

In this week's **Cash Cow** newsletter I'd like to start by briefly evaluating the recent performance of the S&P 500 Index:



The S&P declined nearly half a percent since last Thursday's close. There is no weekly option expiration next Friday as the March 2014 expiration is next week.

For this week's profit opportunities we should consider utilizing both call option purchase and option spread strategies.

The first profit opportunity we will look at this week is **GOOG** (Google):



GOOG recently dropped to the middle Keltner Channel which gives us a favorable entry point into this stock. We can best take advantage of future price gains by purchasing a mini call option. We should consider purchasing an In-the-Money mini call option on Google for the March 22nd expiration.

The next profit opportunity we'll look at is **P** (Pandora):



We've looked at Pandora in past newsletters due to the stock's price growth and rich option premiums.

The stock recently dropped near the lower Keltner Channel which offers us a low risk entry point.

Currently the P weekly March 22nd At-the-Money Covered Call has a profit potential of 4.1% or \$142. The following page shows the return analysis on this Covered Call.

Buy Write Analysis

Stock Symbol	Current Stock Price	Call Strike	Call Price
P	35.54	36	.96

Break Even	<input type="button" value="Calculate"/> <input type="button" value="New Analysis"/> <input type="button" value="Print"/>
34.58	

% Change	-10.0%	-5.0%	-2.5%	0.0%	2.5%	5.0%	10.0%
Stock Price	\$31.99	\$33.76	\$34.65	\$35.54	\$36.43	\$37.32	\$39.09
Stock Prof/Loss	\$-355.40	\$-177.70	\$-88.85	\$0.00	\$88.85	\$177.70	\$355.40
Call Value	\$0.00	\$0.00	\$0.00	\$0.00	\$0.43	\$1.32	\$3.09
Call Profit/Loss	\$96.00	\$96.00	\$96.00	\$96.00	\$53.15	\$-35.70	\$-213.40
Net Profit/Loss	\$-259.40	\$-81.70	\$7.15	\$96.00	\$142.00	\$142.00	\$142.00
% Return	-7.5%	-2.4%	0.2%	2.8%	4.1%	4.1%	4.1%

The next profit opportunity we'll look at is **ILMN** (Illumina Inc.):



Illumina develops, manufactures and markets life science tools and integrated systems for the analysis of genetic variation and function worldwide.

The company has solid fundamentals and good price growth. As you can see from the chart, ILMN has recently retraced to the middle Keltner Channel. This offers us a good entry point into this stock.

We should consider initiating a call option debit spread to take advantage of future price gains while giving ourselves some downside protection.

Currently the ILMN April 2014 140/160-Strike call option spread has a 32.9% profit potential with better than average downside protection. The following page includes a return analysis of this spread.

Call Option Spread Analysis							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
ILMN	168.82	140	28.95	160	13.9		
Cost							
\$15.05			Calculate	New Analysis	Print		
% Change	-10.0%	-5.0%	-2.5%	0.0%	2.5%	5.0%	10.0%
Stock Price	\$151.94	\$160.38	\$164.60	\$168.82	\$173.04	\$177.26	\$185.70
Call Buy Value	\$11.94	\$20.38	\$24.60	\$28.82	\$33.04	\$37.26	\$45.70
Call Sell Value	\$0.00	\$-0.38	\$-4.60	\$-8.82	\$-13.04	\$-17.26	\$-25.70
Spread Value	\$11.94	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
Spread Cost	\$15.05	\$15.05	\$15.05	\$15.05	\$15.05	\$15.05	\$15.05
Spread Profit	\$-3.11	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95
Spread % Ret	-20.7%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%

We can see from this analysis that if ILMN increases in price, remains flat, or decreases -5% by expiration we will profit 32.9% or \$495.

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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