

The SectorTrends Newsletter

Released on 9/26/2007

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 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

FEDEX CORP (FDX)



Stock Symbol	FDX		
Industry	Consumer Staples		
	FDX	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	16.00	18.60	20.52
Price/Sales (ttm)	0.90	1.45	2.94
Price/Book (mrq)	2.44	4.40	4.26
EPS Revisions			
EPS Revisions Trend	Neutral	-	-
Analyst Opinion Change	Down	-	-
Growth Rates			
EPS - Next 5 Years	14.6%	13.2%	13.2%
PEG	1.03	1.26	1.39
Profitability Ratios, %			
Gross Margin	27.95	32.01	33.66
Profit Margin	5.67	7.68	8.65
Operating Margin	9.22	12.19	14.4
Management Effectiveness, %			
Return on Assets	8.52	10.96	7.84
Return on Equity	16.12	22.99	19.09

Support/Resistance Levels		
	Support	Resistance
Short-term	102	110
Intermediate-term	100	113

Stock & Sector Trends		
	FDX	Sector
Short-term, based on 10-Day SMA	Down	Down
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 102, intermediate-term support at 100, low PEG, high P/B, P/E,
Bearish factors	nearest resistance at 110, intermediate-term resistance at 113, EPS revisions trend - Neutral

"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
FDX	104.59	Oct-07	100.00	.FDXJT	104.00	6.10	106.10	Unlimited	6.10	6.60	0.50	8.2%

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
FDX	104.59	Oct-07	95.00	.FDXVS	100.00	.FDXVT	104.00	0.80	99.20	0.80	4.20	0.30	0.50	11.9%

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
FDX	104.59	Oct-07	95.00	.FDXJS	100.00	.FDXJT	104.00	4.00	99.00	1.00	4.00	4.50	0.50	12.5%

BEARISH PLAY

APACHE CP (APA)



Stock Symbol	APA		
Industry	Materials		
	APA	Industry	Sector
Valuation Ratios			
P/E, Trailing	12.80	16.83	15.69
Price/Sales (ttm)	3.36	3.32	2.48
Price/Book (mrq)	2.08	2.94	4.05
EPS Revisions			
EPS Revisions Trend	Neutral	-	-
Analyst Opinion Change	Down	-	-
Growth Rates			
EPS - Next 5 Years	9.3%	7.8%	9.6%
PEG	1.30	1.57	1.38
Profitability Ratios, %			
Gross Margin	80.25	59.11	36.30
Profit Margin	26.39	18.09	14.47
Operating Margin	44.64	30.16	22.58
Management Effectiveness, %			
Return on Assets	9.40	9.26	13.60
Return on Equity	17.78	20.28	27.04

Support/Resistance Levels		
	Support	Resistance
Short-term	50-MA	90
Intermediate-term	73.4	90

Stock & Sector Trends		
	APA	Sector
Short-term, based on 10-Day SMA	Up	Neutral
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 90, high P/B, P/S, EPS revisions trend - neutral,
Bullish factors	near-term support at 50-MA, intermediate-term support 73.4, 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
APA	87.89	Oct-07	90.00	.APAVR	88.00	3.00	87.00	Unlimited	3.00	3.50	0.50	16.7%

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
APA	87.89	Oct-07	90.00	.APAJR	95.00	.APAJR	88.00	1.20	91.20	1.20	3.80	0.70	0.50	13.2%

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
APA	87.89	Oct-07	90.00	.APAVR	95.00	.APAVS	88.00	1.00	94.00	4.00	1.00	1.50	0.50	50.0%

HALLIBURTON CO (HAL)



