

Weekly Options Report

BY PAUL FORCHIONE

Monday, September 25, 2017



Markets are listed in order of daily \$ value of options traded (DVO).
Data is organized to highlight trading edge opportunities using futures options.
Data as of Friday, September 22, 2017

| Symbol | Name | DVO (\$000's) | UND'L Size | Under Valued | Over Valued | SV% | SV Pctl | IV% | IV Pctl | IV%>SV% |
|--------|-------------------------|---------------|------------|--------------|-------------|--------|---------|--------|---------|---------|
| NG | Natural Gas (NYM) | 331800 | 30,200 | | B | 29.50% | 31 | 35.70% | 46 | C |
| SP | S&P 500 Index (CME) | 161900 | 624,325 | | B | 5.10% | 4 | 10.10% | 65 | C |
| CL | Crude Oil (NYM) | 51654 | 51,030 | | B | 24.00% | 4 | 25.60% | 12 | C |
| 6E | EuroFX (CME) | 39440 | 149,963 | A | | 9.60% | 99 | 8.10% | 69 | |
| ES | E-Mini S&P 500 (CME) | 32389 | 124,915 | | B | 6.20% | 4 | 10.40% | 69 | C |
| KC | Coffee (ICE) | 29503 | 50,419 | A | | 32.70% | 92 | 27.20% | 58 | |
| GC | Gold (CMX) | 20909 | 129,750 | A | | 14.00% | 99 | 11.30% | 69 | |
| ZN | U.S. 10-yr Treas Notes | 15394 | 125,750 | D | | 3.90% | 31 | 3.70% | 8 | |
| ZS | Soybeans (CBT) | 11055 | 49,263 | A | | 16.40% | 65 | 14.60% | 15 | |
| CT | Cotton (ICE) | 10904 | 34,280 | A | | 25.10% | 77 | 20.20% | 46 | |
| ZB | U.S. Treas Bonds(CBT) | 8699 | 154,093 | D | | 7.40% | 19 | 7.00% | 4 | |
| RB | Gasoline (RBOB: NYM) | 8426 | 68,254 | | B | 23.20% | 12 | 26.50% | 38 | C |
| SB | Sugar - World (ICE) | 7129 | 16,419 | D | | 32.10% | 1 | 25.00% | 1 | |
| 6J | Japanese Yen (CME) | 7010 | 111,963 | A | | 10.10% | 96 | 9.40% | 65 | |
| ZC | Corn (CBT) | 6855 | 17,675 | D | | 18.00% | 15 | 17.30% | 8 | |
| 6B | British Pound (CME) | 6488 | 84,769 | | E | 8.90% | 96 | 9.00% | 88 | C |
| HE | Hogs - Lean (CME) | 5594 | 22,650 | A | | 31.40% | 85 | 29.80% | 88 | |
| LE | Cattle - Live (CME) | 5263 | 46,970 | D | | 22.20% | 38 | 19.40% | 27 | |
| SI | Silver (CMX) | 4831 | 84,920 | | B | 20.00% | 38 | 20.80% | 85 | C |
| 6C | Canadian Dollar (CME) | 2365 | 81,100 | A | | 9.80% | 99 | 8.50% | 88 | |
| CC | Cocoa (ICE) | 1963 | 19,790 | D | | 31.70% | 15 | 27.80% | 12 | |
| ZW | Wheat (CBT) | 1870 | 22,488 | D | | 23.70% | 15 | 21.60% | 27 | |
| HO | Heating Oil (NYM) | 1862 | 75,642 | D | | 23.80% | 12 | 20.80% | 1 | |
| 6A | Australian Dollar (CME) | 1640 | 79,560 | | E | 8.90% | 77 | 9.10% | 73 | C |
| GF | Cattle - Feeder (CME) | 1521 | 78,813 | D | | 20.20% | 1 | 16.30% | 19 | |
| ZF | U.S. 5-yr Treas Notes | 505 | 117,703 | D | | 2.60% | 50 | 2.30% | 1 | |
| ZM | Soybean Meal (CBT) | 494 | 31,900 | A | | 20.40% | 69 | 17.20% | 8 | |
| OJ | Orange Juice (ICE) | 438 | 21,893 | A | | 52.30% | 96 | 32.60% | 81 | |
| ZL | Soybean Oil (CBT) | 363 | 20,532 | | B | 18.90% | 1 | 19.70% | 1 | C |
| NQ | E-Mini Nas-100 (future) | 336 | 118,636 | | B | 10.80% | 46 | 14.40% | 81 | C |
| 6S | Swiss Franc (CME) | 91 | 129,550 | A | | 11.10% | 96 | 8.40% | 81 | |
| TF | Russell 2000 Mini (ICE) | 41 | 145,210 | | B | 9.70% | 1 | 13.00% | 35 | C |

OPTION MARKET COMMENTS – Data is from **OptionVue (800-733-6610)**. **Pctl figures are based on 0.5 yrs (6 months) of implied and statistical volatility data.** Liquidity and underlying contract size are also important.

| | | |
|---|--|---|
| <p>A -- UNDERVALUED options in VOLATILE or TRENDING markets</p> <p>IV% < SV% and SV PctL > 50</p> <p>Consider option buying strategies: (diagonal calendar spreads, strangle swaps, option purchases, ratio backspreads, long straddles or long strangles). These strategies have positive Vega.</p> <p>D -- UNDERVALUED options in NON-VOLATILE markets</p> <p>IV% < SV% and SV PctL < 50</p> <p>Consider calendar spreads. This strategy has positive Vega.</p> | <p>B -- OVERVALUED options in NON-VOLATILE markets</p> <p>IV% > SV% and SV PctL < 50</p> <p>Consider option selling strategies: (reverse calendar spreads, reverse strangle swaps, option sales, ratio spreads, short straddles or short strangles). These strategies have negative Vega.</p> <p>E -- OVERVALUED options in VOLATILE or TRENDING markets</p> <p>IV% > SV% and SV PctL > 50</p> <p>Consider reverse diagonal calendar spreads. This strategy has negative Vega.</p> | <p>C – OVERVALUED options</p> <p>IV% > SV%</p> <p>If you have a neutral outlook, then consider at-the-money iron butterflies or iron condors. These strategies have negative Vega.</p> <p>If you have a bullish outlook, then consider out-of-the-money call butterflies or call condors. These strategies have negative Vega.</p> <p>If you have a bearish outlook, then consider out-of-the-money put butterflies or put condors. These strategies have negative Vega.</p> |
|---|--|---|

| | | |
|--|--|--|
| <p>When IV PctL < 50, then options are <u>undervalued</u> from a historical perspective.</p> <p>This would confirm the <u>undervaluation</u> assessment for markets that are labeled A and D.</p> | <p>When IV PctL > 50, then options are <u>overvalued</u> from a historical perspective.</p> <p>This would confirm the <u>overvaluation</u> assessment for markets that are labeled B and E.</p> | <p>When IV PctL > 50, then options are <u>overvalued</u> from a historical perspective.</p> <p>This would confirm the <u>overvaluation</u> assessment for markets that are labeled C.</p> |
|--|--|--|

Learn to Trade Options with Paul at www.TheAceProgram.com or www.TradingOptionsVisually.com

FUTURES AND OPTIONS TRADING CAN INVOLVE SUBSTANTIAL FINANCIAL RISK

This publication is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or sell or trade in any commodities or securities herein named. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. In no event should the content of this publication be construed as an express or implied promise, guarantee or implication by or from Paul Forchione that you will profit or that losses can or will be limited in any manner whatsoever. Past results are no indication of future performance. All investments are subject to risk, which should be considered prior to making trading decisions.