

**Sun City Summerlin Computer Club**

**\$ Internet Investing SIG \$**

**Tom Burt**  
**April 18, 2024**

# SIG Meeting Schedule

- The Internet Investing SIG meets every month on the third Thursday morning at **10 AM**.
- Investing SIG Chat Line
  - *Subscribe:* [SCSCCInvestingSIG+subscribe@groups.io](mailto:SCSCCInvestingSIG+subscribe@groups.io)
  - *Post:* [SCSCCInvestingSIG@groups.io](mailto:SCSCCInvestingSIG@groups.io)
- The upcoming session dates will be:

May 16, 2024  
June 20, 2024  
July 18, 2024  
August 15, 2024  
September 19, 2024  
October 17, 2024

November 21, 2024  
December 19, 2024  
January 16, 2025  
February 20, 2025  
March 20, 2025  
April 17, 2024

# Fundamentals Review – April 16, 2024

- Dollar slightly stronger against foreign currencies / commodities.
  - Oil (WTI) – still priced in dollars – is around **\$82.88** / barrel.
  - Stock indexes have been easing and are down a few percent from recent all-time highs.
  - Dow 30: **37,753** S&P 500: **5,022**, Nasdaq: **15,683**, Russell 2000: **1,948**, Gold: **\$2,388**, Silver: **\$28.36**, Bitcoin: **\$61,294**, EUR/USD: **\$1.067**
  - S&P PE ratio is **27.3** vs 16.1 long term average (<https://www.multpl.com/s-p-500-pe-ratio>).
- Key interest rates have risen; short-term inversion is still present
  - 1-year Treasury – about **5.18%**; 10-year Treasury - about **4.59%**; 30-year Treasury - about **4.70%**.
  - 30-year fixed mortgage – **7.43% Apr**; 15-year fixed mortgage – **6.48% Apr.** ; Prime – **8.5%**
- Federal Reserve held Fed Funds rate steady at 5.5% (5.25% – 5.50% range).  
Next meeting is 04-30-24; Fed hints at 3 rate cuts in 2024.
- Gov't BLS Claims March US Job Unemployment was **3.8%**.
  - <https://www.bls.gov/news.release/pdf/empsit.pdf>
  - *This number has been improving, but many workers are still on government payments.*
- Official 2024 Inflation Rates (YoY) for March were: CPI **3.5%**, PPI **2.0%**
  - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
  - LV Regular Gasoline (**\$4.29** at Costco, **\$4.86** at Chevron).

# Fundamentals Review – March 20, 2024

- Dollar slightly stronger against foreign currencies / commodities.
  - Oil (WTI) – still priced in dollars – is off recent lows to around **\$81.84** / barrel.
  - Stock indexes have been rising and are near all-time highs.
  - Dow 30: **39,512** S&P 500: **5,225**, Nasdaq: **16,369**, Russell 2000: **2,075**, Gold: **\$2,208**, Silver: **\$25.86**, Bitcoin: **\$67,862**, EUR/USD: **\$1.094**
  - S&P PE ratio is **28.4** vs 16.1 long term average (<https://www.multpl.com/s-p-500-pe-ratio>).
- Key interest rates have risen; short-term inversion is still present
  - 1-year Treasury – about **5.06%**; 10-year Treasury - about **4.27%**; 30-year Treasury - about **4.46%**.
  - 30-year fixed mortgage – **7.13% Apr**; 15-year fixed mortgage – **6.50% Apr.** ; Prime – **8.5%**
- Federal Reserve held Fed Funds rate steady at 5.5% (5.25% – 5.50% range).  
Next meeting is 04-30-24; Fed hints at 3 rate cuts in 2024.
- Gov't BLS Claims February US Job Unemployment was **3.9%**.
  - <https://www.bls.gov/news.release/pdf/empsit.pdf>
  - *This number has been improving, but many workers are still on government payments.*
- Official 2024 Inflation Rates (YoY) for February were: CPI **3.2%**, PPI **1.6%**
  - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
  - LV Regular Gasoline (**\$3.85** at Costco, **\$4.56** at Chevron).

# Fundamentals Review – February 14, 2024

- Dollar slightly stronger against foreign currencies / commodities.
  - Oil (WTI) – still priced in dollars – is off recent lows to around **\$76.56** / barrel.
  - Stock indexes have been rising and are near all-time highs.
  - Dow 30: **38,424** S&P 500: **5,001**, Nasdaq: **15,859**, Russell 2000: **2,012**, Gold: **\$2,005**, Silver: **\$22.42**, Bitcoin: **\$51,814**, EUR/USD: **\$1.073**
  - S&P PE ratio is **23.3** vs 17.9 long term historical average ([www.GuruFocus.com](http://www.GuruFocus.com)).
- Key interest rates have risen; short-term inversion is still present
  - 1-year Treasury – about **4.99%**; 10-year Treasury - about **4.27%**; 30-year Treasury - about **4.37%**.
  - 30-year fixed mortgage – **7.40% Apr**; 15-year fixed mortgage – **6.88% Apr.** ; Prime – **8.5%**
- Federal Reserve held Fed Funds rate steady at 5.5% (5.25% – 5.50% range).  
Next meeting is 03-19-24; Fed unlikely to cut rates in next few months.
- Gov't BLS Claims Janury US Job Unemployment was **3.7%**.
  - <https://www.bls.gov/news.release/pdf/empst.pdf>
  - *This number has been improving, but many workers are still on government payments.*
- Official 2024 Inflation Rates (YoY) for January were: CPI **3.1%**, PPI (available 2-16-24)
  - <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>
  - LV Regular Gasoline (**\$3.49** at Costco, **\$4.30** at Chevron).

