

# ODDS<sup>®</sup> Online Daily Trending Stock Report

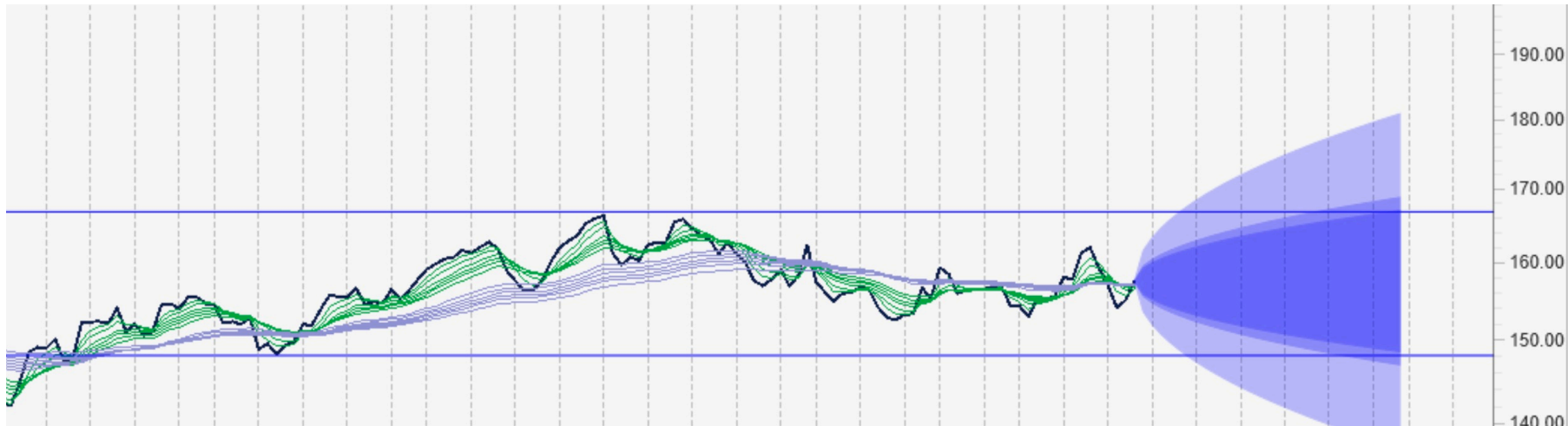
Chevron Corp. (CVX)

7/26/24

Chevron Corp. (CVX) showed up on our list of compressed stocks this morning. As we did our normal deep dive into the data, we noticed a few things that are interesting for options traders. First thing we noticed was that options for September 6<sup>th</sup> in the Volatility Term Structure chart (see page 4) had the lowest volatility expectations.

