

In this week's edition of the *Cash Cow* Newsletter we will briefly analyze the recent actions in the S&P 500 Index, and show you several new profit opportunities.

Our conjecture of a possible rally made in last week's newsletter proved correct. The S&P 500 rallied 1.38% today after news that the Senate reached a bipartisan deal:



The S&P 500 is almost 1% off of all-time highs, and remains in a 50/100-Day EMA uptrend with an up-sloping On Balance Volume.

Profit Opportunity Review

We have numerous positions from past newsletters expiring on October 19th. I'd like to briefly review the current performance of the underlying stocks as of today's close:

8/28/13 Newsletter

MDSO Call Option Spread: MDSO has **gained** 9.45% since 8/29/13.

VRX Call Option Spread: VRX has **gained** 11.67% since 8/29/13.

9/19/13 Newsletter

QIHU Call Option Spread: QIHU has **declined** -3.26% since 9/19/13.

CI Market Neutral Spread: CI has **gained** 3.54% since 9/19/13.

9/25/13 Newsletter

BOFI Call Option Spread: BOFI has **gained** 6.35% since 9/26/13.

YELP Call Option Spread: YELP has **gained** 2.48% since 9/26/13.

10/03/13 Newsletter

BBY Market Neutral Spread: BBY has **gained** 10.37% since 10/03/13.

LGF Covered Call: LGF has **declined** -.22% since 10/03/13.

10/10/13 Newsletter

FLT Call Option Spread: FLT has **gained** 3.11% since 10/10/13.

GT Covered Call/Call Purchase: GT has **declined** -.04% since 10/10/13.

FB Market Neutral Spread: FB has **gained** 4.24% since 10/10/13.

P Covered Call/Call Purchase: P has **gained** 8.1% since 10/10/13.

Choosing spread strategies and a further out monthly expiration (Oct 19) when volatility was high proved to be very beneficial.

The S&P 500 sold off more than -3.5% between mid-September and early October. If we had taken all weekly positions during this time period we would have surely been crushed.

Trade Management Principals

People often ask me questions regarding my trade management principals, so I would like to briefly go over some rules that I use in everyday trading.

In order to help minimize losses, I like to use 'mental' stop losses on all of my trades. If a position reaches this stop price I will typically close out of it.

On option orders I use around a 30% stop loss. On stock and covered call orders I use about a 10% stop loss.

Keep in mind that these percentages are a general guideline that work for my risk tolerance, and I recommend you use a percentage that suites your investing style.

On the upside, I will close out of a spread order (Call Option Debit Spreads & Covered Calls) when it's reached about 90% of its profit potential.

New Profit Opportunities

Although the market has been rallying nicely over the past 2 weeks, and the fiasco in Washington seems to be nearing an end, we should still remain cautious. There are several factors to consider in future weeks that could cause disruption in the market.

One of these factors is Q3 earnings season beginning. Earnings season has a tendency to cause chaos in the Market. If reports are negative, there is a possibility of higher than average volatility occurring during this time period.

Another important factor to consider is housing. The rapid rise in both U.S. and global housing prices has caused some concern over a potential "bubble" being created. Looking back to 2008-2009, the collapse of the U.S. housing market helped trigger the global financial crisis that took place during this time period.

I am not implying that we are headed for a market crash, but simply observing important factors which we should consider when choosing what strategies to implement.

Needless to say, we should include some spread strategies for this week's profit opportunities.

The first profit opportunity we'll look at this week is **MU** (Micron Tech.):



Micron Technologies manufactures and markets semiconductor devices worldwide.

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

We should consider purchasing a weekly call option on MU for the October 25th expiration.

The next profit opportunity we'll look at this week is **YELP** (Yelp Inc.):



We recently looked at Yelp in our September 26th newsletter due to the company's impressive growth. The stock is currently on its way back up after recently retracing below the middle Keltner Channel.

We should consider initiating a call option debit spread on YELP for the November 16th expiration. At current prices the YELP Nov. 16th 55/65-strike call option spread has a 40.1% profit potential with above average downside protection:

YELP November 16th 55/65-strike Call Option Spread

Call Option Spread Analysis							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
YELP	70.15	55	16.35	65	9.21		
Cost				<input type="button" value="Calculate"/> <input type="button" value="New Analysis"/> <input type="button" value="Print"/>			
	\$7.14						
% Change	-10.0%	-5.0%	-2.5%	0.0%	2.5%	5.0%	10.0%
Stock Price	\$63.14	\$66.64	\$68.40	\$70.15	\$71.90	\$73.66	\$77.17
Call Buy Value	\$8.14	\$11.64	\$13.40	\$15.15	\$16.90	\$18.66	\$22.17
Call Sell Value	\$0.00	\$-1.64	\$-3.40	\$-5.15	\$-6.90	\$-8.66	\$-12.17
Spread Value	\$8.14	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Spread Cost	\$7.14	\$7.14	\$7.14	\$7.14	\$7.14	\$7.14	\$7.14
Spread Profit	\$1.00	\$2.86	\$2.86	\$2.86	\$2.86	\$2.86	\$2.86
Spread % Ret	13.9%	40.1%	40.1%	40.1%	40.1%	40.1%	40.1%

If YELP increase in price, remains flat, or decreases -5% by expiration we would profit 40.1%. If YELP drops -10% by expiration we would still profit 13.9%.

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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