

US Equity Derivatives Strategy

Q3 Earnings Volatility, Trading AI Rotation Beneficiaries into Reporting

- **Earnings expectations look elevated on the surface, but they're achievable.** Consensus sees S&P 500 3Q EPS up ~24% y/y, but this is a clear deceleration from last quarter and the headline figure is top-heavy: the median company is expected to grow a more modest +8%. Our strategists expect earnings to help underpin markets this quarter, with breadth improving even as AI continues to lead.
- **Earnings volatility is moderately rich.** Options imply elevated moves (~80th %ile) and screen modestly expensive vs. realized. The premium reflects earnings uncertainty, high rates, geopolitical risk, and shakier sentiment across the AI complex. We screen for attractive long and short gamma setups into earnings.
- Following the sentiment-driven drawdown in AI-exposed names (driven by datacenter buildout concerns, tighter credit for levered "neocloud" capex, and renewed memory pricing risk post-CXMT), we're avoiding exposed high-beta AI for now; a bottom may form, but timing is unpredictable and optionality is expensive. Into earnings, we favor trading segments with strong fundamentals that can benefit from improving breadth and rotation out of exposed upstream AI:
 - The US consumer remains resilient: Chase card data show September consumer spending +6.6% y/y, with strength broad-based across income cohorts, and bank management teams reaffirmed consumer resilience last week. Express it via **XRT call spreads** given low implied vols and flat skew, **JP2RTL call spreads** for broader retail exposure, and/or **single-name call spreads on sold-off consumer stocks** with attractive leverage.
 - Trade Quality AI rotation + cloud beats: **buy worst-of-calls on [AMZN, GOOGL, MSFT]** as a levered way to express hyperscaler earnings upside on strong cloud dynamics and a potential rotation from higher-beta upstream AI into "quality AI".
 - **Buy AMZN call spreads** into the print on continued AWS momentum and a resilient consumer backdrop.
 - **Buy HWM calls** for a potential beat-and-raise and a sharp snapback from the recent sentiment-driven sell-off tied to competitor headlines.
 - **Buy T short-dated calls** into this week's earnings for an expected beat-and-raise, with upside potentially amplified by short covering and retail flows.

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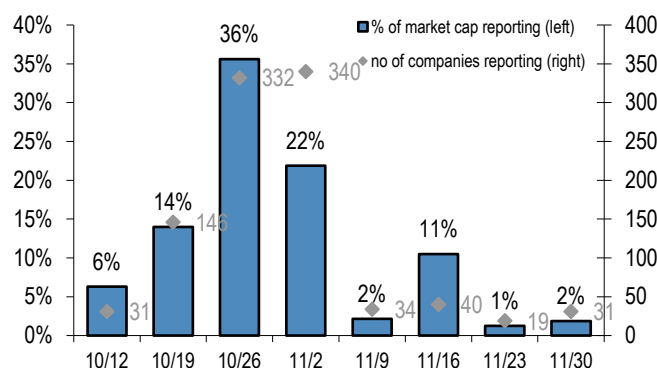
Q3 Earnings Season Preview

Consensus expects S&P 500 3Q EPS to rise ~24% y/y. While this may appear elevated at face value, our Equity Strategists [see](#) it as less demanding in context. It represents a significant slowing vs. last quarter's +50% y/y, and is top-heavy: excluding NVDA and MU this quarter's hurdle rate falls to +15%, while the median S&P 500 stock is expected to grow a more modest +8% y/y.

Global PMIs accelerated through the quarter to multi-year highs and are projecting a strong EPS delivery, while our strategists' leading earnings indicator remains in an uptrend. AI continues to do the heavy lifting, but earnings strength is broadening. Despite headwinds from higher energy prices (oil/diesel ~+35% q/q) and higher rates (US 10Y yield +80bps q/q), our strategists view the hurdle as achievable and expect **earnings to provide support for the market** this quarter.

Most companies (~80% of the Russell 1000 market cap) are expected to report by mid-November, with the weeks of Oct 26th and Nov 2nd the busiest (Figure 1). Figure 2 provides an earnings calendar by sector for S&P 500 names, listing the percentage of each sector's market cap that reports each week.

Figure 1: Q3 earnings calendar for Russell 1000 companies



Source: J.P. Morgan Equity Derivatives Strategy, Bloomberg Finance L.P.

Figure 2: S&P 500 sector earnings calendar (% of each sector's market cap reporting by week)

Sector	% of market cap reporting Q3 earnings week of:						
	Oct 12	Oct 19	Oct 26	Nov 2	Nov 9	Nov 16	Nov 23
Comm. Svcs		33%	61%	3%	1%	3%	
Cons.Disc.		21%	54%	11%		11%	
Cons. Staples		22%	22%	10%	2%	19%	3%
Energy		12%	59%	27%	2%		
Financials	43%	12%	26%	19%	1%		
Health Care	16%	13%	44%	23%		3%	1%
Industrials	1%	30%	43%	17%	2%	1%	3%
Technology		4%	24%	28%	3%	23%	2%
Materials		18%	65%	17%			
Real Estate	11%	6%	59%	24%			
Utilities		15%	31%	47%	8%		

Source: J.P. Morgan Equity Derivatives Strategy, Bloomberg Finance L.P.

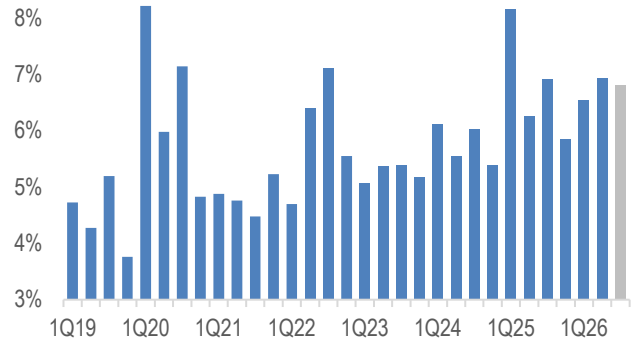
Options are pricing moderately above-average earnings volatility again this quarter. Across our universe (Russell 1000 names with liquid options that have yet to report), **implied moves are elevated (~80th %ile versus history, Figure 4) and screen modestly rich vs. realized**, reflecting earnings uncertainty, high rates, geopolitical risk, and weaker sentiment around AI. The average option implied earnings day move is 6.8% vs. a 6.6% average realized move over the last 3 years and 6.7% average realized move (Figure 3). Sector-wise, implied moves look rich (vs 3Y realized history) in Utilities, Energy, and Materials, and but cheap in Staples and Communication Services.

