

The SectorTrends Newsletter

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This newsletter features short-term option picks. We use state-of-the-art mathematical models to scan 200,000+ options available in the market and select those with better chances to win.

Our option picking strategy fundamentally differs from those used by other online option services. We use a unique technique based on mathematical statistics to unveil the facts invisible at a glance. Our picks have better chances to win because they account for the following five factors:

1. Technical signals for the underlying stock
2. Technical trends of the corresponding industry/sector
3. Current stock strength in its sector
4. Current sector strength in the entire economy
5. Consistency with fundamentals

All professional money managers keep these factors in mind. However, it takes a long time to scan the market for all necessary inputs and compute the above parameters. Do you have this time? We do.

We take into consideration both technical analysis and option mathematics so that you can reduce risk and enhance return of your portfolio.

You will find three chapters:

- 1. Bullish Swings (with three picks featuring "buy call", "debit call spread" and "credit put spread" option strategies).**
- 2. Bearish Swings (with one pick featuring "buy put", "credit call spread" and "debit put spread" option strategies).**
- 3. Other Trading Strategies (buy/sell stock, naked put and sell covered call).**

We send entry/exit alerts for the following strategies: "buy call", "debit call spread", "credit put spread", "buy put", "credit call spread" and "debit put spread".

Please feel free to mailto: swings@optionsmart.com if you have questions about this newsletter and option trading in general.

DISCLAIMER: Information for the stock observations was obtained from sources believed to be reliable, but we do not warrant its completeness or accuracy, or warrant any results from the use of the information. Your use of the stock observations is entirely at your own risk and it is your sole responsibility to evaluate the accuracy, completeness and usefulness of the information. You must assess the risk of any trade with your broker and make your own independent decisions regarding any securities mentioned herein.

BULLISH PLAY

DIAMONDS Trust (DIA)



Stock Symbol	DIA		
Industry	Diamonds Trust		
	DIA	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	NA	NA	0.00
Price/Sales (ttm)	0.00	0.00	0.00
Price/Book (mrq)	0.00	0.00	0.00
EPS Revisions			
EPS Revisions Trend	NA	NA	NA
Analyst Opinion Change	NA	NA	NA
Growth Rates			
EPS - Next 5 Years	-	-	-
PEG	-	-	-
Profitability Ratios, %			
Gross Margin	-	-	-
Profit Margin	-	-	-
Operating Margin	-	-	-
Management Effectiveness, %			
Return on Assets	-	-	-
Return on Equity	-	-	-

Support/Resistance Levels		
	Support	Resistance
Short-term	122.5	125
Intermediate-term	120	128

Stock & Sector Trends		
	DIA	Sector
Short-term, based on 10-Day SMA	Down	Down
Intermediate-term, based on 50-Day SMA	Down	Down

Bullish factors	near-term support at 122.50, intermediate-term support at 120, intermediate & short-term bullish trend
Bearish factors	near-term resistance at 125, intermediate-term resistance at 128

"FIRST CHOICE" OPTION STRATEGIES:

BUY CALL

Stock Symbol	Last Stock Price	Expiration Month	Strike Price	Option Symbol	Recommended Entry Stock Price	Entry Call Option Price	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Price (Target Price)	Target Profit (per one contract)	Target Return
DIA	123.59	May-07	119.00	DAWEO	123.09	6.05	125.05	Unlimited	6.05	6.55	0.50	8.3%

BULLISH PUT SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Credit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Debit (Target Debit)	Target Profit (per one contract)	Target Return
DIA	123.59	May-07	119.00	DAWQO	122.00	DAWQR	123.09	0.60	121.40	0.60	2.40	0.40	0.20	8.3%

BULLISH CALL SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Debit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Credit (Target Credit)	Target Profit (per one contract)	Target Return
DIA	123.59	May-07	119.00	DAWEO	122.00	DAWER	123.09	2.40	121.40	0.60	2.40	2.80	0.40	16.7%

Halliburton Co. (HAL)



Stock Symbol	HAL		
Industry	Energy		
	HAL	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	14.69	18.28	13.62
Price/Sales (ttm)	1.41	3.56	2.18
Price/Book (mrq)	4.29	4.99	3.55
EPS Revisions			
EPS Revisions Trend	Down	-	-
Analyst Opinion Change	None	-	-
Growth Rates			
EPS - Next 5 Years	13.0%	13.8%	13.3%
PEG	1.59	1.27	1.49
Profitability Ratios, %			
Gross Margin	17.10	34.17	37.95
Profit Margin	10.21	19.77	14.82
Operating Margin	15.43	25.45	22.58
Management Effectiveness, %			
Return on Assets	14.47	15.36	14.05
Return on Equity	33.05	29.43	28.35

Support/Resistance Levels		
	Support	Resistance
Short-term	31	32.5
Intermediate-term	28	34

Stock & Sector Trends		
	HAL	Sector
Short-term, based on 10-Day SMA	Up	Up
Intermediate-term, based on 50-Day SMA	Up	Up

