

Cash Cow Newsletter

January 21 2015

In this week's **Cash Cow** newsletter I would like to review the recent action in the S&P 500 Index and then look at several new profit opportunities.

The \$SPX gained 1.51% since last Thursday and closed near the middle Keltner Channel today:



With the index trading near the middle Keltner Channel, there are numerous stocks that are fairly oversold. We can take advantage of this positioning by selecting stocks that are trading near their middle and lower Keltner Channels. This week we will be utilizing a mix of our call option purchase and covered call strategies.

The first profit opportunity we'll look at is **LUV** (Southwest Airlines):



Southwest Airlines operates passenger airlines that provide scheduled air transportation services in the United States.

The company has consistently increased their Revenue, Equity, and Retained Earnings over the past 4 years.

The stock is on its way back up after dropping near the lower Keltner Channel.

We should consider initiating a weekly covered call on this stock to take advantage of its high premiums.

At current prices the LUV Jan 30 42-strike call has a 3.2% or \$129 profit potential.

Buy 100 Shares of LUV
Sell to Open LUV Jan 30 42-strike call

Buy Write Analysis							
Stock Symbol	Current Stock Price			Call Strike	Call Price		
LUV	41.83			42	1.12		
Break Even				<input type="button" value="Calculate"/>	<input type="button" value="New Analysis"/>	<input type="button" value="Print"/>	
	40.71						
% Change	10.0%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-10.0%
Stock Price	\$46.01	\$43.92	\$42.88	\$41.83	\$40.78	\$39.74	\$37.65
Stock Prof/Loss	\$418.30	\$209.15	\$104.57	\$0.00	\$-104.57	\$-209.15	\$-418.30
Call Value	\$4.01	\$1.92	\$0.88	\$0.00	\$0.00	\$0.00	\$0.00
Call Profit/Loss	\$-289.30	\$-80.15	\$24.43	\$112.00	\$112.00	\$112.00	\$112.00
Net Profit/Loss	\$129.00	\$129.00	\$129.00	\$112.00	\$7.43	\$-97.15	\$-306.30
% Return	3.2%	3.2%	3.2%	2.8%	0.2%	-2.4%	-7.5%

We can see from this covered call analysis that if LUV increases at all in price by expiration we would profit 3.2% or \$129. If LUV remains flat we would profit 2.8% or \$112.

Those wanting a more leveraged approach could purchase a weekly call option on LUV for the January 30th expiration.

The next profit opportunity we'll look at this week is **LB** (L Brands):



L Brands operates as a specialty retailer of women's apparel, beauty, and personal care products and accessories. The company operates as Victoria's secret and Bath and Body Works.

After rallying for several months, the stock dropped near the middle Keltner Channel recently. This provides a good buying opportunity for us.

We should consider purchasing a call option on LB for the February 20th expiration since LB does not trade weeklys.

The last profit opportunity we'll look at this week is **HD** (Home Depot):



We have looked at Home Depot several times in the past due to the company's excellent financials and the stock's notable price growth.

HD closed near the middle Keltner Channel today. This presents us with a good buying opportunity.

We should consider purchasing a weekly call option on HD for the January 30th 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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