

**Sun City Summerlin Computer Club**

**Internet Investing  
SIG**

**Tom Burt  
June 18, 2015**

# SIG Meeting Schedule

- **The Internet Investing SIG meets every other “even” month on the third Thursday morning at 9 AM. The next six meetings will be:**
  - *August 20, 2015*
  - *October 15, 2015*
  - *December 17, 2015*
  - *February 18, 2016*
  - *April 21, 2016*
  - *June 16, 2016*

# Recent Market Moves

- **Let's Look at Recent Charts for Market Averages**
  - *Dow Jones Industrials Chart ^DJI*
  - *S&P 500 Chart ^GSPC*
  - *Nasdaq 100 Chart ^IXIC*
  - *Russell 2000 Chart ^RUT*
- **The markets been trading in a range.**
  - *Dow has bounced up and down from 16,140 to over 18,310.*
  - *Volatility seems to be the norm.*
- **What did *YOU* do (if anything) in the past two months?**
  - *Buy on the dips? Sell (at the bottom or at the top)? Hold?*
  - *Did you buy Puts? Buy Calls? Sell Puts? Sell covered Calls?*
  - *Did you or will you buy in near the bottom?*
  - *Are you moving into or out of “safer” investments (bonds / CDs)*
- **What do *YOU* think will happen in the next 3-6 months?**
- **What's the best strategy to follow?**

# Fundamentals Review

- **Dollar fairly strong against foreign currencies.**
  - *Oil priced in dollars.*
  - *Saudis and Iran are pumping and flooding the markets.*
  - *Crude oil (now about \$59) and many energy stocks are still low.*
  - *Other commodity prices and stocks of producers still down.*
  - *Marginal drilling ventures are shutting down or may get bought out.*
  - *Gasoline is still cheap (but well up from its lows).*
- **Predictions of a new world currency by end of 2015**
  - *SDR basket run by the IMF to replace the dollar.*
- **ISIS in the middle east causing great concern.**
  - *“Flight to quality” (Selling stocks and buying US Govt. debt) has pushed bond yields down. But, the 10 year Treasury note now yields about 2.4%*
- **Obamacare policies kicking in – more cancellations, rate hikes.**
- **Eurozone – especially Greece – in *BIG* trouble.**
- **General sense remains that the government doesn’t want to deal with these issues.**
- ***Dow at near-record highs. Can it continue?***

# Listed Puts and Calls Basics

- **Buying a Listed option allows you to buy or sell 100 shares of a stock at a set price for a specified amount of time.**
  - *An option to BUY is a Call; an option to SELL is a Put*
  - *The “strike price” may be above or below the market price of the stock.*
- **Listed options have a trading symbol that indicates whether it is a Put or Call, the underlying stock, the strike price and the expiration date.**
  - *Let’s look at a few option listings (MSFT, GE, AAPL)*
- **Buying a Call option allows you to participate in gains in the underlying stock without actually owning the stock.**
  - *Price of the option rises along with the price of the stock.*
  - *You can sell your Call and pocket [short term] gains.*
  - *Or you can exercise your Call and buy the stock at the strike price.*
- **Risks of Calls:**
  - *The underlying stock price drops; the option price drops also.*
  - *The option expires before the stock price moves up.*

# Hedging Against a Market Drop

- Put options are essentially a bet that the price of a stock will drop.
  - *A Put allows you to sell 100 shares of a stock to someone else at a set price for a specified amount of time.*
  - *If the price of the underlying stock drops, the Put price increases.*
  - *Similar to a short sale, but with limited risk if the stock price rises.*
- Eventually, you can sell the Put and pocket your gains or you can exercise the Put (if you also own the stock) and sell the stock.
- If you think a stock or the entire market is topy, you may want to “buy insurance” with some Puts.
- Risks of Puts:
  - *The underlying stock price rises; the Put price drops*
  - *The option expires before the stock price moves down*
- Let’s do a couple of Call and Put examples in Excel:
  - *MSFT, AAPL, SPY*

# Selling Covered Puts and Calls

- You can also Sell a *Call* on a stock you own.
  - *Normally sell an option with a strike price higher than the current price.*
  - *Generates a small amount of additional gain now.*
  - *If the buyer of the call exercises it, you sell at the option's strike price.*
  - *Tax consideration – may convert a long term gain into a short term gain.*
- You can also Sell a *Put* on a stock you're willing to own at a given price.
  - *You must have the funds on deposit to actually make the purchase of the stock.*
  - *Normally sell a Put with a strike price lower than the current price.*
  - *Generates a small amount of gain now.*
  - *If the buyer of the Put exercises it, you buy at the option's [lower] strike price.*
- Risks of covered Calls
  - *You have to hold onto the underlying stock until the option expires or you buy back the Call.*
- Risks of covered Puts:
  - *You have to keep the cash on deposit to buy the stock (dead money)*

# **Open Discussion**