

Title: Learning Options Case Example: BNGO

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Is_self: True

Body:

I'm new to all this (Vanguard Index investor my whole life), and I'm learning. Now that I have a concrete example of options trading applied in the wild with BNGO, please critique my thinking and explain the bigger picture to a newbie.

Especially those of you who made money on the earnings call event, post your moves so I can see what you did differently and explain why.

My thinking:

Assumption: after some basic DD on company and recent quarterly reporting history I suspected the earnings call was likely to be positive. This was TRUE

Assumption: Stock touched 7.75 three weeks ago and was on general slide with the whole market down, so I felt there was potential for a larger reversal. FALSE

Assumption: I didn't really think about the macro picture of a continued market selloff effecting the stock. I really thought that there would be some sort of price support coming into earnings call this week that would at least keep it stable. FALSE

I intuitively understood that many hedges needed to shore up leveraged positions and the general market selloff was tied to this in some way, but I did not intuitively understand how those forces would continue or reverse as a trend. I heard rumors of another liquidity test, but didn't know if it was just rumblings or reality. MISSED THE BOAT

My trades:

Bought shares at 5.5 early in the week, and it kept going down as the week went on to 4.3. I feel like this was something I should have predicted, but didn't know enough to know enough...

Bought call options at beginning of the week with strike price of 6, assuming that a positive earnings call would go above 5.5. Seemed like a basic, low risk play, if my assumption about positive report was true.

Bought call options at 8, as a small gamble with a smaller sum of money I was willing to write off in case it went higher (again using 5.5 as baseline at the time).

(Volumes on 6 and 8 strikes were higher, so I assume I wasn't the only one thinking this way?)

Reality: the stock continued to decline as the week went on (I am assuming with the general market) and by the time positive earnings call happened, it only popped back up to 5.5, so I'm out of money in all my plays (back to the salt mines to reload :)

Holding the stock long term seems like no problem given their outlook, but I really feel like I just didn't fully understand the option play that well, or the forces involved.

Please teach me.