**Weekend Trader Series**

**October 17, 2021**

**Open Positions Update**

* Please extend the scheduled time-stop date on the Oracle (ORCL) November 19, 2021, 85-strike call to Monday, October 25.

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

**Prudential Financial (PRU)**  
  
**Place a limit order to buy the Prudential Financial (PRU) January 21, 2022 105-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 15, this option was offered at $8.50. PRU closed at $110.59 on Friday, October 15.**

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

Prudential Financial (PRU) stock recently regained support at its 20-day moving average, which guided it above the $108-$109 level, an area that has kept a cap on its most recent breakout attempts. With PRU above its 2007 high of $102.74, it looks like a good time to speculate on the stock's next move with calls.

Chart

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A shift of sentiment in the options pits could provide tailwinds. Long puts have been more popular than usual in the last 10 weeks, as per Prudential Financial stock's 50-day put/call volume ratio at the International Securities Exchange (ISE), Cboe Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX), which stands higher than 86% of readings from the past year.  
   
Analysts are overwhelmingly bearish as well, with all eight firms in coverage carrying a tepid "hold" rating on the security. This leaves plenty of room for upgrades going forward.  
   
Plus, a study by Schaeffer's Senior Quantitative Analyst Rocky White shows the insurance sector outperforming in the fourth quarter, historically – positive over 70% of the time by at least 7%.  
   
The equity sports attractively priced premiums, too, per PRU's Schaeffer's Volatility Index (SVI) of 22%, which stands in the 10th percentile of readings from the past 12 months. Our recommended January 21,2022 75-strike call has a leverage ratio of 8.9, and will double in a 10.5% rise in the underlying stock.

Table

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**Most Recent Recommendations**

* [Wolfspeed (WOLF) - October 10, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=C2C60BD4-A863-4C21-8821-21D60101D66A)
* [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)

**Weekend Trader Alert**

**October 17, 2021**

**Open Positions Update**

* Please extend the scheduled time-stop date on the Anheuser Busch (BUD) December 17, 2021, 65-strike put to Monday, November 1.

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

**Tyson Foods (TSN)**  
  
**Place a limit order to buy the Tyson Foods (TSN) January 21, 2022 75-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 15, this option was offered at $6.45. TSN closed at $79.68 on Friday, October 15.**

* **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 29, 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 Tyson Foods (TSN) recently broke out of a falling wedge pattern, and have found support at their longer-term 36-month moving average – an area that has produced prolonged bull runs for the equity in the past. Plus, after breaking out, TSN flagged and found additional support at the +20% year-to-date level.  
   
With these technical patterns in place, now looks like a good time to bet on the security's next move higher. Plus, TSN is also holding above its 2019 lows after failing around here twice -- in divergence and then due to a huge volatility move – making this third attempt much more constructive.

Chart

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Analysts are split on Tyson Foods stock, leaving ample room for bull notes. Of the eight in coverage, four carry a "strong buy" rating, while the other four maintain a lukewarm "hold."  
   
Options players are pricing in relatively low volatility expectations at the moment, per TSN's Schaeffer's Volatility Index (SVI) of 24%, which sits in the 23rd percentile of its annual range. Furthermore, TSN's [**Schaeffer's Volatility Scorecard**](https://www.schaeffersresearch.com/content/svs) (SVS) sits at a 74 out of 100, meaning the stock has tended to exceed these volatility expectations during the past year.  
   
Our recommended January 21,2022 105-strike call has a leverage ratio of 8.9, and will double in a 10.4% rise in the underlying stock.

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**Most Recent Recommendations**

* [Louisiana-Pacific (LPX) - October 10, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=1DBC1094-8AAC-46E9-9706-9E8282147948)
* [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)

**Weekend Player**

**October 17, 2021**

**Open Positions Update**

There are no portfolio updates this week.  
**National Beverage (FIZZ)**  
  
**Place a limit order to buy the National Beverage (FIZZ)** January 21, 2022 54.50-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 15, this option was offered at $5.40. FIZZ closed at $55.18 on Friday, October 15.

