

OptionProfessor.com Alert

October 20th, 2021

# FB VALUE TRADE



BY THE OPTION PROFESSOR

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**OptionProfessor Alert:  
Was Facebook (\$FB) a Value Trade @ 315??  
October 20th, 2021**

***NOTE: As we are publishing this, there are unconfirmed reports being released that Facebook may be changing its name/branding soon.***

Facebook is a company that seems to always be in the news and not always in a positive way. Having said that; they've weathered more storms than the Gorton Fisherman and came out the other side making new highs...will this happen again? These guys own other companies that pump huge value to their bottom line including Instagram, WhatsApp and Oculus to name a few. The stock peaked on September 1 2021 at 384 and subsequently fell to about 315. The reasons for this are many but include an announcement in their last reporting cycle that revenue growth may slow in quarters ahead and the risk of government intervention as it relates to the whistleblower and others. Comparisons may be more and more challenging now as we compare to strong growth and adjustments on ad targeting. Okay--so where's the beef???

Earnings come out October 25; we may see continued gains in traffic regarding total unique visitors. Users come from all over the planet but the USA still dwarfs other regions but the growth of outside the USA is accelerating. Ad spending should help this company as the race for eyeballs really has 2 main horses in GOOG & FB and with this growth in earnings in USA stocks--plenty of money to use for ads (remember Ted Turner's adage "Early to Bed... Early to Rise & Advertise"). In addition to this; we expect to cash in further on the digital transformation with cutting edge ideas. Some forecasts are for FB sales growth of 37% for the quarter and earnings up 17% on corporate revenue forward guidance is earnings growth & hiring.

So when we see 315 and a close above the 200 day moving average (318) and valuation under the market with growth rates that far outpace the market we see value and using the correction low as support could spell long term value for FB.

Send us an email at [optionprofessor@gmail.com](mailto:optionprofessor@gmail.com) with your contact info and we will be happy to share our information.

**- The Option Professor, 10/20/21**

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*The following is an excerpt from the eBook “7 Best Ways to Trade Options” by The Option Professor, [download the full PDF HERE](#).*

### **#3. How Does Implied Volatility Affect Options?**

Implied Volatility is the market's forecast of a likely movement in a price of an underlying market. It is a metric used by investors to estimate future fluctuations (volatility) of a price based on certain predictive factors. Implied Volatility denoted by the symbol ( $\sigma$ ) can often be thought to be a proxy of market risk. It is commonly expressed using percentages as standard deviations over a specified time horizon. When use in the stock market; implied volatility generally (but not always) increases in bearish markets when investors believe prices will decline over time. Implied Volatility will generally (but not always) decrease when the market is bullish and investors believe the market will rise over time. Implied Volatility does not predict the direction that the price change will continue.

Implied Volatility is one of the deciding factors in the pricing of options. Buying options contracts lets the holder buy or sell an asset at a specific price for a specific period of time. Implied Volatility approximates the future value of the option and the current option value is also considered. It is important to note that implied volatility is based on probability. It is only an estimate of future prices rather than an indication of them. There is no guarantee that an option price will follow a predicted pattern. However; when considering an option, it may be worthwhile to consider the actions of others activity in the option so implied volatility is directly correlated with market opinion which of course affects option pricing

CONCLUSION-OPINION...Our opinion with Implied Volatility is that it tells us what has happened but not will happen. Just like the point spread in a football game is indicative of how teams have been playing to some degree. It is important you remember that options have intrinsic value (the amount it is in the money-higher than the strike price on calls & lower than the strike price on puts) AND time value/implied volatility which is a discounting mechanism to some degree of future price movements. EXAMPLE if the underlying market has been 40-45 (flat) for the last year; the Implied Volatility would be lower and the option price generally lower. Conversely; if a market has been 100-200 (volatile) for the last 2 months; the Implied Volatility will generally be high. In some respects option trading is volatility trading and if you enter calls after a volatile move to the upside where implied volatility is high; the market will have to keep that pace and then some to overcome the premium. The direct opposite with entering puts after a big decline. Of course; there are a variety of option trading tactics buying/selling/spreading and Implied Volatility measures are an important consideration. Our opinion is that generally low volatility can present an opportunity for buyers to use longer dated options and high implied volatility options can present an opportunity to use as a hedge in a number of strategies or a means to contract to buy the market at a discounted price.

*-7 Best Ways to Trade Options” [download the full PDF HERE](#).*

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