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April 7, 2022

EQDerivatives

Option Pricing Around Earnings Announcements

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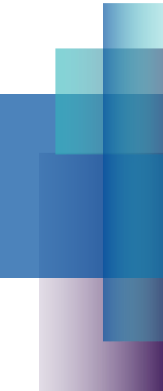
EQDerivatives

Option Pricing Around Earnings Announcements

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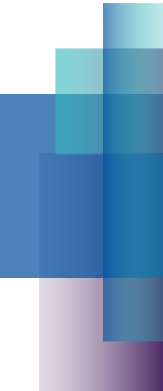
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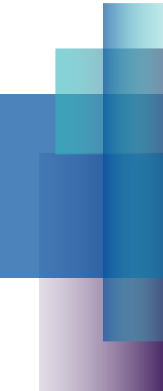
Outline

- **Earnings Announcements**
- **Historical Information**
- **Option Pricing**
- **Examples**
- **Questions / Contact Info**



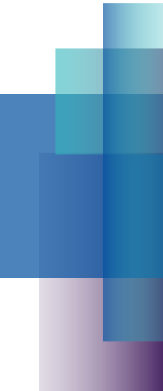
Earnings Announcements

- **Four times a year**
- **Stocks generally react with larger than average price changes the day after earnings**
- **Each stock tends to have its own unique price behavior around earnings announcements**
- **The option market does a good job anticipating exceptional price acting in response to earnings announcements**



Option Trades

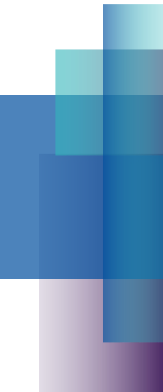
- **Begin with a price and timing outlook for a stock**
- **Earnings trade timing is the announcement**
- **Price outlook may be based on history**
- **After determining these two factors check option pricing for opportunities**



Important Historical Information

- **Biggest Gain**
- **Biggest Loss**
- **Average Move (ABS)**
- **Last Quarter Price Reaction**

History – Generally 8 or 12 Quarters



Select Stocks – Most Recent Quarter

Recent Earnings Reactions

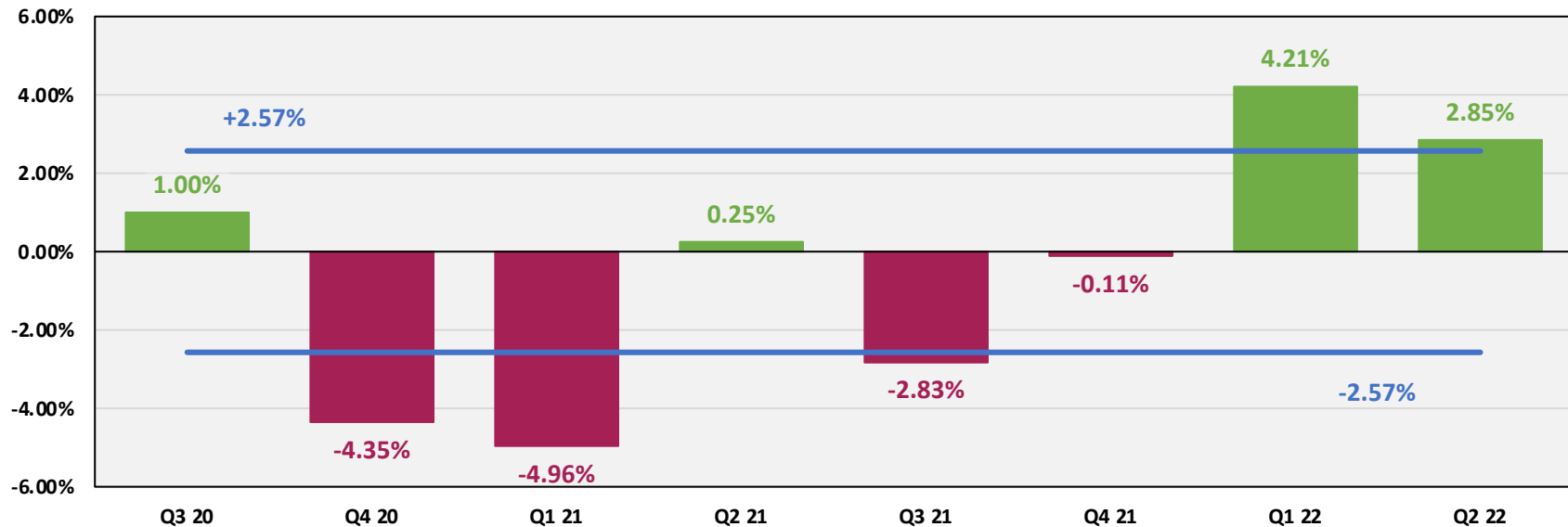
Ticker	Date	Move	Expected	Historic Avg.	Result
AAPL	28-Jan	6.98%	+/- 4.89%	+/- 3.30%	Positive
AMZN	4-Feb	13.54%	+/- 8.38%	+/- 5.86%	Positive
FB	2-Feb	-26.39%	+/- 7.57%	+/- 5.49%	Negative
GOOG	2-Feb	7.37%	+/- 4.93%	+/- 4.21%	Positive
GOOGL	2-Feb	7.52%	+/- 5.11%	+/- 4.61%	Positive
MSFT	26-Jan	2.85%	+/- 7.44%	+/- 2.57%	Negative
PYPL	2-Feb	-24.59%	+/- 8.45%	+/- 6.49%	Negative
TSLA	27-Jan	-11.55%	+/- 9.99%	+/- 3.93%	Negative

