

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

ORACLE CORP (ORCL)



Stock Symbol	ORCL		
Industry	Software		
	ORCL	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	25.31	29.35	20.94
Price/Sales (ttm)	5.80	7.60	3.01
Price/Book (mrq)	6.17	7.18	4.26
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	15.0%	13.7%	14.5%
PEG	1.21	1.48	1.48
Profitability Ratios, %			
Gross Margin	76.92	75.28	52.15
Profit Margin	23.47	19.02	13.72
Operating Margin	33	24.85	16.72
Management Effectiveness, %			
Return on Assets	14.07	13.84	10.84
Return on Equity	27.19	25.23	20.95

Support/Resistance Levels		
	Support	Resistance
Short-term	19-20	23
Intermediate-term	17-18	23

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

Bullish factors	near-term support at 19-20, intermediate-term support at 17-18, forming bottom, low PEG, high profit & operating margins, EPS revisions trend - up,
Bearish factors	nearest resistance at 23, high P/E, 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
ORCL	21.45	Dec-07	18.00	.ORQLS	21.00	3.60	21.60	Unlimited	3.60	4.10	0.50	13.9%

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
ORCL	21.45	Dec-07	18.00	.ORQXS	20.00	.ORQXD	21.00	0.40	19.60	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
ORCL	21.45	Dec-07	18.00	.ORQLS	20.00	.ORQLD	21.00	1.80	19.80	0.20	1.80	2.30	0.50	27.8%

TEXAS INSTRUMENTS (TXN)



Stock Symbol	TXN		
Industry	Semiconductor		
	TXN	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	18.06	28.79	30.24
Price/Sales (ttm)	3.20	5.59	5.31
Price/Book (mrq)	3.95	4.92	5.66
EPS Revisions			
EPS Revisions Trend	Mixed	-	-
Analyst Opinion Change	Bullish	-	-
Growth Rates			
EPS - Next 5 Years	18.9%	15.3%	14.7%
PEG	1.03	1.63	1.59
Profitability Ratios, %			
Gross Margin	52.06	49.38	52.15
Profit Margin	18.62	14.77	13.72
Operating Margin	23.79	16.25	16.72
Management Effectiveness, %			
Return on Assets	17.95	11.80	10.84
Return on Equity	22.10	15.75	20.95

Support/Resistance Levels		
	Support	Resistance
Short-term	32-33.5	37
Intermediate-term	200-MA	39

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

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

Bullish factors	near-term support at 32-33.5, intermediate-term support at 200-MA, low PEG, high profit & operating margins,
Bearish factors	nearest resistance at 100-102, high P/E, P/B, P/S, EPS revisions trend - mixed,

"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
TXN	31.43	Dec-07	27.50	.TXNLY	31.00	4.25	31.75	Unlimited	4.25	4.75	0.50	11.8%

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
TXN	31.43	Dec-07	25.00	.TXNXE	30.00	.TXNXF	31.00	0.65	29.35	0.65	4.35	0.20	0.45	10.3%

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
TXN	31.43	Dec-07	25.00	.TXNLE	30.00	.TXNLF	31.00	4.00	29.00	1.00	4.00	4.50	0.50	12.5%

INTL BUSINESS MACH (IBM)



Stock Symbol	IBM		
Industry	Technology		
	IBM	Industry	Sector
Valuation Ratios			
P/E, Trailing	17.27	23.63	27.44
Price/Sales (ttm)	1.62	2.64	3.53
Price/Book (mrq)	7.59	6.10	4.69
EPS Revisions			
EPS Revisions Trend	Bullish	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	10.7%	13.8%	14.7%
PEG	1.52	1.56	1.59
Profitability Ratios, %			
Gross Margin	42.07	41.62	43.53
Profit Margin	10.33	10.13	8.40
Operating Margin	13.15	14.62	13.48
Management Effectiveness, %			
Return on Assets	9.34	8.92	6.15
Return on Equity	36.25	25.59	15.00