**Please use the following guidelines to manage the position:**

* **Do not attempt to enter this position if FIZZ is trading above $57.00.**
* **If this position cannot be entered by Monday's close based on FIZZ share price, the position may be entered on Tuesday if FIZZ trades at $57.00 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.**

[**[ CLICK TO ENLARGE FIZZ CHART ]**](https://schaeffers-cdn.s3.amazonaws.com/images/default-source/schaeffers-cdn-images/2021/cotw-wkpl/fizzb6e9ba7823936f13b9ccff000047db6d.png?sfvrsn=6a7ad506_2)

[Chart

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**Table

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**Schaeffer's Chart of the Week  
What Bond Yields and Natural Gas Have in Common  
By Patrick Martin, Managing Editor**

It's been a banner year for the United States Natural Gas Fund (UNG), with the exchange-traded fund (ETF) tacking on 113% in 2021, at last check, while natural gas prices themselves are on pace for their largest yearly gain in two decades. Soaring energy demands and supply chain disruptions were under-the-radar storylines in the summer but reached a fever pitch in the fall thanks to inflation running amok, resulting in UNG hitting a two-year high of $22.10 on Oct. 5.  
This week though, UNG took a breather, down 1.5% in the last five trading days. There's potential support in place at the ETF's ascending 20-day moving average, a trendline that caught a similar pullback last month and an area that's been tested in the last 10 trading days. Amidst this recent volatility, however, are signs of skepticism building regardless of technical support; short interest has increased 32% in the last reporting period, and the 4.57 million shares sold short now account for 27.7% of UNG's total available float. With a lot of these shorts underwater, a round of short covering could help fuel a bounce off that 20-day moving average, especially heading into the winter months.  
  
Chart, line chart

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A caveat, though; short interest on ETFs must be construed differently than it would with equities. Per Quartz, experts say purchasing shorts of index ETFs like these is a way for traders to reduce risk in an investment portfolio. In other words, rising short interest may not indicate a wager on a fall, but instead a hedge to a long position within the given ETF or sector.  
  
Regardless of hedging or shorting, short-term options traders have been loading up on puts. UNG's Schaeffer's put/call open interest ratio (SOIR), which sits in the 85th percentile of its annual range, indicates short-term options traders have rarely been more put-biased in the last year. Those put traders are paying up for a potential pullback, too, as implied volatility (IV) on UNG options is reflecting some significantly heightened uncertainty among the speculative crowd. Amid the recent technical breakout, the ETF's Schaeffer's Volatility Index (SVI) of 98% places in the 71st percentile of its annual range.  
  
The energy shortage in Europe –especially as winter nears and the natural gas market switches to using storage from filling storage – means UNG and natural gas' stellar run in the last six months could extend as long as natural gas purchases in the U.S. remain in vogue.  
  
Tracking UNG and natural gas is a worthwhile endeavor this winter, but it looks even more inviting when paired with the 10-year Treasury yield. Per the chart below, you can see the tendency of natural gas prices and the 10-year Treasury yield to trade in tandem. Year-to-date, the Cboe 10-Year Treasury Yield Index (TNX) has risen from 0.917% as of Dec. 31 close to 1.519% now, to the tune of a 63% rise. If one were to give a snapshot of the 2021 winners, natural gas and bond yields would be among the first mentioned.  
  
Graphical user interface

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What that means then, is that those options traders speculating on UNG's winter direction ought to be paying very close attention to the Federal Reserve's upcoming moves. On Wednesday, the Fed signaled it was ready to turn off the spigot on monetary stimulus as early as this coming November. This sent the yield on the U.S. 10-year (TNX) up 10 basis points to as high as 1.41%, a figure not seen since July. This should serve as a reminder of the interconnectivity in the markets between supply chains, energy prices, and yields. As long as this tandem price action continues, combined with the technical support stacking up with ETF's like UNG, it could set the stage for historic returns for natural gas this winter.  
  
Chart, histogram

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**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)