Figure 3: Breakdown of average implied and historical earnings moves by sector

Average Earnings Day Move			
Sector	Implied	3Y Realized	Last Q Realized
Communication Services	7.7%	8.3%	8.6%
Consumer Discretionary	7.3%	7.0%	7.2%
Consumer Staples	4.8%	5.5%	5.6%
Energy	3.9%	3.2%	3.7%
Financials	5.4%	5.0%	4.3%
Health Care	6.3%	6.4%	6.6%
Industrials	6.9%	6.7%	6.4%
Information Technology	9.4%	9.2%	9.9%
Materials	5.2%	4.6%	4.1%
Real Estate	3.8%	3.7%	4.0%
Utilities	4.7%	3.4%	3.4%
All Sectors	6.8%	6.6%	6.7%

Source: J.P. Morgan Equity Derivatives Strategy.

Figure 4: Average implied earnings-day move by quarter

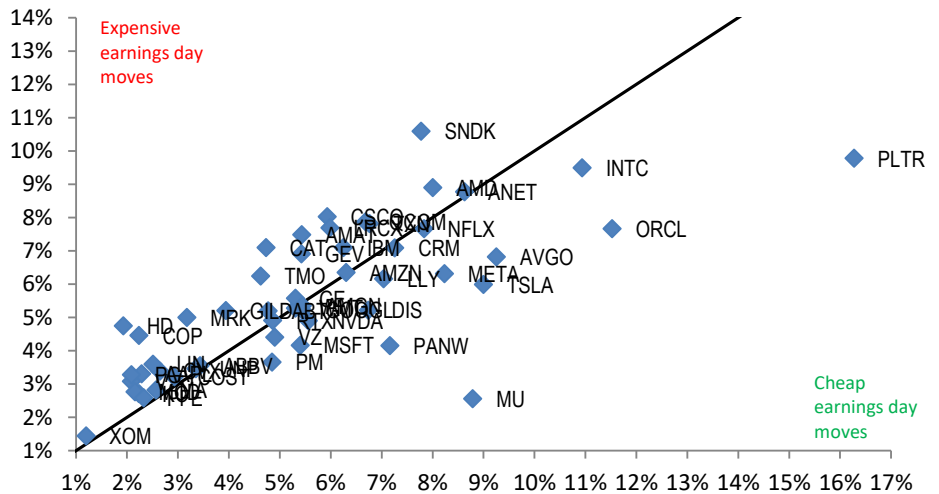


Source: J.P. Morgan Equity Derivatives Strategy.

Using the volatility term structure for a particular stock, we can estimate how much the options market is implying the stock will move on the day of its earnings announcement. We compare this “implied earnings day move” to the average earnings day move that the stock has historically delivered. Figure 5 plots the implied vs. historical earnings day moves for the top ~60 S&P 500 members. Names above the diagonal have a rich implied move compared with what the stock has delivered on past earnings days, and names below the diagonal are cheap relative to history.

Figure 5: Current implied versus historical average realized earnings-day moves

Y-axis: Implied earnings day move; X-axis: 3Y average realized earnings day move



Source: J.P. Morgan Equity Derivatives Strategy.

Options Trades into Q3 Earnings

Last week, markets rotated sharply as the AI complex came under pressure. Neoclouds sold off on concerns around leverage in a higher-rate backdrop (e.g. CRWV fell 25% on the week), while semis dropped ~10% as investors reassessed the durability of capex expectations. In this tape, trading semis and upstream AI is particularly challenging: implied volatility is elevated, sentiment is fragile, and timing risk is high – investors can easily get caught trying to “catch a falling knife.” Into earnings, we therefore focus on segments with stronger fundamental support and clearer catalysts, positioned to benefit from improving breadth and rotation flows, including higher-quality AI exposures.

Trading a strong consumer

The US consumer remains resilient. US Chase credit card data show total consumer spending in September grew 6.6% y/y (Figure 6), putting 3Q-to-date growth ~70bps above 2Q (see [here](#)). Discretionary spending (which strips out gasoline inflation, among other items) was similarly strong: +6.7% y/y in September, accelerating from 2Q's +5.3%.

This **strength is broad-based across income cohorts**. Upper-income spending accelerated to 8.2% y/y, vs. 8.8% for middle income and 7.1% for low-income consumers¹. Recent large-cap bank commentary aligns with this backdrop: Wells Fargo's CEO said on the Q3 [earnings call](#) that “the consumer remains one of the economy's most important sources of resilience” and that “consumer credit remains strong”, while Citi's CFO [noted](#) “we continue to see strong consumer credit performance” and that “whilst much has been made of the AI boom, the consumer is still driving much of the growth.”

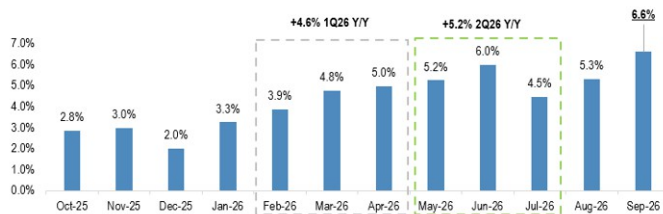
Our retail analysts highlight two key supports:

1. **Wealth effects:** US households have seen ~\$80Tr of net wealth creation since 2019. In 2Q26, household net worth rose ~7% q/q, with more than half coming from equity gains (see [here](#)).
2. **Cash buffers:** Consumers are sitting on ~\$8Tr more cash than in 2019, with US checking accounts having quadrupled since 2019 to ~\$6.3Tr.

With equities near all-time highs and cash balances still elevated, both factors should continue to support consumer spending.

