

## The SectorTrends Newsletter

Released on 6/26/2007

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](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 SER 1 (DIA)**



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

Stock Symbol	<b>DIA</b>		
Industry	<b>DIAMONDS TRUST SER 1</b>		
	<b>DIA</b>	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	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

<b>Support/Resistance Levels</b>		
	Support	Resistance
Short-term	132	137
Intermediate-term	128	137

<b>Stock &amp; Sector Trends</b>		
	DIA	Sector
Short-term, based on 10-Day SMA	Neutral	Neutral
Intermediate-term, based on 50-Day SMA	Up	Up

Bullish factors	near-term support at 132-133, intermediate-term support at 128-130, forming bottom, short-term oversold,
Bearish factors	nearest resistance at 135, 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
DIA	133.62	Aug-07	130.00	DAWHZ	133.00	5.70	135.70	Unlimited	5.70	6.20	0.50	8.8%

**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
DIA	133.62	Aug-07	129.00	DAWTY	132.00	DAWTB	133.00	0.75	131.25	0.75	2.25	0.30	0.45	20.0%

**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
DIA	133.62	Aug-07	129.00	DAWHY	132.00	DAWHB	133.00	2.18	131.18	0.82	2.18	2.68	0.50	22.9%

INTUIT INC (INTU)



Probability to Move Higher within the Next 30 Days: 60%

Stock Symbol	INTU		
Industry	Technology		
	INTU	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	24.39	27.87	28.74
Price/Sales (ttm)	3.84	5.68	4.93
Price/Book (mrq)	5.15	6.46	5.16
EPS Revisions			
EPS Revisions Trend	Down	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	15.3%	13.9%	14.7%
PEG	1.39	1.47	1.49
Profitability Ratios, %			
Gross Margin	80.94	75.62	51.96
Profit Margin	16.66	19.77	14.37
Operating Margin	24.20	25.59	17.59
Management Effectiveness, %			
Return on Assets	12.18	13.84	10.98
Return on Equity	24.11	24.25	20.18

Support/Resistance Levels		
	Support	Resistance
Short-term	29	31
Intermediate-term	26	31.5

Stock & Sector Trends		
	INTU	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 29, intermediate-term support at 26-27, forming bottom, high profit operating margins (17% & 25%) EPS revisions trend - neutral,
Bearish factors	near-term resistance at 31.50, high P/E: trailing (24.5), forward (18.7), P/S (3.8), P/B (5.1)

"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
INTU	29.88	Oct-07	25.00	IQUJE	29.00	5.50	30.50	Unlimited	5.50	6.00	0.50	9.1%

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
INTU	29.88	Aug-07	27.50	IQUY	30.00	IQUYF	29.00	0.70	29.30	0.70	1.80	0.25	0.45	25.0%

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
INTU	29.88	Aug-07	27.50	IQUY	30.00	IQUHF	29.00	1.65	29.15	0.85	1.65	2.15	0.50	30.3%

**EBAY INC (EBAY)**



Stock Symbol	<b>EBAY</b>		
Industry	<b>Internet HOLDRs</b>		
	<b>EBAY</b>	Industry	Sector
Valuation Ratios			
P/E, Trailing	35.88	26.04	25.40
Price/Sales (ttm)	6.87	2.40	2.72
Price/Book (mrq)	3.88	4.23	3.88
EPS Revisions			
EPS Revisions Trend	<b>Neutral</b>	-	-
Analyst Opinion Change	<b>Buy</b>	-	-
Growth Rates			
EPS - Next 5 Years	21.0%	13.9%	13.8%
PEG	1.13	1.29	1.50
Profitability Ratios, %			
Gross Margin	78.60	39.71	42.91
Profit Margin	19.77	7.25	8.49
Operating Margin	24.71	10.62	13.80
Management Effectiveness, %			
Return on Assets	9.47	8.71	6.42
Return on Equity	11.49	22.69	13.12

<b>Support/Resistance Levels</b>		
	Support	Resistance
Short-term	31.5	33
Intermediate-term	30	35

<b>Stock &amp; Sector Trends</b>		
	EBAY	Sector
Short-term, based on 10-Day SMA	<b>Up</b>	<b>Up</b>
Intermediate-term, based on 50-Day SMA	<b>Down</b>	<b>Up</b>

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

Bullish factors	near-term support 30-31, intermediate-term support at 30-32, forming bottom, low PEG ( 1.1), high profit & operating margins (20% & 25%), EPS revisions trend- up,
Bearish factors	nearest resistance at 33, high P/E: trailing (36), forward (20.3), P/B (3.9 ), P/S (6.8)

