**Weekend Trader Series**

**October 3, 2021**

**Open Positions Update**

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

* **Keycorp (KEY)**  
  **Place a limit order to buy the Keycorp (KEY) January 21, 2022 20-strike call at a limit price within range of the current market asked price when you place your order. At the close on Friday, October 1, this option was offered at $2.95. KEY closed at $22.34 on Friday, October 1.**
* **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 15, 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 KeyCorp (KEY) recently broke above $21, a level that has acted as resistance since mid-June. In addition, the security is sitting just above its $20 billion market cap level and announced a share repurchase program in early September. With all these technical factors in place, now looks like the perfect time to purchase KEY calls.

Chart, line chart

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Despite KEY's outperformance on the charts, analysts remain on the sidelines. Of the 14 in coverage, 9 maintain a "hold" or "sell" rating. Meanwhile, the shares are cling in on KEY's consensus 12-month price target of $22.79. This indicates a round of upgrades and/or price-target hikes could be in store, which would in turn push KEY higher.  
There's pessimism left to unwind in the options pits, too, per KEY's 20-day put/call volume ratio at the International Securities Exchange (ISE), Cboe Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX). This ratio sits in the 96th percentile of its annual range, meaning puts are being picked up a relatively quicker-than-usual clip.

The good news for those looking to speculate with options, is they can be had for a bargain. KeyCorp stock's Schaeffer's Volatility Index (SVI) of 32% sits below all but 26% of annual readings, implying options traders are pricing in relatively low volatility expectations for the equity at the moment. Our recommended January 21, 2022 20-strike call has a leverage ratio of 5.9 and will double on a 15.9% pop in the underlying shares.

Table

Description automatically generated  
**Most Recent Recommendations**

* [Alibaba (BABA) - September 26, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=313B0944-C638-4A7E-8DAE-F340A74F2DCE)
* [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)

**Weekend Trader Alert**

**October 3, 2021**

**Open Positions Update**

Close the Carrier Global (CARR) January 21, 2022, 55-strike call on Monday, October 4. 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:**

**Cboe Global Markets (CBOE)  
Place a limit order to buy the Cboe Global Markets (CBOE) January 21, 2022 120-strike call at a limit price within range of the current market asked price when you place your order. At the close on Friday, October 1, this option was offered at $10.20. CBOE closed at $123.44 on Friday, October 1.**

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

Trading and investments solutions company CBOE Global Markets (CBOE) recently flagged into a trendline and broke out on a closing candle basis. Further, the equity once again pulled back to the 40-day moving average, which has served as a floor since April. With these technical layers of support in place, now is the ideal time to purchase CBOE calls.

Chart

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Despite CBOE Global Markets stock's 32% year-to-date lead, some analysts remain negative on the stock. In fact, of the 11 brokerages in coverage, three say "hold," while one recommends a "strong sell." An unwinding of pessimism from these analysts could put additional wind at the equity's sails.

On the options side, large put open interest at the 120-strike appears to have acted as support in the last week. Overhead, 135-strike calls that could act as resistance will evaporate by October expiration, clearing up a potential hurdle.

According to internal quantitative data, October and November have been the two best-performing months for the stock since its inception. October has been positive 73% of the time, with an average return of 5.1%, while November has been positive 82% of the time, with an average return of 4.9%.

Puts have been popular of late, too. At the International Securities Exchange (ISE), Cboe Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX), CBOE sports a 10-day put/call volume ratio that stands higher than 75% of readings from the past 12 months. A shift in sentiment from these traders could provide even more support for the stock.

Our recommended January 21, 2022 120-strike call has a leverage ratio of 5.7 and will double on a 19.5% pop in the underlying shares.

Table

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**Most Recent Recommendations**

* [eBay (EBAY) - September 26, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=D1337A1F-AD38-4E9F-BEA0-A184016BC5E9)
* [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)

**Weekend Player**

**October 3, 2021**

**Open Positions Update**

* There are no portfolio updates this week.  
  **Paychex (PAYX)**  
  **Place a limit order to buy the Paychex (PAYX) January 21, 2022 115-strike call at a limit price within range of the current market asked price when you place your order. At the close on Friday, October 1, this option was offered at $5.20. PAYX closed at $115.15 on Friday, October 1.**
* **Please use the following guidelines to manage the position:**
* **Do not attempt to enter this position if PAYX is trading above $117.00.**
* **If this position cannot be entered by Monday's close based on PAYX share price, the position may be entered on Tuesday if PAYX trades at $117.00 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.**

