

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

Honeywell International Inc (HON)



Stock Symbol	HON		
Industry	Industrial		
	HON	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	19.91	20.25	19.77
Price/Sales (ttm)	1.28	1.42	2.78
Price/Book (mrq)	5.39	6.76	4.07
EPS Revisions			
EPS Revisions Trend	Bullish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	10.0%	12.5%	13.0%
PEG	1.79	1.40	1.37
Profitability Ratios, %			
Gross Margin	23.46	24.44	24.47
Profit Margin	6.9	6.74	6.44
Operating Margin	9.33	9.95	9.89
Management Effectiveness, %			
Return on Assets	7.04	7.6	7.5
Return on Equity	24.1	30.56	24.83

Support/Resistance Levels		
	Support	Resistance
Short-term	55.1-55.8	50 MA
Intermediate-term	54.3	58.8-58.9

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

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

Bullish factors	near-term support at 55.1-55.8, intermediate-term support at 54.3, low PEG, EPS revisions trend - up
Bearish factors	nearest resistance at 50 MA, intermediate-term resistance at 58.8-58.9

"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
HON	56.15	Oct-07	52.50	HONJX	55.55	4.36	56.86	Unlimited	4.36	4.86	0.50	11.5%

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
HON	56.15	Oct-07	50.00	HONVJ	55.00	HONVK	55.55	1.26	53.74	1.26	3.74	0.50	0.76	20.3%

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
HON	56.15	Oct-07	50.00	HONJJ	55.00	HONJK	55.55	3.56	53.56	1.44	3.56	4.06	0.50	14.0%

eBay Inc (EBAY)



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

Stock Symbol	EBAY		
Industry	Services		
	EBAY	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	34.48	24.91	25.89
Price/Sales (ttm)	6.84	2.49	3.08
Price/Book (mrq)	4.01	4.14	4.33
EPS Revisions			
EPS Revisions Trend	Bullish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	18.7%	13.7%	13.7%
PEG	1.33	1.28	1.47
Profitability Ratios, %			
Gross Margin	78.11	39.94	43.67
Profit Margin	20.39	7.71	9.39
Operating Margin	25.31	11.02	14.45
Management Effectiveness, %			
Return on Assets	10.00	9.12	6.99
Return on Equity	12.10	25.10	15.94

Support/Resistance Levels		
	Support	Resistance
Short-term	50 & 200 MA	35
Intermediate-term	31.0-32.5	35

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

Bullish factors	near-term support 50 & 200 MA, intermediate-term support at 31.0-32.5, high profit & operating margins, low PEG, EPS revisions trend - up, intermediate & short-term trends - bullish
Bearish factors	nearest resistance at 35.0

"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
EBAY	34.10	Oct-07	32.50	XBAJZ	33.50	0.92	33.42	Unlimited	0.92	1.42	0.50	54.3%

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
EBAY	34.10	Nov-07	30.00	XBAVF	35.00	XBAVG	33.50	1.91	33.09	1.91	3.09	1.21	0.70	22.7%

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
EBAY	34.10	Nov-07	30.00	XBAJF	35.00	XBAJG	33.50	3.00	33.00	2.00	3.00	3.50	0.50	16.7%

Intuit Inc (INTU)



Stock Symbol	INTU		
Industry	Technology		
	INTU	Industry	Sector
Valuation Ratios			
P/E, Trailing	23.11	27.55	28.15
Price/Sales (ttm)	3.44	6.34	4.55
Price/Book (mrq)	4.52	6.65	5.02
EPS Revisions			
EPS Revisions Trend	Bullish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	15.2%	13.8%	14.5%
PEG	1.12	1.46	1.53
Profitability Ratios, %			
Gross Margin	80.94	75.23	51.48
Profit Margin	16.64	19.00	13.55
Operating Margin	25.04	24.84	16.49
Management Effectiveness, %			
Return on Assets	12.67	13.74	10.56
Return on Equity	23.51	25.20	13.87

