

SMH Current Price: \$192.37

Action: Selling a strangle (selling Calls and Puts)

Feb 16th \$205 Calls: **\$1.23** (selling them for a credit)

Feb 16th \$175 Puts: **\$0.60** (selling them for a credit)

Total Credit: **\$1.83** (\$1.23 + \$0.60)

Scenario 1:

SMH stays between \$205 and \$175 between now and Friday, February 16

Outcome

Keep the entire \$1.83 credit
 $\$1.83 = 0.95\%$ of the value of SMH
 $0.95\% = 15.14\%$ annualized return

Scenario 2:

SMH rises above \$205 between now and Friday, February 16

Outcome

One gets short SMH at \$205 but keeps the \$1.83 credit.
 So, one is short SMH at \$206.83 (7.51% higher) than where it closed Wednesday

Scenario 3:

SMH falls below \$175 between now and Friday, February 16

Outcome

One gets long SMH at \$175 but keeps the \$1.83 credit.
 So, one is long SMH at \$173.17 (9.98% lower) than where it closed Wednesday

VanEck Semiconductor ETF (SMH)



Bottom Line:

If one is thinking – as we are – that SMH is stretched day to day, week over week, but one doesn't want to short the ETF here, but would be interested in shorting it higher (or buying it lower) ... then selling a **Strangle** is a good 3 1/2-week play on the board, by our work.

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

- Get short SMH **7.51% higher** than where it closed Wednesday (see upper horizontal blue line drawn)
- Get long SMH **9.98% lower** than where it closed Wednesday (see lower horizontal blue line drawn)
- Collect premium & generate a “standstill yield” if SMH stays between \$205 and \$175 in the coming 16 sessions

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