Table

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[Chart

Description automatically generated](https://schaeffers-cdn.s3.amazonaws.com/images/default-source/schaeffers-cdn-images/2021/cotw-wkpl/payx.png?sfvrsn=df0dd506_2)**Schaeffer's Chart of the Week  
How to Respond to Bond Market Volatility  
By Patrick Martin, Managing Editor**

On Aug. 21, Bloomberg posted an article about famed short-seller Michael Burry, who made a name for himself by betting against and ultimately calling the housing bubble. The article disclosed Burry was eyeing his next house of cards; long-term treasury ETF's. Burry's fund purchased $280 million in puts against the iShares 20+ Year Treasury Bond ETF (TLT) at the end of June, at a time when TLT was trading at multi-month highs. It's not uncommon for news outlets to latch onto such stories, given Burry's success in nailing the housing market collapse. Fast forward one month and one sharp selloff later, Burry's bet takes on an entirely different tone.  
  
On Sept. 23, TLT sat just below $153 and it's 320-day moving average. By the Sept. 28 close, the ETF traded at $144, a roughly 5% pullback in less than five trading days, attributed to the 10-year Treasury yield climbing to multi-month highs in conjunction with Federal Reserve rhetoric about scaling back bond-buying measures in the coming year. That Sept. 28 level was its lowest since July 2, breaching a host of shorter-term moving averages, as well as its 100-day trendline.  
  
[Graphical user interface, chart

Description automatically generated](https://myaccount.schaeffersresearch.com/members/services/ChartOfTheWeek/default.aspx?chartid=C41CC4D1-0FBC-4D73-A5BA-39CD77E6C202&utm_source=10%2F03%2F2021&utm_medium=email&utm_campaign=cotw&trackback=cotwezine&utm_content=header&clicklocation=header)

It's no surprise then, that TLT's 14-Day Relative Strength Index (RSI) drifted into oversold territory, breaching 35 on Sept. 28. Per the chart above, the last time TLT's RSI was that low, it preceded a channel of higher highs from the ETF that lasted until early July. That's not necessarily a buy signal that can stand on its own, but when combined with other factors, is worth considering.  
  
One such factor is that options traders have been focused on TLT puts for some time now. During the past 50 days, traders on the International Securities Exchange, Chicago Board Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX) have bought to open 2.14 puts for every call on TLT -- a ratio that registers in the 92nd percentile of its annual range. The ratio crossed 1.0 – which indicates puts outnumber calls on an absolute basis – back in April. In the wake of last week's selloff, put traders are growing as bolder; the ratio sits at its highest level in over a month.  
  
Can contrarians take advantage of this building pessimism? TLT's 4% drop in five days is a noteworthy indicator. According to Schaeffer's Senior Quantitative Analyst Rock White, there have been 29 other occurrences of drops of 4% or more since 2002. Per the table below, the one-and two-week returns signal outperformance compared to TLT's anytime performance. The ETF was up an average return of 0.8% after two weeks, compared to the anytime return of 0.2%. After one and three months, the returns are closer to normal. For investors looking to buy the dip, this paints a picture of TLT being extremely elastic and responsive to quick bounces following drastic pullbacks.  
  
[Table

Description automatically generated](https://myaccount.schaeffersresearch.com/members/services/ChartOfTheWeek/default.aspx?chartid=C41CC4D1-0FBC-4D73-A5BA-39CD77E6C202&utm_source=10%2F03%2F2021&utm_medium=email&utm_campaign=cotw&trackback=cotwezine&utm_content=header&clicklocation=header)

If you're sold on the historical context, there are longer-term moving averages that should be monitored. The CBOE U.S. 10-year Treasury Index's (TNX) 36-month moving average, which equates to three years, has been a trendline of interest dating back to 2004. Per the chart below, cultivated by Schaeffer's Senior V.P. of Research Todd Salamone, 2004-2005 and 2011 are the only instances per year that this 36-month trendline didn't act as either support or resistance, with crosses above or below serving as fake-out moves. With that moving average now serving as resistance, it can act as a signal for those options traders – and possibly Michael Burry – as to how their bearish bets could fare.  
  
Chart, histogram

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**Most Recent Recommendations**

* [Southwest Airlines (LUV) - September 26, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=18D3A2D2-DB9F-4097-B3CC-6A6B28B9C709)
* [Cboe Global Markets (CBOE) - September 19, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=4748AD48-58A3-440C-8132-7E214F86EF30)
* [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)