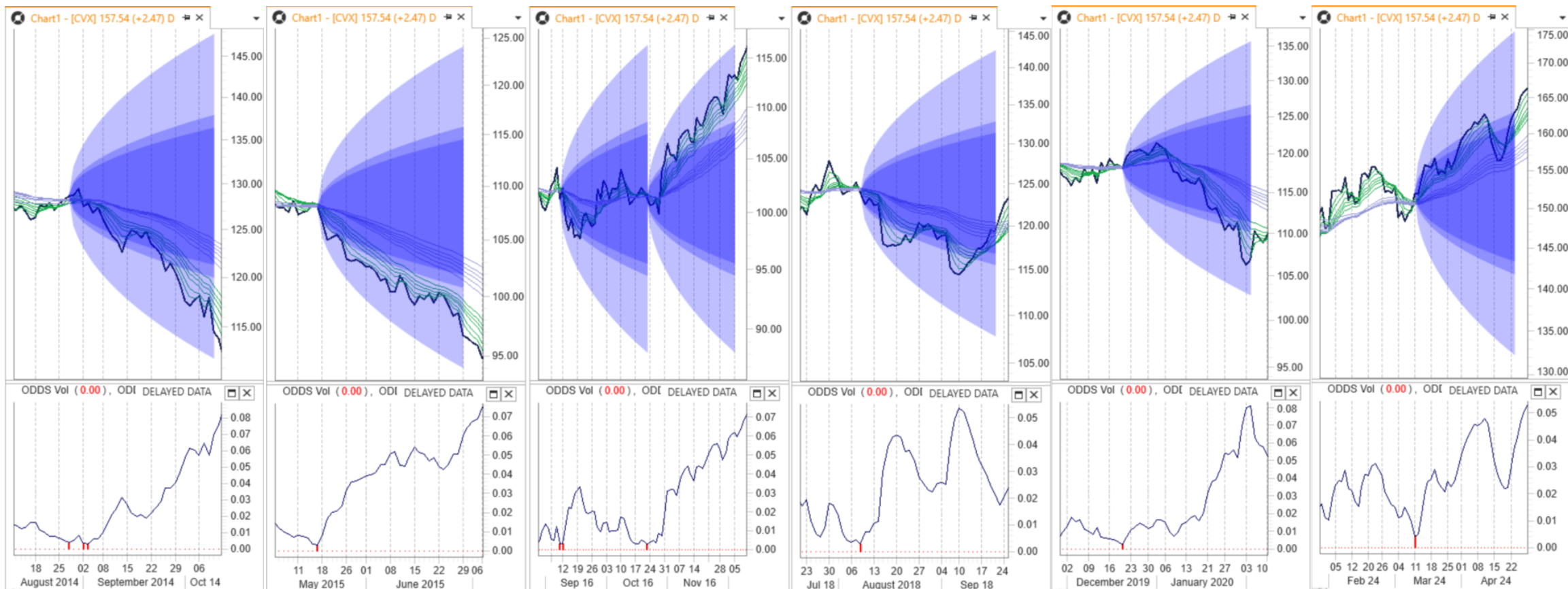
After that, we noticed that the stock was right in between two strike prices. This meant that if we wanted to keep our trade neutral, we needed to use a strangle instead of a straddle. Then we noticed that our breakeven prices lined up perfectly with support and resistance lines in the recent trading action.

This told us that CVX options are priced to win 40% of the time and lose 60% of the time. That's a typical expectation for a neutral option buying strategy.

