (which we discussed last week) and the support line just below it in the SPYs ***looks more and more likely with each passing day:***



There are various forms of support all within the same neighborhood but should the lowest of them fail, we believe the S&P would likely lose another 5% in rapid order.

To close, in short, many of the concerns we've chronicled from many months seem to have left their ***Below the Radar*** *status and are now mushrooming into worrisome headlines. We're not happy about that but it is for this reason that this section is a part of our newsletter. In other words, we're not happy that stock prices are rapidly declining but it's no surprise to us! In fact, it's no surprise at all from a big picture perspective.*

And that's just it…Much of what concerned us that we covered over the course of 2017 has become ABOVE the radar and it is now impacting stocks rather negatively. Naturally, that's really the main point of **BTR**; To avoid being blindsided. In a way, so much has moved from being barely mentioned to sharp focus, and thus there's little left for us to mine! But mine we will…

First off, a little background and support for our thoughts on REAL NEWS being that earnings are good and stocks selloff regardless:

Indeed, about half the S&P 500 companies have reported first-quarter results during the busiest week of the season of quarterly results, ***with the earnings growth rate at 22.9%****, compared with 18.3% at the end of last week and the 11.3% expected at the start of the quarter, according to FactSet data.* ***Moreover, approximately 80% of those companies reporting results surpassed analysts' earnings estimates, better than the 74% four-quarter average. And earnings outperformance was substantial, with companies surpassing average estimates by 9.4%, above the average of 5.1%.***

MARKET TRACTION

We've been down the road in **BTR** covering just how dubious earnings reports can be but aside from those typical concerns, at least superficially, earnings have been tremendous. And yet, down we go. That is news and that's what keeps us talking about the paradigm shift. What could be causing this? Naturally, there are many factors, but signs of global growth uncoupling may be one of the more important ones and we'll leave the link for interested readers:

https://www.marketwatch.com/story/the-new-stock-market-fear-signs-that-a-period-of-harmonious-global-growth-is-crumbling-2018-04-28

If that's not enough for you and you want to worry more about global growth issues, then this link is for you: https://www.zerohedge.com/news/2018-05-01/nomura-dollar-soaring-markets-capitulate-synchronized-global-growth-narrative

Another stone weighing the indices down may be that many are thinking that "this is as good as it gets."

https://www.cnbc.com/2018/04/27/this-earnings-season-is-about-as-good-as-it-gets-j-p-morgans-david-kelly.html

"This is an extraordinary earnings season," J.P. Morgan's David Kelly says.

Of the S&P 500 companies that have reported first-quarter results so far, 79.4 percent have topped analyst expectations, according to FactSet.
It may be hard to see future earnings growth but the amount of cash these companies are earning, people should be comfortable investing in equities, says Kelly.

Kelly can best be described as a PermaBull but his thoughts here may be shared by many on both sides. "If earnings remain solid but do not get any better and thus get worse, how do equity prices rise?" – may be a question many are asking. What follows could be "why stay in equities if I don't believe they and the prices of stocks will rise?" This type of thinking spreading may help to explain why rally after rally is being sold into.

Yet another notable was out very recently sounding the alarm, not just in stocks, but in real estate as well:

Billionaire investor Sam Zell is also cautioning that stocks could face a reckoning. And he's not sounding that bullish about real estate either *— the sector where he made his fortune. He delivers our call of the day.*
"The stock market, despite all of the gyrations, is still at an all-time high. Real estate is priced to perfection," *Zell tells Bloomberg TV, as the S&P 500 **SPX, -0.59%** stands 8% below its January peak.*

"I'm a little bit like that old Wendy's commercial: 'Where's the beef?' ... I think it's a very challenging situation, one that requires discipline." Zell agrees with the notion that there is a ton of capital chasing too few opportunities. ***He suggests investors resist urges to buy, buy, buy.***
"It very hard to sit there and not pull the trigger, but it's the guys who don't pull the trigger who are around to pull it when it works," Zell says.

