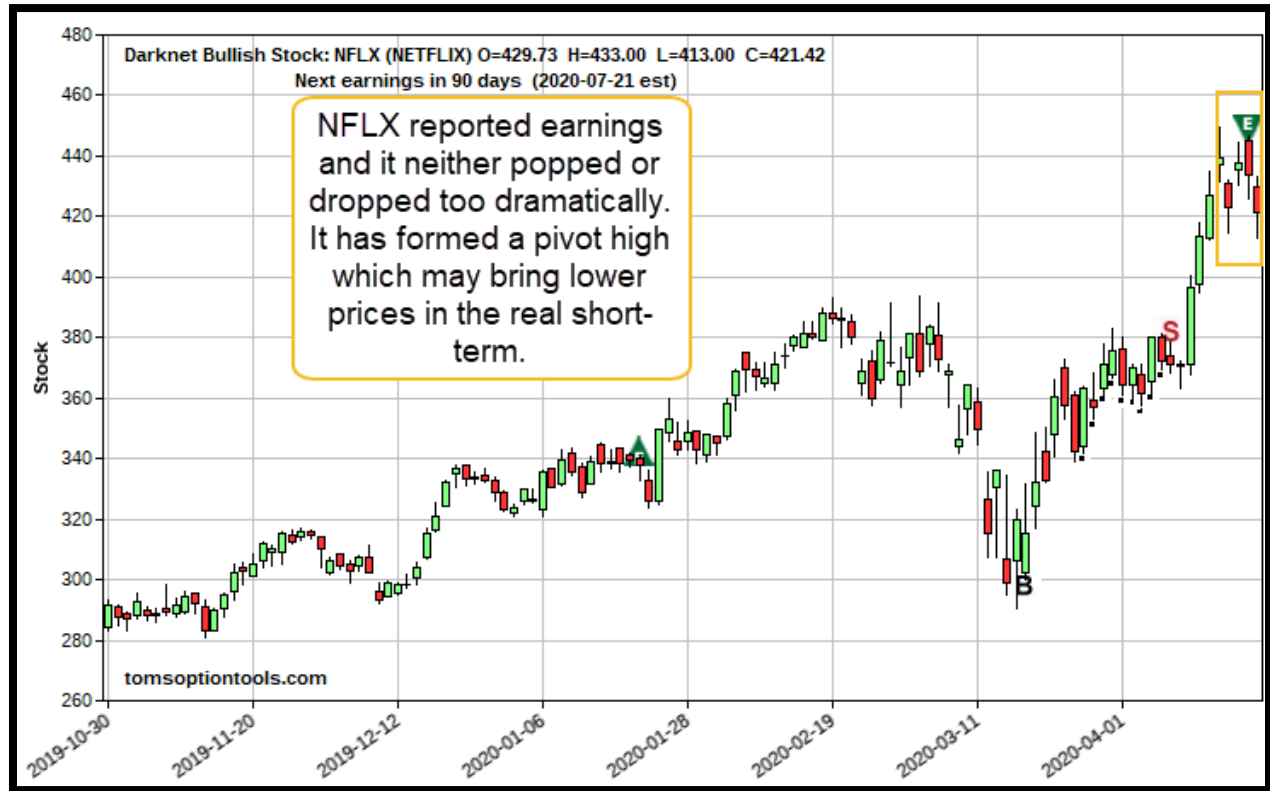


Tom's Weekly Newsletter April 22, 2020

Continuing my discussion on Netflix, Inc. (NFLX)



I produced a video on three option trade ideas on NFLX and you can find it here: https://www.youtube.com/watch?v=Iqh_j8079ho&t=48s

I highlighted a Put Credit Spread, Call Credit Spread and an Iron Condor.

For those of you on my Live Trade webinar today, you found out which one I chose and why.

If you weren't able to make today's free Live Trade session watch the replay of it. I emailed you all the recording by the time you are reading this.