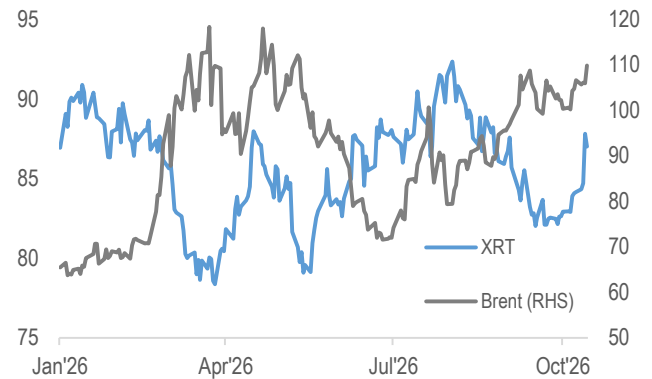
1. Note income cohort data is gathered on a subset of the total, so the average of their growth rates differs from the quoted total growth rate

Figure 6: Total US consumer spending y/y growth from Chase credit card data



Source: JPMorgan Chase Bank, NA, JPMC Index File 2.0, select Chase credit and debit card transaction data. See [here](#) for disclaimers and methodology.

Figure 7: Retail stocks have sold off on higher oil prices



Source: J.P. Morgan Equity Derivatives Strategy, Bloomberg Finance L.P.

Retail stocks have sold off from August highs alongside higher oil prices (Figure 7), reflecting concerns that higher gas prices could crowd out discretionary spending. However, our retail analysts [note](#) that the current gas-price move is similar to June's, when Chase credit card spending grew 6.4% y/y and discretionary spending showed no discernible volatility across their coverage universe. One reason may be that **gasoline is now only ~2.5% of disposable income, the lowest share in ~65 years**. Combined with lower inflation-adjusted gas prices versus prior peaks, this helps explain the resilience in spending.

Retail stock positioning also looks light. According to our Positioning Intelligence team, hedge fund positioning in the segment is in the ~1st %ile over the past year and 33rd %ile since 2018. With retail stocks down ~9% from YTD highs, positioning low, and the consumer backdrop firm, we favor tilting for upside in consumer-related stocks into the Q3 earnings season.

Buy XRT call spreads

A simple macro implementation is to buy upside in XRT (S&P Retail ETF). XRT is equal-weighted and provides broad exposure across the Discretionary Retail (~58%), Staples Retail (~24%), and E-Commerce Discretionary (~12%) industry groups. XRT implied **volatility is near 2-year lows** (Figure 8), and skew is near its flattest levels in 2 years (Figure 9) - an attractive setup to enter long call spreads. We recommend:

- **Buy XRT 27-Nov-2026 expiry 105%-112.5% call spreads** for ~1.1%, indicatively (~6.6x max leverage). This expiry captures ~70% of Q3 earnings for XRT, by which point trends for the quarter should be evident. For investors looking to capture the remainder of the earnings season, a Dec'26 structure costs ~1.4%, indicatively (~5.2x max leverage).

Figure 8: Implied volatility on XRT is near 2 year lows...

3M XRT ATM implied volatility



Source: J.P. Morgan Equity Derivatives Strategy

Figure 9: ...while skew is also near the lows

3M XRT 25-delta skew (%)



Source: J.P. Morgan Equity Derivatives Strategy

JP2RTL basket options

An alternative expression references our custom J.P.Morgan Retail Basket (*JP2RTL Index*)², which offers broader industry exposure than XRT (Figure 10). For example, the basket has ~31% weight in Textiles Apparel and Luxury Goods vs 0% in XRT, while XRT is more concentrated in Specialty Retail (62%) and Consumer Staples Distribution (22%). JP2RTL also includes several large cap consumer names not in XRT (e.g. HD, LOW, NKE, LULU), and it excludes AMZN, which has meaningful non-consumer drivers (e.g. AI/Cloud). The basket is equal-weighted (similar to XRT). We recommend:

- **Buy JP2RTL Dec'26 107.5%-117.5% call spreads** for 2.0%, indicatively (~5x max payout)

Figure 10: JP2RTL has broader industry exposure than XRT

GICS Industry	JP2RTL	XRT
Textiles Apparel And Luxury Goods	31%	0%
Specialty Retail	44%	62%
Consumer Staples Distribution	9%	22%
Broadline Retail	7%	16%
Leisure Products	5%	0%

Source: J.P. Morgan Equity Derivatives Strategy.

Figure 11: Call spread buying candidates

Ordered by leverage on 30/10d call spread

Stock	Name	Earnings Date	Drawdown	Earnings implied move	3Y average realized move	Dec'26 30/10d call spread premium	Leverage	30 delta strike	10 delta strike
RH	RH	12/11	-49%	12.9%	14.3%	3.6%	8.2	121%	151%
LULU	Lululemon	12/11	-54%	10.8%	11.2%	2.9%	7.9	116%	138%
CVNA	Carvana	10/28	-37%	14.0%	14.3%	3.6%	7.7	121%	149%
BURL	Burlington Stores	11/25	-28%	7.5%	8.6%	2.6%	7.6	114%	133%
HSY	Hershey	10/29	-29%	1.4%	2.8%	1.6%	7.2	107%	118%
TSLA	Tesla	10/21	-26%	6.0%	9.0%	2.4%	7.1	112%	129%
F	Ford Motor	10/28	-29%	4.6%	6.3%	2.0%	7.1	109%	123%
KR	Kroger	12/4	-17%	3.5%	4.7%	1.8%	7.1	108%	121%

Source: J.P. Morgan Equity Derivatives Strategy, Bloomberg Finance L.P.

Call buying candidates (single-name)

A third approach is to target single stocks that are down materially from their highs, with relatively cheap earnings volatility and attractive call-spread leverage. Several names screen well on entry level (e.g. LULU -54% drawdown, RH -49%, etc).