Zell's negative comments follow those of David Tepper's from last week:
https://www.zerohedge.com/news/2018-04-28/david-tepper-stocks-will-be-trouble-if-yields-break-

above-325

Tepper notes that it's just no easy right now. It's not 2017 or prior. It's 2018 and it is a different ballgame. It was great when we were getting big movement but now that we're as deep into this triangular consolidation as we are, moves are not sustaining and thus rides are short. Here's Tepper:
"Listen, it's tough right now. Because historically yields have been fairly low. Actually tonight I'm trying to figure out what the BOJ's doing because either this meeting or next meeting they might change their policy which would affect our Treasurys and will effect the stock market. ***So I think as far as the stock market is concerned I think they're okay. I don't think it's great. I think we might've reached the highs for the year.***

And a lot of it has to do with interest rates. ***We're right on the cusp of breaking out on interest rates at this level around 3%. I think they closed at around 2.98% on the 10-year - actually I know because I just looked.*** But a lot of people don't think they're going to break higher - most people are only saying they're only going to 3.25%. ***And I think if they only go to 3.25% for the rest of the year then stocks might be up***. But too many people are saying that. ***And when too many people are saying one thing that's when I start to get worried. So if we break above that, then stocks might have a problem."***

So, in a way, the negative complexion of the charts that we continue to chronicle shouldn't really be a surprise. Many notables are sounding cautious to outright bearish and naturally many others are thus growing concerned as a result and heading for safer environs. The cycle is thus negative at the moment and something needs to change things up or else:

INVESTING

FINANCE | BANKS | INVESTING | WALL STREET | HEDGE FUNDS | M&A | INSURANCE

Investors continue buying bonds as 'the most hated bull market' is still a thing

- Investors poured more money into bonds during April than in any month since October 2014.
- The big inflows came even with concerns about rising bond yields, particularly the 3 percent level the 10-year Treasury note hit earlier in the month.
- Despite a 300 percent rise in the S&P 500, investors continue to hold large positions in bonds as diversification and a hedge against stock market volatility.

https://www.cnbc.com/2018/05/01/investors-continue-buying-bonds-amid-the-most-hated-bull-market.html

And then there's this admittance from Wall St.'s top cheerleader. As we've noted many times recently, if this were to happen, that's NEWS, real news for market watchers:

MARKETS

PRE-MKT | US | EU | ASIA

Death of the earnings beat: Investors don't care that companies are blowing away Wall Street's estimates

- Traders are initially rewarding companies for outperforming analysts' expectations but changing their tune and selling harshly throughout the day, according to Bespoke Investment Group.
- The average full-day price change for stocks that have reported is -0.34 percent, Bespoke says.
- "Based on how stock prices are reacting to earnings right now, 'earnings strength' should be replaced with 'earnings stink,' says Justin Walters, co-founder of Bespoke Investment Group.

https://www.cnbc.com/2018/04/25/death-of-the-earnings-beat.html

At least for now, the "earnings trick" no longer has traders mesmerized. Maybe, just maybe, Apple can change that dynamic a little since there's been a lot of "the sky is falling at Apple" talk leading up to their critical earnings release which is imminent. We'll see on that soon enough…

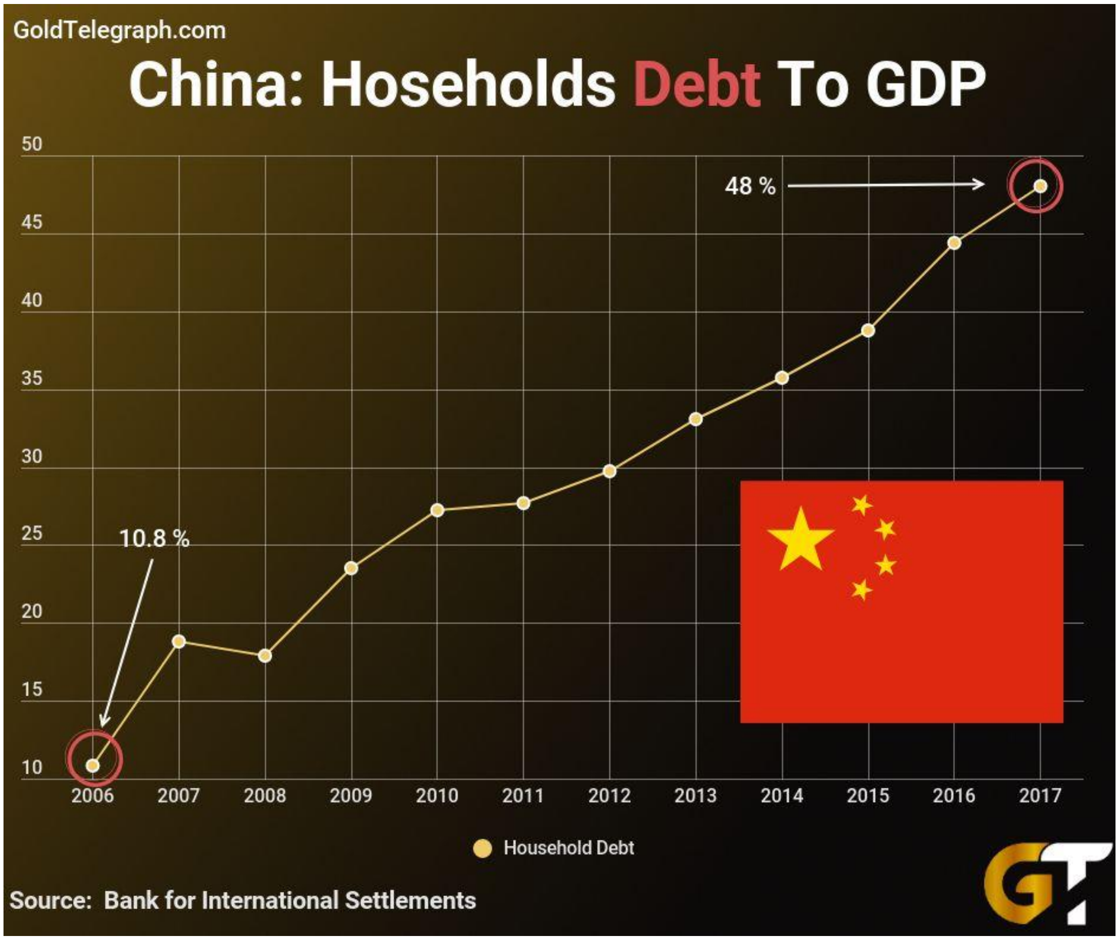
If you want to dive even deeper into the failure of the earnings trick this time around, check out this link:

https://www.zerohedge.com/news/2018-04-30/morgan-stanley-theres-simple-reason-why-stocks-are-not-rallying-strong-earnings

In summary, all the usual suspects (hedge funds) are already loaded to the gills with earnings stock plays and there are very few marginal buyers left. Yep, the "all on one side of the boat" issue is alive and well in earnings land and that makes the current situation even more challenging for bulls.

On a side note, during 2017 we often discussed overwhelming debt levels virtually everywhere in the western hemisphere. We lamented how debt-addicted everything had become and how that made for shaky footings for virtually everything. Well, the debt drug has finally flooded streets of China as well thus teeing up virtually every major economy worldwide at this point. What a difference a decade of ridiculously easy money can make:

MARKET TRACTION

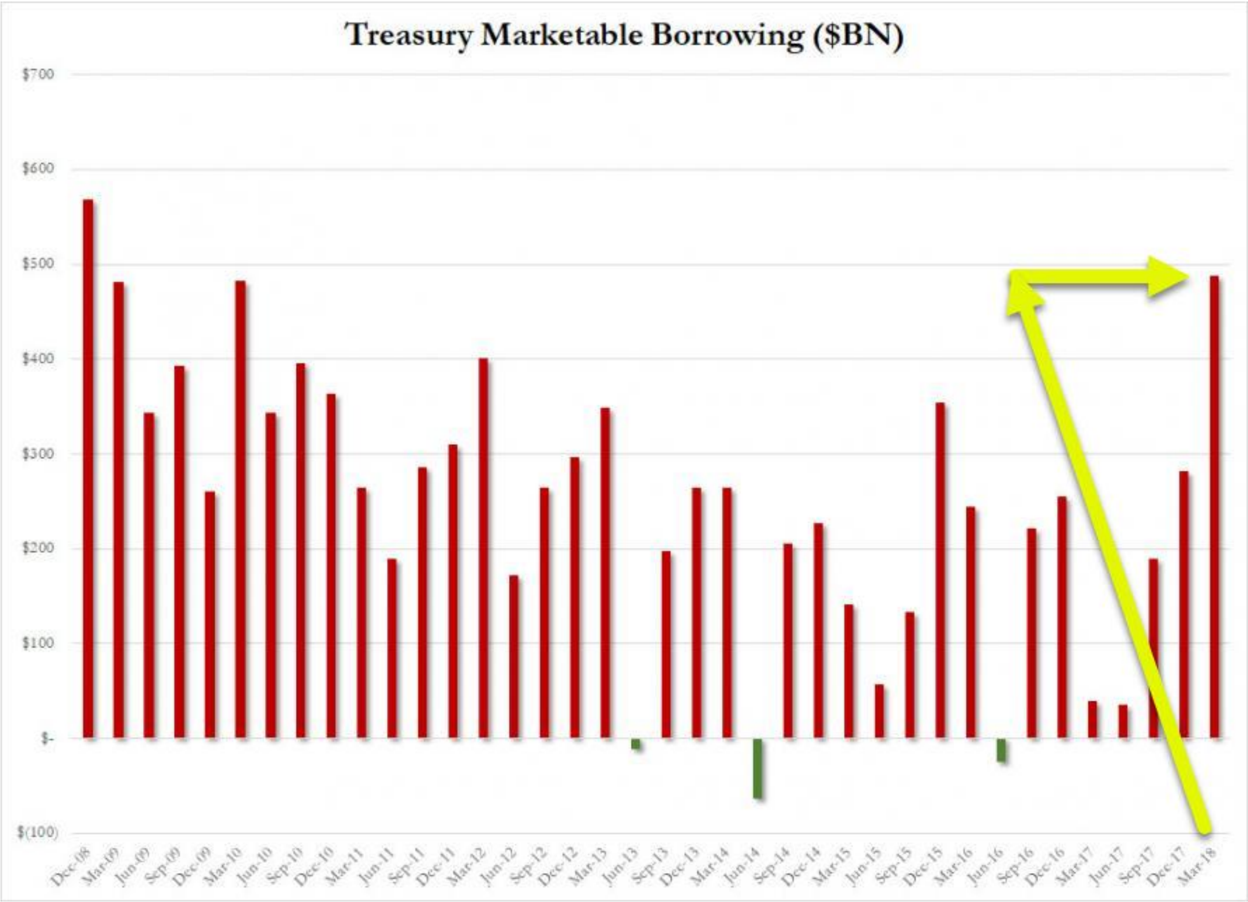


http://www.goldtelegraph.com/china-out-of-control-debt

But don’t worry about the Chinese beating us in that department:

https://www.zerohedge.com/news/2018-04-30/us-just-borrowed-488-billion-one-quarter-most-financial-crisis

MARKET TRACTION



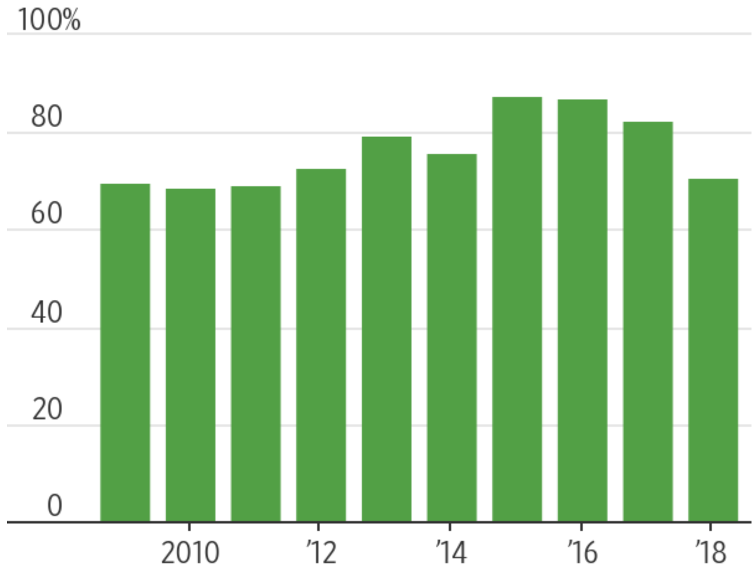
So YES, we're right back at it apparently having learned nothing. The only thing that could make matters worse would be if the demand for US debt weakened. OOPS!:

MARKET TRACTION

Weaker Bidding

Foreign investors appear to be submitting softer bids at Treasury auctions.