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Data Sources: Bloomberg & EQDerivatives Calculations

Important Historical Information

MSFT History – Q32020 – Q22022



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MSFT Earnings Trade

1/25/2022

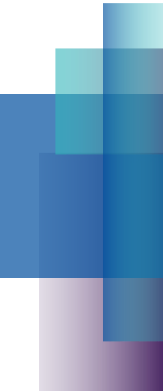
MSFT @ 288.25

Sell MSFT Jan 28th 310.00 Call @ 2.30

Buy MSFT Jan 28th 317.50 Call @ 1.22

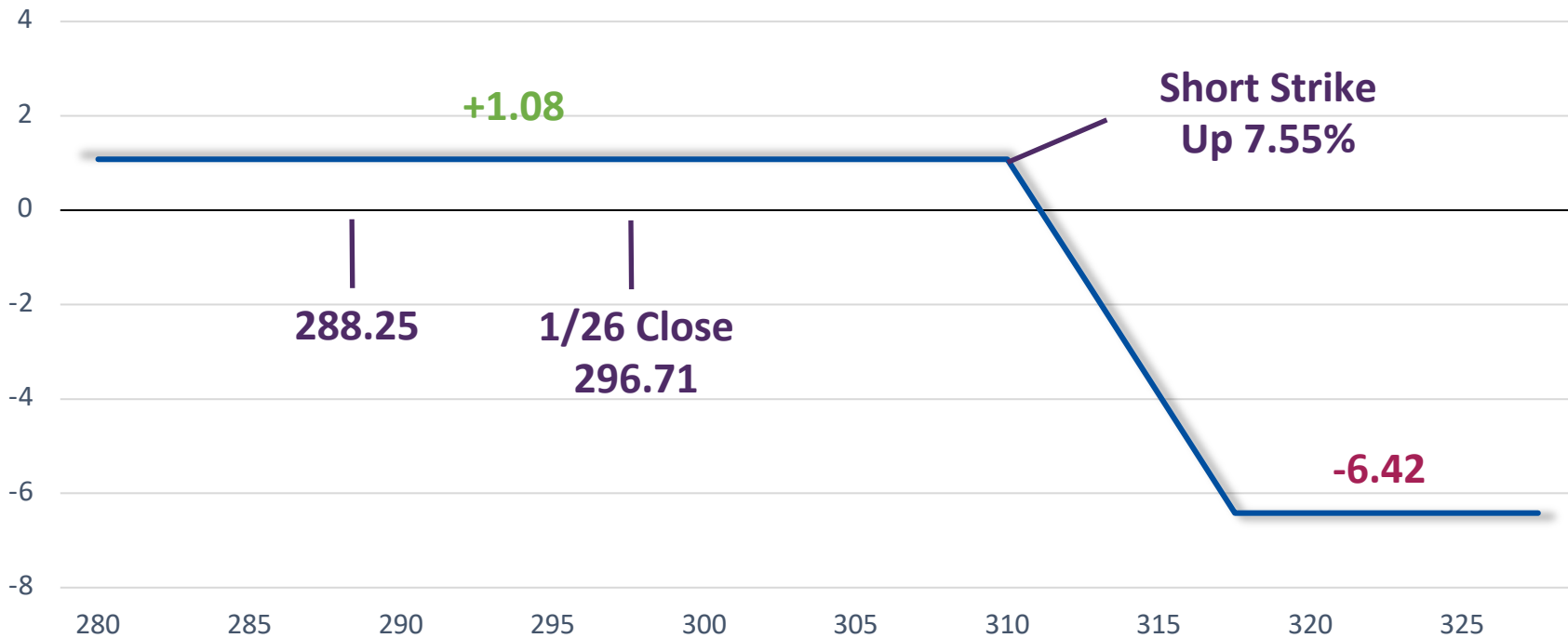
Net Credit = 1.08

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MSFT Earnings Trade

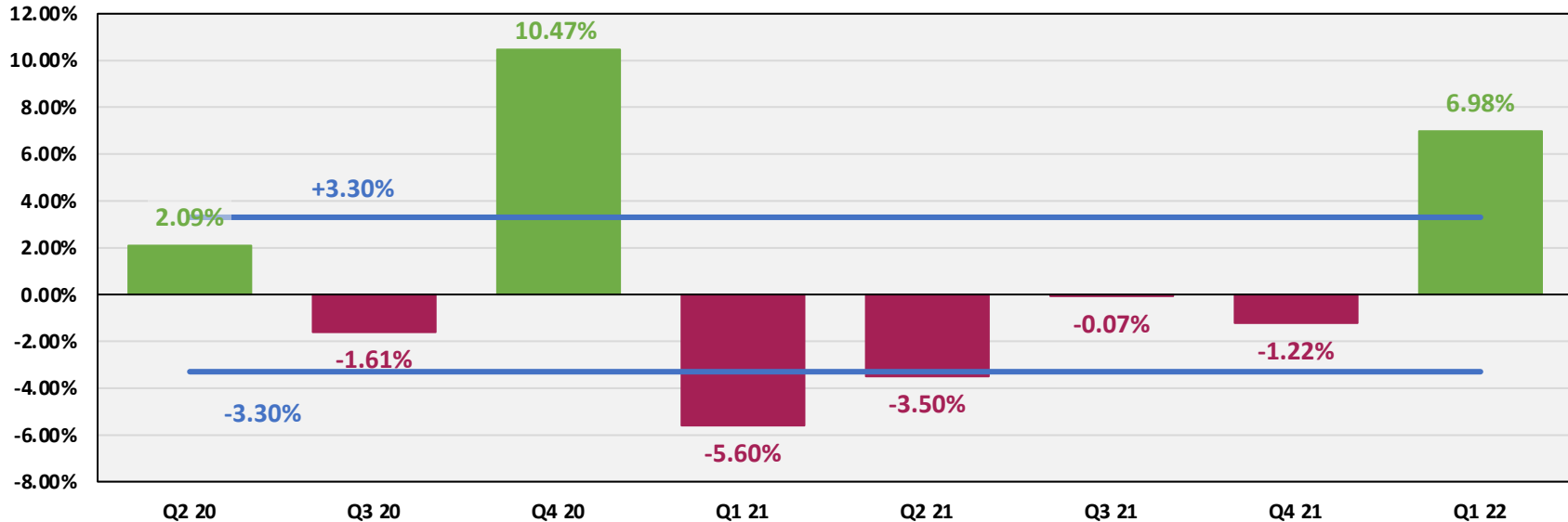
MSFT Jan 28th 310.00 / 317.50 Bear Call Spread



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Important Historical Information