We screen for call-spread candidates (Figure 11) with the following characteristics:

- Membership in one of: 1) S&P Retail Select Industry Index, 2) JP2RTL Index, 3)

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XLY, 4) XLP

- The stock is down >10% from its 52wk high
- Implied earnings move is below the average realized earnings-day move over the last 3Y
- A Dec'26 30-delta/10-delta call spread offers >7x leverage
- >\$20Mn options notional ADV

Buy worst-of-calls on hyperscalers driven by cloud strength and rotation into Quality AI

Beyond the targeted hyperscaler earnings expression via the AMZN trade (see below), worst-of calls offer a more levered way to position for upside in cloud while the broader AI complex faces a sentiment overhang. Our analysts remain constructive on hyperscaler cloud fundamentals (AMZN, GOOGL, MSFT) and continue to expect acceleration in these businesses. That raises the probability of a post-earnings bounce driven by cloud beats and raises:

- **AMZN (OW, PT \$365):** See rationale in the AMZN trade below
- **GOOGL (OW, PT \$425):** GOOGL remains our Internet analysts' fourth top pick. They [raised](#) Google Cloud growth estimates to +100% y/y in 3Q and +105% y/y in 4Q, now incorporating a contribution from TPU hardware sales that could prove conservative. They continue to believe Google has all the critical pieces to lead in AI via a full-stack offering: first-party silicon and chips, a return to frontier models, strong Cloud momentum, deep data advantages, and broad distribution (five products with >3Bn users and 14 products with >1Bn users).
- **MSFT (OW, PT \$625):** Our software analysts remain [constructive](#) into earnings. Channel checks point to another robust quarter of Copilot seat adds that could match or exceed last quarter's ~10Mn, reinforcing durable demand and a continued monetization runway. They also expect management to reiterate M365 Commercial Cloud acceleration through FY27. On Azure, they expect results to land ahead of the 43-44% y/y growth framework, with guidance supporting continued acceleration, underpinned by strong execution and sustained investment to meet demand.

In addition, an earnings-driven move could be amplified by rotation within the broader AI ecosystem. If exposed AI upstream names (e.g. neoclouds, memory, and tech hardware) continue to be punished in a risk-off environment, investors who still want AI exposure may rotate toward more defensive "Quality AI" exposures – namely the hyperscalers, which generally have cleaner balance sheets.

- **Buy Dec'26 105% worst-of calls on [AMZN, GOOGL, MSFT]** for ~1.0%, indicatively (~65% discount to the cheapest vanilla)

Single Stock Trades

Buy AMZN call spreads to position into an expected earnings beat driven by AWS momentum

Amazon (AMZN) delivered a [strong](#) 2Q print, highlighted by sharp AWS acceleration and overall OI upside. The stock jumped ~15% on the release, moving above \$280 per share, and then traded sideways for the remainder of the quarter as positioning in AMZN (and hyperscalers more broadly, ex-META) stayed muted. Attention shifted toward higher-beta AI exposures (particularly upstream AI names), while some investors have also focused on concerns that agentic AI could disintermediate the e-

commerce business, posing risks to the high-margin retail media advertising business.

Into 3Q earnings, the setup looks supportive across both of Amazon's key businesses. On the consumer side, trends appear resilient based on Chase card data (noted above). In cloud, conditions remain constructive; AI adoption continues to rise, backlog demand from AI labs remains strong, and incremental capacity is coming online into what still looks like a supply-constrained environment. JPM's estimates for the hyperscaler cloud group (MSFT, GOOGL, AMZN) point to further acceleration in 3Q.

Ahead of the print (10/29 post-mkt), our internet analysts (Doug Anmuth and team) [raised](#) their AWS growth expectations. They model AWS accelerating to roughly 40% growth in 2027 and look for 3Q AWS growth to move into the low 40s, which they note could still prove conservative. They see upside drivers including scaling the OpenAI partnership, deploying an incremental ~2 million GPUs over 2027-2028, and continued pricing power. AWS recently announced a 15% increase to GPU reserved pricing starting 10/7, marking its fourth consecutive quarterly price increase for reserved AI compute capacity across GPU classes, with pricing up roughly 40%-75% YTD. They maintain a \$365 price target (46% upside) for Dec'27.

In a tape where sentiment has periodically disconnected fundamentals from price action, AMZN is our preferred AI earnings setup: cleaner positioning and fewer concerns around the frontier AI race or funding constraints from the credit backdrop keep focus on the potential for a beat-and-raise. That said, sentiment-driven volatility post-release could persist and still leave AMZN range-bound.

AMZN options imply a 6.4% earnings move, in line with its average realized earnings move of 6.3% over the past three years. We like owning call spreads into the print as a nimble way to position for upside on earnings.

- **Buy AMZN 30-Oct-26 270-285 call spreads** for \$2.11 (~0.8% of notional), indicatively (7.1x max leverage, 249.45 ref price)

Buy HWM calls on an expected earnings beat and sentiment reversal

Howmet Aerospace (HWM) is down ~25% after a "shoot first, aim later" sell-off sparked by three sentiment shocks over the past two months (Figure 12):

- On 8/31, SpaceX (SPCX) [announced](#) plans to develop turbine blades in-house, and HWM traded down ~8%
- Next, on 9/8, HWM fell another ~11% after GE Aerospace (one of HWM's largest customers) [announced](#) its acquisition of Consolidated Precision Products (CPP), a competitor to HWM.
- Broader aerospace sentiment weakened on concerns that "higher for longer" oil prices could slow air traffic growth, potentially reducing maintenance demand on older aircraft and accelerating retirements as new deliveries ramp. This could ultimately impact spares activity for HWM, though HWM appears less exposed than many of its peers given its ability to earn across both new builds and maintenance, and the new-engine production ramp should continue even if air traffic moderates.

Our Aerospace & Defense analysts (Seth Seifman and team) are [overweight](#) HWM with a \$350 price target for Dec'27 (58% upside). They see scope for estimates to move higher this quarter (10/29 pre-mkt release) and expect management to remain confident in the outlook for durable Aero and Industrial Gas Turbine (IGT) growth.

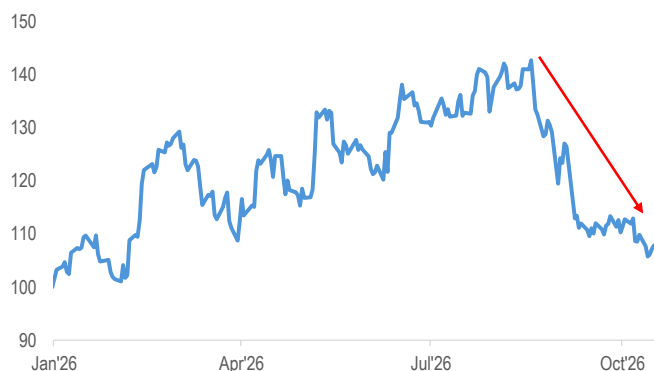
Our analysts view the recent sell-off as unwarranted and believe the market is overreacting to both the SpaceX and GE headlines. In IGT, power remains a key constraint on the AI compute buildout, implying turbine-blade demand should increase overall; meanwhile, our analysts [believe](#) SpaceX does not intend to provide power or IGT equipment to third parties. In Aero, GE's upgrades to CPP will take years to implement and its capabilities should still lag those of HWM, which will continue to invest. At the same time, a growing fleet of new generation engines mean the overall market should continue growing for HWM.

