

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 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

JOHNSON AND JOHNS DC (JNJ)



Probability to Move Higher within the Next 30 Days: 75%

Stock Symbol	JNJ		
Industry	Health Care		
	JNJ	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	18.20	27.49	20.38
Price/Sales (ttm)	3.32	4.16	2.89
Price/Book (mrq)	4.49	5.30	4.11
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	8.3%	10.2%	11.6%
PEG	1.89	1.86	1.67
Profitability Ratios, %			
Gross Margin	71.41	72.94	68.59
Profit Margin	18.64	17.53	12.25
Operating Margin	24.61	22.59	17.98
Management Effectiveness, %			
Return on Assets	15.27	11.13	7.13
Return on Equity	25.16	21.33	14.96

Support/Resistance Levels		
	Support	Resistance
Short-term	50-MA	64.5
Intermediate-term	61.5	65.5

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

Bullish factors	near-term support at 50-MA, intermediate-term support at 61.5, EPS revisions trend - up, high ROE (25),
Bearish factors	near-term resistance at 64.5, high P/B (4.7), P/S (3.4), high PEG (1.89)

"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
JNJ	63.42	Jul-07	55.00	JNJGK	62.52	7.70	62.70	Unlimited	7.70	8.20	0.50	6.5%

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
JNJ	63.42	Jul-07	55.00	JNJSK	60.00	JNJSL	62.52	0.46	59.54	0.46	4.54	0.20	0.26	5.7%

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
JNJ	63.42	Jul-07	55.00	JNJGK	60.00	JNJGL	62.52	4.15	59.15	0.85	4.15	4.65	0.50	12.0%

GOOGLE (GOOG)



Probability to Move Higher within the Next 30 Days: 70%

Stock Symbol	GOOG		
Industry	Technology		
	GOOG	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	42.15	34.69	28.27
Price/Sales (ttm)	12.20	7.32	4.75
Price/Book (mrq)	7.94	5.69	5.09
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Sell	-	-
Growth Rates			
EPS - Next 5 Years	30.0%	13.5%	14.2%
PEG	1.04	1.51	1.52
Profitability Ratios, %			
Gross Margin	60.20	47.57	52.60
Profit Margin	29.02	17.25	14.61
Operating Margin	33.53	21.67	17.91
Management Effectiveness, %			
Return on Assets	22.28	11.94	11.13
Return on Equity	24.37	17.11	20.43

Support/Resistance Levels		
	Support	Resistance
Short-term	50-MA	480
Intermediate-term	440	490

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

Bullish factors	near-term support at 50-MA, intermediate-term support at 440, low PEG (1.0), EPS revisions trend - up
Bearish factors	near-term resistance at 480-490, high P/E: trailing (40.8), forward (24.4), P/B (8), P/S (12.2)

"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
GOOG	470.32	Jun-07	480.00	GOPFI	465.00	5.00	485.00	Unlimited	5.00	5.50	0.50	10.0%

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
GOOG	470.32	Jun-07	440.00	GOPRH	450.00	GOPRJ	465.00	1.65	448.35	1.65	8.35	0.40	1.25	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
GOOG	470.32	Jun-07	440.00	GOPFH	450.00	GOPFJ	465.00	8.45	448.45	1.55	8.45	8.95	0.50	5.9%

STARBUCKS CP (SBUX)



Probability to Move Higher within the Next 30 Days: 75%

Stock Symbol	SBUX		
Industry	Consumer Discretionary		
	SBUX	Industry	Sector
Valuation Ratios			
P/E, Trailing	35.72	26.13	25.61
Price/Sales (ttm)	2.50	2.24	2.79
Price/Book (mrq)	9.76	5.66	3.92
EPS Revisions			
EPS Revisions Trend	Neutral	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	22.0%	13.8%	13.7%
PEG	1.40	1.56	1.50
Profitability Ratios, %			
Gross Margin	23.96	28.60	42.93
Profit Margin	7.41	9.18	8.69
Operating Margin	11.34	14.34	13.99
Management Effectiveness, %			
Return on Assets	15.04	10.21	6.57
Return on Equity	27.46	23.62	13.21

Support/Resistance Levels		
	Support	Resistance
Short-term	28	30
Intermediate-term	25	31

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

Bullish factors	near-term support 28, intermediate-term support at 25-27, intermediate& short-term oversold, high growth rates, EPS revisions trend - neutral
Bearish factors	nearest resistance at 30-31, bearish trend since Oct-06, high P/E: trailing (36.7), forward (26.8), P/B (2.6)

"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
SBUX	29.06	Oct-07	25.00	SQXJE	28.50	4.60	29.6	Unlimited	4.60	5.10	0.50	10.9%

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
SBUX	29.06	Jul-07	25.00	SQXSE	27.50	SQXSY	28.50	0.45	27.05	0.45	2.05	0.15	0.30	14.6%

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
SBUX	29.06	Jul-07	25.00	SQXGE	27.50	SQXGY	28.50	2.00	27.00	0.50	2.00	2.50	0.50	25.0%

BEARISH PLAY

S&P DEP RECEIPTS (SPY)



Probability to Move Lower within the Next 30 Days: 75%

Stock Symbol	SPY		
Industry	S&P DEP RECEIPTS		
	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	154	151
Intermediate-term	160	148

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 154-155, intermediate-term resistance 160, intermediate & short-term overbought,
Bullish factors	near-term support at 150-151, 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	152.67	Jul-07	160.00	SYHSD	151.50	7.40	152.60	Unlimited	7.40	7.90	0.50	6.8%

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	152.67	Jun-07	157.00	SYHGA	160.00	SYHGD	151.50	0.46	157.46	0.46	2.54	0.20	0.26	10.2%

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	152.67	Jun-07	157.00	SYHSA	160.00	SYHSD	151.50	2.56	157.44	0.44	2.56	3.06	0.50	19.5%

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
JNJ	63.42	62.52	62.52	62.52	60.50	2.02	Unlimited	64.80	2.28	3.6%
GOOG	470.32	465.00	465.00	465.00	450.00	15.00	Unlimited	483.00	18.00	3.9%
SBUX	29.06	28.50	28.50	28.50	27.50	1.00	Unlimited	30.50	2.00	7.0%

"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
JNJ	63.42	Jul-07	60.00	JNJSL	62.52	0.60	0.60	59.40	0.60	10.58	0.10	0.50	4.7%
GOOG	470.32	Jun-07	460.00	GOPRL	465.00	14.95	14.95	445.05	14.95	102.95	14.45	0.50	0.5%
SBUX	29.06	Jul-07	25.00	SQXSE	28.50	0.18	0.18	24.82	0.18	2.38	0.10	0.08	3.4%

"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
JNJ	63.42	Jul-07	65.00	JNJGM	62.52	0.85	0.85	61.67	3.33	61.67	63.92	1.35	0.90	1.4%
GOOG	470.32	Jun-07	480.00	GOPFI	465.00	6.65	6.65	458.35	21.65	458.35	470.82	7.15	5.32	1.1%
SBUX	29.06	Jul-07	32.50	SQXGZ	28.50	0.33	0.33	28.18	4.33	28.18	29.56	0.83	0.56	1.9%

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	152.67	152.67	152.67	152.67	154.17	1.50	Unlimited	150.67	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](#)

Auto-trade in 5 easy steps:

1. Subscribe to the SectorTrends Newsletter.
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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