AAPL History – Q22020 – Q12022



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AAPL Earnings Trade

1/27/2022

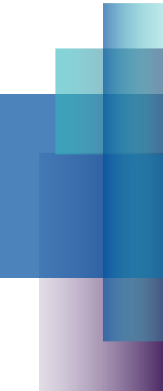
AAPL @ 159.05

Sell AAPL Jan 28th 160 Put @ 4.27

Buy AAPL Jan 28th 155 Put @ 2.35

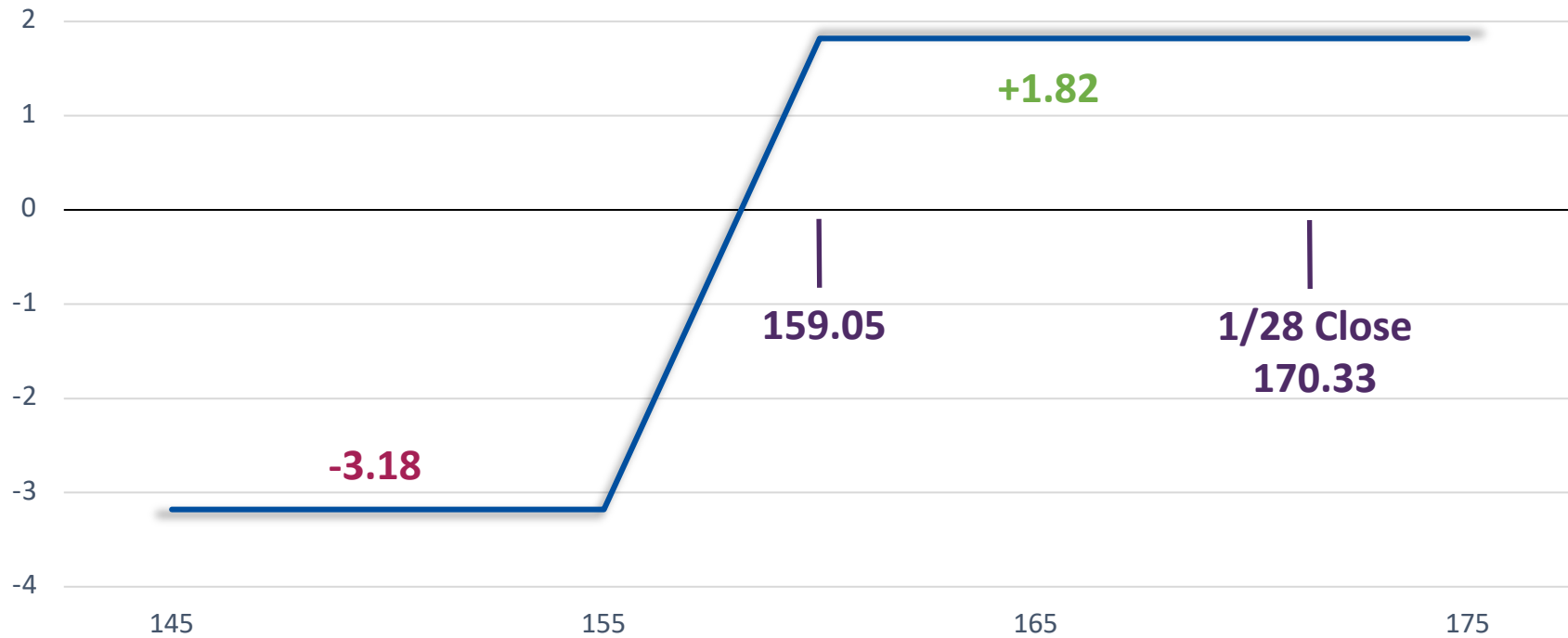
Net Credit = 1.82

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AAPL Earnings Trade

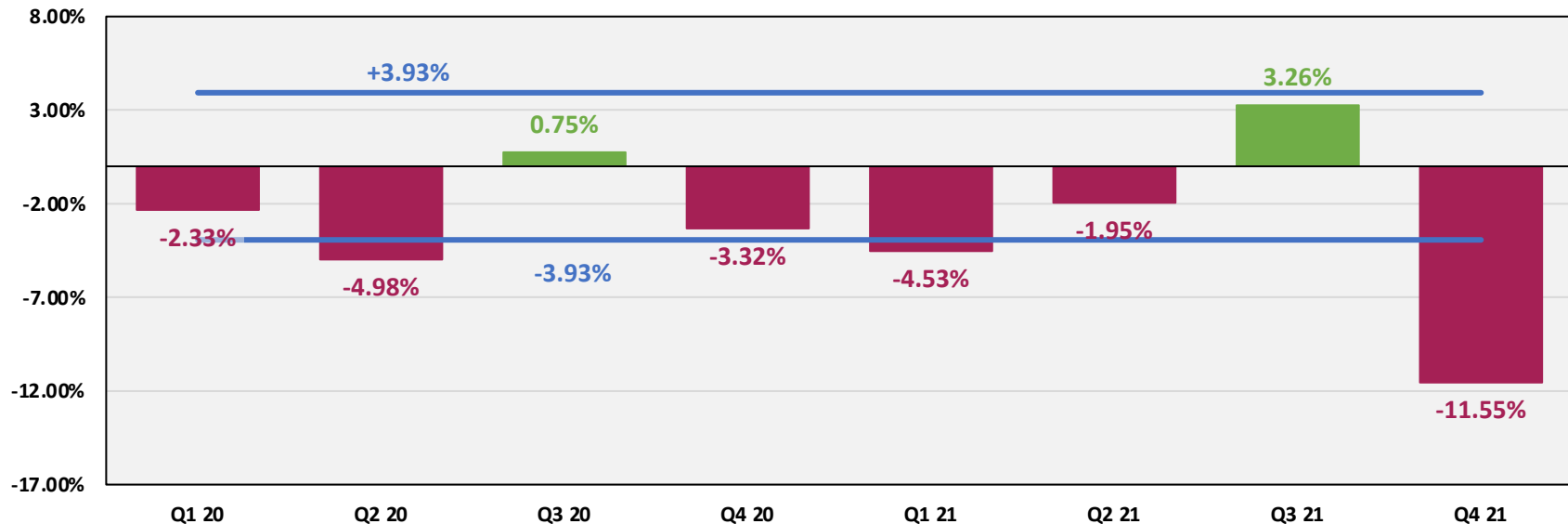
AAPL Jan 28th 155 / 160 Bull Put Spread



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Important Historical Information