Bullish factors	near-term support at 31, intermediate-term support at 28, supportive sector trend, low PEG (0.8), P/S (1.4),
Bearish factors	near-term resistance at 33, high P/B (4.3), EPS revisions trend - down

"FIRST CHOICE" OPTION STRATEGIES:

BUY CALL

Stock Symbol	Last Stock Price	Expiration Month	Strike Price	Option Symbol	Recommended Entry Stock Price	Entry Call Option Price	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Price (Target Price)	Target Profit (per one contract)	Target Return
HAL	31.74	Oct-07	27.50	HALJR	31.24	5.35	32.85	Unlimited	5.35	5.85	0.50	9.3%

BULLISH PUT SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Credit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Debit (Target Debit)	Target Profit (per one contract)	Target Return
HAL	31.74	May-07	25.00	HALQE	30.00	HALQF	31.24	0.50	29.50	0.50	4.50	0.40	0.10	2.2%

BULLISH CALL SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Debit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Credit (Target Credit)	Target Profit (per one contract)	Target Return
HAL	31.74	May-07	25.00	HALEE	30.00	HALEF	31.24	4.35	29.35	0.65	4.35	4.75	0.40	9.2%

Capital One Financial Corp. (COF)



Stock Symbol	COF		
Industry	Financials		
	COF	Industry	Sector
Valuation Ratios			
P/E, Trailing	9.82	14.56	15.60
Price/Sales (ttm)	2.57	2.36	3.49
Price/Book (mrq)	1.23	3.52	2.40
EPS Revisions			
EPS Revisions Trend	Down	-	-
Analyst Opinion Change	None	-	-
Growth Rates			
EPS - Next 5 Years	13.9%	13.1%	13.3%
PEG	2.06	1.55	1.49
Profitability Ratios, %			
Gross Margin	NM	NM	NM
Profit Margin	19.96	13.82	18.32
Operating Margin	30.20	20.08	30.60
Management Effectiveness, %			
Return on Assets	2.03	2.95	3.23
Return on Equity	12.27	21.89	15.73

Support/Resistance Levels		
	Support	Resistance
Short-term	74	78
Intermediate-term	73	79

Stock & Sector Trends		
	COF	Sector
Short-term, based on 10-Day SMA	Down	Down
Intermediate-term, based on 50-Day SMA	Down	Down

Bullish factors	near-term support at 74-75, intermediate-term support at 73, intermediate & short-term oversold, low P/E: trailing (9.9), forward (8.6), PEG (0.8), P/B (1.2),
Bearish factors	nearest resistance at 78, EPS revisions trend - down,

"FIRST CHOICE" OPTION STRATEGIES:

BUY CALL

Stock Symbol	Last Stock Price	Expiration Month	Strike Price	Option Symbol	Recommended Entry Stock Price	Entry Call Option Price	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Price (Target Price)	Target Profit (per one contract)	Target Return
COF	75.46	May-07	70.00	COFEN	74.96	6.85	76.85	Unlimited	6.85	7.35	0.50	7.3%

BULLISH PUT SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Credit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Debit (Target Debit)	Target Profit (per one contract)	Target Return
COF	75.46	May-07	70.00	COFQN	75.00	COFQO	74.96	1.45	73.55	1.45	3.55	1.20	0.25	7.0%

BULLISH CALL SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Debit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Credit (Target Credit)	Target Profit (per one contract)	Target Return
COF	75.46	May-07	70.00	COFEN	75.00	COFEO	74.96	3.50	73.50	1.50	3.50	3.90	0.40	11.4%

BEARISH PLAY

Kohl's Corp. (KSS)



Stock Symbol	KSS		
Industry	Services (Department Stores)		
	KSS	Industry	Sector
Valuation Ratios			
P/E, Trailing	22.99	17.78	26.66
Price/Sales (ttm)	1.58	0.73	2.92
Price/Book (mrq)	4.47	3.14	4.04
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	BUY	-	-
Growth Rates			
EPS - Next 5 Years	5.8%	7.8%	9.5%
PEG	2.09	1.54	1.59
Profitability Ratios, %			
Gross Margin	36.37	28.46	42.77
Profit Margin	7.13	4.01	8.93
Operating Margin	11.68	6.58	14.02
Management Effectiveness, %			
Return on Assets	12.19	7.97	6.45
Return on Equity	19.18	19.27	15.25

Support/Resistance Levels		
	Support	Resistance
Short-term	72	77
Intermediate-term	71	77

Stock & Sector Trends		
	KSS	Sector
Short-term, based on 10-Day SMA	Up	Up
Intermediate-term, based on 50-Day SMA	Up	Up

Bearish factors	near-term resistance at 77, intermediate & short-term overbought, high P/E: trailing (23), forward (17), high P/B (4.4), EPS revisions trend - neutral
Bullish factors	near-term support at 72-74, high profit & operating margins (7% & 11.7%), ROA & ROE (13% & 19%),

"FIRST CHOICE" OPTION STRATEGIES:

