

American Century
Investments®

Strategic Inflation Opportunity Fund

Designed to help protect your portfolio from the primary sources of inflation.

[Click](#)

*Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Click here for a prospectus or summary pro
this and other information. Read it carefully. Past performance is no guarantee of future results.*

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

THE WALL STREET JOURNAL

WSJ.com

MARKETS | NOVEMBER 25, 2011, 2:19 P.M. ET

Goldman: Sell Options in Retail Stocks

By [CHRIS DIETERICH](#)

NEW YORK—Strategists at Goldman Sachs Group Inc. say traders could rake in yield by selling options in retail stocks ahead of the holidays.

Historically, retail stocks tend to stage their sharpest moves during October and November as traders bet on holiday-shopping trends.

But much of that choppiness wanes with Black Friday, typically the biggest shopping day of the year, Goldman Sachs says. Calmer trading in the sector's stocks translates into lower options prices.

"November is typically a volatile month for retail, but December is one of the lowest," wrote Goldman Sachs derivatives strategists Katherine Fogertey, John Marshall and Amarnath Jha in a note this week.

"We believe that retail investors focus on the early holiday sales results around Black Friday, but stock volatility declines towards the end of the holiday season, when holiday sales trends are already widely known," they said.

As a stock's actual and implied volatilities decline, so do options prices. Therefore, Goldman Sachs's derivatives team wrote, investors can capitalize on elevated options prices by selling call options in select retail stocks.

In particular, Goldman Sachs recommended that investors sell options in women's apparel maker [Chico's FAS Inc.](#), handbag maker [Coach Inc.](#), upscale retailer [Nordstrom Inc.](#), home-furnishing retailer [Williams-Sonoma Inc.](#) and department-store operator [J.C. Penney Co. Inc.](#)

Goldman's analysts argue that based on historical data suggesting relatively muted moves for those companies' shares, options prices are high. Additionally, the strategists said none of these companies face imminent catalysts, such as earnings reports, that are likely to move the stocks markedly in one direction or another.

"Volatility consistently declines in December for consumer stocks, as investors have already decided the trajectory of holiday spending from early indicators such as Black Friday," said the strategists.

The idea is to bring in yield by selling relatively pricey call options. For example, Goldman Sachs advises that clients sell J.C. Penney calls with a \$34 strike price that expire Jan. 20.

Investors would collect 60 cents per contract sold at Friday's close, according to FactSet. Traders could keep that money should J.C. Penney's stock linger below \$34 over the next two months.

Shares of J.C. Penney fell 24 cents, or 0.8%, to close at \$29.64 Friday. The stock last closed at or above \$34 on Oct. 24.

Call options allow the holder to buy options for a set price by a fixed expiration date. Investors who sell call options could be on the hook to sell shares of J.C. Penney for the exercise price should the stock push higher before the call options expire.

Copyright 2011 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com