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The Smart Option Seller

Let's Grab That Cash!



Issue #1098 March 21, 2024 - By Lee Lowell

New Trade!

Hello Smart Option Sellers,

Housekeeping note:

We have members join (and sometimes leave) our service at various times during the year. We offer both monthly and annual plans, with Paypal as our payment processor.

Renewals of both plans happen automatically, as you are charged based on your monthly or annual date.

Please, please, PLEASE be aware of your recurring payment date, as there are no advance notices that are sent to remind you that a charge is forthcoming.

If you wish to leave our service and want to avoid unnecessary processing fee charges, please let us and/or Paypal know (if you have a Paypal account) ahead of your renewal date. This saves all of us hassles, headaches, and extra charges. If you notify us after the renewal date, fees will be incurred.

These instructions can also be seen on the newsletter sign-up page on our website.

Thank you!

As mentioned in yesterday's alert - The U.S. Federal Reserve was announcing its current decision on interest rates, and as expected, they held levels as-is.

But the market basically took that message and ran with it, as all-time new highs were hit yet again in the S&P 500.

We placed an order to buy back our VZ position yesterday, which I'll get to below, but for now, I have a new trade.

Palantir Technologies, Inc (PLTR)

This is a newcomer to us here as we've never played it before, but I'm sure many of you might've heard of the company.

They're big in the counter-terrorism sector, in which they provide software to intelligence communities throughout the world.

The company has only gone public just a few years ago, so it's relatively new as far as trading longevity.

I typically don't like to trade companies that haven't been around for at least five years, but I like the way it's been moving on the charts.

It's more than tripled in the last year and the up-trend is still intact.

Although the stock price is near \$25, I still consider this a little riskier trade for us,

only for the fact that it hasn't been around that long. So take that with a grain of salt if you want to play it.

Here's the [current chart](#).

With it sitting near \$25 currently, we'll have \$7 of downside cushion, which equates to a buffer of 28%.

If you desire having some exposure to the counter-terrorism space, then this trade could be right for you.

Here's what you can choose to do (official):

Sell (sell-to-open) the PLTR May 17, 2024 \$18 strike put option contracts for a limit credit sell price of \$.25 per contract or higher, GTC, as an opening transaction (sell-to-open).

Currently, the market for this put option is \$.27 bid/\$.28 offer, so we should have no problem selling for better than \$.25 per.

PLTR announces their next earnings around May 6 or May 7, so we'll look to get out of the trade before then, hoping to have profits built up.

Do not sell for anything less than \$.25 per contract.

Here are the instructions for the unofficial trade.

For more information on the unofficial trades, scroll down to the "Announcements" section of the newsletter below.

These are optional and unofficial, and I won't be tracking them, so you're on your own to manage.

Please stay within your comfort zone!

Here's what you can choose to do (unofficial):

Sell (sell-to-open) the PLTR May 17, 2024 \$25 strike put option contracts for a credit sell price between the current bid/ask levels, as an opening transaction (sell-to-open).

Since this is a near-the-money strike, it will move much faster, both higher and lower. This trade is meant to be taken only if you are very bullish from this point.

You could also choose any strike you want below the \$25 level, as they are listed at \$1-dollar increments.

Right now it's worth roughly \$2.45 per contract, give or take a few pennies.

If you are going to trade multiple contracts, my advice would be to look for 50% decay when taking initial profits, or set a profit/loss threshold that works for you.

Any drop in the price of PLTR stock will put these positions underwater. Stay within your comfort zone!

Get those orders in now before reading on about the VZ buy-back results.

Profit Results - Verizon (VZ)

We placed a buy-back order yesterday on VZ before the Fed meeting.

I didn't want to miss out on our gains in case the Fed hit us with some bearish surprises (they didn't).

Most of the fills went across at our price of \$.08 per contract yesterday, so that'll be our official mark. Some of you might've gotten \$.07 per.

Here's what we did (official):

Bought back (bought-to-close) all of the VZ April 19, 2024 \$36 strike put option contracts for an official debit buy price of \$.08 per contract as a closing transaction (bought-to-close).

Currently, this put option is still offered at \$.07 per contract, so if you didn't place your buy-back order yesterday, you can still get filled at good prices.

Do not pay more than \$.08 per contract.

Here are the profit details:

We originally established (sold-to-open) this put option on February 9, 2024 for a sale price of \$.31 per contract, and now we took gains by buying it back (bought-to-close) for \$.08 per contract.

With the fill at \$.08, it locked in a gain of \$.23 per contract (\$23 for every contract traded) and a return on margin (ROM) of 3.2% ($\$23/\720) in about six week's time. If you like to annualize, the return is roughly 27%.

You might notice, that although our dollar gains are typically the same for each trade, our ROM can fluctuate quite a bit.

