Worth Charting

January 26, 2024

NFLX Current Price: $576.00

Action: Selling a strangle (selling Calls and Puts)

Feb 16th $620 Calls:	**$4.60**	(selling them for a credit)
Feb 16th $505 Puts:	**$0.87**	(selling them for a credit)
Total Credit:	**$5.47**	($4.60 + $0.87)

Scenario 1:

NFLX stays between $620 and $505 between now and Friday, February 16th

Outcome

Keep the entire $5.47 credit
$5.47 = 0.95% of the value of NFLX
0.95% = 16.14% annualized return

Scenario 2:

NFLX rises above $620 between now and Friday, February 16th

Outcome

One gets short NFLX at $620 but keeps the $5.47 credit
So, one is short NFLX at $625.47
(8.59% higher than where it is now)

Scenario 3:

NFLX falls below $505 between now and Friday, February 16th

Outcome

One gets long NFLX at $505 but keeps the $5.47 credit
So, one is long NFLX at $499.53
(13.28% lower than where it is now)

Netflix (NFLX)

Bottom Line:

If one is thinking - as we are - that NFLX is stretched day to day, week over week, but one doesn't want to short the stock here, but would be interested in shorting it higher (or buying it lower) ... then selling a Strangle is a good strategy by our work.

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

- Get short NFLX **8.59% higher than where it is now** (see upper horizontal blue line drawn)
- Get long NFLX **13.28% lower than where it is now** (see lower horizontal blue line drawn)
- Collect premium & generate a 'standstill yield' if NFLX stays between $620 and $505 in the coming 15 sessions

Netflix (NFLX)