Classification: For internal use only

XLK is a $13.7bn tech sector ETF.

Investors bullish tech should consider short dated OTM calls on XLK which combine low levels of implied vol and an efficient underlying

Trades:
Buy 3m expiry XLK 3% OTM call @ 1.24% (offer vol: 12.8)
Buy 6m expiry XLK 6% OTM call @ 1.44% (offer vol: 13.6)
Spot ref: XLK Index = 35.85

XLK top 10 Holdings

AAPL	14%
GOOG	9.3%
MSFT	8%
IBM	5.6%
T	5.1%
VZ	4%
QCOM	3.7%
CSCO	3.5%
V	3.4%

Past Returns and Implied Vol
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Compared to most of its components, XLK has relatively low implied volatility vs returns

XLK Price
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Short dated implied volatility is low
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Blue Line Implied Vol | White Line Delivered vol

KCP Capital Markets London
Vinit Sahni | Nav Gupta | Vanshree Verma

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