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Subject: AAPL Monday Outperformance vs. SPY [C]
Date: Tue, 18 Nov 2014 20:05:52 +0000
Attachments: Reviewed_AAPL_KCP_trade.pdf
Inline-Images: unnamed

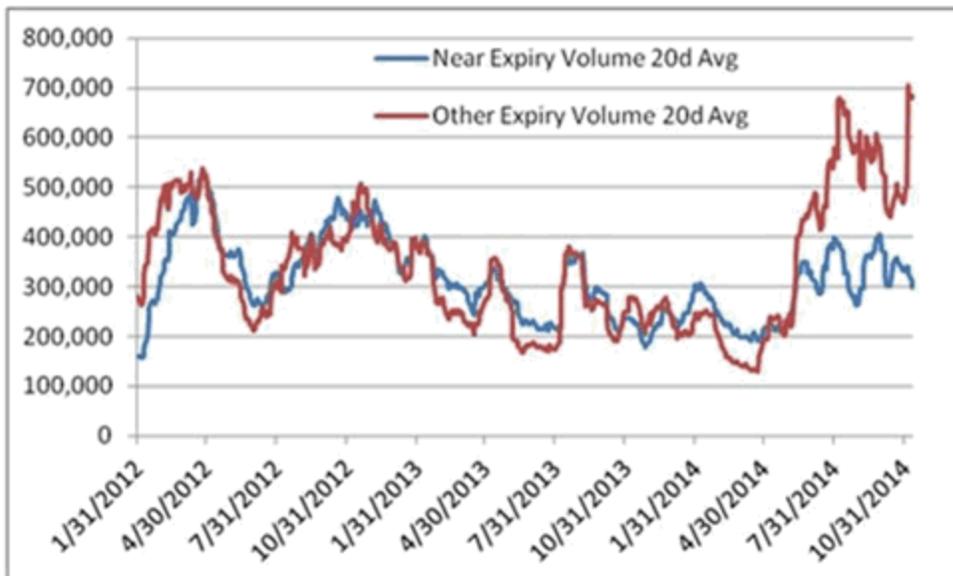
Classification: Confidential

Jeffrey,

We wanted to follow-up on the AAPL transaction we discussed, which is long AAPL vs. SPY on Mondays. As discussed:

- AAPL Monday outperformance vs. SPY has become more persistent in the recent past, after the CBOE weekly options on AAPL were first listed (June 2010)
- This outperformance might be perceived to be tied to hedging of new positions on Monday
- A strategy that is long AAPL vs short SPY on Mondays would have produced an annualized return of 30.6% since 2011, with a sharpe ratio of 2.67
- In the period between 2008 and 2010, this strategy would have returned 11.5% with a sharpe ratio of 0.81

Per your question at the meeting, we also obtained the volume history for near expiry options as well as other expiries. The graph below is the 4-week moving average of daily volume for both of these sets - it illustrates the volumes on both options have increased recently.



The attached presentation goes into further details on the transaction, as well as a variation of the strategy focusing on Friday performance.

Best regards,
Daniel

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