

## 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 find will 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](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**

**PENNEY JC CO HOLDIN(JCP)**



Probability to Move Higher within the Next 30 Days: 65%

Stock Symbol	JCP		
Industry	Consumer Staples		
	JCP	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	16.27	17.97	20.25
Price/Sales (ttm)	0.91	0.73	2.87
Price/Book (mrq)	4.21	3.20	4.06
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	15.4%	13.9%	13.6%
PEG	0.84	1.28	1.50
Profitability Ratios, %			
Gross Margin	39.32	28.23	43.01
Profit Margin	5.7	4	8.69
Operating Margin	9	6.55	14.02
Management Effectiveness, %			
Return on Assets	9.02	8.02	6.54
Return on Equity	27.34	19.4	15.37

Support/Resistance Levels		
	Support	Resistance
Short-term	78	82
Intermediate-term	73	82

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

Bullish factors	near-term support at 75-78, intermediate-term support at 70-73, low P/E: trailing ( 16.1), forward (12.7), low PEG (0.8), EPS revisions trend - up
Bearish factors	nearest resistance at 82, short-term bearish trend, high P/B (4.2)

**"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
JCP	79.96	Jun-07	75.00	JCPFO	79.46	6.50	81.50	Unlimited	6.50	7.00	0.50	7.7%

**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
JCP	79.96	Jun-07	72.50	JCPRV	75.00	JCPRO	79.46	0.50	74.50	0.50	2.00	0.20	0.30	15.0%

**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
JCP	79.96	Jun-07	72.50	JCPFV	75.00	JCPFO	79.46	1.90	74.40	0.60	1.90	2.40	0.50	26.3%

ADOBE SYSTEMS INC(ADBE)



Probability to Move Higher within the Next 30 Days: 72%

Stock Symbol	ADBE		
Industry	Technology		
	ADBE	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	46.63	29.94	28.10
Price/Sales (ttm)	9.55	5.82	4.71
Price/Book (mrq)	4.80	6.67	5.03
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	15.0%	13.5%	14.2%
PEG	1.93	1.50	1.50
Profitability Ratios, %			
Gross Margin	88.83	75.56	52.49
Profit Margin	21.20	19.93	14.56
Operating Margin	22.09	25.93	17.83
Management Effectiveness, %			
Return on Assets	9.30	14.00	11.11
Return on Equity	10.69	24.44	20.25

Support/Resistance Levels		
	Support	Resistance
Short-term	39	42
Intermediate-term	38	44

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

Bullish factors	near-term support at 39-40, intermediate-term support at 38, supportive fundamentals, EPS revisions trend - up
Bearish factors	near-term resistance at 42-43, high P/E: trailing (46.6), forward (24.8), high PEG ( 1.9), P/S (9.5), P/B (4.8)

"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
ADBE	41.73	Oct-07	37.50	AEQJU	41.23	6.45	43.95	Unlimited	6.45	6.95	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
ADBE	41.73	Jun-07	37.50	AEQRU	40.00	AEQRH	41.23	0.60	39.40	0.60	1.90	0.25	0.35	18.4%

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
ADBE	41.73	Jun-07	37.50	AEQFU	40.00	AEQFH	41.23	1.85	39.35	0.65	1.85	2.35	0.50	27.0%

CONOCOPHILLIPS (COP)



Stock Symbol	COP		
Industry	Materials		
	COP	Industry	Sector
Valuation Ratios			
P/E, Trailing	7.34	10.66	13.91
Price/Sales (ttm)	0.64	1.04	2.26
Price/Book (mrq)	NM	3.18	3.65
EPS Revisions			
EPS Revisions Trend	Down	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	7.0%	7.2%	9.2%
PEG	1.20	1.61	1.33
Profitability Ratios, %			
Gross Margin	23.13	24.98	36.78
Profit Margin	8.62	9.47	14.74
Operating Margin	15.59	16.55	22.48
Management Effectiveness, %			
Return on Assets	NM	15.58	14.04
Return on Equity	NM	30.45	20.06

Support/Resistance Levels		
	Support	Resistance
Short-term	65	71
Intermediate-term	62	72

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

Probability to Move Higher within the Next 30 Days: 80%

Bullish factors	near-term support 65-68, intermediate-term support at 62, supportive industry trend, low P/E: trailing ( 7.3), forward (8.3), low P/B (1.14), P/S (0.7)
Bearish factors	nearest resistance at 71-72, short-term bearish trend, 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
COP	69.19	Aug-07	65.00	COPHM	68.69	6.00	71	Unlimited	6.00	6.50	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
COP	69.19	Aug-07	60.00	COPTL	65.00	COPTM	68.69	1.10	63.90	1.10	3.90	0.12	0.98	25.1%

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
COP	69.19	Aug-07	60.00	COPHL	65.00	COPHM	68.69	4.00	64.00	1.00	4.00	4.50	0.50	12.5%

**BEARISH PLAY**

**S&P DEP RECEIPTS (SPY)**



Probability to Move Lower within the Next 30 Days: 90%

Stock Symbol	SPY		
Industry	DIAMONDS TRUST SER 1		
	SPY	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	146	150
Intermediate-term	144	153

Stock & Sector Trends		
	SPY	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 153-155, short-term overbought,
Bullish factors	near-term support at 146-147, intermediate & 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
SPY	148.67	Jun-07	155.00	SYHRY	148.67	6.70	148.30	Unlimited	6.70	7.20	0.50	7.5%

**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
SPY	148.67	Jun-07	153.00	SYHFW	156.00	SYHFZ	148.67	0.60	153.60	0.60	2.40	0.20	0.40	16.7%

**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
SPY	148.67	Jun-07	153.00	SYHRW	156.00	SYHRZ	148.67	3.20	152.80	-0.20	3.20	2.95	-0.25	-7.8%

## OTHER BULLISH &amp; 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
JCP	79.96	79.46	79.46	79.46	77.30	2.16	Unlimited	82.00	2.54	3.2%
ADBE	41.73	41.23	41.23	41.23	40.30	0.93	Unlimited	42.50	1.27	3.1%
COP	69.19	68.69	68.69	68.69	68.00	0.69	Unlimited	70.50	1.81	2.6%

## "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
JCP	79.96	Jun-07	75.00	JCPRO	79.46	1.25	1.25	73.75	1.25	12.68	0.56	0.69	5.4%
ADBE	41.73	Jun-07	40.00	AEQRH	41.23	1.00	1.00	39.00	1.00	8.02	0.45	0.55	6.9%
COP	69.19	Aug-07	65.00	COPTM	68.69	1.75	1.75	63.25	1.75	11.80	0.79	0.96	8.2%

## "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
JCP	79.96	Jun-07	80.00	JCPFP	79.46	3.21	3.21	76.25	3.75	76.25	79.96	1.61	2.11	2.6%
ADBE	41.73	Jun-07	42.50	AEQFV	41.23	1.60	1.60	39.63	2.87	39.63	41.73	0.80	1.30	3.1%
COP	69.19	Aug-07	70.00	COPHN	68.69	3.20	3.20	65.49	4.51	65.49	69.19	1.60	2.10	3.0%

## 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
SPY	148.67	148.67	148.67	148.67	149.17	0.50	Unlimited	146.67	2.00	1.3%

## 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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  3. Select "OptionSmart" as an investor publisher.
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  5. Allocate min \$1,000 per trade.
- That's it!

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