IBKRWEBINARS.COM

September 13, 2022

Market Chameleon

Trading Earnings Moves Using Options

Dmitry Pargamanik
Market Chameleon

IBKRWEBINARS.COM

Disclosure:

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled Characteristics and Risks of Standardized Options by calling (312) 542-6901.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the CFTC Risk Disclosure. For a copy visit interactivebrokers.com.

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers LLC's Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

- IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.

- Interactive Brokers LLC is a member of NYSE FINRA SIPC

Trading an Earnings Move

Using Options

Common Mistake Traders Make Trading Earnings

They sell an option straddle when the front month implied volatility is high thinking they are playing the implied volatility crush but in reality they are playing the earnings move.

Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs.

Earnings Move Explained

What is an earnings move mean?

A stock can go up or down after it announces earnings.

What we are concerned about is how much can it go up or down. What will be the magnitude of the move in percentage terms. This will be a part of the options strategy.

How do we determine what the options prices are expecting?

The markets expected move can be interpreted from the options straddle market.

Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs.

Expected Earnings Move

Options Straddle nearest expiration that covers earnings

Stock is $100

Call Strike 100 = $3

Put Strike 100= $3

Straddle =$6

Expected move $6/$100= 6%

Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs.

Historical Moves Vs Expected

Historical Data			
+5%	5%	Expected Move:	6%
-5%	5%	Avg Hist Moves:	5.3%
+8%	8%	Overestimate:	0.7%
-8%	8%	Hist Odds Success: 2/6=	33.3%
+3%	3%		
-3%	3%		

Option Straddle Insights

Upcoming Earnings Analysis

Insights into recent option straddle performance

Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs.