**Weekend Trader Series**

**October 31, 2021**

**Open Positions Update**

* The Wolfspeed (WOLF) January 21, 2022, 80-strike call was closed after hitting its target profit of +100%. If you have not already done so, please close out of your WOLF position at the earliest opportunity.

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

* **Carrier Global (CARR)**  
  **Place a limit order to buy the Carrier Global (CARR) March 18, 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, October 29, this option was offered at $3.50. CARR closed at $52.23 on Friday, October 29.**
* **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 13, close the position.**
* **If there is a change to the above closeout parameters, we will notify you in your regular Sunday evening communication.**

Carrier Global (CARR) has enjoyed quite a run since spinning off of United Technologies (RTX) in early April. The 100-day moving average has provided long-term support on the charts as well. This positive price action has CARR up 38% year-to-date, and posting a 53.5% year-over-year gain.

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An unwinding of pessimism in the options pits could provide tailwinds. Three of the top four open interest positions are puts. Plus, the stock's 10-day put/call volume ratio of 1.00 at the International Securities Exchange (ISE), Cboe Options Exchange (CBOE), and NASDAQ OMX PHLX (PHLX) sits in the 86th percentile of its annual range.  
   
There is plenty of room for upgrades amongst the brokerage bunch, too. Of the 15 analysts in coverage, eight still carry a tepid "hold" rating on Carrier Global stock.  
   
Since the company recently reported earnings, CARR's implied volatility (IV) should decline into next week. Our recommended March 52.50-strike call has a leverage ratio of 7.2 and will double on a 14.1% pop in the underlying shares.

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**Most Recent Recommendations**

* [Yeti (YETI) - October 24, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=F4B1AA77-F128-44DD-9E53-9C5A8C924199)
* [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 Group (BABA) - September 26, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=313B0944-C638-4A7E-8DAE-F340A74F2DCE)

**Weekend Trader Alert**

**October 31, 2021**

**Open Positions Update**

* The Nucor (NUE) January 21, 2022, 100-strike call was closed after hitting its target profit of +100%. If you have not already done so, please close out of your NUE position at the earliest opportunity.

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

**Cleveland-Cliffs (CLF)**  
  
**Place a limit order to buy the Cleveland-Cliffs (CLF) January 21, 2022 23-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 29, this option was offered at $3.10. CLF closed at $24.11 on Friday, October 29.**

* **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 13, 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 Cleveland-Cliffs (CLF) broke back above the 100-day moving average after earnings, as well as their longer-term weekly/monthly moving averages. Plus, the 12-month moving average, which CLF has pulled back to, is sloping sharply higher in comparison to the past few years. With its sector peers staging rallies as well, it looks like the stock will add to its 65.5% year-to-date and 190.5% year-over-year gains.

Chart

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 There is plenty of short squeeze potential, too. Short interest is up 26.3% during the two most recent reporting periods, and accounts for 12.5% of the stock's available float.  
   
Despite the early October upgrade to "buy" from Goldman Sachs, analysts are split on CLF, leaving plenty of room for upgrades. Of the six in coverage, three still carry a "hold" rating.  
   
Cleveland-Cliffs stock is seeing attractively priced premiums at the moment, per its Schaeffer's Volatility Index (SVI) of 54%, which sits in just the 3rd percentile of its annual range. In other words, options traders are pricing in very low volatility expectations at the moment. Furthermore, the security's Schaeffer's Volatility Scorecard (SVS) of 80 suggests that CLF has exceeded these volatility expectations during the past year.  
   
Since the company recently reported earnings, CLF's implied volatility (IV) should decline into next Monday. Our recommended January 21, 2022 23-strike call has a leverage ratio of 4.7 and will double on a 21.7% pop in the underlying shares.  
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**Most Recent Recommendations**

* [KB Home (KBH) - October 24, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=08B13344-80D2-41AB-B44B-971D6545E93F)
* [Tyson (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)

**Weekend Player**

**October 31, 2021**

**Open Positions Update**

There are no portfolio updates this week.  
**There are no new recommendations this week.**  
  
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 **Schaeffer's Chart of the Week  
Target This Homebuilding Stock Now  
By Patrick Martin, Managing Editor**

Last month, U.S. homebuilding unexpectedly took a breather, as housing starts fell 1.6% in September. Demand remains robust, but between worker and material shortages wrought by supply chain woes, homebuilding stocks are now at a crossroads as mixed data rolls in. The spiking lumber and copper prices is emblematic of the struggles for homebuilding companies, and the days of March – where housing starts were at a 14.5-year high – are firmly in the rear-view mirror. Yet at the same time, homebuilder confidence rose 4 points to a reading of 80 in October, from September’s reading of 76, according to the National Association of Home Builders/Wells Fargo Housing Market Index (NAHB).  
  
It certainly piques our contrarian interest when surging demand faces off with labor and materials shortages. Consider this quote from the NAHB blog: "Building material price increases and bottlenecks persist and interest rates are expected to rise in coming months as the Fed begins to taper its purchase of U.S. Treasuries and mortgage-backed debt." So, have investors missed the train on a 2021 darling, or does the uncertain road ahead present an intriguing buying opportunity for homebuilding stocks?  
  
Perhaps the hand should hover over the panic button but hitting it would be premature. Homebuilding exchange-traded fund (ETF) the iShares U.S. Home Construction ETF (ITB) typically tends to outperform in November, per Schaeffer's Senior Quantitative Analyst Rocky White. Per White's data, looking back at the last 10 years, ITB has averaged a November return of roughly 5%, with nine of the 10 returns positive. That's good for fifth-best among the ETF's tracked. Year-to-date, ITB has outpaced the S&P 500 with a 30% lead and the $66 level emerging as a floor during the last six months of choppy trading. Looking at White's data in December, ITB averages a paltry 0.1% gain, with only half of the returns positive.

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If November is the time to strike before homebuilding stocks encounter headwinds, which individual equities should be targeted? PulteGroup (PHM) stands out for appearing on not one but two internal seasonal metrics. For starters, PHM is one of the better stocks to own in November in the last decade, per its 7.1% average return and 90% positive rate that sits in the top 10 of the 25 S&P 500 stocks tracked.  
  
Extending the data range out further shows that the next six months are quite profitable for PHM as well. As seen in our Indicator of the Week, White profiled the 25 best SPX stocks to own from November through April, a historically bullish period. PHM boasts an average return of 19.4% during this time frame since 2010, with nine out of 10 returns ending in the black. Moves of similar magnitude mean PHM could make another run at its May 10 record high of $63.90. And as a reminder, ITB is the ETF with the most PHM exposure at the moment, per ETF.com.  
  
Whether taking a flyer on PHM or playing it safe with ITB, implied volatilities (IV) of both are at comfortable levels for options traders. Their Schaeffer's Volatility Index (SVI) , and average at-the-money (ATM) implied volatility of a stock's front-month options, come in at 29%, and 21%, respectively, all ranking below the 10th percentile of their respective annual ranges. This underscores an attractive buying opportunity for both equity and ETF-- regardless of what the seasonal and macro trends could be hinting at.  
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**Most Recent Recommendations**

* [Li Auto (LI) - October 24, 2021](https://myaccount.schaeffersresearch.com/members/services/WeekendTrader/default.aspx?commentaryid=E64BE71A-27BD-404C-B193-7793D5652A7E)
* [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)