

In this week's **Cash Cow** newsletter we are going to assess the recent performance of the S&P 500 Index then look at several new profit opportunities.

In the past week the \$SPX dropped -1.47%. Today the index closed between the middle and lower Keltner Channels:



Although the index was down -1.47% on the week, all three of the stocks from last week's newsletter increased in price [LUV +9.49%, LB +3.2%, +HD 1.17%]. That's an average of 4.62%.

With the index currently trading near the middle/lower Keltner Channel we should consider using our call option purchase and covered call strategies for this week's profit opportunities.

The first profit opportunity we'll look at is **SHW** (Sherman Williams):



Sherwin Williams develops, manufactures, distributes, and sells paints, coatings, and related products to professional, industrial, commercial, and retail customers worldwide.

The company has sound financials and a good price performance. The stock recently dropped near the middle Keltner Channel, offering us a good buying opportunity.

We should consider purchasing a call option on SHW for the February 20th expiration.

The next profit opportunity we'll look at this week is **ZTS** (Zoetis):



Zoetis is engaged in the discovery, development, manufacture, and commercialization of animal health medicines and vaccines for livestock and companion animals worldwide.

The stock has produced a slightly bullish price pattern over the past 5-6 weeks and is currently testing the support level of this pattern.

We can take advantage of this current positioning by initiating a covered call.

At current prices the ZTS Mar 20th 45-strike covered call has a 7% or \$296 profit potential.

Buy 100 Shares of ZTS
Sell to Open ZTS Mar 20 45-strike call

Buy Write Analysis							
Stock Symbol	Current Stock Price		Call Strike		Call Price		
ZTS	43.11		45		1.07		
Break Even							
42.04			Calculate		New Analysis		Print
% Change	10.0%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-10.0%
Stock Price	\$47.42	\$45.27	\$44.19	\$43.11	\$42.03	\$40.95	\$38.80
Stock Prof/Loss	\$431.10	\$215.55	\$107.78	\$0.00	\$-107.78	\$-215.55	\$-431.10
Call Value	\$2.42	\$0.27	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Call Profit/Loss	\$-135.10	\$80.45	\$107.00	\$107.00	\$107.00	\$107.00	\$107.00
Net Profit/Loss	\$296.00	\$296.00	\$214.78	\$107.00	\$-0.78	\$-108.55	\$-324.10
% Return	7.0%	7.0%	5.1%	2.5%	-0.0%	-2.6%	-7.7%

We can see from this covered call analysis that if ZTS increases more than 5% or more in price by expiration we would profit 7% or \$296. If ZTS increases 2.5% in price we would profit 5.1% or \$214. If ZTS remains flat we would profit 2.5% or \$107.

Those wanting a shorter term Covered call could consider using the Feb 27 43.5-strike call:

Buy Write Analysis							
Stock Symbol	Current Stock Price		Call Strike		Call Price		
ZTS	43.11		43.5		1.27		
Break Even					Calculate	New Analysis	Print
	41.84						
% Change	10.0%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-10.0%
Stock Price	\$47.42	\$45.27	\$44.19	\$43.11	\$42.03	\$40.95	\$38.80
Stock Prof/Loss	\$431.10	\$215.55	\$107.78	\$0.00	\$-107.78	\$-215.55	\$-431.10
Call Value	\$3.92	\$1.77	\$0.69	\$0.00	\$0.00	\$0.00	\$0.00
Call Profit/Loss	\$-265.10	\$-49.55	\$58.22	\$127.00	\$127.00	\$127.00	\$127.00
Net Profit/Loss	\$166.00	\$166.00	\$166.00	\$127.00	\$19.22	\$-88.55	\$-304.10
% Return	4.0%	4.0%	4.0%	3.0%	0.5%	-2.1%	-7.3%

The last profit opportunity we'll look at this week is **ALL** (Allstate):



We have looked at Allstate a few times before because of the company's excellent financials and the stock's notable price growth.

The stock closed on its middle Keltner Channel today, offering us a good buying opportunity.

We should consider purchasing a call option on ALL for the February 20th 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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