

How to Play Moderna Stock for a Covid Resurgence



*A nurse fills up a syringe with the Moderna Covid-19 vaccine.
Sergio Flores/Getty Images*

What really scares investors isn't the potential deterioration of financial metrics that have been thrust to the center stage since earnings season began. As we were [reminded on Monday](#)

Even paranoids have enemies, as Henry Kissinger is said to have observed. The virus that shuttered economies and upended our lives may not be in retreat.

The Delta variant is seemingly more contagious than the original virus. Concerns are so high that the U.S. government issued [a Do Not Travel advisory for the United Kingdom](#), which is experiencing an outbreak despite high vaccination rates. If drastic measures are once more needed in the U.S., stocks would almost certainly fall.

This will make it difficult for investors to assess corporate earnings reports. The lack of clarity means investors may hesitate to conclude that the pandemic is truly in retreat, which was something that just recently seemed a realistic conclusion.

These cloudy conditions suggest that another sharp market decline, and maybe more than one, could be around the corner. Aside from the Covid concerns, a mixed or bad earnings report from a closely followed company could spook investors. Obviously, anything that suggests the Covid virus isn't under control would be a powerful negative.

Continue to use the [Cboe Volatility Index](#), or VIX, as a canary in the coal mine. If the VIX reaches the high 20s or low 30s, it might indicate extreme fear, which tends to be a good time to buy stocks. The VIX was recently around a languid 18.

Against this environment, [Moderna](#) (ticker: MRNA) is intriguing. The biotech company is scheduled to report second-quarter results on Aug. 5. The report will likely be followed by many investors for insights into the pandemic.

Moderna is a major contributor to the fight against Covid and has said it would develop [variant booster shots](#) until the virus is under control. In the first quarter, 102 million doses of its Covid-19 vaccine were delivered. The company is also developing ways to fight cancer, heart failure, and other serious illnesses.

In anticipation that Moderna's report delights investors, aggressive investors can consider a strategy that would prove profitable if the stock advances on the news.

With Moderna stock at \$321.11, investors can buy the August \$325 [call option](#) that expires Aug. 6 and sell the August \$350 call with the same expiration. The "spread" costs about \$9 and is worth \$16 if the stock is at \$350 or higher. Want to buy some more time? Change the expiration to Aug. 20 and keep the same strike prices. The trade costs about the same.

During the past 52 weeks, Moderna stock has ranged from \$54.21 to \$342.51. The stock is up 207% this year, compared with a 16% gain for the [S&P 500](#). Moderna [became a component of the index](#) on Wednesday.

Aside from monetizing the pandemic, the Moderna trade monetizes the greed and fear of investors. If the stock surges on the financial report or management commentary, investors will profit from the continued momentum. Should fears of a Covid resurgence prove hard for investors to shake, the stock should benefit, too.

Yes, the trade has risks, but fear and greed have always permeated the markets, and Moderna is now uniquely positioned to address them.

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