**Weekend Trader Series**

**September 19, 2021**

**Open Positions Update**

* The Yeti (YETI) November 19, 2021 87.50-strike call reaches its time-stop this Monday, September 20. Close the position at a limit price within range of the current market price when you place the order.

**The following is this week's recommendation:**

**Darden Restaurants (DRI)**  
  
**Place a limit order to buy the Darden Restaurants (DRI) December 17, 2021 140-strike call at a limit price within range of the current market asked price when you place your order. At the close on Friday, September 17, this option was offered at $14.90. DRI closed at $149.43 on Friday, September 17.**  
  
**Do not attempt to enter this position after Monday's close.  
Please use the following guidelines to manage the position:  
Exit the position if the option is at a 100% gain from your entry price.**

* **If the option has not reached its target profit by 3:00 p.m. Eastern time on Monday, November 1, close the position.**
* **If there is a change to the above closeout parameters, we will notify you in your regular Sunday evening communication.**

The shares of Darden Restaurants (DRI) are flagging on the charts after a breakout retest. In addition, the equity has found support at the 20-day moving average. Considering this bullish technical setup, it's the perfect time to speculate on DRI with calls.

Chart

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Short-term options players have been unusually put-biased of late, according to the security's Schaeffer's put/call open interest ratio (SOIR) of 1.24, which ranks in the 69th percentile of its annual range. In the past, a pop in DRI's SOIR has typically been followed by a pullback, and then a rally, which seems to be the case this time around.  
  
What's more, DRI's 10-day put/call ratio of 1.52 at the International Securities Exchange (ISE), Cboe Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX) sits higher than 72% readings in the last 12 months, meaning puts are being picked up at a faster-than-usual clip.  
  
Short interest, meanwhile, is near year-to-date highs, according to Eikon. They've accumulated through the recent consolidation phase, but could cover if the retest mentioned above occurs and DRI moves higher.  
  
Lastly, Darden Restaurant stock are fairly priced at the moment. This is per the security's Schaeffer's Volatility Index (SVI), which sits in the 22nd percentile of its 12-month range. Our recommended December 17, 140-strike call has a leverage ratio of 6.6, and will double in value on a 13.6% rise in the underlying stock.  
Table

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**Most Recent Recommendations**

* [BP (BP) - September 12, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=ED0566F1-037B-437D-8636-1AD266DC800A)
* [United States Steel (X) - September 5, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=B966551C-3EAC-4D29-8D63-9FE074A565CB)
* [Oracle (ORCL) - August 29, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=76C035C6-F7A1-4BC9-AB1F-88E566F91158)
* [Alcoa (AA) - August 22, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=7CC38226-26AD-4B4A-B072-B628B4787E51)
* [3M (MMM) - August 15, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=79800442-DCCA-48FB-9081-67905A2C7D27)

**Weekend Trader Alert**

**September 19, 2021**

**Open Positions Update**

* The Winnebago (WGO) October 15, 2021, 65-strike call reaches its time-stop this Monday, September 20. Close the position at a limit price within range of the current market price when you place the order.
* The Caterpillar (CAT) November 19, 2021, 200-strike call reaches its time-stop this Monday, September 20. Close the position at a limit price within range of the current market price when you place the order.
* Close the Louisiana-Pacific (LPX) November 19, 2021, 62.50-strike call on Monday, September 20. Close the position at a limit price within the range of the current market price when you place the order.

**The following is this week's recommendation:**

**Nucor (NUE)**  
**Place a limit order to buy the Nucor (NUE) January 21, 2022 100-strike call at a limit price within range of the current market asked price when you place your order. At the close on Friday, September 17, this option was offered at $11.90. NUE closed at $104.89 on Friday, September 17.**  
  
**Do not attempt to enter this position after Monday's close.  
Please use the following guidelines to manage the position:  
Exit the position if the option is at a 100% gain from your entry price.**

* **If the option has not reached its target profit by 3:00 p.m. Eastern time on Monday, November 1, close the position.**
* **If there is a change to the above closeout parameters, we will notify you in your regular Sunday evening communication.**

The shares of Nucor (NUE) recently pulled back to their 80-day moving average, which has acted as a springboard for the equity in the past. In addition, NUE is up nearly 100% year-to-date, and the company gave optimistic guidance for its upcoming third-quarter earnings report. All of this combined makes now an intriguing entry point for bulls to bet big on NUE.

