



Friday's Option Trade of the Day:

ESV (EnSCO PLC)

On Friday, when all was said and done ESV saw a total of **35,570 Mar 10 call options trade including a block of 10,519 that was swept @ \$0.466.**

A few observations on this trade:

1. It's very short term options trade with only 10 trading days to Mar expiration
2. These are at the money options, so considering where the closing price and the strike the stock will need to advance by 4.7% (by expiration) for the options to breakeven.
3. The stock recently reported earnings on 2/27 and beat on the bottom line EPS 10c vs est 5c. However, ESV missed on revenues, earnings \$504.5 vs est \$506M. So, I would say they reported good but not great earnings in their last quarter.
4. From a technical standpoint, ESV price is > 200d MA (Moving Average), but the 200d MA is flat, which is neutral in my opinion.

My thoughts:

1. I view the Mar options as "very risky" considering that there is only 2 weeks to Mar expiry.
2. Considering the stock is trading at \$9.91 it's not expensive in price, and the stock does move with an ATR (average true range) of \$0.50
3. **I prefer trading the stock outright vs the options and using the 200d MA as a stop price. This is easy and well defined risk considering how close the 200d MA is to the price of the stock. Clearly someone is expressing a bullish view on the stock but one does not need to pigeon hole themselves in a very short term options trade**

ESV Daily Chart



About ESV: EnSCO is well ensconced as a leading offshore drilling contractor for the petroleum industry. The company owns a fleet -- the second largest in the industry -- of over 60 offshore rigs, including 42 jack-ups, 13 semisubmersibles (drilling in up to 10,000 feet of water), and 10 drillships. EnSCO has a dedicated deepwater drilling unit. The company generated most of its drilling revenues in 2015 in the US, Brazil, and Angola. EnSCO also drills in Europe, elsewhere in Africa and South America, and in the Asia/Pacific region (which includes Asia, the Middle East, Australia, and New Zealand). Headquartered in London, it has around 6,400 employee globally.

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