

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

Capital One Financial Corp (COF)



Stock Symbol	COF		
Industry	Consumer Financial Services		
	COF	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	11.81	16.12	20.80
Price/Sales (ttm)	2.54	3.46	3.00
Price/Book (mrq)	1.21	3.69	4.26
EPS Revisions			
EPS Revisions Trend	-	-	-
Analyst Opinion Change	Buy	-	-
Growth Rates			
EPS - Next 5 Years	12.5%	12.9%	10.4%
PEG	0.87	1.08	1.20
Profitability Ratios, %			
Gross Margin	NM	NM	NM
Profit Margin	17.7	21.39	18.99
Operating Margin	27.03	20.38	29.84
Management Effectiveness, %			
Return on Assets	1.85	2.37	3.27
Return on Equity	10.71	18.33	16.99

Support/Resistance Levels		
	Support	Resistance
Short-term	74	200 & 50 MA
Intermediate-term	72	201 & 50 MA

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

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

Bullish factors	near-term support at 74, intermediate-term support at 70-72, forming bottom, low PEG, P/E, P/B
Bearish factors	nearest resistance at 78, 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
COF	76.20	Sep-07	70.00	COFIN	75.90	8.00	78.00	Unlimited	8.00	9.00	1.00	12.5%

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
COF	76.20	Sep-07	70.00	COFUN	75.00	COFUO	75.90	1.50	73.50	1.50	3.50	0.90	0.60	17.1%

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
COF	76.20	Sep-07	70.00	COFIN	75.00	COFIO	75.90	3.55	73.55	1.45	3.55	4.05	0.50	14.1%

Goldman Sachs Group Inc (GS)



Stock Symbol	GS		
Industry	Investment Services		
	GS	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	10.28	21.43	15.51
Price/Sales (ttm)	1.17	5.39	3.90
Price/Book (mrq)	2.54	4.54	2.55
EPS Revisions			
EPS Revisions Trend	-	-	-
Analyst Opinion Change	Buy	-	-
Growth Rates			
EPS - Next 5 Years	13.4%	12.9%	10.4%
PEG	0.75	1.08	1.20
Profitability Ratios, %			
Gross Margin	NM	NM	NM
Profit Margin	13.39	17.23	18.99
Operating Margin	20.38	26.04	29.84
Management Effectiveness, %			
Return on Assets	1.18	6.36	3.27
Return on Equity	31.27	24.00	16.99

Support/Resistance Levels		
	Support	Resistance
Short-term	215	50 MA
Intermediate-term	207.5	230

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

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

Bullish factors	near-term support at 215, intermediate-term support at 210, forming bottom, low PEG, P/E, EPS revisions trend - up
Bearish factors	near-term resistance at 230, intermediate-term, bearish trend, slowing growth rates

"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
GS	220.40	Aug-07	210.00	GPYHB	218.00	14.00	224.00	Unlimited	14.00	16.00	2.00	14.3%

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
GS	220.40	Aug-07	200.00	GPYTT	210.00	GPYTB	218.00	1.80	208.20	1.80	8.20	0.90	0.90	11.0%

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
GS	220.40	Aug-07	200.00	GPYHT	210.00	GPYHB	218.00	8.14	208.14	1.86	8.14	9.00	0.86	10.6%

Newmont Mining Corp (NEM)



Stock Symbol	NEM		
Industry	Gold & Silver		
	NEM	Industry	Sector
Valuation Ratios			
P/E, Trailing	26.49	29.69	19.94
Price/Sales (ttm)	3.63	5.71	2.10
Price/Book (mrq)	2.02	3.13	3.93
EPS Revisions			
EPS Revisions Trend	-	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	14.8%	18.6%	12.2%
PEG	2.64	1.37	1.36
Profitability Ratios, %			
Gross Margin	46.00	49.72	29.57
Profit Margin	19.94	22.08	10.42
Operating Margin	21.25	22.48	15.71
Management Effectiveness, %			
Return on Assets	6.89	5.32	9.98
Return on Equity	7.85	6.47	13.39

Support/Resistance Levels		
	Support	Resistance
Short-term	40	200 MA
Intermediate-term	39	200 MA

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

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

Bullish factors	near-term support 40, intermediate-term support at 48, low P/B, high profit & operating margins
Bearish factors	nearest resistance at 43, intermediate-term bearish trend, high P/E, P/S, PEG 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
NEM	41.11	Sep-07	35.00	NEMIG	40.00	6.50	41.5	Unlimited	6.50	7.50	1.00	15.4%

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
NEM	41.11	Sep-07	35.00	NEMUG	40.00	NEMUH	40.00	1.20	38.80	1.20	3.80	0.70	0.50	13.2%

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
NEM	41.11	Sep-07	35.00	NEMIG	40.00	NEMIH	40.00	4.12	39.12	0.88	4.12	4.62	0.50	12.1%

BEARISH PLAY

Energy SPDR (XLE)



Stock Symbol	XLE		
Industry	Energy SPDR		
	XLE	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	71.7	74
Intermediate-term	68	74

Stock & Sector Trends		
	XLE	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 support at 71, intermediate & short-term bullish trend
Bullish factors	short-term overbought, forming top

"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
XLE	73.00	Sep-07	80.00	XTGUB	72.50	7.30	72.70	Unlimited	7.30	8.50	1.20	16.4%

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
XLE	73.00	Sep-07	78.00	XTGIZ	81.00	XTGIC	72.50	0.70	78.70	0.70	2.30	0.30	0.40	17.4%

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
XLE	73.00	Sep-07	78.00	XTGUZ	81.00	XTGUC	72.50	2.45	78.55	0.55	2.45	2.95	0.50	20.4%

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
COF	76.20	75.90	75.90	75.90	73.50	2.40	Unlimited	77.50	1.60	2.1%
GS	220.40	218.00	218.00	218.00	213.00	5.00	Unlimited	228.00	10.00	4.6%
NEM	41.11	40.00	40.00	40.00	39.00	1.00	Unlimited	42.10	2.10	5.3%

"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
COF	76.20	Sep-07	70.00	COFUN	75.90	1.44	1.44	68.56	1.44	10.72	0.70	0.74	6.9%
GS	220.40	Aug-07	210.00	GPYTB	218.00	4.85	4.85	205.15	4.85	40.45	3.70	1.15	2.8%
NEM	41.11	Sep-07	35.00	NEMUG	40.00	0.35	0.35	34.65	0.35	3.35	0.12	0.23	6.9%

"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
COF	76.20	Sep-07	80.00	COFIP	75.90	1.98	1.98	73.93	6.07	73.93	76.70	2.48	0.30	0.4%
GS	220.40	Aug-07	210.00	GPYHB	218.00	14.30	14.30	203.70	6.30	203.70	220.90	14.80	2.40	1.1%
NEM	41.11	Sep-07	45.00	NEMII	40.00	0.75	0.75	39.25	5.75	39.25	41.61	1.25	1.11	2.7%

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
XLE	73.00	72.50	72.50	72.50	73.70	1.20	Unlimited	70.00	2.50	3.4%

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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