Chart, line chart

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The options pits have also been unusually pessimistic. This is per NUE's Schaeffer's put/call open interest ratio (SOIR), which ranks in the 86th percentile of its annual range, meaning short-term options traders have rarely been more put-biased. A shift in sentiment here would provide additional tailwinds for Nucor stock.  
  
An unwinding of pessimism from the brokerage bunch could also send the shares higher, as five of the six in coverage still recommend a tepid "hold" rating. What's more, the stock nearly doubled in 2021, despite a 30% increase in short interest, which indicates serious underlying strength.  
  
Options traders are in luck currently. NUE's Schaeffer's Volatility Scorecard (SVS) stands at 85 out of 100, indicating the equity has exceeded options traders' volatility expectations over the past year -- a boon for potential buyers. Our recommended January 21, 2022, 100-strike call has a leverage ratio of 5.6, and will double in value on an 18% pop in the underlying shares.  
Table

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**Most Recent Recommendations**

* [Carrier Global (CARR) - September 12, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=5898732C-7664-485A-87EF-DCF90DFC4C28)
* [Anheuser-Busch (BUD) - September 5, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=DC93BB6A-B614-4E23-93ED-1802079593A5)
* [Louisiana Pacific (LPX) - August 29, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=3C45C3F0-801D-4DDC-B15F-E6872825FC53)
* [Kohl's (KSS) - August 22, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=A0D27298-DF6A-4549-8CCF-E7651FA44E7C)
* [DraftKings (DKNG) - August 15, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=B9698A8F-C42B-451D-B78B-6A95DCE0E6B3)

**Weekend Player**

**September 19, 2021**

**Open Positions Update**

* Doordash, Inc. (DASH) October 22, 2021 210-strike call was closed after hitting its target profit of 200% on Thursday, September 16. If you have not already done so, please close out of your DASH position at the earliest opportunity.

**Cboe Global Markets (CBOE)**  
**Place a limit order to buy the Cboe Global Markets (CBOE) January 21, 2022 130-strike call at a limit price within range of the current market asked price when you place your order. At the close on Friday, September 17, this option was offered at $6.00. CBOE closed at $123.61 on Friday, September 17.**  
  
**Please use the following guidelines to manage the position:  
Do not attempt to enter this position if CBOE is trading above $126.50.**

* **If this position cannot be entered by Monday's close based on CBOE share price, the position may be entered on Tuesday if CBOE trades at $126.50 or lower. Do not attempt to enter this position after Tuesday's close.**
* **Exit the position if the option is at a 200% gain from your entry price.**
* **If the option has not reached its target profit by 3:00 p.m. Eastern time on Monday, January 10, close the position.**

[A picture containing chart

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Table

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**Schaeffer's Chart of the Week  
What September Seasonality Could Mean for the VIX  
By Patrick Martin, Managing Editor**

September is an alliteration paradise; replete with September scaries, a September selloff, whatever you want to call it, the three major indexes all sport monthly losses of 1% already. Amid this September seasonality, Adam Warner stopped by the Market Mashup podcast to unpack what it means for the VIX, how options traders can play seasonal trends, and what volatility could look like heading into 2022.

**Patrick: As of September 17, all three indexes are off by at least 1% this month, and we're only 11 trading days in. Meanwhile, the Cboe Volatility Index (VIX) is slowly coming to life, bouncing off 16 to start September and now flirting with 20. September seasonality is a thing, is there something bigger at play here?**

Adam Warner: I don't think so. The S&P 500 Index (SPX) has bounced off the 50 day moving average for just forever it seems. It's got to be a year now of trending up, bouncing off, trending up again, little trends like that while right now we're just about touching it. Right now, the SPX is down about 2% off its high. The VIX is interestingly, I show an all-time average of 19.48 and we're right about there, so we're literally as average as possible and that was higher than median VIX. I think until proven otherwise, it's just a little sell off. I just don't see the smart bet being that this time is the time it all ends. It's going to end at some point, but it's really hard to pick which time that is and my guess is this is not the time. My guess would be we just have a little sell off and it's going to shuffle back up a little bit slowly.

