

The SectorTrends Newsletter

Released on 11/26/2007

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

HALLIBURTON CO (HAL)



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

Stock Symbol	HAL		
Industry	Materials		
	HAL	Industry	Sector
Valuation Ratios			
P/E, Trailing (ttm)	14.45	18.17	20.12
Price/Sales (ttm)	2.22	3.86	2.89
Price/Book (mrq)	5.23	5.26	4.32
EPS Revisions			
EPS Revisions Trend	Neutral	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	12.0%	19.3%	10.3%
PEG	1.24	0.83	1.25
Profitability Ratios, %			
Gross Margin	NM	39.06	37.05
Profit Margin	17.15	22.06	14.41
Operating Margin	24.08	28.35	22.55
Management Effectiveness, %			
Return on Assets	17.57	16.66	12.96
Return on Equity	37.29	31.7	25.89

Support/Resistance Levels		
	Support	Resistance
Short-term	36	50-MA
Intermediate-term	30-32	42

Stock & Sector Trends		
	HAL	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 36, intermediate-term support at 30-32, forming bottom, low P/E, PEG, P/S, EPS revisions trend - up
Bearish factors	nearest resistance at 50-MA, intermediate-term resistance at 42, 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
HAL	36.81	Jan-08	30.00	.HALAF	36.00	7.00	37.00	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
HAL	36.81	Jan-08	30.00	.HALMF	35.00	.HALMG	36.00	0.90	34.10	0.90	4.10	0.40	0.50	12.2%

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
HAL	36.81	Jan-08	30.00	.HALAF	35.00	.HALAG	36.00	4.00	34.00	1.00	4.00	4.50	0.50	12.5%

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)	12.56	12.32	27.07
Price/Sales (ttm)	0.72	0.73	3.26
Price/Book (mrq)	3.28	2.99	5.28
EPS Revisions			
EPS Revisions Trend	Neutral	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	12.3%	13.7%	13.7%
PEG	1.01	1.19	1.38
Profitability Ratios, %			
Gross Margin	33.24	34.34	43.46
Profit Margin	5.58	5.72	8.15
Operating Margin	9.50	9.39	13.43
Management Effectiveness, %			
Return on Assets	9.10	9.08	6.19
Return on Equity	19.75	19.96	16.13

Support/Resistance Levels		
	Support	Resistance
Short-term	28	30-32
Intermediate-term	25	35-36

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

Bullish factors	near-term support at 28, intermediate-term support at 25, forming bottom, supportive industry trend, low P/E, PEG,
Bearish factors	nearest resistance at 30-32, intermediate-term resistance at 35-36, intermediate & short-term bearish trend, EPS revisions trend - down, high P/B

"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	28.95	Jan-08	25.00	.HDAE	28.00	4.10	29.10	Unlimited	4.10	4.60	0.50	12.2%

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
HD	28.95	Jan-08	25.00	.HDME	27.50	.HDMY	28.00	0.60	26.90	0.60	1.90	0.15	0.45	23.7%

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
HD	28.95	Jan-08	25.00	.HDAE	27.50	.HDAY	28.00	1.65	26.65	0.85	1.65	2.15	0.50	30.3%

LEXMARK INTL INC (LXK)



Stock Symbol	LXK		
Industry	Technology		
	LXK	Industry	Sector
Valuation Ratios			
P/E, Trailing	23.69	21.33	26.40
Price/Sales (ttm)	0.68	3.47	4.76
Price/Book (mrq)	3.00	4.42	5.70
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	10.1%	15.4%	14.8%
PEG	1.31	1.46	1.48
Profitability Ratios, %			
Gross Margin	30.75	47.21	52.64
Profit Margin	5.80	15.04	14.48
Operating Margin	6.17	17.27	17.49
Management Effectiveness, %			
Return on Assets	9.85	12.62	11.45
Return on Equity	27.04	23.36	15.16

Support/Resistance Levels		
	Support	Resistance
Short-term	35	30
Intermediate-term	39	45

