**Weekend Trader Series**

**October 24, 2021**

**Open Positions Update**

* The Oracle (ORCL) November 19, 2021, 85-strike call reaches its time-stop this Monday, October 25. Close the position at a limit price within range of the current market price when you place the order.
* Close the Darden Restaurants (DRI) December 17, 2021 140-strike call on Monday, October 25. Close the position at a limit price within the range of the current market price when you place the order.
* Please note that Wolfspeed (WOLF) is scheduled to report fiscal first-quarter earnings after the close on Wednesday, October 27, and there could be increased volatility in WOLF shares immediately following the earnings announcement. If you are uncomfortable with the dollar size of your open position, you can reduce your position size to a level that you feel more comfortable with in the event of a sharp adverse move following the earnings report.

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

**Yeti (YETI)  
  
Place a limit order to buy the Yeti (YETI) February 18, 2022 90-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 22, this option was offered at $10.40. YETI closed at $93.04 on Friday, October 22.**

* **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, December 6, close the position.**
* **If there is a change to the above closeout parameters, we will notify you in your regular Sunday evening communication.**

Earlier this month, the shares of drinkware name YETI pulled back to their 12-month moving average, near the $82 area. Now, the stock has reclaimed the $90 level, which is five times its initial public offering (IPO) price. Moreover, Yeti's strong brand name and ability to push through potential price increases amid global supply chain issues make now an especially attractive time to speculate on the security’s next move higher.

Chart

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Short sellers have been piling on the stock, leaving it ripe for a short squeeze. Short interest added 20% since July, and now makes up 7% of the security’s available float. It would take over seven days for traders to buy back their bearish bets, at Yeti stock's average daily pace of daily trading. Our February 90 call sports a leverage ratio of 5.4 and will move to double on a 19.2% rise in the underlying security.

Table

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**Most Recent Recommendations**

* [Prudential Financial (PRU) - October 17, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=62C4486F-981C-45B9-9ECA-DA6B98FD1B02)
* [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 (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)

**Weekend Trader Alert**

**October 24, 2021**

**Open Positions Update**

* Please note that eBay (EBAY) and Cboe Global Markets (CBOE) are scheduled to report earnings this coming week, and there could be increased volatility in EBAY and CBOE shares immediately following the earnings announcement. If you are uncomfortable with the dollar size of your open position, you can reduce your position size to a level that you feel more comfortable with in the event of a sharp adverse move following the earnings report.
* Close the Anheuser Busch (BUD) December 17, 2021 65-strike put on Monday, October 25. 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:**

**KB Home (KBH)**  
**Place a limit order to buy the KB Home (KBH) January 21, 2022 39-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 22, this option was offered at $3.80. KBH closed at $41.10 on Friday, October 22.**

* **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, December 6, close the position.**
* **If there is a change to the above closeout parameters, we will notify you in your regular Sunday evening communication.**

Homebuilder KBH is seeing a double bottom and is now breaking out of a downtrend that has occurred since May. The equity has found support near its 2018 and 2020 highs, with the shares also breaking above the +20% year-to-date level -- despite recent hesitation. With this amount of support in place, now looks like an ideal time to buy calls on KB Home stock.  
 Chart, bar chart

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 Options traders have been more bearish than usual. At the International Securities Exchange (ISE), Cboe Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX), KBH sports a 10-day put/call volume ratio of 15.86, which stands higher than 97% of readings from the past year. This means options traders have been picking up long puts at a much quicker-than-usual clip.  
   
Options could be an ideal way to bet on KB Home stock's next move. The equity's Schaeffer's Volatility Index (SVI) of 29% stands higher than just 1% of readings from the last 12 months. This means options traders have been pricing in relatively low volatility expectations of late. Further, KBH sports a leverage ratio of 7.2 and will double on a 13.4% rise in the underlying equity.

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**Most Recent Recommendations**

* [Tyson Foods (TSN) - October 17, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=5130F56B-1D7F-4F5C-913F-C8C5A9F913BF)
* [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)

**Weekend Player**

**October 24, 2021**

**Open Positions Update**

* Close the Southwest Airlines (LUV) January 21, 2022 52.50-strike call on Monday, October 25. Close the position at a limit price within range of the current market price when you place the order.

**Li Auto (LI)  
  
Place a limit order to buy the Li Auto (LI) January 21, 2022 32-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 22, this option was offered at $3.45. LI closed at $32.29 on Friday, October 22.**

* **Please use the following guidelines to manage the position:**
* **Do not attempt to enter this position if LI is trading above $33.50.**
* **If this position cannot be entered by Monday's close based on LI share price, the position may be entered on Tuesday if LI trades at $33.50 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.**

[Chart, histogram

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Table

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**Schaeffer's Chart of the Week  
Semiconductor Stock Could Be Slated for More Record Highs  
By Emma Duncan, Managing Editor**

Semiconductor and electronics name Texas Instruments (TXN) has been making its way higher on the charts this past week, finally breaking out above a channel of higher highs between just below the $185 mark and just above $195. Longer-term, TXN has added 35% over the past 12 months, and most recently hit a record peak of $201.58 on Oct. 1. The equity may be in for continued growth, however, as it just came within a chip-shot of a historically bullish trendline. What’s more, the company is a week out from its quarterly report, which could also send the shares even higher while offering investors clues about the state of the semiconductor sector going forward.  
  
More specifically, TXN came within one standard deviation of its 80-day moving average on Tuesday, after some time spent above this key trendline. According to data from Schaeffer's Senior Quantitative Analyst Rocky White, a notable 11 similar signals have occurred in the past three years. The security enjoyed a positive return one month later 91% of the time, averaging a 5.3% gain. From its Tuesday close of $198.23, a similar move would put TXN back over the $208 mark -- at a fresh record high. With Texas Instruments stock’s Thursday close coming in just above $201, it looks like TXN is already on its way higher.  
  
Chart, line chart

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There also looks to be ample room for upgrades on the stock, should analysts begin to shift their bearish positions. Specifically, seven of the 16 covering brokerages still maintain a tepid "hold" or "strong sell" recommendation on TXN.  
  
Looking back at the equity’s post-earnings performance, Texas Instruments stock has moved lower following six of its last eight reports, including a 5.3% drop in July, and overall averaging a post-earnings shift of 4.1% regardless of direction. This time around, options traders are anticipating a slightly larger 4.5% swing post-earnings, once more regardless of direction. Should this move be in positive territory, it would certainly boost TXN even closer toward that record-breaking mark.  
  
Despite the uncertainty surrounding Texas Instruments stock’s upcoming quarterly report, there looks to be more than enough support in place to suggest that even if the company’s earnings report knocks the equity sideways, longer term we will see notable growth out of TXN. And in the event of a post-earnings dip that’s possibly brought on by macro headwinds, options offer managed risk and reduced exposure to volatility. Plus, it's worth pointing out that TXN ranks low on the Schaeffer's Volatility Scorecard (SVS), with a score of just 17 out of 100. In other words, TXN has consistently realized lower volatility than its options have priced in, making the stock a potential premium-selling candidate.  
  
**Most Recent Recommendations**

* [National Beverage (FIZZ) - October 17, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=3050C166-E847-43D6-96E8-ADB1D87E166F)
* [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)