

SPOTLIGHT OPTION TRADE



Falling Rates and Hurricane Season Headwinds for Travelers Co.

TRADE SNAPSHOT

TICKER	TRV
SECURITY	The Travelers Companies
SECTOR	Financial – P&C Insurance
CURRENT PRICE	\$148.75
LONG/SHORT	Short
TARGET	\$138
STOP	\$153.5
TIMEFRAME	2 Months

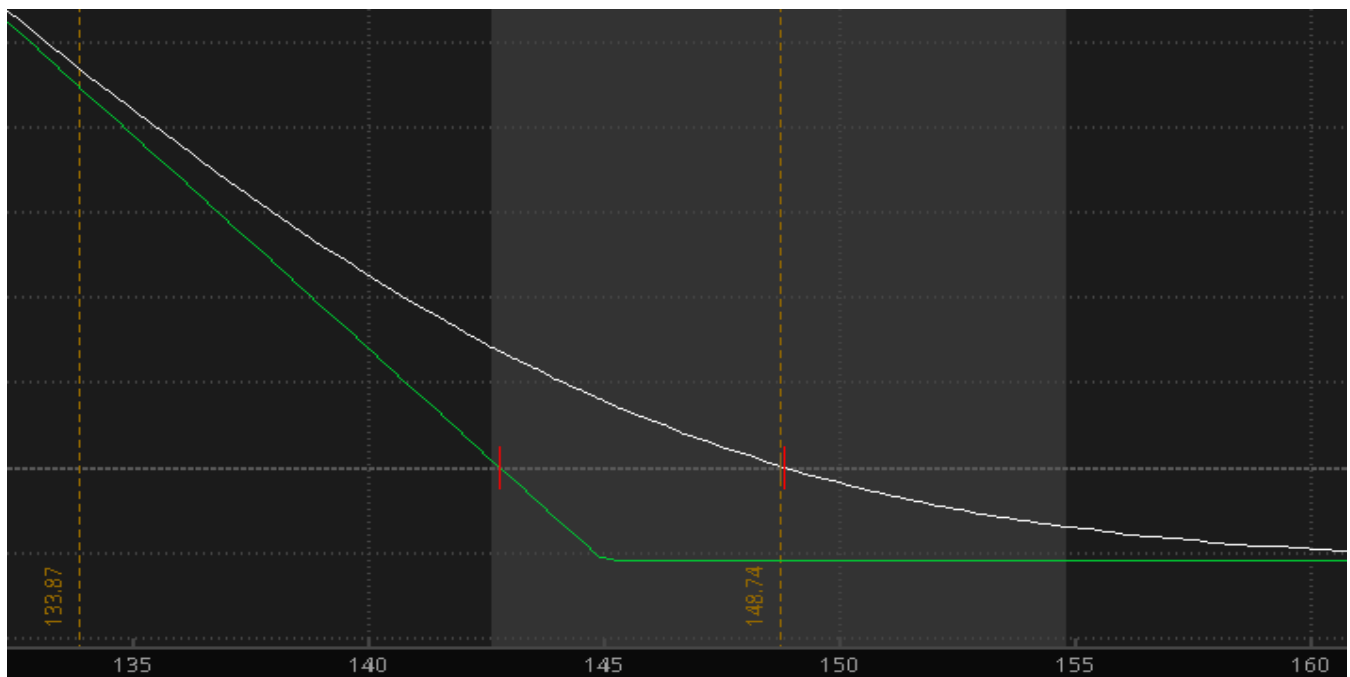
Trading Strategy: Long the TRV September \$145 Puts at \$2.20 or Better

Net Debit/Credit: Debit \$2.20

Profitability Zone: TRV Shares Below \$142.80 on September OpEx

Greeks: Delta -34; Vega 21; Gamma 4; Theta -3

Options Volatility / Trade Simulator View:





Technical Analysis: TRV shares forming a small bear flag after breaking lower and a name that lost a long uptrend and seeing bearish short-term moving average crossovers.



Fundamental Analysis: The \$38.9B Insurer trades 12.8X Earnings and 1.55X Book with a ROE of 11.2% and dividend yield of 2.2%. TRV is heading into a period where revenues are expected to be lower Y/Y the next three quarters. TRV has seen steady net written premium CAGR of 4.7% since 2015 and has been a capital return focused company. TRV is a name with high exposure to the often areas impacted by Hurricane damage liabilities and shares have tended to be weak in August-September historically. Analysts have an average target of \$152 and short interest is 1.7% of the float, rising 22% Q/Q. Deutsche Bank cut shares to Sell in late June with a \$140 target expecting falling 5 and 10 year rates to have a deleterious impact on EPS forecasts for P&C insurers. Buckingham downgraded shares on 7/19 following results. Hedge Fund ownership fell 15.5% in Q1 filings.

Options Activity:

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
7/29/2019	TRV 100 20 SEP 19 140 PUT	1,508	64	\$1.18	32.58%	-0.19	18.38%	20.51%	\$180,960	.TRV190920P140
7/25/2019	TRV 100 18 OCT 19 150 CALL	591	393	\$3.57	-3.51%	0.46	14.82%	43.39%	\$210,987	.TRV191018C150
7/17/2019	TRV 100 16 AUG 19 150 PUT	1,252	614	\$1.92	23.87%	-0.368	17.93%	38.85%	\$240,384	.TRV190816P150
7/10/2019	TRV 100 16 AUG 19 145 PUT	1,001	38	\$0.90	0.00%	-0.17	19.29%	18.77%	\$100,100	.TRV190816P145
6/28/2019	TRV 100 16 AUG 19 140 PUT	1,030	24	\$1.10	-18.52%	-0.18	20.41%	20.20%	\$113,300	.TRV190816P140

Potential Catalysts: Hurricanes; UBS Financial Conference 8-6-19

Disclaimer:**Not Investment Advice or Recommendation**

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