

SPOTLIGHT OPTION TRADE



IBM Missed the Tech Rally, Vulnerable for Further Downside with Puts Cheap

TRADE SNAPSHOT

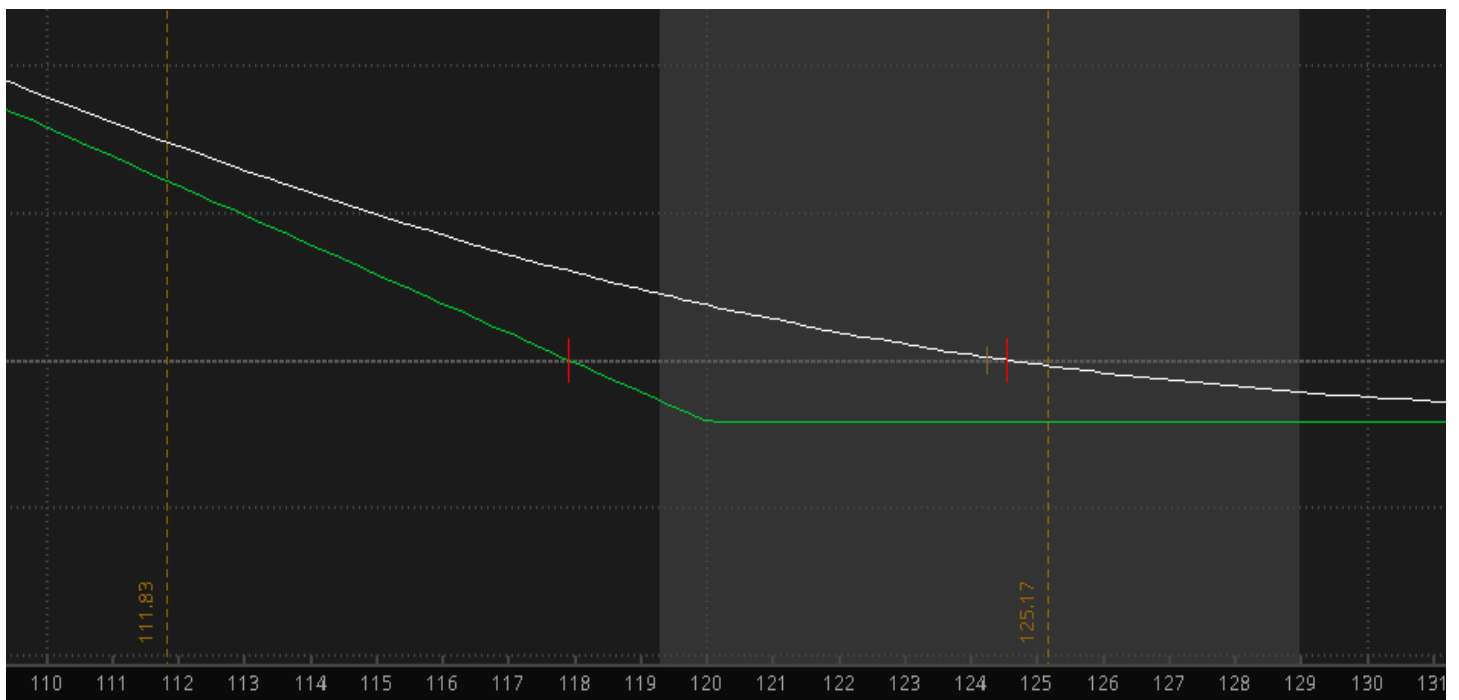
TICKER	IBM
SECURITY	International Business Machines
SECTOR	Tech – IT Services
CURRENT PRICE	\$124.20
LONG/SHORT	Short
TARGET	\$112
STOP	\$130.5
TIMEFRAME	1 Month

Trading Strategy: Long the **IBM** October \$120 Puts at \$2.10 or Better

Net Debit/Credit: Debit \$2.10

Profitability Zone: IBM below \$117.90 on October OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: IBM forming a symmetrical triangle with multiple lower highs and ugly reversal candles near the \$130 level while seeing a tight band squeeze on the weekly, a big move likely nearing and Accumulation/Distribution hitting the lowest level since March suggests the move will be lower.



