

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



Stock Symbol	QCOM		
Industry	Technology		
	QCOM	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	23.43	30.15	19.59
Price/Sales (ttm)	7.54	4.90	2.75
Price/Book (mrq)	4.05	3.60	4.03
EPS Revisions			
EPS Revisions Trend	Bullish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	20.3%	15.0%	14.5%
PEG	0.96	1.54	1.50
Profitability Ratios, %			
Gross Margin	70.32	47.29	51.47
Profit Margin	32.52	14.32	13.54
Operating Margin	32.54	13.94	16.49
Management Effectiveness, %			
Return on Assets	16.8	7.37	10.52
Return on Equity	19.25	13.4	20.51

Support/Resistance Levels		
	Support	Resistance
Short-term	37.5	41
Intermediate-term	35.6	44

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

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

Bullish factors	near-term support at 37.5, intermediate-term support at 3, formed a bottom, long-term bullish trend, low PEG, high profit margin, EPS revisions trend - up
Bearish factors	nearest resistance at 41, 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
QCOM	38.58	Oct-07	35.00	AAOJG	38.00	4.40	39.40	Unlimited	4.40	4.90	0.50	11.4%

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
QCOM	38.58	Oct-07	32.50	AAOVZ	37.50	AAOVU	38.00	1.05	36.45	1.05	3.95	0.30	0.75	19.0%

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
QCOM	38.58	Oct-07	32.50	AAOJZ	37.50	AAOJU	38.00	3.70	36.20	1.30	3.70	4.20	0.50	13.5%

HOME DEPOT INC (HD)



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

Stock Symbol	HD		
Industry	Consumer Staples		
	HD	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	14.44	14.73	25.75
Price/Sales (ttm)	0.83	0.90	3.22
Price/Book (mrq)	2.56	2.85	4.28
EPS Revisions			
EPS Revisions Trend	Bearish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	12.4%	13.8%	13.7%
PEG	1.19	1.23	1.46
Profitability Ratios, %			
Gross Margin	33.04	34.23	43.59
Profit Margin	5.81	5.93	9.33
Operating Margin	9.87	9.77	14.39
Management Effectiveness, %			
Return on Assets	9.00	9.63	6.81
Return on Equity	17.95	20.08	15.88

Support/Resistance Levels		
	Support	Resistance
Short-term	34	38
Intermediate-term	32.8	39

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

Bullish factors	near-term support 34, intermediate-term support at 32.8, forming bottom, high profit & operating margins, low PEG
Bearish factors	nearest resistance at 50-MA, 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
HD	35.25	Oct-07	32.50	HDJZ	35.00	3.20	35.70	Unlimited	3.20	3.70	0.50	15.6%

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
HD	35.25	Nov-07	27.50	HDWY	32.50	HDWZ	35.00	0.75	31.75	0.75	4.25	0.20	0.55	12.9%

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
HD	35.25	Nov-07	27.50	HDKY	32.50	HDKZ	35.00	4.00	31.50	1.00	4.00	4.50	0.50	12.5%

WAL MART STORES (WMT)



Stock Symbol	WMT		
Industry	Consumer Discretionary		
	WMT	Industry	Sector
Valuation Ratios			
P/E, Trailing	14.56	15.44	25.75
Price/Sales (ttm)	0.50	0.62	3.22
Price/Book (mrq)	2.88	2.84	4.28
EPS Revisions			
EPS Revisions Trend	Bearish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	12.2%	13.8%	13.7%
PEG	1.17	1.23	1.46
Profitability Ratios, %			
Gross Margin	23.34	28.01	43.59
Profit Margin	3.56	4.01	9.33
Operating Margin	5.80	6.59	14.39
Management Effectiveness, %			
Return on Assets	8.57	8.10	6.81
Return on Equity	20.98	19.27	14.60

Support/Resistance Levels		
	Support	Resistance
Short-term	43	45.5
Intermediate-term	43-42.5	50-MA

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

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

Bullish factors	near-term support at 43, intermediate-term support at 43-42.5, forming bottom, low PEG,
Bearish factors	near-term resistance at 45.5, 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	43.82	Oct-07	40.00	WMTJH	43.00	4.40	44.4	Unlimited	4.40	4.90	0.50	11.4%

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
WMT	43.82	Oct-07	37.50	WMTVU	42.50	WMTVV	43.00	0.70	41.80	0.70	4.30	0.20	0.50	11.6%

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
WMT	43.82	Oct-07	37.50	WMTJU	42.50	WMTJV	43.00	3.90	41.40	1.10	3.90	4.40	0.50	12.8%

BEARISH PLAY

TXU CORP (TXU)



Stock Symbol	TXU		
Industry	Utilities		
	TXU	Industry	Sector
Valuation Ratios			
P/E, Trailing	28.92	18.90	19.80
Price/Sales (ttm)	3.17	1.78	1.79
Price/Book (mrq)	29.02	3.91	3.64
EPS Revisions			
EPS Revisions Trend	Bearish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	9.3%	8.5%	8.1%
PEG	1.48	1.99	2.05
Profitability Ratios, %			
Gross Margin	53.95	35.56	35.09
Profit Margin	11.12	9.49	9.30
Operating Margin	23.29	17.36	16.86
Management Effectiveness, %			
Return on Assets	4.13	3.39	3.56
Return on Equity	130.35	16.47	15.40

Support/Resistance Levels		
	Support	Resistance
Short-term	62.2	50-MA
Intermediate-term	62.2	68

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

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

Bearish factors	near-term resistance at 50-MA, intermediate-term resistance 68, short-term bearish trend, EPS revisions trend - down, high PEG,
Bullish factors	near-term support at 62.2, P/E forw.<< P/E trail.,

"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
TXU	65.75	Oct-07	70.00	TXFVN	66.00	4.10	65.90	Unlimited	4.10	4.60	0.50	12.2%

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
TXU	65.75	Jan-08	67.50	TXFAU	70.00	TXFAN	66.00	0.40	67.90	0.40	2.10	0.10	0.30	14.3%

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
TXU	65.75	Jan-08	67.50	TXFMU	70.00	TXPMN	66.00	2.25	67.75	0.25	2.25	2.75	0.50	22.2%

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
QCOM	38.58	38.00	38.00	38.00	35.60	2.40	Unlimited	41.00	3.00	7.9%
HD	35.25	35.00	35.00	35.00	32.00	3.00	Unlimited	38.00	3.00	8.6%
WMT	43.82	43.00	43.00	43.00	42.50	0.50	Unlimited	46.00	3.00	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
QCOM	38.58	Oct-07	37.50	AAOVU	38.00	1.66	1.66	35.84	1.66	8.76	0.30	1.36	15.5%
HD	35.25	Nov-07	32.50	HDWZ	35.00	1.00	1.00	31.50	1.00	5.50	0.60	0.40	7.3%
WMT	43.82	Oct-07	40.00	WMTVH	43.00	0.55	0.55	39.45	0.55	6.15	0.20	0.35	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
QCOM	38.58	Oct-07	42.50	AAQJV	38.00	0.65	0.65	37.35	5.15	37.35	39.08	1.15	0.58	1.5%
HD	35.25	Nov-07	37.50	HDKU	35.00	1.05	1.05	33.95	3.55	33.95	35.75	1.55	0.25	0.7%
WMT	43.82	Oct-07	45.00	WMTJI	43.00	1.18	1.18	41.83	3.18	41.83	44.32	1.68	0.82	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
TXU	65.75	66.00	66.00	66.00	68.30	2.30	Unlimited	63.00	3.00	4.5%

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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