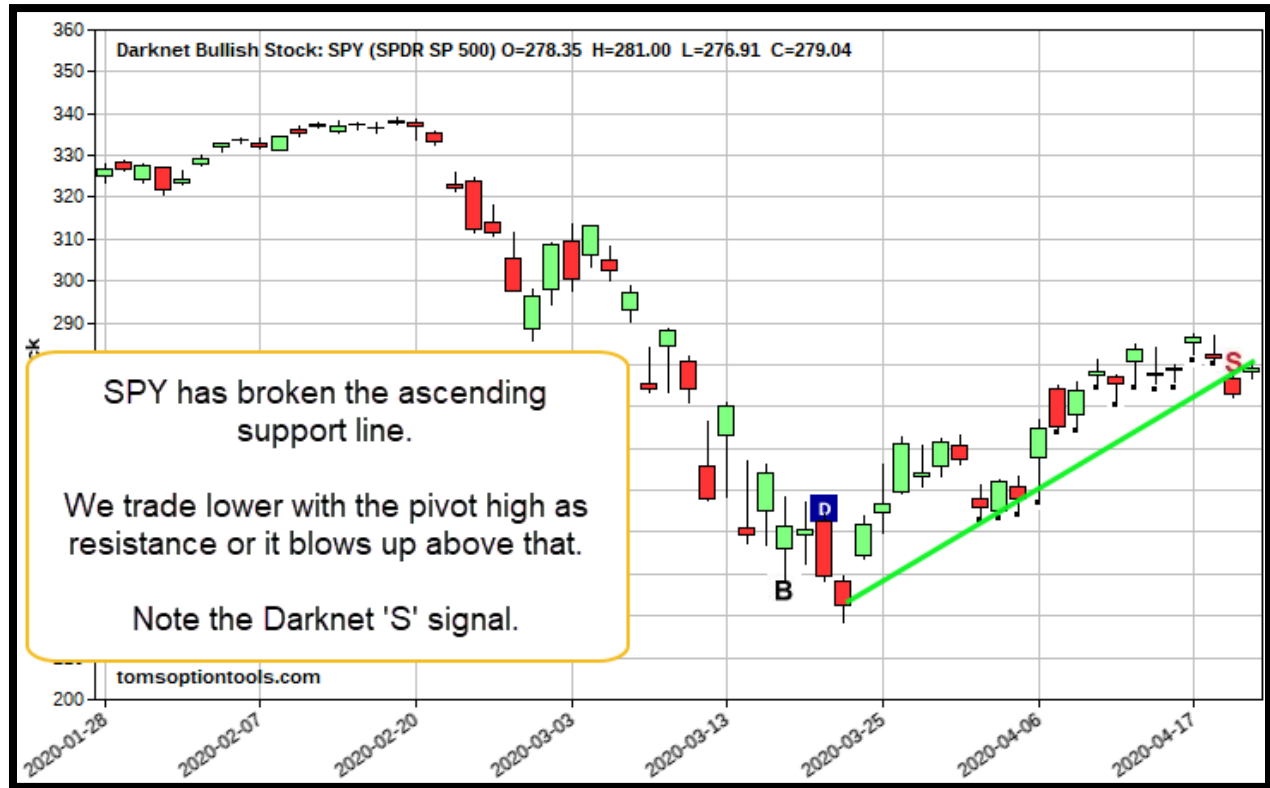
And /Or email support on how you can get on our email list for invites to these sessions.

Tom Gentile
C1P (Chief 1-percenter)

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4 Corners of the Market: (Charts shown prior to final update of day)

SPY



Happy Earth Day – it's 50th anniversary of this event/movement.