HWM options imply a 4.9% earnings move, which screens cheap vs. its average realized earnings move of 6.8% over the past three years. We favor owning outright calls to position for a rebound if an earnings beat reverses recent sentiment and refocuses investors on fundamentals.

- **Buy HWM Nov'26 240 calls** for \$4.60 (~2.1% of notional), indicatively (220.96 ref price)

Figure 12: HWM gains erased on three sentiment shocks

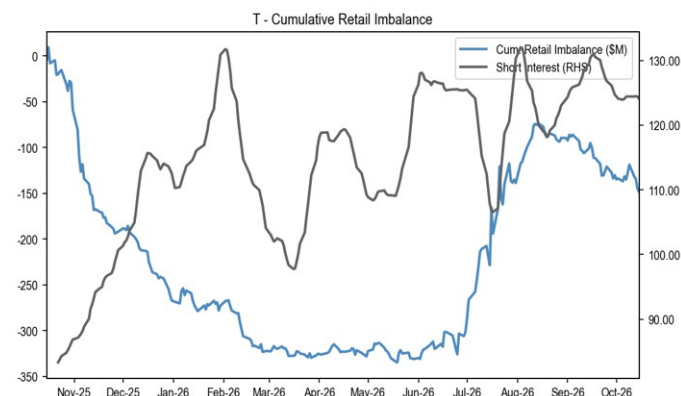
Price Action YTD



Source: J.P. Morgan Equity Derivatives Strategy, Bloomberg Finance L.P.

Figure 13: Short interest remains elevated in T

Short Interest and Retail Imbalance



Source: J.P. Morgan Equity Strategy & Quantitative Research, S3 Partners

Buy T calls on improving sentiment following an earnings beat driven by continued share gains

AT&T (T) stock has had a bumpy year. The Street entered the year optimistic, pushing T to near multi-year highs (~\$29/sh) on strong fundamentals and continued share gains. Sentiment then deteriorated on concerns that SpaceX (SPCX) could enter wireless via Starlink and pressure the “big three”, driving T shares down roughly 20% on disruption fears.

More recently, sentiment took another hit after SPCX [announced](#) the acquisition of low-band spectrum assets from Grain Management, reinforcing its commitment to building a terrestrial network and adding a broader coverage layer. There are also concerns that SPCX could bid up spectrum prices at upcoming auctions, though SPCX likely has higher near-term cash priorities tied to its AI buildout. T appears best positioned on spectrum, given its recent secondary-market purchases from Echostar.

Our telecom analysts (Sebastiano Petti and team) have T as a conviction pick this year. The stock is on the JPM Analyst Focus list with a \$33 price target (41% upside). They view fears around SPCX as overblown and [expect](#) strong 3Q results (10/21 pre-mkt), driven by persistent share gains, increased penetration in the Lumen footprint (acquired

Feb'26), and improving convergence trends. They raised their 3Q fiber net adds estimate to 390K (from 375K), citing accelerating convergence momentum driven by value-segment share gains (broader offers) and the Lumen footprint (capturing pent-up demand). They expect Fiber net adds to accelerate further in 4Q as T advances its build engine and continues to penetrate the Lumen footprint. They maintain their 3Q postpaid phone net adds estimate of 430K and wireless service revenue of \$17.65B (+4.3% y/y), and they expect wireless service revenue growth above management's 3.3% guide.

T options imply a 3.4% earnings move, in line with its average realized earnings move of 3.3% over the past three years. Short interest remains elevated (~1.8% of float, Figure 13) alongside retail buying, which could amplify upside on a positive print. We favor owning short-dated calls into earnings to position for an outsized move, driven by a beat-and-raise that eases recent negative sentiment.

- **Buy T 23-Oct-26 24 calls** for \$0.31 (~1.3% of notional), indicatively (23.44 ref price)

Cheap/Rich Stock Volatilities into Q3 Earnings

In Table 1 we screen for names that appear attractive to own volatility (be long options) into their reporting dates, as they satisfy the following criteria:

- Option implied earnings day move is at least 1.5 percentage points below the average move delivered by the name on earnings days over the last 3 years
- 3M ATM implied to EWMA (exponentially weighted moving average) realized volatility ratio is less than 105% (vs. a cross-sectional average of 112%), so volatility is inexpensive relative to recent carry
- Average daily options notional volume exceeds \$25Mn per day over the last month

Table 1: Attractive long volatility names into earnings (sorted by implied-historical earnings move)

