

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

TECHNOLOGY SPDR (XLK)



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

Stock Symbol	XLK		
Industry	Technology		
	XLK	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	N/A	N/A	N/A
PEG	N/A	N/A	N/A
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	25.5	27
Intermediate-term	25	27

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

Bullish factors	near-term support at 25, intermediate-term support at 24, forming bottom, long-term bullish trend, short-term oversold
Bearish factors	nearest resistance at 27, 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
XLK	25.75	Jan-08	21.00	XLKAU	25.00	5.10	26.10	Unlimited	5.10	5.60	0.50	9.8%

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
XLK	25.75	Sep-07	23.00	XLKUW	25.00	XLKUY	25.00	0.40	24.60	0.40	1.60	0.15	0.25	15.6%

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
XLK	25.75	Sep-07	23.00	XLKIW	25.00	XLKIY	25.00	1.55	24.55	0.45	1.55	2.05	0.50	32.3%

MCDONALDS CP (MCD)



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

Stock Symbol	MCD		
Industry	Consumer Staples		
	MCD	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	38.64	23.90	26.04
Price/Sales (ttm)	2.59	2.11	2.62
Price/Book (mrq)	3.91	5.37	3.99
EPS Revisions			
EPS Revisions Trend	Bullish	-	-
Analyst Opinion Change	Unchanged	-	-
Growth Rates			
EPS - Next 5 Years	8.8%	14.2%	13.7%
PEG	2.03	1.54	1.47
Profitability Ratios, %			
Gross Margin	32.78	28.81	42.77
Profit Margin	7.25	9.23	8.51
Operating Margin	14.91	14.40	13.86
Management Effectiveness, %			
Return on Assets	5.62	10.26	6.45
Return on Equity	10.75	24.51	15.67

Support/Resistance Levels		
	Support	Resistance
Short-term	48	50-MA
Intermediate-term	47.5	53

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

Bullish factors	near-term support 48, intermediate-term support at 46, forming bottom, high profit & operating margins, EPS revisions trend - up
Bearish factors	nearest resistance at 50-MA, high P/B, P/S,

"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
MCD	49.46	Jan-08	45.00	MCDAI	49.00	6.30	51.30	Unlimited	6.30	6.80	0.50	7.9%

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
MCD	49.46	Sep-07	42.50	MCDUV	47.50	MCDUW	49.00	0.95	46.55	0.95	4.05	0.30	0.65	16.0%

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
MCD	49.46	Sep-07	42.50	MCDIV	47.50	MCDIW	49.00	4.00	46.50	1.00	4.00	4.50	0.50	12.5%

WALGREEN CO (WAG)



Stock Symbol	WAG		
Industry	Consumer Staples		
	WAG	Industry	Sector
Valuation Ratios			
P/E, Trailing	22.15	23.01	26.04
Price/Sales (ttm)	0.85	0.73	2.62
Price/Book (mrq)	4.11	4.33	3.99
EPS Revisions			
EPS Revisions Trend	Bullish	-	-
Analyst Opinion Change	Unchanged	-	-
Growth Rates			
EPS - Next 5 Years	15.3%	13.9%	13.7%
PEG	1.37	1.37	1.47
Profitability Ratios, %			
Gross Margin	28.28	21.56	42.77
Profit Margin	3.92	3.10	8.51
Operating Margin	6.05	5.30	13.86
Management Effectiveness, %			
Return on Assets	11.97	7.84	6.45
Return on Equity	19.88	16.95	13.38

Support/Resistance Levels		
	Support	Resistance
Short-term	43.4	45.5
Intermediate-term	42-43	46

Stock & Sector Trends		
	WAG	Sector
Short-term, based on 10-Day SMA	Down	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 44, intermediate-term support at 42-43, forming bottom, low PEG, EPS revisions trend - up
Bearish factors	near-term resistance at 46, high P/E, P/B,

"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
WAG	45.15	Oct-07	40.00	WAGJH	45.00	5.80	45.8	Unlimited	5.80	6.30	0.50	8.6%

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
WAG	45.15	Sep-07	40.00	WAGUH	45.00	WAGUI	45.00	1.15	43.85	1.15	3.85	0.30	0.85	22.1%

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
WAG	45.15	Sep-07	40.00	WAGIH	45.00	WAGII	45.00	3.70	43.70	1.30	3.70	4.20	0.50	13.5%

BEARISH PLAY

MARRIOT INT CL A (MAR)



Stock Symbol	MAR		
Industry	Consumer Staples		
	MAR	Industry	Sector
Valuation Ratios			
P/E, Trailing	23.38	25.55	26.04
Price/Sales (ttm)	1.26	2.00	2.62
Price/Book (mrq)	8.08	4.94	3.99
EPS Revisions			
EPS Revisions Trend	Mixed	-	-
Analyst Opinion Change	Unchanged	-	-
Growth Rates			
EPS - Next 5 Years	14.9%	14.2%	13.7%
PEG	1.46	1.54	1.47
Profitability Ratios, %			
Gross Margin	14.00	26.84	42.77
Profit Margin	5.92	7.30	8.51
Operating Margin	8.16	12.24	13.86
Management Effectiveness, %			
Return on Assets	8.68	6.55	6.45
Return on Equity	30.43	18.24	15.67

Support/Resistance Levels		
	Support	Resistance
Short-term	41	50-MA
Intermediate-term	40	47

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

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

Bearish factors	near-term resistance at 44, intermediate-term resistance 47-50, high P/E, P/B, EPS revisions trend - neutral
Bullish factors	near-term support at 40, short-term bullish trend, low P/S, high ROE,

"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
MAR	42.34	Sep-07	50.00	MARUJ	42.00	7.70	42.30	Unlimited	7.70	8.20	0.50	6.5%

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
MAR	42.34	Sep-07	45.00	MARII	50.00	MARLJ	42.00	0.80	45.80	0.80	4.20	0.30	0.50	11.9%

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
MAR	42.34	Sep-07	45.00	MARUI	50.00	MARUJ	42.00	4.30	45.70	0.70	4.30	4.80	0.50	11.6%

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
XLK	25.75	25.00	25.00	25.00	25.00	0.00	Unlimited	27.00	2.00	8.0%
MCD	49.46	49.00	49.00	49.00	52.00	-3.00	Unlimited	47.50	-1.50	-3.1%
WAG	45.15	45.00	45.00	45.00	43.40	1.60	Unlimited	46.00	1.00	2.2%

"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
XLK	25.75	Sep-07	23.00	XLKUW	25.00	0.20	0.20	22.80	0.20	3.20	0.10	0.10	3.1%
MCD	49.46	Sep-07	47.50	MCDUW	49.00	1.15	1.15	46.35	1.15	9.45	0.30	0.85	9.0%
WAG	45.15	Sep-07	42.50	WAGVV	45.00	0.55	0.55	41.95	0.55	7.05	0.15	0.40	5.7%

"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
XLK	25.75	Sep-07	27.00	XLKIA	25.00	0.23	0.23	24.78	2.23	24.78	26.25	0.73	0.75	2.9%
MCD	49.46	Sep-07	52.50	MCDIX	49.00	0.70	0.70	48.30	4.20	48.30	49.96	1.20	0.46	0.9%
WAG	45.15	Sep-07	47.50	WAGJW	45.00	0.95	0.95	44.05	3.45	44.05	45.65	1.45	0.15	0.3%

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
MAR	42.34	42.00	42.00	42.00	46.00	4.00	Unlimited	40.00	2.00	4.8%

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](#)

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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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