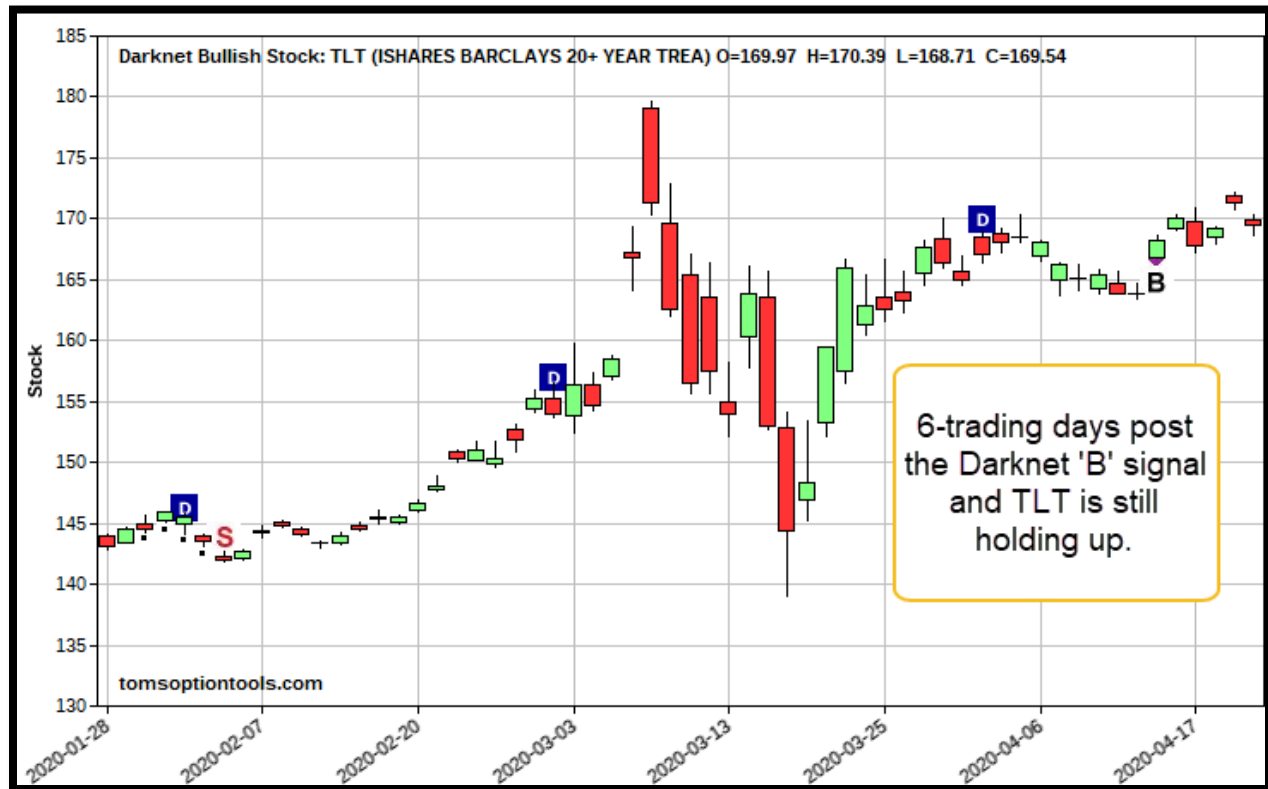
The markets are at a point where we may see at least a stall in upward price action. I say this with the image above showing the SPY just now trading under the ascending support line for it off the March lows.

With technical analysis one can see what the chart is doing and anticipate a break of a support line giving indication lower prices are a possibility.

I would consider the recent pivot high as a resistance SPY needs to clear to lean more bullish, but right now I will still believe prices are likely to pull back.

The Darknet 'S' isn't necessarily a Sell signal, meaning it will decline, but it indicates the uptrend may be stalling or stopping.

TLT



The equities markets saw an up day today after the drop in prices the prior two trading days.

This may account for the drop on the day in TLT.

TLT received a Darknet 'B', bullish signal 6-trading days ago and it proceeded to trade higher since.

We will see if the up day in equities today continues in the coming days, which could bring pressure to the bond market.

For right now, anyone bullish TLT and or who took a bullish option position in TLT from that Darknet signal should monitor a break (close below) the recent pivot low, (established the day of the Darknet 'B' and the 2-trading days prior).

That is a technical stop consideration, not a recommendation.

FXE



Looking at that triangle pattern a bit more closely this week shows the prospect of FXE already having broken through the ascending support line of the pattern.