Ticker	Name	Sector	Earnings Date	Implied Move	Historic Move (3Y Avg)	Implied - Historic Earnings Move	3M Implied/ EWMA Realized Vol	ATM Implied Vol*
ASTS	AST Spacemobile	Comm. Services	11/10/2026	10.0%	18.9%	-8.9%	92%	91.6%
P	Everpure	Technology	11/18/2026	6.7%	15.5%	-8.9%	98%	74.3%
LW	Lamb Weston	Consumer Staples	12/18/2026	4.7%	11.7%	-7.0%	94%	35.5%
DELL	Dell	Technology	11/25/2026	6.8%	13.6%	-6.8%	84%	66.2%
PLTR	Palantir	Technology	11/2/2026	9.8%	16.3%	-6.5%	96%	58.7%
MU	Micron	Technology	12/17/2026	2.6%	8.8%	-6.2%	77%	50.0%
MRVL	Marvell	Technology	12/2/2026	6.1%	11.9%	-5.8%	83%	63.1%
VEEV	Veeva	Health Care	11/20/2026	2.5%	7.9%	-5.3%	105%	45.7%
MDB	MongoDB	Technology	12/1/2026	12.9%	18.0%	-5.1%	88%	70.7%
CRDO	Credo Technology	Technology	12/1/2026	10.3%	15.0%	-4.6%	89%	82.7%
ORCL	Oracle	Technology	12/10/2026	7.7%	11.5%	-3.9%	100%	60.1%
HUM	Humana	Health Care	11/6/2026	2.8%	6.2%	-3.4%	102%	46.8%
TSLA	Tesla	Cons. Discretionary	10/21/2026	6.0%	9.0%	-3.0%	98%	44.1%
PANW	Palo Alto	Technology	11/19/2026	4.2%	7.2%	-3.0%	94%	54.7%
FDS	Factset	Financials	12/18/2026	2.3%	5.2%	-2.9%	95%	44.6%
CELH	Celsius	Consumer Staples	11/6/2026	8.8%	11.3%	-2.5%	101%	61.8%
WDAY	Workday	Technology	11/25/2026	5.2%	7.6%	-2.5%	92%	48.1%
NEM	Newmont	Materials	10/22/2026	4.1%	6.5%	-2.4%	96%	40.2%
HL	Hecla Mining	Materials	11/5/2026	6.4%	8.5%	-2.2%	91%	57.7%
META	Meta	Comm. Services	10/21/2026	6.3%	8.2%	-1.9%	85%	42.0%
JBL	Jabil	Technology	12/17/2026	5.8%	7.7%	-1.9%	95%	50.3%
PAYX	Paychex	Industrials	12/18/2026	2.4%	4.2%	-1.8%	86%	31.0%
CRCL	Circle Internet	Technology	11/4/2026	11.2%	13.0%	-1.8%	89%	78.2%
UTHR	United Therapeutics	Health Care	10/29/2026	3.8%	5.4%	-1.7%	80%	35.7%

Source: J.P. Morgan Equity Derivatives Strategy, Bloomberg Finance L.P. Data as of Oct 15, 2026 close. * For the expiry immediately following the company's earnings date.

Meanwhile, the names in Table 2 screen as attractive to sell volatility (be short options) into their reporting date, as they satisfy the following criteria:

- Option implied earnings day move is at least 1.5 percentage points greater than the average move delivered by the name on earnings days over the last 3 years
- 3M ATM implied to EWMA realized volatility ratio is greater than 115% (vs. a cross-sectional average of 112%), so volatility is expensive relative to recent carry
- Average daily options notional volume exceeds \$25Mn per day over the last month

Table 2: Attractive short volatility names into earnings (sorted by implied-historical earnings move)

Ticker	Name	Sector	Earnings Date	Implied Move	Historic Move (3Y Avg)	Implied - Historic Earnings Move	3M Implied/ EWMA Realized Vol	ATM Implied Vol*
ALB	Albemarle	Materials	11/4/2026	8.4%	3.2%	5.2%	126%	55.2%
BSX	Boston Scientific	Health Care	10/28/2026	7.7%	4.3%	3.4%	129%	46.4%
MCHP	Microchip Technology	Technology	11/5/2026	8.0%	4.6%	3.3%	118%	58.9%
APO	Apollo	Financials	11/3/2026	7.0%	3.7%	3.3%	130%	43.4%
MSGS	Madison Square Garden	Comm. Services	10/30/2026	6.0%	2.8%	3.1%	130%	31.1%
DKNG	Draftkings	Cons. Discretionary	11/6/2026	9.9%	6.8%	3.1%	122%	67.2%
CNC	Centene	Health Care	10/27/2026	8.2%	5.5%	2.7%	127%	48.9%
FFIV	F5	Technology	10/27/2026	9.0%	6.5%	2.5%	128%	51.5%
LOW	Lowe's	Cons. Discretionary	11/18/2026	4.7%	2.4%	2.3%	122%	35.5%
PSX	Phillips 66	Energy	10/28/2026	5.0%	2.8%	2.2%	138%	45.7%
EQT	EQT	Energy	10/27/2026	5.0%	2.9%	2.1%	116%	33.3%
WELL	Welltower	Real Estate	10/26/2026	4.6%	2.7%	1.9%	126%	28.0%
AS	Amer Sports	Cons. Discretionary	11/17/2026	8.5%	6.6%	1.9%	127%	52.1%
MPC	Marathon Petroleum	Energy	11/3/2026	6.3%	4.4%	1.9%	136%	53.9%
VLO	Valero Energy	Energy	10/22/2026	4.5%	2.6%	1.9%	136%	54.1%
DOW	Dow	Materials	10/22/2026	6.1%	4.3%	1.8%	123%	41.6%
FIX	Comfort Systems	Industrials	10/23/2026	11.1%	9.4%	1.7%	116%	71.2%
SBUX	Starbucks	Cons. Discretionary	10/29/2026	6.2%	4.6%	1.6%	125%	33.8%
TMO	Thermo Fisher	Health Care	10/21/2026	6.2%	4.6%	1.6%	117%	38.5%
UBER	Uber	Industrials	11/4/2026	6.9%	5.4%	1.6%	119%	42.2%

Source: J.P. Morgan Equity Derivatives Strategy, Bloomberg Finance L.P. Data as of Oct 15, 2026 close. * For the expiry immediately following the company's earnings date.

Calculating the implied earnings day move

We assume that the market prices implied volatility with one day of excess volatility on the earnings announcement day, and all other days with a lower “background” volatility. We use two potential indicators of what the “background” volatility of a stock may be, excluding the earnings day itself:

1. The forward-starting implied volatility between the 2 option expiries falling directly after the earnings announcement, or
2. The implied volatility of the option expiry that falls *prior* to the earnings announcement day.

Having estimated the background implied volatility, we can estimate the excess volatility for the earnings announcement day that is implied by the volatility term structure. We convert this excess volatility into an “expected earnings-day move.” This figure can then be compared to the size of stock moves on previous earnings announcement days, in order to highlight potential opportunities. Note that we include an additional constraint that the earnings day move should never be less than the estimated “background” volatility.

Please note that there are important considerations when trading earnings-day moves, including other potential sources of excess volatility (such as M&A activity, economic data flow, product announcements, etc.) that may also explain the premium of actual implied volatility to background volatility estimates.