BUY PUT

Stock Symbol	Last Stock Price	Expiration Month	Strike Price	Option Symbol	Recommended Entry Stock Price	Entry Put Option Price	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Price (Target Price)	Target Profit (per one contract)	Target Return
KSS	76.61	May-07	80.00	KSSQP	76.61	5.60	74.40	Unlimited	5.60	6.10	0.50	8.9%

BEARISH CALL SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Credit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Debit (Target Debit)	Target Profit (per one contract)	Target Return
KSS	76.61	May-07	80.00	KSSEP	85.00	KSSEQ	76.61	1.15	81.15	1.15	3.85	0.50	0.65	16.9%

BEARISH PUT SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Debit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Credit (Target Credit)	Target Profit (per one contract)	Target Return
KSS	76.61	May-07	80.00	KSSQP	85.00	KSSQD	76.61	4.10	80.90	0.90	4.10	4.60	0.50	12.2%

OTHER BULLISH & BEARISH STRATEGIES

BUY STOCK

Stock Symbol	Last Stock Price	Recommended Entry Stock Price	Break-even	Sum Invested (per share)	Projected Stop Price	Max Loss (per share)	Max Profit (per share)	Exit Price (Target Price)	Target Profit (per share)	Target Return
DIA	123.59	123.09	123.09	123.09	120.00	3.09	Unlimited	125.00	1.91	1.6%
HAL	31.74	31.24	31.24	31.24	30.80	0.44	Unlimited	32.54	1.30	4.2%
COF	75.46	74.96	74.96	74.96	74.20	0.76	Unlimited	78.00	3.04	4.1%

"SELL NAKED PUT" OPTION STRATEGY

Stock Symbol	Last Stock Price	Expiration Month	Strike Price	Option Symbol	Recommended Entry Stock Price	Entry Put Option Price	Put Option Time Value	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Price (Target Price)	Target Profit (per one contract)	Target Return
DIA	123.59	May-07	123.00	DAWQS	123.09	1.90	1.90	121.10	1.90	26.43	0.25	1.65	6.2%
HAL	31.74	May-07	30.00	HALQF	31.24	0.60	0.60	29.40	0.60	5.61	0.50	0.10	1.8%
COF	75.46	May-07	75.00	COFQO	74.96	2.40	2.40	72.60	2.40	17.43	0.50	1.90	10.9%

"SELL COVERED CALL" OPTION STRATEGY

Stock Symbol	Last Stock Price	Expiration Month	Strike Price	Option Symbol	Recommended Entry Stock Price	Entry Call Option Price	Call Option Time Value	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Stock Price	Exit Call Option Price	Target Profit (per one contract)	Target Return
DIA	123.59	May-07	128.00	DAWEX	123.09	0.50	0.50	122.59	5.41	122.59	123.70	0.50	0.61	0.5%
HAL	31.74	May-07	35.00	HALEG	31.24	0.25	0.25	30.99	4.01	30.99	32.00	0.30	0.71	2.2%
COF	75.46	May-07	80.00	COFEP	74.96	1.20	1.20	73.76	6.24	73.76	75.70	0.30	1.64	2.2%

SELL SHORT STOCK

Stock Symbol	Last Stock Price	Recommended Entry Stock Price	Break-even	Sum Invested (per share)	Projected Stop Price	Max Loss (per share)	Max Profit (per share)	Exit Price (Target Price)	Target Profit (per share)	Target Return
KSS	76.61	76.61	76.61	76.61	77.11	0.50	Unlimited	74.61	2.00	2.6%

SHORT GLOSSARY

Break-even. Point at which gains equal losses. This is the market price that a stock must reach for an option to avoid loss if exercised. For a call, the break-even equals the strike plus the premium paid.

Call option. The right, but not the obligation, to buy the stock at a predetermined price (also known as the strike) at any moment before the expiration date for a paying a premium.

Put Option - the right, but not the obligation, to sell stock at a predetermined price (also known as a strike) at any moment before the expiration date.

Expiration Date. The day when an option contract becomes void (the Saturday after the third Friday of the expiration)

In-the-Money Option. An option that has intrinsic value. A call (put) option is in-the-money if the strike is less (greater) than the current market price of the stock.

intrinsic value: The value of an option if it were to expire immediately with the underlying stock at its current price or the amount by which an option is in-the-money. For call options, this is the difference between the stock price and the striking price, if that difference is a positive number, or zero otherwise. For put options it is the difference between the striking price and the stock price if that difference is positive and zero otherwise.

Spread. A position with long and short options of the same type on the same underlying stock or index.

Time Value. Amount by which the current market price of an option exceeds its intrinsic value (the difference between the stock price and the strike). This additional value of an option is due to the volatility of the market and the time remaining

[More about KEY OPTION STRATEGIES](#)

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 2. Log into your brokerage account and open the auto-trading page.
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 4. Select "SectorTrends Spreads" and/or "SectorTrends Calls/Puts" as a service.
 5. Allocate min \$1,000 per trade.
- That's it!

There is risk in trading options. One's financial suitability should be considered carefully before placing any trades. Past performance is not indicative of future results.

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