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The Smart Option Seller

Let's Grab That Cash!



Issue #1101 April 1, 2024 - By Lee Lowell

Profit Results - Bristol Myers Squibb (BMY)

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!

I'm back from spring break with the family and ready to go!

I did play pickle ball for the first time. So fun! I might be addicted. Anyone else?

We made it to April, but no April Fool's jokes here, as we locked in profits last week on our BMY position. Let's discuss.

Fills went across at our \$.05 per contract buy-back price, so that'll be our official mark.

Here's what we did (official):

Bought back (bought-to-close) all of the BMY April 19, 2024 \$46.00 strike put option contracts for an official debit buy price of \$.05 per contract as a closing transaction (bought-to-close).

Currently, this put option is still offered at \$.05 per, so if you didn't place the trade yet, you can still get filled at good prices.

Do not pay more than \$.05 per contract.

Here are the profit details:

We originally established (sold-to-open) this put option on February 23, 2024 for a sale price of \$.30 per contract, and now we took gains

by buying it back (bought-to-close) for \$.05 per contract.

With the fill at \$.05, it locked in a gain of \$.25 per contract (\$25 for every contract traded) and a return on margin (ROM) of 2.7% ($\$25/\920) in five week's time. If you like to annualize, the return is roughly 28%.

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 \$4,600 = \920 . 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 \$920 per each put option contract sold.

Our profit on this trade turned out to be \$25 per each put option contract sold.

Hence, the return on margin (ROM) comes out to $\$25/\$920 = 2.7\%$.

Also, the fill at \$.05 allowed us to capture 83.3% of the full profit potential ($\$.25 \text{ gain}/\$.30 \text{ full potential} = 83.3\%$).

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 \$.30 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".

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.

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!

<u>Smart Option Seller Portfolio</u>				
<u>Put-Sell Option Positions</u>	<u>Entry Date</u>	<u>Entry Sell Price</u>	<u>Current Price</u>	<u>Current Instructions</u>
BMJ Apr 19, '24 \$46 P	2/23/2024	\$.30/contract	\$0.05	Closed. BTC for \$.05 per contract See instructions from 2/28/24 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
PLTR May 17, '24 \$18 P	3/21/2024	\$.30/contract	\$0.43	STO for \$.25 per contract or higher See instructions from 3/21/24 Alert
<u>Unofficial Position</u>				
SCHW Apr 19, '24 \$65 P	1/24/2024	Various	\$0.23	See instructions from 1/24/24 Alert
VZ Apr 19, '24 \$40 P	2/9/2024	Various	\$0.23	See instructions from 2/9/24 Alert
BMJ Apr 19, '24 \$50 P	2/23/2024	Various	\$0.20	See instructions from 2/23/24 Alert
BMJ Apr 19, '24 \$52.50 P	2/23/2024	Various	\$0.90	See instructions from 2/23/24 Alert
HACK Jun 21, '24 \$65 P	3/1/2024	Various	\$2.80	See instructions from 3/1/24 Alert
PLTR May 17, '24 \$25 P	3/21/2024	Various	\$3.50	See instructions from 3/21/24 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				