Fundamental Analysis: The \$110B Tech company is trading 10.2X Earnings, 9.2X EBITDA and 15.75X FCF with a 5.25% dividend yield. IBM has long been a value-trap and continues to carry a lot of debt as well as cash. It made a smart acquisition of Red Hat but overall not been a big needle-mover with revenues seen down another 4.1% in 2020 and barely recovering with 1.7% growth seen for 2021. IBM has a new CEO that may look to make some new moves but the legacy business continues to deteriorate. Analysts have an average target of \$135 with short interest at 2.4% of the float near a three-year high. Argus upgraded shares to Buy on 7/22 with a \$155 target citing strength in the hybrid cloud business. Hedge Fund ownership fell 2% in Q2 filings, Kensico sold the majority of its position.

Options Activity:

Date	Description	Volume	Open.Int	Price	Delta	Impl Vo	Prob.ITN	Premium Paid	Symbol
9/15/2020	IBM 100 18 JUN 21 95 PUT	652	24	\$3.70	-0.17	32.05%	25.91%	\$241,240	.IBM210618P95
9/14/2020	IBM 100 16 OCT 20 120 PUT	2,057	2,265	\$2.57	-0.39	24.38%	42.27%	\$528,649	.IBM201016P120
9/14/2020	IBM 100 16 OCT 20 120 CALL	1,920	2,022	\$5.48	0.6	28.86%	56.05%	\$1,052,160	.IBM201016C120
9/2/2020	IBM 100 16 OCT 20 140 CALL	5,936	2,544	\$1.39	0.196	29.40%	16.91%	\$825,104	.IBM201016C140
8/27/2020	IBM 100 16 OCT 20 125 PUT	3,457	1,325	\$4.75	-0.523	22.39%	56.04%	\$1,642,075	.IBM201016P125
8/27/2020	IBM 100 16 OCT 20 125 CALL	3,220	2,892	\$4.77	0.487	27.50%	44.39%	\$1,535,940	.IBM201016C125
8/19/2020	IBM 100 21 JAN 22 220 CALL	2,014	1,567	\$1.07	0.06	31.31%	2.89%	\$215,498	.IBM220121C220
8/19/2020	IBM 100 21 JAN 22 145 PUT	1,000	1,445	\$30.25	-0.72	20.87%	84.61%	\$3,025,000	.IBM220121P145
8/18/2020	IBM 100 21 JAN 22 145 PUT	1,200	245	\$30.20	-0.72	21.10%	84.33%	\$3,624,000	.IBM220121P145
8/18/2020	IBM 100 18 SEP 20 125 PUT	3,844	3,659	\$3.22	-0.52	19.63%	54.72%	\$1,237,768	.IBM200918P125
8/18/2020	IBM 100 18 SEP 20 125 CALL	3,822	3,873	\$3.15	0.49	23.77%	45.65%	\$1,203,930	.IBM200918C125
8/13/2020	IBM 100 16 JUL 21 115 PUT	1,150	114	\$10.45	-0.38	27.34%	49.77%	\$1,201,750	.IBM210716P115
8/12/2020	IBM 100 18 DEC 20 110 PUT	1,004	1,098	\$3.25	-0.22	31.02%	28.44%	\$336,340	.IBM201218P110
7/28/2020	IBM 100 16 JUL 21 130 PUT	454	19	\$18.30	-0.57	24.67%	68.60%	\$844,440	.IBM210716P130
7/23/2020	IBM 100 18 DEC 20 140 CALL	1,607	2,014	\$3.50	0.3	25.86%	24.14%	\$602,625	.IBM201218C140
7/23/2020	IBM 100 16 OCT 20 110 PUT	1,033	580	\$1.77	-0.16	31.22%	20.42%	\$199,369	.IBM201016P110
7/20/2020	IBM 100 18 SEP 20 135 CALL	5,448	2,716	\$1.90	0.25	26.39%	21.30%	\$1,046,016	.IBM200918C135

Potential Catalysts: No Scheduled Events

Disclaimer:**Not Investment Advice or Recommendation**

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