

SPOTLIGHT OPTION TRADE



Seasonal Market Volatility in October to Benefit CBOE Global

TRADE SNAPSHOT

TICKER	CBOE
SECURITY	CBOE Global Markets
SECTOR	Financials – Exchanges
CURRENT PRICE	\$115.92
LONG/SHORT	Long
TARGET	\$130
STOP	\$110
TIMEFRAME	3 Months

Trading Strategy: Long the CBOE December \$120 Calls \$3 or Better

Net Debit/Credit: Debit of \$3

Profitability Zone: CBOE Shares Above \$123 on Dec. OpEx

Greeks: Delta 39; Vega 22; Gamma 3; Theta -3

Options Volatility / Trade Simulator View:





Technical Analysis: CBOE shares in a strong trend higher in 2019 and recently pulled back a bit and forming a consolidation handle above the prior breakout as market volatility came in some. Weekly RSI held the 50 mark and it was a 38.2% Fibonacci retracement on the lows and also trend support that held, keeping the uptrend intact. CBOE shares have averaged a +12% return October-November the last three years.



Fundamental Analysis: The \$12.95B Company in the consolidating financial exchange industry is trading 22.8X Earnings, 5.1X Revenues, and 17.5X EBITDA. CBOE revenues are seen rising 7% in FY20 with 11.5% EPS growth. CBOE is a big beneficiary of increased trading volumes in volatility products and with China Trade and Brexit events in focus hedging activity should boost volumes in Q4. CBOE is also in the late stages of integrating its acquisition of BATS and seeing synergies and advancing new software releases. An additional opportunity is CBOE Closing Cross awaiting SEC approval, a post close trading services. Analysts have an average target near \$120 and short interest at 2.5% of the float is at a three year low. OpCo recently started coverage at Outperform with a \$133 target citing its unique moat with attractive 65%+ operating margins, and the market underappreciating the opportunity in volatility-linked ETPs. Hedge Fund ownership jumped 30.25% in Q2 filings, new positions from York Capital, Junto Capital, and Senator Investment Group.

Options Activity: CBOE has not seen a lot of positioning and this particular Spotlight Trade is not flow-driven.

Potential Catalysts: Earnings Early November

Disclaimer:

Not Investment Advice or Recommendation

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