**"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
<b>EBAY</b>	31.95	Oct-07	27.50	QXBJY	31.00	5.40	32.9	Unlimited	5.40	5.90	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
<b>EBAY</b>	31.95	Aug-07	27.50	QXBTY	32.50	XBATZ	31.00	1.95	30.55	1.95	3.05	0.60	1.35	44.3%

**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
<b>EBAY</b>	31.95	Aug-07	27.50	QXBHY	32.50	XBAHZ	31.00	1.90	29.40	3.10	1.90	2.40	0.50	26.3%

**BEARISH PLAY**

**ORACLE CORP (ORCL)**



Stock Symbol	ORCL		
Industry	Technology		
	ORCL	Industry	Sector
Valuation Ratios			
P/E, Trailing	26.05	27.87	28.74
Price/Sales (ttm)	5.89	5.68	4.93
Price/Book (mrq)	6.34	6.46	5.16
EPS Revisions			
EPS Revisions Trend	-	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	14.0%	13.9%	14.7%
PEG	1.40	1.47	1.49
Profitability Ratios, %			
Gross Margin	76.50	75.62	51.96
Profit Margin	23.32	19.77	14.37
Operating Margin	32.61	25.59	17.59
Management Effectiveness, %			
Return on Assets	13.73	13.84	10.98
Return on Equity	25.74	24.25	20.18

<b>Support/Resistance Levels</b>		
	Support	Resistance
Short-term	19.1	20
Intermediate-term	18.5	21

<b>Stock &amp; Sector Trends</b>		
	ORCL	Sector
Short-term, based on 10-Day SMA	Up	Up
Intermediate-term, based on 50-Day SMA	Up	Up

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

Bearish factors	near-term resistance at 20-20.50, intermediate-term resistance 21-21.50, high P/E: trailing (26), forward (17.1), P/S (5.9), P/B (6.3), intermediate & short-term overbought, forming top,
Bullish factors	near-term support at 18.50, intermediate & short-term bullish trend, high profit & operating margins (23% & 34%), high ROA & ROE (12.7% & 25.8%), EPS revisions trend - up

**"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
ORCL	19.48	Aug-07	25.00	ORQTE	19.50	5.50	19.50	Unlimited	5.50	6.00	0.50	9.1%

**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
ORCL	19.48	Aug-07	20.00	ORQHD	22.50	ORQHX	19.50	0.55	20.55	0.55	1.95	0.30	0.25	12.8%

**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
ORCL	19.48	Aug-07	20.00	ORQTD	22.50	ORQTX	19.50	2.04	20.46	0.46	2.04	2.54	0.50	24.5%

## 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
<b>DIA</b>	133.62	133.00	133.00	133.00	132.00	1.00	Unlimited	137.00	4.00	3.0%
<b>INTU</b>	29.88	29.00	29.00	29.00	28.90	0.10	Unlimited	31.00	2.00	6.9%
<b>EBAY</b>	31.95	31.00	31.00	31.00	30.50	0.50	Unlimited	32.80	1.80	5.8%

## "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
<b>DIA</b>	133.62	Aug-07	130.00	DAWTZ	133.00	1.88	1.88	128.12	1.88	25.48	0.30	1.58	6.2%
<b>INTU</b>	29.88	Aug-07	27.50	IQUTY	29.00	0.38	0.38	27.12	0.38	4.68	0.10	0.28	6.0%
<b>EBAY</b>	31.95	Aug-07	27.50	QXBTY	31.00	0.35	0.35	27.15	0.35	3.05	0.20	0.15	4.9%

## "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
<b>DIA</b>	133.62	Aug-07	135.00	DAWHE	133.00	2.60	2.60	130.40	4.60	130.40	134.12	3.10	0.62	0.5%
<b>INTU</b>	29.88	Aug-07	32.50	IQUHZ	29.00	0.23	0.23	28.78	3.73	28.78	30.38	0.73	0.88	2.9%
<b>EBAY</b>	31.95	Aug-07	35.00	XBAHG	31.00	0.55	0.55	30.45	4.55	30.45	32.45	1.05	0.95	2.9%

## 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
<b>ORCL</b>	19.48	19.50	19.50	19.50	20.10	0.60	Unlimited	19.15	0.35	1.8%

## 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](#)

### **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.

Copyright © 1998-2007 OptionSmart.com (Stock Markets Institute). All rights reserved.

Generated on 06/26/07