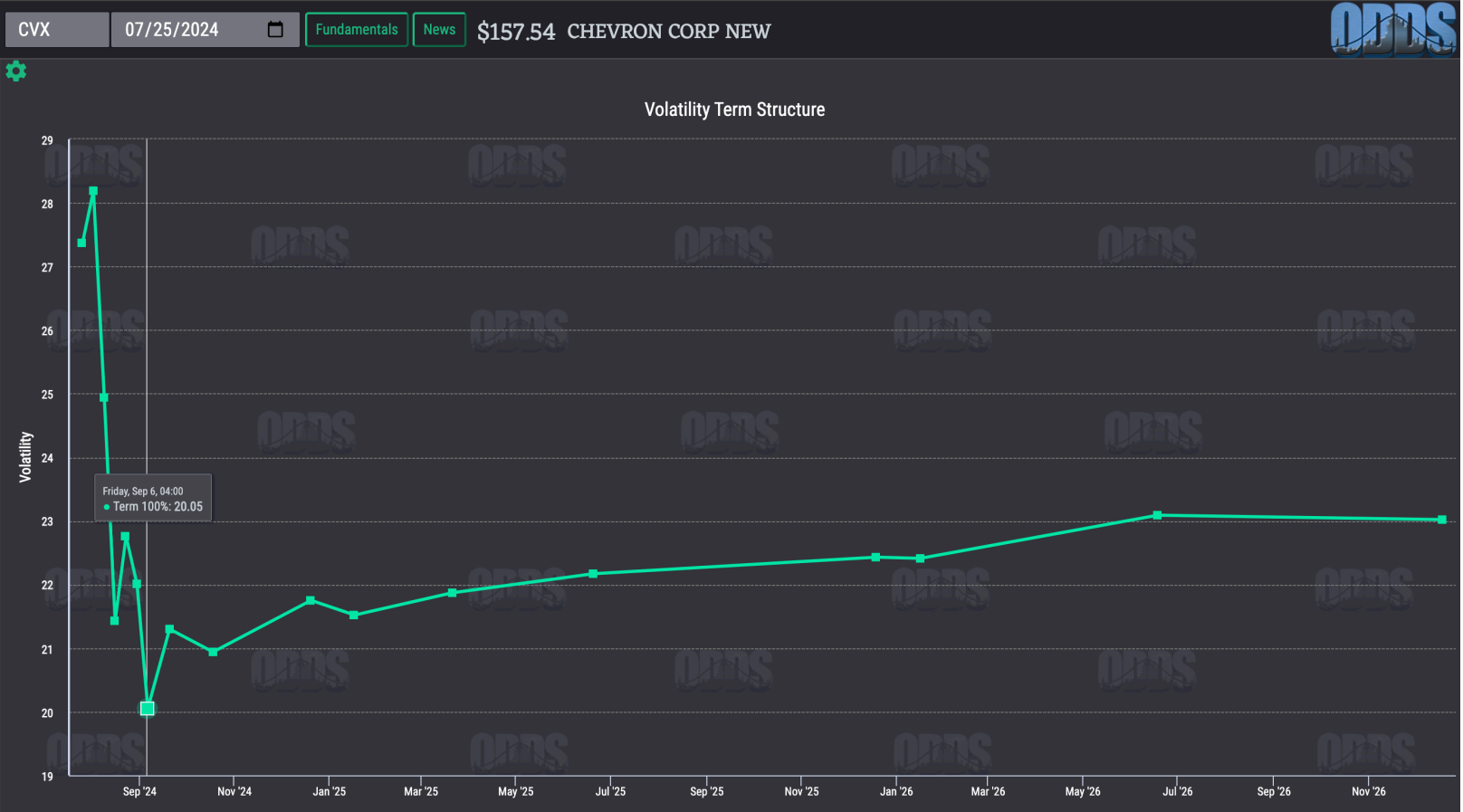


These charts suggest a different story. These charts show us that the neutral trades after a compression signal since 2014 won 6 out of 7 times. That means over the past 10 years, neutral trades after compression signals would have won 85% of the time and lost only 15% of the time. This tells us that if the stock continues to behave the way it has after previous compression signals, investors who expect 40% wins have mispriced the odds. This gives option buyers a clear advantage!