Support/Resistance Levels		
	Support	Resistance
Short-term	110.9	120
Intermediate-term	108	120

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

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

Bullish factors	near-term support at 110.9, intermediate-term support at 108, forming bottom, low PEG, EPS revisions trend - up
Bearish factors	near-term resistance at 120, low profit & operating margins,

"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
IBM	114.68	Dec-07	110.00	.IBMLB	114.00	7.10	117.1	Unlimited	7.10	7.60	0.50	7.0%

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
IBM	114.68	Dec-07	105.00	.IBMXA	110.00	.IBMXB	114.00	0.95	109.05	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
IBM	114.68	Dec-07	105.00	.IBMLA	110.00	.IBMLB	114.00	3.90	108.90	1.10	3.90	4.40	0.50	12.8%

BEARISH PLAY

YAHOO INC (YHOO)



Stock Symbol	YHOO		
Industry	Technology		
	YHOO	Industry	Sector
Valuation Ratios			
P/E, Trailing	59.94	42.50	27.44
Price/Sales (ttm)	6.00	5.66	3.53
Price/Book (mrq)	4.42	3.83	4.69
EPS Revisions			
EPS Revisions Trend	Mixed	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	24.0%	13.8%	14.7%
PEG	2.89	1.56	1.59
Profitability Ratios, %			
Gross Margin	58.75	47.51	43.53
Profit Margin	8.63	15.88	8.40
Operating Margin	11.87	9.66	13.48
Management Effectiveness, %			
Return on Assets	5.26	4.13	6.15
Return on Equity	8.33	10.03	16.20

Support/Resistance Levels		
	Support	Resistance
Short-term	200-MA	31
Intermediate-term	26.5	32.2

Stock & Sector Trends		
	YHOO	Sector
Short-term, based on 10-Day SMA	Up	Neutral
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 31-32, intermediate-term resistance 35-37, short-term overbought, high P/E, PEG, P/B, P/S, EPS revisions trend - down,
Bullish factors	near-term support at 28-29, intermediate-term support at 25-27, high growth rates,

"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
YHOO	30.64	Dec-07	37.50	.YHQXU	31.00	6.95	30.55	Unlimited	6.95	7.45	0.50	7.2%

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
YHOO	30.64	Dec-07	35.00	.YHQLG	37.50	.YHQLU	31.00	0.45	35.45	0.45	2.05	0.20	0.25	12.2%

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
YHOO	30.64	Dec-07	35.00	.YHQXG	37.50	.YHQXU	31.00	2.10	35.40	0.40	2.10	2.60	0.50	23.8%

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
ORCL	21.45	21.00	21.00	21.00	20.00	1.00	Unlimited	22.50	1.50	7.1%
TXN	31.43	31.00	31.00	31.00	28.00	3.00	Unlimited	37.00	6.00	19.4%
IBM	114.68	114.00	114.00	114.00	110.00	4.00	Unlimited	120.00	6.00	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
ORCL	21.45	Dec-07	18.00	.ORQXS	21.00	0.25	0.25	17.75	0.25	1.45	0.20	0.05	3.4%
TXN	31.43	Dec-07	27.50	.TXNXY	31.00	0.35	0.35	27.15	0.35	3.05	0.30	0.05	1.6%
IBM	114.68	Dec-07	105.00	.IBMXA	114.00	1.10	1.10	103.90	1.10	14.90	0.50	0.60	4.0%

"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
ORCL	21.45	Dec-07	25.00	.ORQLE	21.00	0.18	0.18	20.83	4.18	20.83	21.95	0.68	0.45	2.1%
TXN	31.43	Dec-07	35.00	.TXNLG	31.00	0.36	0.36	30.64	4.36	30.64	31.93	0.86	0.43	1.3%
IBM	114.68	Dec-07	110.00	.IBMLB	114.00	7.25	7.25	106.75	3.25	106.75	115.18	7.75	0.68	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
YHOO	30.64	31.00	31.00	31.00	33.00	2.00	Unlimited	28.00	3.00	9.7%

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.

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