

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

BOEING CO (BA)



| | | | |
|-----------------------------|------------|----------|--------|
| Stock Symbol | BA | | |
| Industry | Industrial | | |
| | BA | Industry | Sector |
| Valuation Ratios | | | |
| P/E, Trailing (ttm) | 20.70 | 21.51 | 21.05 |
| Price/Sales (ttm) | 1.16 | 1.55 | 3.01 |
| Price/Book (mrq) | 12.86 | 6.91 | 4.32 |
| EPS Revisions | | | |
| EPS Revisions Trend | Bearish | - | - |
| Analyst Opinion Change | Neutral | - | - |
| Growth Rates | | | |
| EPS - Next 5 Years | 14.7% | 13.1% | 13.3% |
| PEG | 1.30 | 1.44 | 1.41 |
| Profitability Ratios, % | | | |
| Gross Margin | 19.26 | 24.74 | 24.39 |
| Profit Margin | 5.56 | 6.83 | 6.39 |
| Operating Margin | 7.6 | 10.08 | 9.81 |
| Management Effectiveness, % | | | |
| Return on Assets | 6.25 | 7.69 | 7.43 |
| Return on Equity | 44.32 | 30.28 | 24.6 |

| Support/Resistance Levels | | |
|---------------------------|---------|------------|
| | Support | Resistance |
| Short-term | 200-MA | 50-MA |
| Intermediate-term | 94 | 101 |

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

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

| | |
|-----------------|--|
| Bullish factors | near-term support at 200-MA, intermediate-term support at 94, low PEG, low P/E, |
| Bearish factors | nearest resistance at 50-MA, intermediate-term resistance at 101, EPS revisions trend - bearish, |

"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 |
|--------------|------------------|------------------|--------------|---------------|-------------------------------|-------------------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| BA | 95.94 | Nov-07 | 90.00 | .BAKR | 95.00 | 7.00 | 97.00 | Unlimited | 7.00 | 7.50 | 0.50 | 7.1% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|--------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| BA | 95.94 | Nov-07 | 85.00 | .BAWQ | 90.00 | .BAWR | 95.00 | 1.05 | 88.95 | 1.05 | 3.95 | 0.45 | 0.60 | 15.2% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|-------------|------------|-------------------------------|---------------------------------|-----------------------------|----------------------------------|---------------|
| BA | 95.94 | Nov-07 | 85.00 | .BAKQ | 90.00 | .BAKR | 95.00 | 2.90 | 87.90 | 2.10 | 2.90 | 3.40 | 0.50 | 17.2% |

BEARISH PLAY

WAL MART STORES (WMT)



| Stock Symbol | WMT | | |
|-----------------------------|------------------|----------|--------|
| Industry | Consumer Staples | | |
| | WMT | Industry | Sector |
| Valuation Ratios | | | |
| P/E, Trailing | 15.24 | 15.92 | 27.40 |
| Price/Sales (ttm) | 0.51 | 0.63 | 3.49 |
| Price/Book (mrq) | 3.00 | 2.93 | 4.72 |
| EPS Revisions | | | |
| EPS Revisions Trend | Bullish | - | - |
| Analyst Opinion Change | Neutral | - | - |
| Growth Rates | | | |
| EPS - Next 5 Years | 12.6% | 13.8% | 13.8% |
| PEG | 1.18 | 1.30 | 1.49 |
| Profitability Ratios, % | | | |
| Gross Margin | 23.34 | 27.86 | 43.44 |
| Profit Margin | 3.56 | 3.99 | 8.64 |
| Operating Margin | 5.80 | 6.56 | 13.74 |
| Management Effectiveness, % | | | |
| Return on Assets | 8.57 | 8.12 | 6.27 |
| Return on Equity | 21.01 | 19.42 | 16.23 |

| Support/Resistance Levels | | |
|---------------------------|---------|------------|
| | Support | Resistance |
| Short-term | 102 | 111.5 |
| Intermediate-term | 50-MA | 115 |

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

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

| | |
|-----------------|---|
| Bearish factors | near-term resistance at 111.5, forming top, short-term overbought, high P/B, P/E, |
| Bullish factors | near-term support at 102, intermediate-term support 50-MA, low P/S, PEG, EPS revisions trend - bullish, |

"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 |
|--------------|------------------|------------------|--------------|---------------|-------------------------------|------------------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| WMT | 45.86 | Nov-07 | 50.00 | .WMTWJ | 46.00 | 4.00 | 46.00 | Unlimited | 4.00 | 4.50 | 0.50 | 12.5% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|--------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| WMT | 45.86 | Dec-07 | 47.50 | .WMTLW | 52.50 | .WMTLX | 46.00 | 1.00 | 48.50 | 1.00 | 4.00 | 0.50 | 0.50 | 12.5% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|-------------|------------|-------------------------------|---------------------------------|-----------------------------|----------------------------------|---------------|
| WMT | 45.86 | Dec-07 | 47.50 | .WMTXW | 52.50 | .WMTXX | 46.00 | 4.15 | 48.35 | 0.85 | 4.15 | 4.65 | 0.50 | 12.0% |

