

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

	Return			Implied Vol
	1y	2y	3y	2month
XLK US EQUITY	22%	34%	38%	13%
AAPL US EQUITY	9%	28%	63%	28%
GOOG US EQUITY	66%	99%	90%	24%
MSFT US EQUITY	33%	22%	27%	25%
IBM US EQUITY	-4%	-1%	18%	19%
T US EQUITY	0%	10%	18%	14%
VZ US EQUITY	11%	24%	35%	18%
ORCL US EQUITY	9%	34%	18%	21%
QCOM US EQUITY	17%	30%	47%	18%
CSCO US EQUITY	9%	15%	8%	24%
V US EQUITY	46%	133%	223%	23%

Compared to most of its components, XLK has relatively low implied volatility vs returns

XLK Price