**Weekend Trader Series**

**September 26, 2021**

**Open Positions Update**

* Close the United States Steel (X) December 17, 2021, 25-strike call on Monday, September 27. Close the position at a limit price within the range of the current market price when you place the order.
* Close the BP (BP) November 19, 2021, 26-strike put on Monday, September 27. 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:**

* **Alibaba (BABA)**  
  **Place a limit order to buy the Alibaba (BABA) December 17, 2021 155-strike put at a limit price within range of the current market asked price when you place your order. At the close on Friday, September 24, this option was offered at $19.30. BABA closed at $145.08 on Friday, September 24.**
* **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 8, 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 Chinese tech concern Alibaba (BABA) recently broke below half their all-time high and are collapsing. Coupled with the fact that the equity is down 37% year-to-date and Friday touched a nearly three-year low, now looks like the perfect time to speculate on Alibaba stock with puts.

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An unwinding of optimism could put additional pressure on BABA, given that of the 15 analysts in coverage, 14 consider it a “buy” or better. Plus, Alibaba stock’s price target of $262.34 sits 80.5% above its current price. Another contrarian factor to consider is the fact that the security was net bought in the TD Ameritrade sentiment index, indicating optimism from the retail crowd.  
   
Short interest has been on the rise, up over 30% year-to-date. However, there’s plenty of potential for shorting, as the 49.39 million shares sold short currently account for 2.5% of the stock’s available float.  
   
A shift in sentiment from options traders could provide even more headwinds. This is per BABA’s Schaeffer’s put/call open interest ratio (SOIR) of 0.73, which stands higher than just 27% of reading from the past year. Simply put, short-term options traders have rarely been more call-biased.  
   
Our recommended December 17, 155-strike put has a leverage ratio of -4.3, and will double on a 19.3% pullback in the underlying security.

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**Most Recent Recommendations**

* [Darden Restaurants (DRI) - September 19, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=28D5C35F-CE3A-490E-B14D-377B2228FEAF)
* [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)

**Weekend Trader Alert**

**September 26, 2021**

**Open Positions Update**

There are no portfolio updates this week.  
**The following is this week's recommendation:**

**eBay (EBAY)**  
  
**Place a limit order to buy the eBay (EBAY) January 21, 2022 67.50-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 24, this option was offered at $8.30. EBAY closed at $72.99 on Friday, September 24.**

* 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 8, close the position.**
* **If there is a change to the above closeout parameters, we will notify you in your regular Sunday evening communication.**

E-commerce behemoth eBay (EBAY) has chopped higher on the charts all year, with sharp pullbacks quickly followed by record highs. In fact, the security is up 45% year-to-date, and recently bottomed out near the 80-day moving average, which has acted as a springboard for EBAY in the past. With this impressive technical setup in place, there’s no better time to purchase calls.

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The brokerage bunch is cautious on eBay stock, with 10 of the 15 in coverage recommending a tepid “hold” rating, and an unwinding of this pessimism could put wind at the equity’s back. What’s more, the 12-month consensus price target of $72.76 is a slim 0.1% discount to EBAY’s current perch.  
   
Meanwhile, short interest is rolling over from its highest level in more than a year and a half. The 30.07 million shares sold short account for 4.8% of the stock’s available float, or just over four days’ worth of pent-up buying power.  
   
A shift in sentiment amongst options traders could also launch eBay stock higher. The security’s Schaeffer’s put/call open interest ratio (SOIR) registers in the 86th percentile of its annual range. This suggests near-term options traders are much more put-heavy than usual currently.  
   
EBAY premium can be had for a bargain at right now. The stock’s Schaeffer’s Volatility Index (SVI) of 26% stands higher than just 11% of readings from the past 12 months. What’s more, its Schaeffer’s Volatility Scorecard (SVS) stands at 83 out of 100, indicating the equity has exceeded options trader’s volatility expectations over the past year. Our recommended January 21, 2022 67.50-strike call has a leverage ratio of 6.3, and will double on a 15.1% pop in the underlying shares.

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**Most Recent Recommendations**

* [Nucor (NUE) - September 19, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=1AAA6682-3EC0-4586-968D-255E6A6A7B01)
* [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)

**Weekend Player**

**September 26, 2021**

**Open Positions Update**

Close the Cisco Systems (CSCO) October 15, 2021 55-strike call on Monday, September 27. Close the position at a limit price within range of the current market price when you place the order.  
**Southwest Airlines (LUV)**  
**Place a limit order to buy the Southwest Airlines (LUV) January 21, 2022 52.50-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 24, this option was offered at $4.15. LUV closed at $52.85 on Friday, September 24.** **Please use the following guidelines to manage the position:**

* **Do not attempt to enter this position if LUV is trading above $54.25.**
* **If this position cannot be entered by Monday's close based on LUV share price, the position may be entered on Tuesday if LUV trades at $54.25 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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**Schaeffer's Chart of the Week  
Call Traders Crowd Apple Rival as Bull Signal Flashes  
By Emma Duncan, Managing Editor**

Earlier this month, tech conglomerate Microsoft (MSFT) announced the launch of a $60 billion stock repurchase program and hiked its dividend by 11%, with quarterly payouts moving up to 62 cents per share. These updates have the equity continuing its multi-year charge up the charts, but shorter term, the blue-chip has fallen victim to September seasonality. Despite boasting a nearly 34% year-to-date lead, and Aug. 20 record high just above $305, the Apple (AAPL) rival has consolidated below $300 this month, even dropping below $290 on Sept. 20. Despite the 1.3% pullback for September, the dip has taken MSFT to a trendline that, if past is precedent, could lead to a renewed bounce from the stock.  
  
On Thursday, MSFT came within one standard deviation of its 40-day moving average, after staying well above this trendline since May. According to data from Schaeffer's Senior Quantitative Analyst Rocky White, at least nine similar signals have occurred in the past three years. The equity enjoyed a positive return one month later in 88% of those cases, averaging a 5% gain. From its Thursday close of $299.56, a similar move would put MSFT just shy of $315 -- a fresh record high.  
  
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Options traders seem to be playing the pullback with calls. The equity landed on Schaeffer's Senior Quantitative Analyst Rocky White's list of stocks that have attracted the highest weekly options volume within the past two weeks, with new names added to the list highlighted in yellow. In the past 10 days, 488,912 calls and 258,933 puts were exchanged. The most popular during this time period was the September 305 call, followed by the 300 call in the same monthly series.  
  
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Lastly, just like back in April when we last checked in on Microsoft stock in our Chart of the Week series, volatility expectations point to attractive-priced premium. This is per the stock’s per the stock’s Schaeffer's Volatility Index (SVI) of 19%, which stands in the 16th percentile of its annual range, suggesting that options players are pricing in lower-than-usual volatility expectations at the moment.  
  
**Most Recent Recommendations**

* [Cboe Global Markets (CBOE) - September 19, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=4748AD48-58A3-440C-8132-7E214F86EF30)
* [DoorDash (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 (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)