**Patrick: Back in May we were talking about these dramatic VIX spikes. It's been more of a steady rise this month. Does that mean anything in particular?**

Adam Warner: I suppose it's more bearish when it kind of meanders up like it's doing now, as opposed to I think it's more bullish when it spikes. To me, it feels like a pause in a grinding rally. And that's kind of the history of when you've had a strong six to seven months. History says that it maintains that grind for the rest of the year. And it just seems likely that that's the case. The Covid spike put a lot of fear into the economy but that seems to be waning. My guess is that the VIX is probably at the high end of a range, and the markets probably going to meander a little higher.

**Patrick: The other boogeyman that is somewhat lingering is potential Fed policy decisions as it pertains to inflation. That's surely going to reverberate through Wall Street. Do you have any thoughts on that and how it could impact the VIX?**

Adam Warner: I think everybody remembers 2013, the last time there was a 'taper tantrum.' But I think what happened in 2013 was they didn't prep the markets very well. And that caused a bit of a volatility spike and market dip. And it seems like this time, we kind of know it's coming, whether it's November, or maybe it gets pushed back a little bit because the economy was a little weaker than they seem to have expected. It seems like the Fed is managing the expectations better. Everybody knows they have to taper at some point. As long as it goes when everybody expects it and there's no big shock, then it's not going to be a big driver of the market. If it's baked in, then it's not going to have a major effects of volatility.

**Patrick: What sectors do you see becoming storylines to end 2021?**

Adam Warner: Crypto, because it seems to have become so monstrous. Any of these stocks that have anything to do with crypto, coins, or mining come to mind. I think we're going to pass the pandemic stocks. As far as indices, I would say that the SPX grinding higher is masking that small caps have not acted nearly as well in the last half year, despite a really good start to 2021. They've made new highs and are now treading water, and that tends to run its course. So maybe small caps will turn it around again.

**Patrick: In the event of these seasonal doldrums, what advice can you offer retail traders or new options traders who find themselves stuck in this little rut?**

Adam Warner: I like the back spread strategy. It's kind of a defensive strategy, where you sell one put of a higher strike, buy two of a lower strike, and you get a credit for it. And if the market goes up or flatlines you pocket that credit. It's not going to be that substantial, but if you run into like a volatility spike the spread can do very well for you and it has some upside and the event of a real implosion. It's a kind of a cheap insurance policy because I think it seems like the spread does the worst in a slowdown move. And right now, that kind of seems like the least likely event. It seems like the most likely possibilities are a continued grind higher. A more likely outlier is some acceleration on the downside; I just see a slow downside at this point.

**Patrick: I've noticed you mentioned numerous times the word grind. And I think that is maybe an overall theme you can connect to for the end of 2021. The dramatic spikes we've seen on during the Covid phase are now being replaced by that more normal gradual grind. Is it wrong to say that?**

Adam Warner: No, I think that's right. Realized volatility for the SPX is hovering in the 6-7-8 range. It can get lower, but that's pretty low. And that that's what we've been seeing most of the year or the last half of the year. That's not a real directional call, though, just that when you get that it tends to be in an upward move. So, it implies a grind higher. It also implies the VIX is a little high relative to the actual volatility. Right now, the spread is -- assuming this big spike settles down a little -- that the spread will be about 10. And the more typical spread between those two is something like four or five. So VIX is a little elevated relative to the actual volatility.

Chart, diagram

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**Most Recent Recommendations**

* [DoorDash, Inc. (DASH) - September 5, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=92F870D7-E396-449E-9C6F-4D66D79479FE)
* [Cisco Systems (CSCO) - August 22, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=709BAD6B-51B8-4E8C-94CD-885B7FAC16D3)
* [Apple Inc. (AAPL) - August 15, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=45CD5496-0305-4718-91C8-643D98A26541)
* [Snap (SNAP) - August 8, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=3AA15B33-5704-496D-A5EF-A068778C61A2)
* [Pfizer (PFE) - August 1, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=BE104D74-FEAB-4131-8D3C-E6923F0A54A3)
* [Qualtrics International Inc. (XM) - July 25, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=17DA141D-5FC2-4D7D-8C20-B975A3858427)