Support/Resistance Levels		
	Support	Resistance
Short-term	26.5-26.6	50 MA, 29.0
Intermediate-term	26.5-26.6	200 MA

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

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

Bullish factors	near-term support at 26.5-26.6, low PEG, EPS revisions trend - up, high ROA, ROE, short-term oversold
Bearish factors	near-term resistance at 50 MA & 29.0, intermediate-term resistance at 200MA,

"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	27.31	Oct-07	22.50	IQUJX	26.50	4.36	26.86	Unlimited	4.36	4.86	0.50	11.5%

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
INTU	27.31	Oct-07	20.00	IQUVD	25.00	IQUVE	26.50	0.49	24.51	0.49	4.51	0.20	0.29	6.4%

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
INTU	27.31	Oct-07	20.00	IQUJD	25.00	IQUJE	26.50	4.47	24.47	0.53	4.47	4.97	0.50	11.2%

BEARISH PLAY

KLA Tencor Corp (KLAC)



Stock Symbol	KLAC		
Industry	Technology		
	KLAC	Industry	Sector
Valuation Ratios			
P/E, Trailing	21.97	27.72	28.15
Price/Sales (ttm)	4.06	4.88	4.55
Price/Book (mrq)	3.10	4.28	5.02
EPS Revisions			
EPS Revisions Trend	Bearish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	17.4%	15.0%	14.5%
PEG	1.04	1.59	1.53
Profitability Ratios, %			
Gross Margin	56.42	49.58	51.48
Profit Margin	19.29	14.99	13.55
Operating Margin	21.60	16.55	16.49
Management Effectiveness, %			
Return on Assets	11.45	11.82	10.56
Return on Equity	14.84	15.70	20.64

Support/Resistance Levels		
	Support	Resistance
Short-term	57	62.5-59
Intermediate-term	53, 55	62.5-59

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

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

Bearish factors	near-term resistance at 59-62.5, high P/S, P/B, EPS revisions trend - down
Bullish factors	near-term support at 57, intermediate-term support at 53, 55, low PEG, high profit & operating margins

"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
KLAC	57.47	Oct-07	65.00	KCQVM	58.00	7.50	57.50	Unlimited	7.50	8.50	1.00	13.3%

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
KLAC	57.47	Oct-07	65.00	KCQJM	70.00	KCQJN	58.00	1.10	66.10	1.10	3.90	0.60	0.50	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
KLAC	57.47	Oct-07	65.00	KCQVM	70.00	KCQVN	58.00	4.70	65.30	0.30	4.70	5.20	0.50	10.6%

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
HON	56.15	55.55	55.55	55.55	52.60	2.95	Unlimited	58.20	2.65	4.8%
EBAY	34.10	33.50	33.50	33.50	32.00	1.50	Unlimited	38.00	4.50	13.4%
INTU	27.31	26.50	26.50	26.50	24.50	2.00	Unlimited	29.00	2.50	9.4%

"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
HON	56.15	Oct-07	55.00	HONVK	55.55	1.74	1.74	53.26	1.74	12.30	1.00	0.74	6.0%
EBAY	34.10	Nov-07	32.50	XBAVZ	33.50	1.14	1.14	31.36	1.14	6.84	0.80	0.34	5.0%
INTU	27.31	Oct-07	25.00	IQUVE	26.50	0.52	0.52	24.48	0.52	4.32	0.20	0.32	7.4%

"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
HON	56.15	Oct-07	57.50	HONJY	55.55	1.65	1.65	53.90	3.60	53.90	56.65	1.15	1.60	2.8%
EBAY	34.10	Nov-07	37.50	XBAJU	33.50	0.53	0.53	32.98	4.53	32.98	34.60	0.23	1.40	4.0%
INTU	27.31	Oct-07	30.00	IQUJF	26.50	0.35	0.35	26.15	3.85	26.15	27.81	0.85	0.81	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
KLAC	57.47	58.00	58.00	58.00	60.00	2.00	Unlimited	55.00	3.00	5.2%

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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