

Cash Cow Newsletter

January 1 2013

In this week's newsletter I would like to start off by wishing our members a healthy and prosperous New Year. 2013 was a very successful year for our members and our New Year's goal is to make 2014 just as successful.

The bulls clinched victory at year's end, and the \$SPX has risen well above its upper Keltner Channel since last Thursday:



It is difficult to believe that the market will produce similar gains in 2014, yet 2013 was proof that anything is possible.

Regardless of what our future outlook on the market is, our job will remain the same in 2014. That job is finding the very best profit opportunities through a disciplined approach.

If we use the **Prime Trade Select** method to screen for stocks, and basic **Money Management** Principles, we will be able to maximize our profit potential and minimize our risk.

For this week's profit opportunities we will look to utilize long strategies on select stocks.

The first profit opportunity we'll look at is **AMZN** (Amazon.com):



Amazon is a major online retailer that operates worldwide. As you can see from the chart, AMZN has done well over the past several months.

The stock is in a 50/100-Day EMA uptrend that is confirmed through the presence of an up-sloping On Balance Volume.

AMZN recently closed near the middle Keltner Channel, offering us a good entry point into this stock.

We should consider initiating a call option debit spread on AMZN to help lower the cost of purchasing a call option, and to also increase our downside protection.

At current prices the AMZN January 31st 365/375-strike call option debit spread has a profit potential of 34.2%:

**Buy to Open AMZN January 31st 365-strike Call
Sell to Open AMZN January 31st 375-strike Call**

Call Option Spread Analysis							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
AMZN	395.91	365	37.72	375	30.27		
Cost				<input type="button" value="Calculate"/>	<input type="button" value="New Analysis"/>	<input type="button" value="Print"/>	
	\$7.45						
% Change	-7.5%	-5.0%	-2.5%	0.0%	2.5%	5.0%	10.0%
Stock Price	\$366.22	\$376.11	\$386.01	\$395.91	\$405.81	\$415.71	\$435.50
Call Buy Value	\$1.22	\$11.11	\$21.01	\$30.91	\$40.81	\$50.71	\$70.50
Call Sell Value	\$0.00	\$-1.11	\$-11.01	\$-20.91	\$-30.81	\$-40.71	\$-60.50
Spread Value	\$1.22	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Spread Cost	\$7.45	\$7.45	\$7.45	\$7.45	\$7.45	\$7.45	\$7.45
Spread Profit	\$-6.23	\$2.55	\$2.55	\$2.55	\$2.55	\$2.55	\$2.55
Spread % Ret	-83.7%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%

If AMZN increases in price, remains flat, or decreases -5% in price by expiration we would profit 34.2% or \$255.

The next profit opportunity I'd like to look at is **PCLN** (Priceline.com):



Priceline.com is an online travel company that provides hotel reservation services on a worldwide basis with around 275,000 properties in 175 countries.

As we can see from the chart on the previous page, PCLN has recently receded in price and is currently near the lower Keltner Channel.

This positioning offers us an excellent entry point into this stock.

We should consider purchasing a weekly call option on PCLN for the January 10 expiration.

The last profit opportunity we'll look at this week is **COP** (Conoco Phillips):



Conoco Phillips explores for, produces, markets, and transports crude oil, bitumen, natural gas on a worldwide basis.

After a seemingly over reactive selloff, COP is currently trading near the middle Keltner Channel. We can see that the stock recently closed below the lower Keltner Channel, producing a High Probability 'Buy' signal in the process.

We can also see that the previous three times that the 2 MACD lines crossed over each other (below the 0 line), the stock went on to rally strongly in the weeks that followed this crossover.

In addition, the RSI line was more or less in the same location for each of these crossovers (~50 line).

COP could be setting up for a sizable rally in future weeks if it resumes its uptrend trend as it has done in previous instances. We should consider purchasing a call option on COP for the January 10 expiration.

Note: Profit performance displayed in this newsletter does not include transaction Costs.

This newsletter includes some trading ideas following Chuck Hughes' trading strategies along with educational information. For a complete listing of Chuck's exact trades, including specific entries and exits and real time Portfolio tracking, please call Brad at 1-866-661-5664 or 310-647-5664.

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