The reason being - the strike price has everything to do with how much margin you

will be required to hold aside, and thus, will affect your ROM. The higher the strike price, the higher the margin requirement. And vice versa. This is the main reason why I like to focus on lower-priced stocks - typically \$50 and under.

To understand how the margin works and the calculations involved, here's the breakdown:

Whenever we sell an option contract, your broker will require you to maintain a "margin requirement".

The margin requirement is made up of free cash funds that are already in your account and will need to be held aside while the trade is active. Think of it as collateral. You are not borrowing money from anyone nor are you paying interest to anyone.

Some people can confuse the margin requirement with "buying on margin". They are completely different concepts. We are not "buying on margin" when selling put options (you can read my Margin Primer in the Members-Only section of the website).

The margin requirement is typically 20% of what it would cost to buy 100 shares of the stock at the strike price. In this case: $20\% \times \$3,600 = \720 . Your specific margin requirement at your broker may be higher or lower than that. If you are unsure, just ask them. Your margin requirement will also have an effect on your final ROM.

So for this trade, our margin requirement was \$720 per each put option contract sold.

Our profit on this trade turned out to be \$23 per each put option contract sold.

Hence, the return on margin (ROM) comes out to $\$23/\$720 = 3.2\%$.

Also, the fill at \$.23 allowed us to capture 74% of the full profit potential (\$.23 gain/\$.31 full potential = 74%).

When selling options (puts or calls), your full profit potential is capped at what you initially sell the option for. In this case, that amount was \$.31 per contract.

We like to close trades early (buy-to-close) before expiration when we can capture at least 80% of the full profit potential. This is called my "80% Rule". Although we captured a hair less than 80% on this trade, we still locked in gains.

Locking in early wins is just smart money management and it allows us to free up cash to put towards new trades.

Congratulations to those of you who participated.

Ok, that's all for now. Get those new sell orders in there and let us know how you do.

Continue to hold all other positions as-is.

Contact us [here](#) with fills, comments, questions or concerns.

Best,

Lee

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Current Portfolio

Continue to work all other trades as instructed and continue to hold all other open positions as-is.

See the Current Portfolio below for current prices & instructions.

Note on the Current Portfolio - if you are a new subscriber and don't have a position yet on any of our trades, make sure you enter your order at the original recommended prices. The Current Instructions column gives the most recent updates. If you are unsure or have any questions, please ask us!

Smart Option Seller Portfolio

<u>Put-Sell Option Positions</u>	<u>Entry Date</u>	<u>Entry Sell Price</u>	<u>Current Price</u>	<u>Current Instructions</u>
CVS Feb 16, '24 \$60 P	12/11/2023	\$.25/contract	N/A	Closed. BTC for \$.06 per contract See instructions from 1/12/24 Alert
BMY Mar 15, '24 \$42 P	12/22/2023	\$.26/contract	N/A	Closed. BTC for \$.12 per contract See instructions from 2/5/24 Alert
MU Mar 15, '24 \$62.50 P	1/3/2024	\$.26/contract	N/A	Closed. BTC for \$.07 per contract See instructions from 1/30/24 Alert
SCHW Apr 19, '24 \$50 P	1/24/2024	\$.29/contract	N/A	Closed. BTC for \$.06 per contract See instructions from 3/13/24 Alert
VZ Apr 19, '24 \$36 P	2/9/2024	\$.31/contract	\$0.07	Closed. BTC for \$.08 per contract See instructions from 3/20/24 Alert
BMY Apr 19, '24 \$46 P	2/23/2024	\$.30/contract	\$0.11	STO for \$.25 per contract or higher See instructions from 2/23/24 Alert
HACK Jun 21, '24 \$53 P	3/1/2024	\$.25/contract	\$0.20	STO for \$.25 per contract or higher See instructions from 3/1/24 Alert
<u>Unofficial Position</u>				
SCHW Apr 19, '24 \$65 P	1/24/2024	Various	\$0.50	See instructions from 1/24/24 Alert
VZ Apr 19, '24 \$40 P	2/9/2024	Various	\$0.80	See instructions from 2/9/24 Alert
BMY Apr 19, '24 \$50 P	2/23/2024	Various	\$0.70	See instructions from 2/23/24 Alert
BMY Apr 19, '24 \$52.50 P	2/23/2024	Various	\$1.92	See instructions from 2/23/24 Alert
HACK Jun 21, '24 \$65 P	3/1/2024	Various	\$2.45	See instructions from 3/1/24 Alert
<u>Legend</u>				
STO = Sell-To-Open/Sold-To-Open				
BTC = Buy-To-Close/Bought-To-Close				
BTO = Buy-To-Open Bought-To-Open				