

The SectorTrends Newsletter

Released on 4/9/2007

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

QUALCOMM INC (QCOM)



Stock Symbol	QCOM		
Industry	Technology		
	QCOM	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	29.68	23.07	20.42
Price/Sales (ttm)	9.19	4.29	2.85
Price/Book (mrq)	5.06	3.18	3.98
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Buy	-	-
Growth Rates			
EPS - Next 5 Years	20.0%	14.6%	14.3%
PEG	1.13	1.42	1.42
Profitability Ratios, %			
Gross Margin	70.54	47.41	52.07
Profit Margin	32.01	11.41	14.1
Operating Margin	33.6	12.8	17.28
Management Effectiveness, %			
Return on Assets	16.78	7.09	10.82
Return on Equity	19.11	13.4	19.27

Support/Resistance Levels		
	Support	Resistance
Short-term	41.5	44.5
Intermediate-term	38	44.5

Stock & Sector Trends		
	QCOM	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 41-41.50, intermediate-term support at 38, break-out resistance lines, low PEG (1.1), high profit & operating margins (32% & 34%), high ROA & ROE (13% & 19%), EPS revisions trend - up
Bearish factors	nearest resistance at 44-45, short-term overbought, high P/E, P/B, P/S

"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
QCOM	43.30	May-07	37.50	AAOEU	42.80	6.40	43.90	Unlimited	6.40	6.90	0.50	7.8%

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
QCOM	43.30	May-07	37.50	AAOQU	42.50	AAOQV	42.80	1.30	41.20	1.30	3.70	0.50	0.80	21.6%

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
QCOM	43.30	May-07	37.50	AAOEU	42.50	AAOEV	42.80	3.60	41.10	1.40	3.60	4.10	0.50	13.9%

NETWORK APPLIANCE (NTAP)



Stock Symbol	NTAP		
Industry	Technology		
	NTAP	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	53.27	40.47	28.22
Price/Sales (ttm)	5.21	4.09	4.79
Price/Book (mrq)	6.84	4.56	4.94
EPS Revisions			
EPS Revisions Trend	Hold	-	-
Analyst Opinion Change	Hold	-	-
Growth Rates			
EPS - Next 5 Years	25.0%	14.6%	14.3%
PEG	1.12	1.42	1.42
Profitability Ratios, %			
Gross Margin	60.57	50.93	52.07
Profit Margin	10.28	7.68	14.10
Operating Margin	12.03	10.03	17.28
Management Effectiveness, %			
Return on Assets	8.54	6.96	10.82
Return on Equity	13.96	11.25	19.27

Support/Resistance Levels		
	Support	Resistance
Short-term	35	38
Intermediate-term	28	40.5

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

Bullish factors	near-term support at 35, intermediate-term support at 28-30, forming bottom, low PEG (1.1), EPS revisions trend - neutral
Bearish factors	near-term resistance at 38, high P/B (6.8), P/S (5.2), high P/E: trailing (53.3), forward (26.3),

"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
NTAP	36.51	Jun-07	30.00	NULFF	36.01	7.10	37.10	Unlimited	7.10	7.60	0.50	7.0%

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
NTAP	36.51	May-07	30.00	NULQF	35.00	NULQG	36.01	0.70	34.30	0.70	4.30	0.20	0.50	11.6%

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
NTAP	36.51	May-07	30.00	NULEF	35.00	NULEG	36.01	4.30	34.30	0.70	4.30	4.80	0.50	11.6%

BK OF AMERICA CP (BAC)



Stock Symbol	BAC		
Industry	Financial		
	BAC	Industry	Sector
Valuation Ratios			
P/E, Trailing	11.06	12.46	15.71
Price/Sales (ttm)	3.12	3.26	3.50
Price/Book (mrq)	1.71	1.95	2.42
EPS Revisions			
EPS Revisions Trend	Hold	-	-
Analyst Opinion Change	Hold	-	-
Growth Rates			
EPS - Next 5 Years	8.5%	9.4%	10.4%
PEG	1.21	1.29	1.20
Profitability Ratios, %			
Gross Margin	NM	NM	NM
Profit Margin	29.12	25.91	18.26
Operating Margin	44.05	35.92	30.46
Management Effectiveness, %			
Return on Assets	1.54	1.37	3.25
Return on Equity	18.07	16.79	15.74

Support/Resistance Levels		
	Support	Resistance
Short-term	50	52
Intermediate-term	48	53

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

Bullish factors	near-term support at 50, intermediate-term support at 48-49, intermediate & short-term oversold, low PEG (1.2), P/B (1.7), EPS revisions trend - neutral
Bearish factors	nearest resistance at 52, intermediate & short-term bearish trend

"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
BAC	50.85	Nov-07	45.00	BACKI	50.35	7.10	52.1	Unlimited	7.10	7.60	0.50	7.0%

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
BAC	50.85	May-07	45.00	BACQI	50.00	BACQJ	50.35	0.60	49.40	0.60	4.40	0.20	0.40	9.1%

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
BAC	50.85	May-07	45.00	BACEI	50.00	BACEJ	50.35	4.35	49.35	0.65	4.35	4.85	0.50	11.5%

BEARISH PLAY

Health Care Select Sector SPDR



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

Support/Resistance Levels		
	Support	Resistance
Short-term	34	35
Intermediate-term	33.4	35

Stock & Sector Trends		
	XLV	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 35, intermediate & short-term overbought
Bullish factors	near-term support at 34, short-term bullish trend

"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
XLV	34.62	May-07	38.00	XLVQL	34.62	3.30	34.70	Unlimited	3.30	3.80	0.50	15.2%

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
XLV	34.62	May-07	35.00	XLVEI	37.00	XLVEK	34.62	0.35	35.35	0.35	1.65	0.15	0.20	12.1%

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
XLV	34.62	May-07	35.00	XLVQI	37.00	XLVQK	34.62	4.10	32.90	-2.10	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
QCOM	43.30	42.80	42.80	42.80	41.00	1.80	Unlimited	44.50	1.70	4.0%
NTAP	36.51	36.01	36.01	36.01	35.30	0.71	Unlimited	37.00	0.99	2.7%
BAC	50.85	50.35	50.35	50.35	49.40	0.95	Unlimited	51.40	1.05	2.1%

"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
QCOM	43.30	May-07	42.50	AAQV	42.80	1.65	1.65	40.85	1.65	9.91	0.60	1.05	10.6%
NTAP	36.51	May-07	35.00	NULQG	36.01	0.80	0.80	34.20	0.80	6.99	0.40	0.40	5.7%
BAC	50.85	May-07	50.00	BACQJ	50.35	0.75	0.75	49.25	0.75	10.47	0.30	0.45	4.3%

"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
QCOM	43.30	May-07	47.50	AAOE	42.80	0.75	0.75	42.05	5.45	42.05	43.30	0.50	0.75	1.7%
NTAP	36.51	May-07	40.00	NULEH	36.01	0.35	0.35	35.66	4.34	35.66	36.51	0.25	0.60	1.6%
BAC	50.85	May-07	55.00	BACEK	50.35	0.10	0.10	50.25	4.75	50.25	50.85	0.05	0.55	1.1%

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
XLV	34.62	34.62	34.62	34.62	35.12	0.50	Unlimited	32.62	2.00	5.8%

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.
 3. Select "OptionSmart" as an investor publisher.
 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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Generated on 04/09/07