

Trade The QQQ's by Wendy Kirkland

5/26/12 - NYSE Seeks Approval for New Option Trading Vehicle Traders hold on to your hats. Something new is brewing. The NYSE Arca Options is seeking approval to offer a new trading vehicle called Mini Options. These options will be available on a few equities to test popularity and liquidity. The options will cover 1/10th the number of shares of standard options.

There are a lot of details to figure out, such as expirations dates and fees, but the idea that retail traders will be able to afford to trade the more expensive stocks like Apple and Google is beyond exciting.

Approval of Mini Options could affect the QQQs as up until now the QQQs have been a less expensive way to trade Google, Apple and Amazon. If retail traders can invest in these expensive stocks, some volume may move out of the QQQs. Probably not enough to pinch its liquidity, but this new trading vehicle, if it receives approval, will be an interesting development.



10/26/12- NYSE Receives Mini Option Approval & 3 of the 5 Equities are in the QQQs Exciting news for retail traders (you and me!) At last we will be able to afford and trade options on equities like Google (GOOG) and Apple, Inc. (AAPL.) ISE has received approval to offer Mini Options, but how will this affect the QQQs.

Mini option contracts will be available on AAPL, GOOG, AMZN, SPY and GLD. These are options that will cover 1/10 the number of shares cover by a standard contract. (1/10th of 100 shares = 10 shares)

Three of the 5 equities that will have Mini Option listings are high-rollers on the NASDAQ and influential stocks on the QQQs. It is hard to gage at this point the affect it will have on the QQQs.

Press Release: NYSE Arca Options Participants
Subject:Mini Options Contracts

Highlight: NYSE Arca Options has received approval from the Securities and Exchange Commission to introduce mini-options contracts on SPDR® S&P 500® (SPY), Apple, Inc. (AAPL), SPDR® Gold Trust (GLD), Google Inc. (GOOG), and Amazon.com Inc.(AMZN). Listing is expected in January, 2013.

Summary: NYSE Arca Options is taking the concept of listing and trading parallel options products of reduced value and size on the same underlying security as are currently listed on key indices and applying it to other high priced underlying securities. High priced underlying securities may have relatively expensive options and even a small percentage move in the share price can mean a large movement in the value of the option in terms of absolute dollars. The issues selected are priced greater than \$100 and are among the most actively traded issues with average daily volume ("ADV") of at least 45,000 contracts over the previous three calendar months.



11/26/12 -Mini Option Launch Date Announced On Monday, the International Securities Exchange (ISE) announced a March 18, 2013 launch date to begin Mini Options trading.

This news represents the first exchange confirmation for a trading date and it comes after ISE received Securities and Exchange Commission (SEC) approval for the new product offering. In the interim, the exchange coordinated with member firms to decide on the appropriate date for launch readiness.

The new Mini Options will consist of a deliverable of 10 shares of an underlying security as compared to standard contracts with a deliverable of 100 shares. ISE will initially list the Mini Options on the following securities: AAPL, AMZN, GLD, GOOG, and SPY.

Gary Katz, President and CEO of ISE said, via a press release, "We are very pleased to announce a launch date of March 18, 2013, to begin trading Mini Options. This exciting new product will make trading options on popular, high-priced names like Google and Apple more affordable and more flexible for the retail segment of the market. We look forward to coordinating with our member firms to achieve a smooth rollout of Mini Options in March and to broadening the reach and appeal of the options product to retail investors with this new offering."

Mini Options will have the same expiration dates as their standard counterparts, including Weeklies and Quarterlies. In addition, strike prices and quoted bids and offers will also align to standard contracts.

As for the fees associated with Mini Options, they will be filed with the SEC and announced at a future date.

The fees will influence the desirability of Mini Options when it comes to trading the equities included in the NASDAQ.

There is no doubt, if and when, the QQQs reach the \$90 price needed to qualify for a Mini Option listing the exchanges will jump at the change to make them available.