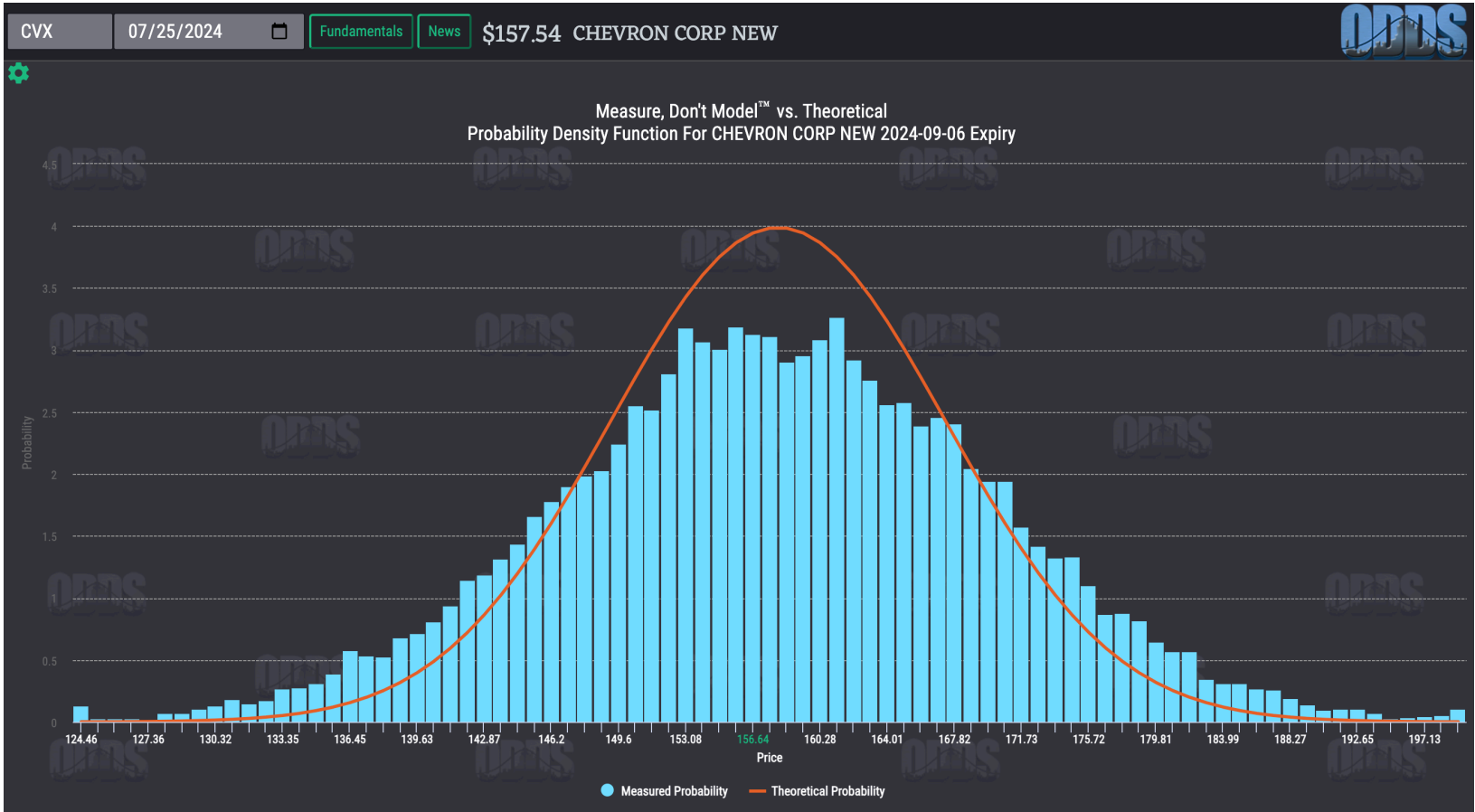
After everything else, there may be a potential political catalyst to this trade. The presidential candidates have very different views on U.S. energy policies. Investors may anticipate the impact of future energy policies as they digest information coming from the candidates.



This Volatility Term Structure for CVX shows us the implied volatility of the at-the-money options for the September 6<sup>th</sup> expiration are the lowest relative to all other expirations. This tells us that we will get the best relative prices for our option buying strategies at that expiration.



This MDM graph compares the modeled expectations of current options prices (the orange line) to the actual movement of CVX's stock price over the past year. You can see that the actual behavior (the blue histogram) shows us that CVX made big moves more frequently than modeled options prices currently expect. That is good news for our option buying strategies.



CVX's stock prices are compressed. The stock has a history of making big moves after a compression signal, and the company has an earnings announcement scheduled for August 2nd that could be a catalyst for a big move in the stock's price. At the same time, investors are mispricing the odds of CVX making a bigger-than-expected move before September 6<sup>th</sup>. All of this gives option buyers an advantage.

To get the specific details and prices on today's trade ideas, be sure to read today's *ODDS Online Daily Option Trade Idea*.

STRATEGY WIZARD

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Forecaster

Up Big

Up Small

Neutral Big

Neutral Small

Down Big

Down Small

Show All

Buy Call

Unlimited Profit  
Limited Risk

Buy Straddle

Unlimited Profit  
Limited Risk

Buy Put

Substantial Profit  
Limited Risk

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