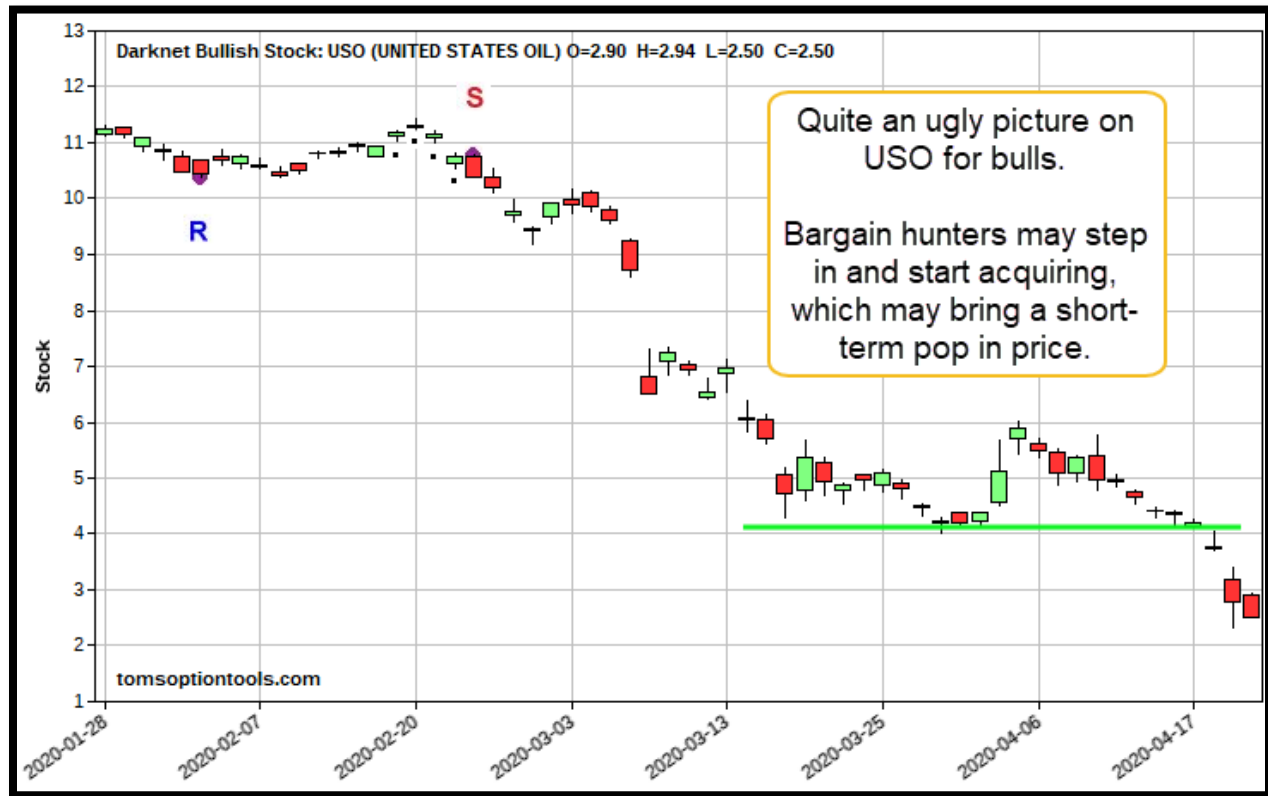
If you look at the dotted green line in the chart image above and use that as the ascending support line then FXE is still consolidating within the triangle.

Whichever one you use, it still feels weak and if I were to say which way I anticipate it breaking, it would be to the downside.

Read the weekly newsletter from last week, (or any prior week where triangles were discussed), to learn what trading strategy to consider.

In those discussions you will read how to assess a future price move and in which direction with triangle patterns.

USO



Technically speaking:

USO not only attacked the lows they blew past them.

There are many non-technical reasons oil is slumping. Slumping so bad the price of oil went NEGATIVE.

That's right guys. Mark the date of April 21, 2020 as the first day in history the price of US crude oil went negative.

May futures contract for WTI crude fell 300% Monday.

Anyone holding the futures contract(s) were forced to pay to get rid of it/them.

There is just more supply than demand caused by the black swan event that is COVID-19. There just aren't enough places to store it.

Tools and Observations

For those asking the question about why a trade on Netflix, Inc. (NFLX) would be considered with earnings in play, let me show you the earnings analysis tools within Tom's Tools.

By doing so you can see what I was seeing and why that data helped me take a calculated approach to options trading on NFLX.

I looked at Earnings Rankers and Earnings Effects

Earnings Rankers can be found by going Stocks > Stock Rankers > Earnings Rankings

Change the ticker symbol, leave the Wizard Rankings 'Most actual earnings above estimated earnings' above estimated earnings, then left-click 'Search'.