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

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

Bullish factors	near-term support at 35, intermediate-term support at 30, forming bottom, short-term oversold, low PEG, P/S, EPS revisions trend - up
Bearish factors	near-term resistance at 39-40, intermediate-term resistance at 45, short-term bearish trend, high P/B, 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
LXK	36.37	Jan-08	30.00	.LXKAF	36.00	6.80	36.8	Unlimited	6.80	7.30	0.50	7.4%

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
LXK	36.37	Jan-08	30.00	.LXKMF	35.00	.LXKMV	36.00	1.30	33.70	1.30	3.70	0.60	0.70	18.9%

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
LXK	36.37	Jan-08	30.00	.LXKAF	35.00	.LXKAV	36.00	3.70	33.70	1.30	3.70	4.20	0.50	13.5%

BEARISH PLAY

CLOROX CO (CLX)



Stock Symbol	CLX		
Industry	Consumer Discretionary		
	CLX	Industry	Sector
Valuation Ratios			
P/E, Trailing	20.04	23.82	21.55
Price/Sales (ttm)	1.83	2.91	2.71
Price/Book (mrq)	NM	7.32	6.79
EPS Revisions			
EPS Revisions Trend	Up	-	-
Analyst Opinion Change	Neutral	-	-
Growth Rates			
EPS - Next 5 Years	10.8%	11.5%	10.0%
PEG	1.79	3.07	2.23
Profitability Ratios, %			
Gross Margin	43.07	52.73	44.97
Profit Margin	10.05	12.20	12.03
Operating Margin	15.07	18.16	17.31
Management Effectiveness, %			
Return on Assets	13.73	9.41	11.06
Return on Equity	NM	20.97	26.74

Support/Resistance Levels		
	Support	Resistance
Short-term	63	67
Intermediate-term	50-MA	70

Stock & Sector Trends		
	CLX	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 67, intermediate-term resistance at 70, forming top, intermediate & short-term overbought, high P/E, PEG, EPS revisions trend - neutral
Bullish factors	near-term support at 63-64, intermediate & short-term bullish trend, supportive sector trend, low P/S

"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
CLX	65.17	Jan-08	70.00	.CLXMN	66.00	4.80	65.20	Unlimited	4.80	5.30	0.50	10.4%

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
CLX	65.17	Jan-08	70.00	.CLXAN	75.00	.CLXAO	66.00	0.50	70.50	0.50	4.50	0.15	0.35	7.8%

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
CLX	65.17	Jan-08	70.00	.CLXMN	75.00	.CLXMO	66.00	5.05	69.95	-0.05	5.05	5.55	0.50	9.9%

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
HAL	36.81	36.00	36.00	36.00	35.00	1.00	Unlimited	39.00	3.00	8.3%
HD	28.95	28.00	28.00	28.00	26.80	1.20	Unlimited	30.60	2.60	9.3%
LXK	36.37	36.00	36.00	36.00	35.00	1.00	Unlimited	40.00	4.00	11.1%

"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
HAL	36.81	Jan-08	35.00	.HALMG	36.00	1.25	1.25	33.75	1.25	7.45	0.60	0.65	8.7%
HD	28.95	Jan-08	25.00	.HDME	28.00	0.55	0.55	24.45	0.55	3.15	0.15	0.40	12.7%
LXK	36.37	Jan-08	35.00	.LXKMV	36.00	1.80	1.80	33.20	1.80	8.00	0.60	1.20	15.0%

"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
HAL	36.81	Jan-08	40.00	.HALAH	36.00	0.65	0.65	35.35	4.65	35.35	37.31	1.15	0.81	2.2%
HD	28.95	Jan-08	30.00	.HDAF	28.00	1.00	1.00	27.00	3.00	27.00	29.45	1.50	0.95	3.2%
LXK	36.37	Jan-08	40.00	.LXKAU	36.00	1.08	1.08	34.93	5.08	34.93	36.87	1.58	0.37	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
CLX	65.17	66.00	66.00	66.00	67.50	1.50	Unlimited	62.50	3.50	5.3%

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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