

## >: Capitalism, Obama, and Options...

Thursday, June 5, 2008 / Jason Jovine

### Another low point for Capitalism?

My great uncle [William S. Paley](#), who was the founder and chairman of CBS, would probably be turning over in his grave.

This past Saturday night, MMA (Mixed Martial Arts) made its debut on CBS. This was the first time that MMA had debuted on network television (it had previously been shown only on cable).

This prime time debut is indicative of what modern day family entertainment has become: People beating the crap out of each other, blood everywhere, and an audience of screaming fans loving every minute of it. There were even two women betting each other up as a bonus feature.

Why did CBS do this? The answer, of course, is money.

They know that MMA gets huge ratings, and they wanted to capture that all important 18-34 demographic (mainly males). The armed forces (especially the Marines) love advertising during these MMA events as well, because they can get these dumb kids who watch it to associate toughness with being a Marine and, hey, maybe they can even get them to think that they may be able to kick the crap out of an Iraqi or a Muslim the same way that they do inside an MMA octagon.

Then we wonder why we have an Abu Ghraib.

Anyway, this is just more evidence of **Capitalism Gone Wild?**

which I have spoke of repeatedly. As you can see from this MMA event, there are no limits to what people will do for money. Society's moral bar will keep going lower and lower.

The politicians let this type of stuff go on because it is a way to keep 'Average Joes' occupied and distracted by nonsense so that they can rob us blind. Remind you of Rome?

As I mentioned in a previous article, as when George Bush had the audacity to mention during the State of the Union that steroids in baseball were a problem, these are just tactics to distract the American people from real issues and to get us to focus on nonsense.

### Barack Obama?

What happened this week with Barack Obama securing the Democratic nomination was truly historic. Obviously, he is the first African American to do this. Why did this happen? This happened for several reasons:

1. The abysmal performance of the Bush administration
2. The economy
3. America's yearning for change that we do not believe we can get from the same old tired faces
4. A common 'enemy'
5. The youth vote

Last time that I checked, George Bush had a 28% approval rating. Congress is not too much better off. I was shocked and personally disgusted when I saw that fool Dick Cheney being interviewed, and when told by the reporter doing the interview that two-thirds of Americans were not happy with the war in Iraq, Cheney responded by saying 'so?'

This man couldn't care less about what the American people think. If this comment doesn't convince you of that, then I don't know what will. What would happen if two thirds of our readers told us that we were going in the wrong direction, and us responding with a "so what?" I do not think that we would be in business long if we did that.

When I put in number four above ('A common enemy?'), I am referring to the fact that since the world is flat now, our differences as Americans matter less and less (black or white, etc.) because we now need to pull together to compete against other countries such as China and India.

We will get eaten for breakfast if we continue to focus on our differences instead of our similarities.

Before I continue, I just want to say for the record that all of my views are my own. Although I write for *The Tycoon Report*, this does not mean that we all agree on what I am saying. As a matter of fact, we disagree on many things here.

I hope that you do not think that all of us here are on the left or the right. This is an eclectic organization that will continue to supply you with

diverse points of view on the market, economics, and yes, sometimes even politics.

### **In closing?**

For those of you who can't stand when I write about politics and want me stick to the market script so to speak, I want to answer a couple of questions from [my article last week](#).

In one part of the article, I discussed Buying put options. I received the following question from Brian.

**?You stated, 'Remember when buying puts that:**

- 1. Your maximum gain is the strike price minus the premium paid.**
- 2. Your maximum loss is the premium paid.**
- 3. Your break-even is the strike price minus the premium paid.'**

**The first and third statements can't both be right, so, please clarify!?**

Brian, statement number one is correct. When you buy a put, you expect and want the underlying stock to go lower. When you buy a put, you have to pay a premium for it. So say for example that you buy one put option contract with a strike price of \$10 and you pay a premium of \$300. The maximum that you can make on the put is if the stock goes to zero.

If the stock went to zero then you would make a net profit of \$700. This is because you made \$1,000 when the 100 shares of the stock went from \$10 to \$0, but you had to pay \$300 for this right for a net profit of \$700. Follow me?

Moreover, your break-even point in this scenario, of course, would be the strike price minus the premium paid. So if the stock fell to \$7 per share instead of \$0, you would make \$300, but since you already paid \$300 you would break even. Follow me?

The next question was from Ernie B. He asked:

**?Please expand on the selling of call options. I believe covered calls limit any losses to an increase in sp above sp call receipts.?**

When you sell call options, you believe that the price of the underlying stock is going to remain stable (stay flat) or decline. You sell calls so that you can take in the premium. In the same example as above, if you sold one call option contract when the premium was \$3, you would take in a premium of \$300. But if the stock went higher instead of lower, you could lose money.

When you sell a call option you are bearish. Your maximum gain is limited to the premium (e.g. \$300). Your break-even point is the strike price at which the seller (you in this case) is obligated to sell the stock plus the premium taken in. If the call writer (seller) is uncovered (naked), and does not own the underlying stock, the potential loss is theoretically unlimited, since there is no ceiling on how high the price of the stock may rise.

Remember, there are three ways to close an option position:

1. Liquidate (Trade)
2. Exercise
3. Expire

Ernie, I hope that this helps. If you or anybody else want me to give a full example in my next article, let me know.

**Take care.**

**P.S. Always feel free to send me your love/hate mail.**



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