Searched Stocks:

- ☒ Stock Symbol: nflx
- ☐ Top 3000 Optionable Stocks Ordered by Volume
- ☐ Stock Lists: Penny and Weekly

Wizard Rankings:

- ☒ Most actual earnings above estimated earnings
- ☐ Most actual earnings below estimated earnings
- ☐ Calendar days to next earnings
- ☐ Calendar days to past earnings

Search Controls:

SEARCH Elapsed Time: ~30s max 00:00:00

Max number of stocks displayed in output: ☐ 100 ☐ 250 ☒ 500 ☐ 1000

Wizard Criteria:

[Show](#) | [Hide](#)

Here is the result as shown on April 21, 2020

Rank	Stock	Close	7-30 Day ATM IV & Chart	Num of Earnings	Date of Previous Earnings	Estimated Date of Next Earnings	Days Since Previous Earnings	Estimated Days to Next Earnings	Actual > Estimate	Actual < Estimate
1	NFLX Chart pic News	433.83	109.8	8	2020-04-21	2020-04-21	0	0	5	3

You can see as I did, NFLX beat their earnings estimate 5 out of the last 8 quarters.

Next, look at Earnings Effects (Stocks > Stock Analysis > Earnings Effects).

Searched Stocks:

- ☒ **Stock Symbol:**
- ☐ **All Current Optionable Stocks**
- ☐ **Stock Lists:**

Search Controls:

SEARCH Elapsed Time: 00:00:00 (~30s max)

Max number of stocks displayed in output: ☐ 100 ☐ 250 ☒ 500 ☐ 1000

Filter Stock List by An Earnings Period

☐ On ☒ Off

Start date of earnings period: 2020 / 04 / 21 (0 past days)

End date of earnings period: 2020 / 05 / 23 (32 future days)

Stock Price or IV Change Wizards:

☒ Default Settings

- ☐ Price - Best change after 1 Earnings
- ☐ Price - Best change after 4 Earnings
- ☐ Price - Best change before 4 Earnings
- ☒ IV - Best change after 1 Earnings
- ☐ IV - Best change after 4 Earnings
- ☐ IV - Best change before 4 Earnings
- ☐ Price - Low changes after 4 Earnings

Days to Past or Future Earnings Wizards:

☒ Turn Off

- ☐ Straddles - 1-7 days to Future Earnings
- ☐ Straddles - 1-30 days to Future Earnings
- ☐ Straddles - 30-70 days to Future Earnings
- ☐ Calendars - 5-30 days to Past Earnings
- ☐ Sideways - 1-45 days to Past Earnings
- ☐ Condors & Butterflies - 5-15 days to Past Earnings

Wizard Criteria:

[Show](#) | [Hide](#)

You can look at what the price and Implied Volatility (IV) for NFLX did prior to earnings and after earnings.

This helps you gauge whether you would be ok to trade options prior to or after the earnings report, or even if you want to trade prior to and hold through earnings.

By left-clicking on the line item IV – Best change after 4 earnings and then Search you see this:

Rank	Name	Stock	Close	Latest 7-30 Day ATM IV & Chart	Best IV Median Percent Change	Best of IV BED AED Earnings Changes (%)	Num of Earnings Checked	Days Since Previous Earnings	Date of Previous Earnings	Estimated Days to Next Earnings	Estimated Date of Next Earnings
1	NETFLIX	NFLX	433.83	109.8	49.87	-57 -55 -45 -41	4	0	2020-04-21	91	2020-07-21

The last 4 earnings in a row, (most recent quarter on the left), you can see IV drops by half clearly indicating you do NOT want to hold NFLX through their earnings report.

Can you sell options through earnings, though?

You surely consider it and that is what I went through in the video showing a Put Credit Spread, Call Credit Spread and an Iron Condor trade scenario.

The premise being, if IV is going to drop and the option value will drop, you may be able to set yourself up to buy back the credit spread trade less than what you sold it for and pocket the difference.

Tom Gentile

C1P (Chief 1-percenter)

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Stock and options trading has large potential rewards, but also large potential risk.

You must be aware of the risks and be willing to accept them in order to invest in the stock and options market. Do not trade with money you cannot afford to lose. This is neither an offer to buy/sell/ or recommend a particular stock or option.

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Also, since the trades have not been actually executed, the results may have under or overcompensated for the impact, if any, of certain market factors, such as lack of liquidity.

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