

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

KOHL'S CP (KSS)



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

Stock Symbol	KSS		
Industry	Consumer Staples		
	KSS	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	21.06	17.01	20.33
Price/Sales (ttm)	1.48	0.70	2.88
Price/Book (mrq)	4.00	3.16	4.11
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Sell	-	-
Growth Rates			
EPS - Next 5 Years	17.4%	13.8%	13.7%
PEG	0.93	1.28	1.50
Profitability Ratios, %			
Gross Margin	36.54	28.26	42.92
Profit Margin	7.22	4.05	8.59
Operating Margin	11.79	6.63	13.89
Management Effectiveness, %			
Return on Assets	12.47	8.09	6.48
Return on Equity	19.19	19.51	15.17

Support/Resistance Levels		
	Support	Resistance
Short-term	72.91	74.8
Intermediate-term	71	50-MA

Stock & Sector Trends		
	KSS	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 72.91, intermediate-term support at 50-MA, EPS revisions trend - up, high ROE (19), low P/S (1.4), low PEG (0.93)
Bearish factors	near-term resistance at 74.8, high P/B (4.0),

"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
KSS	73.57	Jul-07	70.00	KSSGN	72.00	4.30	74.30	Unlimited	4.30	4.80	0.50	11.6%

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
KSS	73.57	Jul-07	65.00	KSSSM	70.00	KSSSN	72.00	1.10	68.90	1.10	3.90	0.50	0.60	15.4%

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
KSS	73.57	Jul-07	65.00	KSSGM	70.00	KSSGN	72.00	2.00	67.00	3.00	2.00	2.50	0.50	25.0%

WAL MART STORES (WMT)



Stock Symbol	WMT		
Industry	Consumer Staples		
	WMT	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	15.80	17.01	25.73
Price/Sales (ttm)	0.54	0.70	2.80
Price/Book (mrq)	3.23	3.16	3.86
EPS Revisions			
EPS Revisions Trend	Down	-	-
Analyst Opinion Change	Sell	-	-
Growth Rates			
EPS - Next 5 Years	13.0%	13.8%	13.7%
PEG	1.03	1.28	1.50
Profitability Ratios, %			
Gross Margin	23.42	28.26	42.92
Profit Margin	3.60	4.05	8.59
Operating Margin	5.87	6.63	13.89
Management Effectiveness, %			
Return on Assets	8.65	8.09	6.48
Return on Equity	21.80	19.51	15.17

Support/Resistance Levels		
	Support	Resistance
Short-term	46.43	50-MA
Intermediate-term	45.5	48.4

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

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

Bullish factors	near-term support at 46.43, intermediate-term support at 45.5, low PEG (1.0), P/S (0.54), low P/E: trailing (17), forward (13)
Bearish factors	near-term resistance at 50-MA, high P/B (3.23), 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
WMT	46.91	Jul-07	45.00	WMTGI	46.20	2.20	47.20	Unlimited	2.20	2.70	0.50	22.7%

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
WMT	46.91	Jul-07	42.50	WMTSV	45.00	WMTSI	46.20	0.40	44.60	0.40	2.10	0.20	0.20	9.5%

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
WMT	46.91	Jul-07	42.50	WMTGV	45.00	WMTGI	46.20	3.90	46.40	-1.40	3.90	4.40	0.50	12.8%

ML BIOTECH HLDR12/39 (BBH)



Stock Symbol	BBH		
Industry	Biotech HOLDERS		
	BBH	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	176.38	180.58
Intermediate-term	174	50-MA

Stock & Sector Trends		
	BBH	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: 65%

Bullish factors	near-term support 176.38, intermediate-term support at 174, intermediate& short-term oversold,
Bearish factors	nearest resistance at 180.58, bearish trend since Apr-07,

"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
BBH	177.91	Jul-07	175.00	BBHGO	175.00	5.20	180.2	Unlimited	5.20	5.70	0.50	9.6%

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
BBH	177.91	Jul-07	170.00	BBHSN	175.00	BBHSO	175.00	1.70	173.30	1.70	3.30	0.60	1.10	33.3%

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
BBH	177.91	Jul-07	170.00	BBHGN	175.00	BBHGO	175.00	3.37	173.37	1.63	3.37	3.87	0.50	14.8%

BEARISH PLAY

AMER EXPRESS INC (AXP)



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

Stock Symbol	AXP		
Industry	Financial		
	AXP	Industry	Sector
Valuation Ratios			
P/E, Trailing	19.93	16.22	15.42
Price/Sales (ttm)	2.66	3.39	3.57
Price/Book (mrq)	7.20	4.06	2.47
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	13.0%	12.5%	10.4%
PEG	1.40	1.12	1.25
Profitability Ratios, %			
Gross Margin	NM	NM	NM
Profit Margin	13.77	21.35	18.80
Operating Margin	19.67	20.97	29.58
Management Effectiveness, %			
Return on Assets	3.31	2.70	3.25
Return on Equity	37.14	21.81	17.24

Support/Resistance Levels		
	Support	Resistance
Short-term	63.5	64.8
Intermediate-term	62.2	64.8

Stock & Sector Trends		
	AXP	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 64.8, intermediate & short-term overbought, high P/B (7.0), low ROA (4)
Bullish factors	near-term support at 63.5, intermediate & short-term bullish trend, low PEG (1.4), high ROE (37),

"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
AXP	63.63	Jul-07	65.00	AXPSM	64.50	1.90	63.10	Unlimited	1.90	2.40	0.50	26.3%

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
AXP	63.63	Jun-07	65.00	AXPGM	70.00	AXPGN	64.50	0.50	65.50	0.50	4.50	0.20	0.30	6.7%

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
AXP	63.63	Jun-07	65.00	AXPSM	70.00	AXPSN	64.50	3.70	66.30	1.30	3.70	4.20	0.50	13.5%

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
KSS	73.57	72.00	72.00	72.00	71.00	1.00	Unlimited	76.00	4.00	5.6%
WMT	46.91	46.20	46.20	46.20	45.80	0.40	Unlimited	47.50	1.30	2.8%
BBH	177.91	175.00	175.00	175.00	175.00	0.00	Unlimited	180.00	5.00	2.9%

"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
KSS	73.57	Jul-07	70.00	KSSSN	72.00	1.67	1.67	68.33	1.67	14.07	0.40	1.27	9.0%
WMT	46.91	Jul-07	42.50	WMTSV	46.20	0.18	0.18	42.32	0.18	5.72	0.10	0.08	1.4%
BBH	177.91	Jul-07	170.00	BBHSN	175.00	2.25	2.25	167.75	2.25	32.25	0.90	1.35	4.2%

"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
KSS	73.57	Jul-07	75.00	KSSGO	72.00	2.40	2.40	69.60	5.40	69.60	74.07	2.90	1.57	2.1%
WMT	46.91	Jul-07	50.00	WMTGJ	46.20	0.28	0.28	45.93	4.08	45.93	47.41	0.78	0.71	1.5%
BBH	177.91	Jul-07	180.00	BBHGP	175.00	4.15	4.15	170.85	9.15	170.85	178.41	4.65	2.91	1.6%

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
AXP	63.63	63.63	63.63	63.63	65.00	1.37	Unlimited	63.00	0.63	1.0%

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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 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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