

In this week's **Cash Cow** newsletter we will start by analyzing the recent performance of the S&P 500 Index.

The \$SPX has gained 4% since last Thursday. The index slowed its upward momentum today and ended flat by the end of the session:



The index closed near the upper Keltner Channel, but there remain a few stocks out there that are not overbought.

For this week's profit opportunities we will be using our call option spread, covered call, and call purchase strategies.

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



We have looked at LUV in past newsletters due to the company's consistent financial growth and the stock's notable price growth.

The stock is currently trading near the middle Keltner Channel which offers us a good buying opportunity.

We should consider purchasing a weekly call option on LUV for the January 2nd expiration.

Those wanting a less leveraged approach could consider initiating a Covered Call on LUV. At current prices the LUV January 17th 42-strike call has a 3.8% or \$154 profit potential:

Buy 100 Shares of LUV
Sell to Open LUV Jan 17th 42-strike call

Buy Write Analysis								
Stock Symbol	Current Stock Price		Call Strike		Call Price			
LUV	41.66		42		1.2			
Break Even						Calculate	New Analysis	Print
40.46								
% Change	-10.0%	-5.0%	-2.5%	0.0%	2.5%	5.0%	10.0%	
Stock Price	\$37.49	\$39.58	\$40.62	\$41.66	\$42.70	\$43.74	\$45.83	
Stock Prof/Loss	\$-416.60	\$-208.30	\$-104.15	\$0.00	\$104.15	\$208.30	\$416.60	
Call Value	\$0.00	\$0.00	\$0.00	\$0.00	\$0.70	\$1.74	\$3.83	
Call Profit/Loss	\$120.00	\$120.00	\$120.00	\$120.00	\$49.85	\$-54.30	\$-262.60	
Net Profit/Loss	\$-296.60	\$-88.30	\$15.85	\$120.00	\$154.00	\$154.00	\$154.00	
% Return	-7.3%	-2.2%	0.4%	3.0%	3.8%	3.8%	3.8%	

We can from this analysis that if LUV increases at all in price we would profit 3.8% or \$154. If LUV remains flat we would profit 3%.

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



We have looked at Apple many times before. The company has consistently increased their Revenue, Equity, and Retained Earnings over the past several years.

The stock is on its way back up after dropping to the lower Keltner Channel, and closed near the middle Keltner Channel today.

This offers us a good opportunity to initiate a call option debit spread on this stock.

At current prices the AAPL February 2015 97.5/110-strike call option spread has a 33.3% or \$312 profit potential:

**Buy to Open AAPL February 2015 97.5-strike Call
Sell to Open AAPL February 2015 110-strike Call**

Call Option Spread Analysis							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
AAPL	112.22	97.5	15.65	110	6.27		
Cost				<input type="button" value="Calculate"/>	<input type="button" value="New Analysis"/>	<input type="button" value="Print"/>	
	\$9.38						
% Change	7.5%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%
Stock Price	\$120.64	\$117.83	\$115.03	\$112.22	\$109.41	\$106.61	\$103.80
Call Buy Value	\$23.14	\$20.33	\$17.53	\$14.72	\$11.91	\$9.11	\$6.30
Call Sell Value	\$-10.64	\$-7.83	\$-5.03	\$-2.22	\$0.00	\$0.00	\$0.00
Spread Value	\$12.50	\$12.50	\$12.50	\$12.50	\$11.91	\$9.11	\$6.30
Spread Cost	\$9.38	\$9.38	\$9.38	\$9.38	\$9.38	\$9.38	\$9.38
Spread Profit	\$3.12	\$3.12	\$3.12	\$3.12	\$2.53	\$-0.27	\$-3.08
Spread % Ret	33.3%	33.3%	33.3%	33.3%	27.0%	-2.9%	-32.8%

We can see from this call option spread analysis that if AAPL remains flat or increases at all in price by expiration we would profit 33.3% or \$312. If AAPL decreases 2.5% by expiration we would profit 27% or \$253.

The last profit opportunity we'll look at this week is **MO** (Altria Group):



Altria Group manufactures and sells cigarettes, smokeless products, and wine worldwide.

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

The stock is on its way back up after dropping below the middle Keltner Channel. We can take advantage of any future price gains by purchasing a weekly call option on MO for the January 2nd expiration.

We would like to wish you and your family a happy holiday and a great new year!

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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