TSLA History – Q12020 – Q42021



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TSLA Earnings Trade

1/26/2022

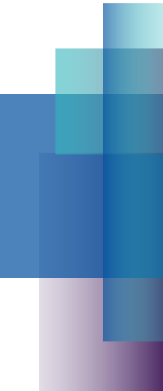
TSLA @ 935.00

Sell TSLA Jan 28th 800 Put @ 6.00

Sell TSLA Jan 28th 1150 Put @ 3.65

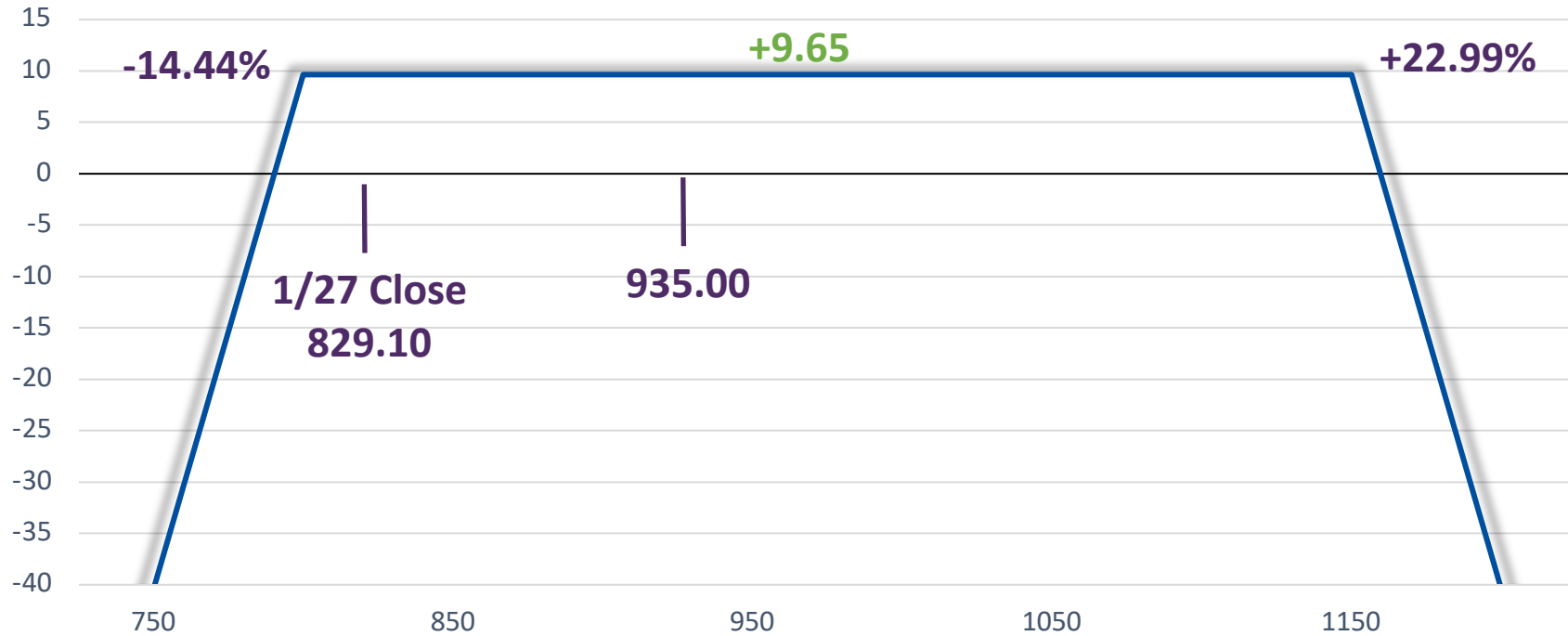
Net Credit = 9.65

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TSLA Earnings Trade

TSLA Jan 28th 800 / 1050 Short Strangle



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Questions / Contact

Questions?

Contact Info

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