Stock Symbol	HAL		
Industry	Materials		
	HAL	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	16.22	20.70	15.69
Price/Sales (ttm)	2.05	4.19	2.48
Price/Book (mrq)	5.77	6.15	4.05
EPS Revisions			
EPS Revisions Trend	Bullish	-	-
Analyst Opinion Change	Down	-	-
Growth Rates			
EPS - Next 5 Years	15.1%	21.4%	9.6%
PEG	1.04	0.78	1.38
Profitability Ratios, %			
Gross Margin	NM	37.97	36.30
Profit Margin	14.54	20.91	14.47
Operating Margin	21.65	27.76	22.58
Management Effectiveness, %			
Return on Assets	17.04	15.76	13.60
Return on Equity	35.89	29.71	27.04

Support/Resistance Levels		
	Support	Resistance
Short-term	50-MA	39
Intermediate-term	32	39

Stock & Sector Trends		
	HAL	Sector
Short-term, based on 10-Day SMA	Up	Neutral
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 39, high PEG, P/B, P/E forw.>> P/E trail.
Bullish factors	near-term support at 50-MA, 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
HAL	38.00	Oct-07	40.00	.HALVH	39.00	2.00	38.00	Unlimited	2.00	2.50	0.50	25.0%

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
HAL	38.00	Oct-07	40.00	.HALJH	42.50	.HALJV	39.00	0.35	40.35	0.35	2.15	0.10	0.25	11.6%

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
HAL	38.00	Oct-07	40.00	.HALVH	42.50	.HALVV	39.00	2.05	40.45	0.45	2.05	2.55	0.50	24.4%

GEN MOTORS (GM)



Stock Symbol	GM		
Industry	Consumer Staples		
	GM	Industry	Sector
Valuation Ratios			
P/E, Trailing	12.64	15.77	20.20
Price/Sales (ttm)	0.10	0.63	1.68
Price/Book (mrq)	NM	4.40	4.37
EPS Revisions			
EPS Revisions Trend	Bearish	-	-
Analyst Opinion Change	Down	-	-
Growth Rates			
EPS - Next 5 Years	8.0%	9.8%	9.7%
PEG	1.10	2.38	2.13
Profitability Ratios, %			
Gross Margin	17.50	14.28	34.02
Profit Margin	0.81	2.14	6.72
Operating Margin	-0.31	3.00	10.57
Management Effectiveness, %			
Return on Assets	0.47	3.10	8.69
Return on Equity	36.85	47.27	16.75

Support/Resistance Levels		
	Support	Resistance
Short-term	50-MA	36
Intermediate-term	29	36

Stock & Sector Trends		
	GM	Sector
Short-term, based on 10-Day SMA	Up	Neutral
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 36, low P/B, P/S, low profit margin, EPS revisions trend - down,
Bullish factors	near-term support at 50-MA, 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
GM	34.42	Oct-07	37.50	.GMVU	35.00	3.20	34.30	Unlimited	3.20	3.70	0.50	15.6%

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
GM	34.42	Oct-07	37.50	.GMJU	42.50	.GMJV	35.00	0.70	38.20	0.70	4.30	0.20	0.50	11.6%

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
GM	34.42	Oct-07	37.50	.GMVU	42.50	.GMVV	35.00	4.60	37.90	0.40	4.60	5.10	0.50	10.9%

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
FDX	104.59	104.00	104.00	104.00	100.00	4.00	Unlimited	112.00	8.00	7.7%

"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
FDX	104.59	Oct-07	100.00	.FDXVT	104.00	1.40	1.40	98.60	1.40	18.20	0.30	1.10	6.0%

"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
FDX	104.59	Oct-07	110.00	.FDXJB	104.00	0.80	0.80	103.20	6.80	103.20	105.09	1.30	0.59	0.6%

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
APA	87.89	88.00	88.00	88.00	91.00	3.00	Unlimited	81.00	7.00	8.0%
HAL	38.00	39.00	39.00	39.00	40.00	1.00	Unlimited	35.00	4.00	10.3%
GM	34.42	35.00	35.00	35.00	37.00	2.00	Unlimited	33.00	2.00	5.7%

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 09/26/07