Index Volatility, Term Structure and Skew

S&P 500	Level	1D Chg	2W Chg	Chg YTD
Index	7,659	-1.1%	-0.1%	11.9%
VIX	20.0	3.5	3.6	5.0
Implied vol 3M	15.0%	0.9	0.5	0.7
Implied vol 1Y	18.0%	0.4	0.2	0.3
Historic vol 1M	10.5%	0.8	0.1	-2.5
Skew 90/100 3M	7.6%	0.5	0.9	0.9
Skew 90/100 1Y	3.5%	0.1	0.1	-0.2

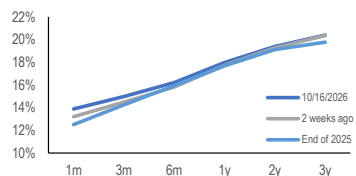
NASDAQ 100	Level	1D Chg	2W Chg	Chg YTD
Index	29,188	-2.5%	-4.3%	15.6%
Implied vol 3M	21.5%	1.4	0.9	2.8
Implied vol 1Y	23.2%	0.5	-0.2	1.3
Historic vol 1M	18.6%	2.2	3.3	0.9
Skew 90/100 3M	5.8%	0.6	0.9	0.2
Skew 90/100 1Y	2.6%	0.1	0.3	-0.2

EEM	Level	1D Chg	2W Chg	Chg YTD
Index	62.9	-1.7%	-5.9%	14.9%
Implied vol 3M	24.1%	1.1	0.1	8.5
Implied vol 1Y	24.9%	0.0	-0.3	6.9
Historic vol 1M	12.2%	-8.2	-10.2	-8.0
Skew 90/100 3M	3.5%	0.0	-0.1	-1.0
Skew 90/100 1Y	1.9%	0.0	0.1	-0.2

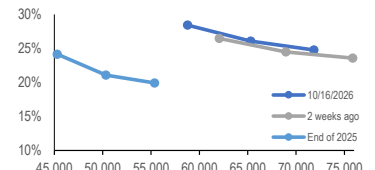
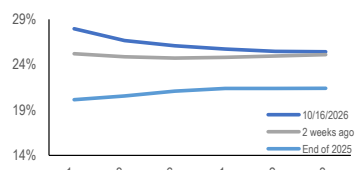
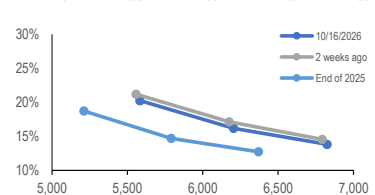
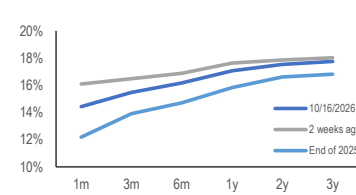
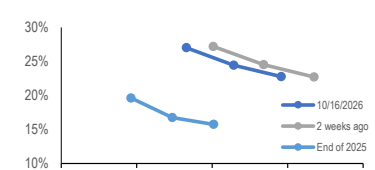
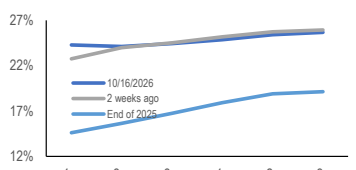
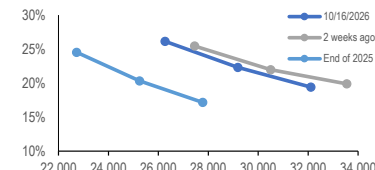
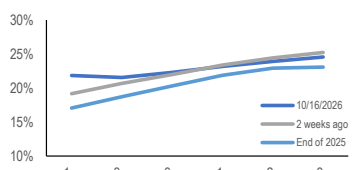
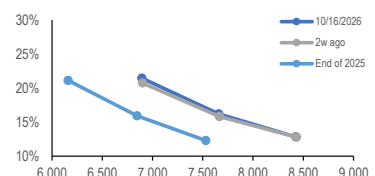
Euro STOXX 50	Level	1D Chg	2W Chg	Chg YTD
Index	6,204	0.6%	0.5%	7.1%
VSTOXX	17.2	-0.1	-0.1	0.2
Implied vol 3M	15.5%	-0.6	-1.5	1.6
Implied vol 1Y	17.1%	-0.4	-0.7	1.2
Historic vol 1M	12.2%	-0.7	-1.5	-0.4
Skew 90/100 3M	5.6%	-0.1	0.1	0.0
Skew 90/100 1Y	2.8%	0.0	0.0	-0.1

Nikkei 225	Level	1D Chg	2W Chg	Chg YTD
Index	65,324	1.4%	-4.4%	29.8%
Implied vol 3M	26.7%	-0.9	2.1	6.1
Implied vol 1Y	25.7%	-0.4	1.1	4.4
Historic vol 1M	28.1%	0.2	4.8	15.0
Skew 90/100 3M	3.6%	-0.1	0.7	-0.9
Skew 90/100 1Y	1.6%	0.0	0.1	-0.5

Term Structure



6m Skew vs Price



Source: J.P. Morgan Equity Derivatives Strategy.

Risks of Common Option Strategies

Risks to Strategies: Not all option strategies are suitable for investors; certain strategies may expose investors to significant potential losses. We have summarized the risks of selected derivative strategies. For additional risk information, please call your sales representative for a copy of "Characteristics and Risks of Standardized Options." We advise investors to consult their tax advisors and legal counsel about the tax implications of these strategies. Please also refer to option risk disclosure documents.

Put Sale: Investors who sell put options will own the underlying asset if the asset's price falls below the strike price of the put option. Investors, therefore, will be exposed to any decline in the underlying asset's price below the strike potentially to zero, and they will not participate in any price appreciation in the underlying asset if the option expires unexercised.

Call Sale: Investors who sell uncovered call options have exposure on the upside that is theoretically unlimited.

Call Overwrite or Buywrite: Investors who sell call options against a long position in the underlying asset give up any appreciation in the underlying asset's price above the strike price of the call option, and they remain exposed to the downside of the underlying asset in the return for the receipt of the option premium.

Booster : In a sell-off, the maximum realized downside potential of a double-up booster is the net premium paid. In a rally, option losses are potentially unlimited as the investor is net short a call. When overlaid onto a long position in the underlying asset, upside losses are capped (as for a covered call), but downside losses are not.

Collar: Locks in the amount that can be realized at maturity to a range defined by the put and call strike. If the collar is not costless, investors risk losing 100% of the premium paid. Since investors are selling a call option, they give up any price appreciation in the underlying asset above the strike price of the call option.

