Palo Alto Returns 125% in a Week

On May 24, 2017, we highlighted two cyber security opportunities.

One was on the Pure Funds ISE Cyber Security ETF (HACK), which traded at just $30.30. It's now up to $30.67 – a small gain in about a week's time.

But it was our other highlight that has really taken off.

On that day, we also highlighted the Palo Alto (PANW) September 115 calls, which as of the May 24 publication, traded at $10.40. By June 1, 2017, it was as high as $23.45 a contract, as the underlying stock soared $21.50 a share in a day.

All on news of a strong quarter…

The company announced better than expected fiscal Q3 2017 results, exceeding guidance on the top and bottom lines, as new customers flocked to its next-gen security platform. Billings were up nearly 12% to $544.1 million. Revenue jumped nearly 25% to $431.8 million. Net income improved from a year ago loss of $64.1 million to $60.9 million.

Going forward, PANW expects revenue to be within a range of $481 million to $491 million, which is year over year growth of 20% to 23%. That could result in adjusted net income of 78 cents to 80 cents.

As for the next hot opportunity, look no further than Donald Trump's decision to pull the U.S. out of the Paris climate change accord.

We've all known for quite some time that he didn't favor the deal.

In fact, Trump had been relatively consistent on many of the issues he has – and has not – favored. For example, traders have known for quite some time that he wanted to withdraw from the Paris climate deal. He viewed climate change as nothing more than a "hoax."

So it came as no real shock that he announced he could withdraw the U.S. from the deal.

Granted, a withdrawal wouldn't take immediate effect. In fact, according to the press at the time, one of two things could happen. One, he could initiate a full, formal withdrawal, which could take up to three years, or he could exit the United Nations climate change treaty.

To trade such news and its potential impact, traders could consider potentially shorting climate-change related stocks, like First Solar (FLSR) and Sun Power (SPWR), both of which pulled back slightly following Trump's announcement.

For example, traders have been buying the FSLR July 35 puts, which carry a delta of 0.2754. Another way to consider trading potential downside with an exit from the Paris accord would be to take a short position in the Guggenheim Solar ETF (TAN).

For some background, the accord was signed in 2015 by nearly 200 governments, which agreed to limit greenhouse emissions and move towards clean energy. The deal also promised new investment and support of renewables, like solar.

It’s just something to be well aware of as you trade over the next week.

In the meantime, congratulations to those of you that took part in the PANW September 115 calls we highlighted not long ago.