INDUSTRIAL SPDR (XLI)



| | | | |
|-----------------------------|------------|----------|--------|
| Stock Symbol | XLI | | |
| Industry | Industrial | | |
| | XLI | 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 | 50-MA | 42 |
| Intermediate-term | 37.5 | 42 |

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

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

| | |
|-----------------|---|
| Bearish factors | near-term resistance at 42, formed top, short-term overbought, MACD - bearish |
| Bullish factors | near-term support at 50-MA, intermediate-term support 37.5, |

"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 |
|--------------|------------------|------------------|--------------|---------------|-------------------------------|------------------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| XLI | 40.82 | Nov-07 | 43.00 | .XLIWQ | 41.00 | 1.95 | 41.05 | Unlimited | 1.95 | 2.45 | 0.50 | 25.6% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|--------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| XLI | 40.82 | Dec-07 | 42.00 | .XLILP | 45.00 | .XLILS | 41.00 | 0.55 | 42.55 | 0.55 | 2.45 | 0.15 | 0.40 | 16.3% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|-------------|------------|-------------------------------|---------------------------------|-----------------------------|----------------------------------|---------------|
| XLI | 40.82 | Dec-07 | 42.00 | .XLIXP | 45.00 | .XLIXS | 41.00 | 2.65 | 42.35 | 0.35 | 2.65 | 3.15 | 0.50 | 18.9% |

HEALTHCARE SS SPDR F (XLV)



| | | | |
|-----------------------------|-------------|----------|--------|
| Stock Symbol | XLV | | |
| Industry | Health Care | | |
| | XLV | 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 | 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 | 50-MA | 36.4 |
| Intermediate-term | 34.75 | 37 |

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

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

| | |
|-----------------|---|
| Bearish factors | near-term resistance at 36.4, formed top, short-term overbought, MACD - bearish |
| Bullish factors | near-term support at 50-MA, intermediate-term support 34.75, |

"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 |
|--------------|------------------|------------------|--------------|---------------|-------------------------------|------------------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| XLV | 35.59 | Nov-07 | 37.00 | .XLVWK | 36.00 | 1.10 | 35.90 | Unlimited | 1.10 | 1.60 | 0.50 | 45.5% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|--------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| XLV | 35.59 | Dec-07 | 36.00 | .XLVLJ | 41.00 | .XLVLO | 36.00 | 0.65 | 36.65 | 0.65 | 4.35 | 0.50 | 0.15 | 3.4% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|-------------|------------|-------------------------------|---------------------------------|-----------------------------|----------------------------------|---------------|
| XLV | 35.59 | Dec-07 | 36.00 | .XLVXJ | 41.00 | .XLVXO | 36.00 | 4.55 | 36.45 | 0.45 | 4.55 | 5.05 | 0.50 | 11.0% |

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 |
|--------------|------------------|-------------------------------|------------|--------------------------|----------------------|----------------------|------------------------|---------------------------|---------------------------|---------------|
| BA | 95.94 | 95.00 | 95.00 | 95.00 | 92.90 | 2.10 | Unlimited | 100.00 | 5.00 | 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 |
|--------------|------------------|------------------|--------------|---------------|-------------------------------|------------------------|-----------------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| BA | 95.94 | Nov-07 | 90.00 | .BAWR | 95.00 | 1.00 | 1.00 | 89.00 | 1.00 | 15.00 | 0.30 | 0.70 | 4.7% |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |

"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 |
|--------------|------------------|------------------|--------------|---------------|-------------------------------|-------------------------|------------------------|------------|-------------------------------|---------------------------------|------------------|------------------------|----------------------------------|---------------|
| BA | 95.94 | Nov-07 | 100.00 | .BAKT | 95.00 | 1.88 | 1.88 | 93.13 | 6.88 | 93.13 | 96.44 | 2.38 | 0.94 | 1.0% |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |

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 |
|--------------|------------------|-------------------------------|------------|--------------------------|----------------------|----------------------|------------------------|---------------------------|---------------------------|---------------|
| WMT | 45.86 | 46.00 | 46.00 | 46.00 | 48.50 | 2.50 | Unlimited | 44.00 | 2.00 | 4.3% |
| XLI | 40.82 | 41.00 | 41.00 | 41.00 | 43.50 | 2.50 | Unlimited | 39.00 | 2.00 | 4.9% |
| XLV | 35.59 | 36.00 | 36.00 | 36.00 | 37.00 | 1.00 | Unlimited | 34.75 | 1.25 | 3.5% |

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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