Call Purchase: Options are a decaying asset, and investors risk losing 100% of the premium paid if the underlying asset's price is below the strike price of the call option.

Put Purchase: Options are a decaying asset, and investors risk losing 100% of the premium paid if the underlying asset's price is above the strike price of the put option.

Straddle or Strangle: The seller of a straddle or strangle is exposed to increases in the underlying asset's price above the call strike and declines in the underlying asset's price below the put strike. Since exposure on the upside is theoretically unlimited, investors who also own the underlying asset would have limited losses should the underlying asset rally. Covered writers are exposed to declines in the underlying asset position as well as any additional exposure should the underlying asset decline below the strike price of the put option. Having sold a covered call option, the investor gives up all appreciation in the underlying asset above the strike price of the call option.

Put Spread: The buyer of a put spread risks losing 100% of the premium paid. The buyer of higher-ratio put spread has unlimited downside below the lower strike (down to zero), dependent on the number of lower-struck puts sold. The maximum gain is limited to the spread between the two put strikes, when the underlying is at the lower strike. Investors who own the underlying asset will have downside protection between the higher-strike put and the lower-strike put. However, should the underlying asset's price fall below the strike price of the lower-strike put, investors regain exposure to the underlying asset, and this exposure is multiplied by the number of puts sold.

Call Spread: The buyer risks losing 100% of the premium paid. The gain is limited to the spread between the two strike prices. The seller of a call spread risks losing an amount equal to the spread between the two call strikes less the net premium received. By selling a covered call spread, the investor remains exposed to the downside of the underlying asset and gives up the spread between the two call strikes should the underlying asset rally.

Butterfly Spread: A butterfly spread consists of two spreads established simultaneously – one a bull spread and the other a bear spread. The resulting position is neutral, that is, the investor will profit if the underlying is stable. Butterfly spreads are established at a net debit. The maximum profit will occur at the middle strike price; the maximum loss is the net debit.

Pricing Is Illustrative Only: Prices quoted in the above trade ideas are our estimate of current market levels, and are not indicative trading levels.

Companies Discussed in This Report (all prices in this report as of market close on 16 October 2026, unless otherwise indicated)

AT&T(T/\$23.44/OW), Alphabet(GOOG/\$336.91/OW), Amazon.com(AMZN/\$250.00/OW), Howmet Aerospace(HWM/\$220.96/OW), Microsoft(MSFT/\$529.05/OW)

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Alphabet (GOOG, GOOG US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 28, 2004. All share prices are as of market close on the previous business day.

Date	Rating	Price (\$)	Price Target (\$)
13-Dec-23	OW	133.64	160
31-Jan-24	OW	153.05	165
26-Apr-24	OW	157.95	200
24-Jul-24	OW	183.60	208
30-Oct-24	OW	171.14	212
18-Dec-24	OW	197.12	232
05-Feb-25	OW	207.71	220
08-Apr-25	OW	149.24	180
25-Apr-25	OW	161.47	195
11-Jul-25	OW	178.70	200
24-Jul-25	OW	191.51	232
03-Sep-25	OW	211.99	260
27-Oct-25	OW	260.51	300
30-Oct-25	OW	275.17	340
12-Dec-25	OW	313.70	385
05-Feb-26	OW	333.34	395
30-Apr-26	OW	347.31	460
23-Jul-26	OW	341.91	420
15-Oct-26	OW	343.65	425

Amazon.com (AMZN, AMZN US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Dec 09, 1999. All share prices are as of market close on the previous business day.

Date	Rating	Price (\$)	Price Target (\$)
27-Oct-23	OW	119.57	190
02-Feb-24	OW	159.28	225
01-May-24	OW	175.00	240
02-Aug-24	OW	184.07	230
01-Nov-24	OW	186.40	250
18-Dec-24	OW	231.15	280
07-Feb-25	OW	238.83	270
08-Apr-25	OW	175.26	220
02-May-25	OW	190.20	225
04-Jun-25	OW	205.71	240
11-Jul-25	OW	222.26	255
01-Aug-25	OW	234.11	265
31-Oct-25	OW	222.86	305
06-Feb-26	OW	222.69	265
24-Mar-26	OW	210.14	280
30-Apr-26	OW	263.04	330
31-Jul-26	OW	235.50	365

AT&T (T, T US) Price Chart



Date	Rating	Price (\$)	Price Target (\$)
19-Oct-23	N	14.32	18
01-Feb-24	OW	17.69	21
25-Jul-24	OW	19.16	24
23-Oct-24	OW	21.50	25
04-Dec-24	OW	23.74	28
23-Apr-25	OW	26.96	31
24-Jul-25	OW	27.75	33

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 08, 2000. All share prices are as of market close on the previous business day.

Howmet Aerospace (HWM, HWM US) Price Chart



Date	Rating	Price (\$)	Price Target (\$)
05-Nov-23	OW	47.98	54
20-Dec-23	OW	53.65	55
13-Feb-24	OW	58.83	60
06-May-24	OW	78.89	83
30-Jul-24	OW	82.85	105
07-Nov-24	OW	114.86	125
13-Feb-25	OW	128.09	130
08-May-25	OW	157.12	150
03-Aug-25	OW	184.26	190
09-Nov-25	OW	206.66	227
18-Feb-26	OW	252.55	265
10-May-26	OW	270.56	310
09-Aug-26	OW	281.88	350

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Apr 18, 2017. All share prices are as of market close on the previous business day.

Microsoft (MSFT, MSFT US) Price Chart



Date	Rating	Price (\$)	Price Target (\$)
31-Jan-24	OW	408.59	440
26-Apr-24	OW	399.04	470
31-Oct-24	OW	432.53	465
01-May-25	OW	395.26	475
31-Jul-25	OW	513.24	565
30-Oct-25	OW	541.55	575
29-Jan-26	OW	481.63	550
13-Aug-26	OW	492.43	625

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Apr 22, 1998. All share prices are as of market close on the previous business day.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period. J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
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IB clients**	83%	81%	72%
JPMS Equity Research Coverage*	51%	37%	12%
IB clients**	95%	93%	88%

*Please note that the percentages may not add to 100% because of rounding.

**Percentage of subject companies within each of the "buy," "hold" and "sell" categories for which J.P. Morgan has provided investment banking services within the previous 12 months.

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