**Weekend Trader Alert**

**October 10, 2021**

**Open Positions Update**

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

**Louisiana-Pacific (LPX)**

**Place a limit order to buy the Louisiana-Pacific (LPX) January 21, 2022 57.50-strike call at a limit price within range of the current market asked price when you place your order. At the close on Friday, October 8, this option was offered at $7.30. LPX closed at $61.44 on Friday, October 8.**

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

Manufacturing stock Louisiana-Pacific (LPX) is forming a pennant pattern on the charts, with support from its 50-day moving average and its 2021 high, the latter of which happens to be its anchored volume weighted average price (AVWAP) level. Now, with the stock hovering near its +100% year-over-year level, it looks like the perfect time to purchase LPX calls.

Chart

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Short interest is up 350% over the past year, with shorts suffering big losses, leaving plenty of potential for short covering.  
   
An unwinding of pessimism in the options pits could push the equity higher as well. This is per the stock's 10-day put/call volume ratio of 1.95 at the International Securities Exchange (ISE), Cboe Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX). This ratio stands higher than all other readings from the past year, indicating a puts are more popular than they have been in 12 months. Plus, peak put open interest at the 60-strike could provide support.  
   
Louisiana-Pacific stock's Schaeffer's Volatility Scorecard (SVS) ranks at 81 out of 100, suggesting the equity has exceeded options traders' volatility expectations in the last year. Our recommended January 21, 2022 57.50-strike call has a leverage ratio of 5.5 and will double on a 17.6% pop in the underlying equity.

Table

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**Most Recent Recommendations**

* [Cboe Global Markets (CBOE) - October 3, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=A9FF3632-24DA-40BF-90D4-070B3F791AA5)
* [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)

**Weekend Trader Series**

**October 10, 2021**

**Open Positions Update**

* Please extend the scheduled time-stop date on the Oracle (ORCL) November 19, 2021, 85-strike call to Monday, October 18.
* Close the Alibaba (BABA) December 17, 2021, 155-strike put on Monday, October 11. 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:**  
  **Wolfspeed (WOLF)**  
    
  **Place a limit order to buy the Wolfspeed (WOLF) January 21, 2022 80-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 8, this option was offered at $10.90. WOLF closed at $83.66 on Friday, October 8.**
* **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 22, 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 semiconductor name Wolfspeed (WOLF) -- formerly called Cree -- have recently experienced a 50% Fibonacci retracement from their pandemic lows to their 2021 highs, as well as pulling back to their 2013 highs. With the company’s investor day and earnings looming, plus a $10 billion market cap, WOLF looks poised to add to its 21% year-over-year gain amid an unwinding of pessimism surrounding the security.

Chart, bar chart

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For starters, there is plenty of room for upgrades that could provide tailwinds. Of the 12 analysts in coverage, seven carry a "hold" or worse rating on the security.  
   
Plus, short interest represents 10.8% of WOLF's available float. It would take nearly eight days to buy back these bearish bets at the stock's average pace of trading, revealing plenty of pent-up buying power.  
   
Wolfspeed stock's Schaeffer's put/call volume ratio (SOIR) of 1.34 is nearly an even split using all expiries. Our recommended January 21, 2022 80-strike call has a leverage ratio of 5.3 and will double on a 19.4% pop in the underlying equity.

Table

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**Most Recent Recommendations**

* [Keycorp (KEY) - October 3, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=1807FA88-A5D2-4A37-A570-866D1985D88A)
* [Alibaba Group (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)

**Weekend Player**

**October 10, 2021**

**Open Positions Update**

* Close the Qualtrics International (XM) November 19, 2021 40-strike call on Monday, October 11. Close the position at a limit price within range of the current market price when you place the order.

**There is no new trade recommendation this week.**  
  
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**Schaeffer's Chart of the Week  
Medical Device Stock to Avoid in October  
By Emma Duncan, Managing Editor**

We haven’t taken a close look at medical device maker DexCom (DXCM) since August of 2020, when the equity appeared on Schaeffer’s Senior Quantitative Analyst Rocky White’s list of Best S&P 500 Stocks to Own in August. Now, a little over a year later and the equity has landed itself on the opposite side of the table; Worst S&P 500 Stocks to Own in October. In fact, October comes with historically steep losses for DXCM, and below, we will take a closer look at what this could mean for the security over the next month.  
  
DexCom stock has already begun to struggle this month, down 3% so far. Overhead pressure has also emerged at the formerly supportive 20-day moving average, which has also capped multiple breakout attempts over the past few weeks.  
  
**Chart, line chart

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Circling back to White’s data, over the last 10 years, DXCM ranks as the worst health care stock to own in October. The stock averages the fifth-worst monthly return of all S&P 500 components, down an average of 6.5%, positive just 30% of the time. This pullback far outpaces sector peer Boston Scientific’s (BSX) average return of -1.24%.  
  
**Table

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Looking toward the options pits, the equity is swarming with calls. Should this optimism unwind, it could push the medical giant even lower. This per the stock’s 10-day call/put volume ratio of 1.96 at the International Securities Exchange (ISE), Cboe Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX), which ranks in the 72nd percentile of its annual range. In other words, calls have been getting picked up at an unusually fast clip.  
  
Echoing this, the security's Schaeffer's put/call open interest ratio (SOIR) of 0.53 sits higher than just 12% of readings from the past 12 months. This implies short-term options traders have been much more interested in calls in recent weeks.  
  
In terms of analyst sentiment, there looks to be plenty of room for downgrades. This is per the 17 of 19 covering brokerages that sport a “buy” or “strong buy” on DexCom stock.  
  
Lastly, options look affordable at the moment. Specifically, DXCM’s Schaeffer's Volatility Index (SVI) of 33% stands higher than 15% of all other readings in its annual range, implying that options players are pricing in fairly low volatility expectations at the moment.

**Most Recent Recommendations**

* [Paychex (PAYX) - October 3, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=08CCECF1-423A-44A4-813E-CA62E6313362)
* [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 (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)