# News Bits & Bytes

- **California Economic Woes**
  - <https://www.wnd.com/2024/03/californias-economic-woes-way-worse-thought/>
- **Commentary on March Jobs Report (ZeroHedge)**
  - <https://www.zerohedge.com/markets/behind-todays-stellar-jobs-print-it-was-literally-all-part-time-jobs-and-illegals>
- **Inherited IRA Accounts - Pitfalls**
  - <https://www.bottomlineinc.com/money/retirement-accounts/watch-out-for-these-land-mines>
- **Bottom Line: Social Security / Medicare Future Costs - \$175 trillion!**
  - <https://www.wnd.com/2024/04/doomsday-clock-ticking-social-security/>
- **Chip Stock Sell-off**
  - <https://www.investors.com/market-trend/stock-market-today/dow-jones-futures-sp-500-nasdaq-nvidia-stock-taiwan-semiconductor-earnings/>
- **Las Vegas Mortgage Foreclosures Increasing**
  - <https://news3lv.com/news/local/las-vegas-ranks-highest-in-home-foreclosures-across-the-country>

# Listed Options (1) – Key Terminology

- Online Tutorial: <https://www.investopedia.com/options-basics-tutorial-4583012>
- Listed Options are standardized contracts bought & sold on the stock exchanges through your broker
  - *Right to BUY (CALL) or SELL (PUT) 100 shares of an underlying Stock or ETF at a specified price any time up to a specified expiration date*
- Strike Price
  - *Buy (CALL) / Sell (PUT) price of the underlying stock / ETF for this option contract*
- Expiration Date
  - *The date after which the option contract can no longer be exercised*
- Underlying Stock or ETF
  - *The actual stock or ETF to which the CALL or PUT option is linked*
- “In the Money” – Having some intrinsic value + time value
  - *A CALL option whose strike price is below the current market price*
  - *A PUT option whose strike price is above the current market price*
- “Out of the Money” – Having NO intrinsic value, only time value
  - *A CALL option whose strike price is above the current market price*
  - *A PUT option whose strike price is below the current market price*
- Premium – Total cost of the option
  - *Includes the amount you’re paying (or getting) for time and risk*

## Listed Options (2) – Where to Find Pricing

- Yahoo Finance Website: <https://Finance.Yahoo.com>
  - Look up the stock or ETF to display the Quote screen (e.g. IBM)
  - Click the Options link to display the options chain screen.
- The options chain will list open Call options first, then open Put options. The list is for a specified expiration date.
  - You can change the expiration date using a dropdown just above the list.

**International Business Machines Corporation (IBM)** ★ Following

**182.27** -3.63 (-1.95%) **182.10** -0.17 (-0.09%)

At close: April 12 at 4:00 PM EDT After hours: April 12 at 7:59 PM EDT

Jul 19, 2024 All Strike Prices List All Options

**Calls** In The Money

Contract Name	Last Trade Date (EDT)	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
IBM240719C00115000	12/22/2023 5:35 PM	115	48.10	58.25	60.70	0.00	0.00%	2	0	0.00%
IBM240719C00120000	12/22/2023 5:34 PM	120	43.34	53.60	55.75	0.00	0.00%	18	0	0.00%
IBM240719C00125000	12/28/2023 4:14 PM	125	40.19	60.70	64.55	0.00	0.00%	5	6	76.67%
IBM240719C00130000	1/12/2024 5:14 PM	130	35.60	57.85	59.65	0.00	0.00%	-	1	76.32%
IBM240719C00135000	2/28/2024 7:27 PM	135	51.55	54.70	59.20	0.00	0.00%	2	8	83.96%
IBM240719C00140000	2/23/2024 8:04 PM	140	48.15	50.30	54.20	0.00	0.00%	1	93	78.80%
IBM240719C00145000	4/9/2024 2:06 PM	145	44.30	37.95	39.10	0.00	0.00%	2	923	37.55%
IBM240719C00150000	4/2/2024 3:58 PM	150	39.94	33.35	34.85	0.00	0.00%	1	64	37.31%
IBM240719C00155000	4/11/2024 4:41 PM	155	31.64	29.10	29.90	0.00	0.00%	2	554	33.12%
IBM240719C00160000	4/12/2024 6:14 PM	160	25.40	24.80	25.95	-8.48	-25.03%	4	266	32.92%