Percentage of winning bids from `indirect bidders.'



Source: Treasury Department

https://www.zerohedge.com/news/2018-04-30/avalanche-beginning-foreign-central-banks-dump-most-treasuries-over-2-years

That's not a pretty picture. What timing eh? They'll have to begin rigging things in new and ever-more creative ways.

Speaking of rigging, as long-time readers know, we like to kick Wall St. when we can and thus we will!

https://www.zerohedge.com/news/2018-05-01/goldman-fined-110-million-improperly-rigging-fx-market

As we've said many times: "What haven't they rigged?"

But don't worry too much, Deutsche Bank thinks it knows at what strike price The Powers that Be have placed a put underneath the equity market: https://www.zerohedge.com/news/2018-04-30/deutsche-bank-calculates-strike-price-new-fed-put

Read all about it at the link above but here's the kernel if you simply want that:

In simple English, what all of the above means stated simply is ***that the S&P has no less than roughly 300 points of downside from here before the Fed even bothers to***

intervene*; it also means that if stocks demand Fed intervention as they often have in the past,* ***the S&P will have to drop to the revised Fed put level of 2300-2400 before the requested response is triggered.***

If you're wondering, that's almost a 10% drop to the 2400 level as we write. Not a pretty proposition. But let's look at the bright side…a drop like that will help boost demand for US government debt and we certainly need help in that area!