1/23/2013 Apple Announces Q1 2013 Earnings Yesterday, Google report, tomorrow is Microsoft-- Apple is placed in the middle. The unholy trinity of technology are going back-to-back-to-back with their quarterly earnings reports. Apple faced with a steeply declining stock price, posted \$54.5 billion in revenue -- just shy of Wall Street estimates. Still, that represents a record quarter for the company which has been rumored to be facing diminished demand for its iPhone. While it may be a while until we know for sure if demand for the handset is tapering off, they report that the 47.8 million iPhones sold in Q1 of 2013 and that represents a new high water mark. While revenues were a bit shy of estimates, the earnings per share of \$13.82 were above what was expected, as was the record \$13.08 billion in net profits. Year-over-year, profit was relatively flat (\$13.06 billion in 2012), while revenues were up significantly from the \$46.33 billion posted in 1st quarter 2012.

Record sales of iPhones and iPads highlighted the report-- the latter of which sold 22.9 million units during the quarter, up from 15.4 million a year ago and 14 million last quarter. Other products, however, continued their slow descent towards potential obsolescence. Only 4.1 million Macs and 12.7 million iPods were shipped during the quarter, compared to 5.2 million and 15.4 million, respectively, the same time last year.

Through all this Apple has continued to build an enormous coffers of cash, with \$196 billion in assets at its disposal. Is this enough to buoy its stock? Or has the shiny Apple tarnished?



2/27/13- Lotto Ticket Trades Many individual investors try to game earnings moves on heavily followed names like Apple, Priceline, Google, MasterCard and Amazon. For those that are bullish on a certain name, they look to purchase call options prior to a company's earnings announcement. If the stock moves higher after the earnings release, there can be huge profits in the options. In volatile stocks, like Apple and Google, playing lower priced options versus the higher priced stock can result in tremendous gains in a short period of time.

The QQQs have always been a safer way to play these earnings swings.

With upcoming Mini Option contracts, a trader can take advantage of these type of lotto ticket trades, in addition to buffering the risk with QQQ option to benefit from these types of price swings without having to risk as much as you would with standard options.

Mini-Options Flaws

- 1) Commissions to trade Mini Options will remain the same. Those who trade Mini Options will pay the same commissions as those who trade Standard options. The reason the mini options were created was to benefit the smaller investor, but now the commissions will be a larger cost in doing business for the smaller investor.
- 2) Liquidity in Mini Options will take time and will likely lead to slippage due to the spreads. These will take time to work and gain popularity.
- 3) Mini Options are still subject to the SEC's Pattern Day Trader Rules which affect accounts less than \$25,000. Be sure you understand the regulations or open a safe account before you day-trade.

Conclusion

Next month, the new Mini Options hit the market so prepare yourself for a possible shift in the QQQs. The playing field just got a lot bigger.



3/25/13 Apple's 2nd Quarter Earnings Due April 23rd Apple will report its 2nd quarter earnings after market close on April 23, 2013. Last season's disappointing earnings on January 23rd initiated a drop that continued until the 15th of March.

The current earnings season falls as the stock's price near support, but also as the market as a whole struggles and the bearish yearly cycle is set to begin.

Last April's, 2nd quarter report beat estimates by a wide margin. Caution will have to be used as traders wait to hear this year's results.

4/7/13 When Will Google's Stock Split? During the Summer of 2012, Google's shareholders approved a 2 to1 stock split. There was a great deal of speculation that the split would take place in October of 2012.

Then, April 12, 2013 was marked on trader's calendars just prior to April 18th 1st quarter as a possible split date. But here we are nearing the 12th and little more has been heard. There has been recent speculation that the split will now take place in the Summer prior to the year anniversary of the vote.

Additional Links/Additional Info

1) Historic Volatility versus Implied Volatility : You want implied and historic volatility to be relatively close to the same number or historic to be high when you enter a trade so the premium is fairly priced. And it is to a trader's advantage to sell when implied volatility is higher than historic volatility so you are selling while implied volatility it high.

The link below offers a source for volatility information.

http://www.optionseducation.org/tools/historical_implied_volatility.html

2) Option Expiration Calendar

The link below shows expiration dates, holidays and monthly and quarterly expirations.

<http://www.theocc.com/about/publications/expiration-calendar.jsp>

