Worth Charting
June 8, 2022

XOM Current Price: $104.59

Action: Selling a strangle (selling Calls and Puts)

July 15th $115 Calls: **$1.06** (selling them for a credit)
July 15th $95 Puts: **$1.21** (selling them for a credit)

Total Credit: **$2.27** ($1.06 + $1.21)

Scenario 1:

XOM stays between $115 and $95 between now and Friday, July 15

Outcome

Keep the entire $2.27 credit
$2.27 = 2.17% of the value of XOM
2.17% = 21.4% annualized return

Scenario 2:

XOM rises above $115 between now and Friday, July 15

Outcome

One is short XOM at $115 but keeps the $2.27 credit.
So, one is short XOM at $117.25 (12.1% higher) than where it closed today

Scenario 3:

XOM falls below $95 between now and Friday, July 15

Outcome

One is long XOM at $95 but keeps the $2.27 credit.
So, one is long XOM at $92.25 (11.8% lower) than where it closed today

Exxon Mobil (XOM)

Bottom Line:

If one is thinking – as we are – that XOM is stretched, but one doesn't want to short it here, but would be interested in shorting it higher (or buying it lower) ... then selling a **Strangle** is a good 1-month play, by our work.

Simply stated, if one deploys this strategy, one is willing to:

- Get short XOM **12.1% higher** than where it closed today (see upper horizontal blue line drawn)
- Get long XOM **11.8% lower** than where it closed today (see lower horizontal blue line drawn)
- Collect premium & generate a "standstill yield" if XOM stays between $115 and $95 in the coming 26 sessions

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