## Listed Options (3) – Basic Concepts

- **Listed Option Examples:**
  - Price is quoted *per share*; contract price is  $100 * \text{quoted price} + \text{commission}$   
Schwab's option commission is \$.65 per contract;  
e.g. The Schwab commission for 5 contracts is  $5 * \$0.65 = \$3.25$
  - A CALL option for 100 shares of IBM at \$190 expiring July 19, 2024  
Symbol: **IBM240719C00190000** Last: \$6.87 Ask: \$6.85 Cost: \$685 + \$.65
  - A PUT option for 500 shares of SPY at \$500 expiring July 19, 2024  
Symbol: **SPY240719P00500000** Last: \$9.72 Ask: \$9.76 Cost: \$4880 + \$3.25
- **Options Offer Leverage While Bounding Risk**
  - Control 100 shares of a stock / ETF for a small fraction of the full price
  - Option price moves in concert with the price of the underlying stock / ETF  
E.g. if stock goes up \$10, the call option goes up about \$10
  - Can't lose more than the cost of an option (if they expire unexercised)  
unless selling "naked" (uncovered) CALLs (Don't try it!).
- **Options are a "Wasting Asset"**
  - Worth less as time remaining to exercise (buy or sell the stock) grows short
  - Most options positions are closed out by selling (or buying) the option back
- **Option trading volumes are often low**
  - Can be harder to get the desired price, especially for longer expirations

## Listed Options (4) – Examples

- **Example: Simple Speculative Leveraged Trade**
  - *You think Qualcomm (chip maker) will go up a lot as 5G & AI roll out*
  - *Buy 10 CALLs for QCOM (\$172) at a strike price of \$170 expiring July 19<sup>th</sup>*
  - *Symbol: **QCOM240719C00170000** Ask: \$13.40 Cost: \$13,400 + \$6.50*
  - *If Qualcomm stock goes up \$40 to \$212 you gain about \$36,600*
  - *If Qualcomm stock goes up \$20 to \$192 you gain about \$6,600*
  - *If Qualcomm stock drops or stays at \$172, you lose about \$13,400 if you hold the position until July 19<sup>th</sup>.*
  
- **Example: Simple Hedge Against a Drop in a Stock**
  - *Buy a PUT option for the number of shares you hold at a STRIKE price close to the current market value, expiring 6 weeks to 3 months out*
  - *E.g. Buy two PUTs on MSFT (\$422) to sell at \$420 expiring July 19<sup>th</sup>*  
*Symbol: **MSFT240719P00420000** Ask: \$18.35 Cost: \$3670 + \$1.30*
  - *If MSFT drops \$20 / share to 402, your PUT will increase by about \$18 / unit to \$36.35*  
*You can sell the PUT (closing it) and pocket the short-term gain.*  
*Net pretax gain on the option = \$7270 - 3670 - 2 \* 1.30 = \$3597.40*

## Listed Options (5) – Examples

- **Example: Generating Extra Income From a Holding (Covered Call)**
  - *You hold 1000 shares of T (AT&T) yielding 6.8% dividend, price \$16.31  
You want to keep the dividend flow and make some extra cash*
  - *Sell 10 CALLs for T at a strike price of \$17 expiring July 19, 2024*
  - *Symbol: **T240719C00017000** Bid: \$.49 Proceeds: \$490 - \$6.50 = \$483.50*
  - *If T stock goes up \$.69 to \$17 your T will likely be bought for \$17  
Your gain on the option trade is: \$483.50  
You also realize, from the sale the shares, a gain of \$17,000 - your original cost*
  - *If T stays below \$17 until July 19, the option expires, and you keep the \$483.50 pre-tax gain from the option. You can then sell another Covered Call and repeat*
- **Conclusions:**
  - *Listed options can be used as insurance (a hedge)*
  - *Listed options can be used to speculate without BIG risks (leverage)*
  - *Listed options take some mathematical skill (or a good trading program)*
  - *Volatile markets can make profitable options trading difficult  
(Computer algorithms are way ahead of ordinary human traders)*
  - *There are more exotic options trades (see the tutorial) – not easy for small players to make money*

# Tom's Recent (and Future) Financial Moves

- ***Disclaimer: These are not recommendations! Your financial situation and market circumstances are likely different.***
- **Trades**
  - ***Nothing since March***
- ***Bond yields have been fluctuating (i.e. bond prices rising & falling)***  
***Yields on preferred stock ETFs, bank CDs, money market funds have rebounded.***  
***Fixed income assets prices likely steady until after 2024 election. May want to lock in yields.***
- ***EV car makers' problems are apparent, but government mandates will continue.***  
***Hybrids are likely a better bet for next few years.***
- ***Still Looking at Utilities, Uranium miners, Copper, Robotics / Automation / AI***
  - ***No way to meet demand with renewables (wind, solar), so nuclear should see a resurgence.***
  - ***Flight from high-tax northern blue states to the south will increase demand for power there.***
  - ***Electric vehicles and utility transmission lines require lots of copper, rare earth metals, lithium.***
- **Let's look at Tom's "Hot List"**

# **Open Discussion**