With all that's swirling…

Take heed! - Tread Lightly!

Bank and Roll!

Options Academy

This week's **OA** will focus on ways to be happy and avoid stress while trading options. So YES, this is a little different, but in some ways, it may be even more important than our usual nuts and bolts focus.

For yours truly, this approach to trading began to take shape back in the early to mid-1990's when major early morning gaps were occurring at an increasing frequency. As so, we were contending with these situations on a fairly-regular basis and thus finding a way to handle them consistently and intelligently became important to our profitability. As many readers know, the options Greeks not only apply to individual options but also to all the options and stock shares in one position and then up to the next level across a trader's entire portfolio and then up a level to the firm's entire options-focused portfolio and so on…

Let's begin to make things a little more tangible. Here's a Greeks summary that I may have brought with me to the opening of trading one morning in say Waste Management:

Flat DELTA (0 Deltas, Delta Neutral)

Long 20,000 Gamma

-5000 Theta

For now, we'll leave Vega and Rho out of our mix.

Now let's say that Waste Management's stock price is indicated to open $5.00 lower than where it closed the night before. That means, due to the gamma of my position, I will have 100,000 shares of stock to buy down $5.00 in price. Gamma isn't necessarily linear but we're going to assume that it is in this example. To be clear, due to gamma's effects, for every dollar that Waste Management fell, my position in effect sold 20,000 shares over that dollar's drop. Thus, once down one full dollar, I was then short 20,000 shares or had 20,000 shares to buy if I would have liked to return back to being delta neutral. Taking this further, when Waste Management falls a full $5.00 lower, I'm now short 100,000 shares of the stock due to the effects of gamma, which, is obviously awesome for me! Why? Well, because we can perform the old "napkin calculation" and that tells us that I averaged a short delta position of about 50,000 shares over the entire move lower. Thus, if I buy 100,000 shares down $5.00 to become delta neutral again, I will have collected about a $250,000 profit! What's not to be happy about right? Well here's the thing, what if Waste Management would have fallen another $5.00 from that opening price? If that were to have happened, I would have already been short 100,000 shares at the down $5.00 mark, again, thanks to gamma, and on the second $5.00 drop those deltas alone would have made me $500,000! BUT, if I bought to cover all my short deltas on the open price, I would miss out on that windfall! However, let's consider another possibility…

What if I'm patient, too patient on the open of trading. I decline to buy any shares on the open because I expect that Waste Management has another $5.00 to fall and I want that windfall! What if it doesn't come? What if, instead, Waste Management rallies back to unchanged and I did nothing? Well now, I missed out on the $250,000 profit we covered above. What's a trader to do?

Here's what we came up with: FIND A WAY TO **BE HAPPY!**

Our rule of thumb became to buy half or sell half of our gamma-derived deltas (depending on which direction the gap resulted). Let's discuss this in the context of our Waste Management example.

Scenario 1:

If the stock opens down $5.00 and I buy half of my short deltas and wait on the rest and the stock closes near where it opened, I can buy the rest in near the end of the day to lock in my full $250,000 profit.

Result: I leave happy after having made $245,000 after accounting for my positions theta.

Scenario 2:

If the stock opens down $5.00 and I buy half of my short deltas and wait on the rest and the stock plummets $5.00 more dollars then I've had a major windfall regardless of having bought some shares on the open of trading.

Result: I leave happy with a major windfall and not "maxing out" said windfall doesn't upset me because...I still had a major windfall!

Scenario 3:

If the stock opens down $5.00 and I buy half of my short deltas and wait on the rest and the stock jams back up $5.00 to be unchanged on the day, I've still booked a major windfall regardless of having not bought all the shares I could have on the open of trading. Additionally, had I not bought any shares and remained too patient, if the stock goes back to unchanged I'm indescribably mad and frustrated!

Result: I leave much happier than I would have been had I done nothing. I may not be truly as happy as I could have been but by having bought 50,000 shares on the opening and then having a chance to sell that 50,000 share block $5.00 higher than where I bought it, I'm still quite happy with a very nice windfall.

In the end, we found that doing things that made us happy were also pretty smart ways of doing things when forced to do them day in, day out, over the course of time.

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