

In this week's **Cash Cow** newsletter I would like to start by analyzing the recent performance of the S&P 500 Index and then look at several new profit opportunities.

The \$SPX halted its upward momentum this week by declining -.68% since last Thursday:



The Index closed above the middle Keltner Channel today. This slight drop could provide us with a good buying opportunity on numerous stocks. However, we should be cautious in our strategy selection in case the index continues to decline in price. Our call option spread and Market Neutral strategies will provide us with the downside protection we desire while giving us a chance at profiting should the market resume its uptrend.

The first profit opportunity we'll look at is **WFM** (Whole Foods Market):



Whole Foods is a retailer of natural and organic foods.

Over the past several years the company has consistently increased their Revenue, Equity, and Retained Earnings.

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

WFM retraced to the middle Keltner Channel today, offering us a good buying opportunity.

We should consider initiating a Market Neutral spread on this stock.

At current prices the WFM April 2015 45/55-strike Market Neutral spread has an unlimited profit potential with a maximum risk of -14.7% or \$173:

**Buy to Open WFM Apr 2015 45-strike call  
Buy to Open WFM Apr 2015 55-strike put**

Market Neutral Calculator							
Stock Symbol	Stock Price	Call Strike	Call Buy Price	Put Strike	Put Buy Price		
WFM	55.34	45	10.27	55	1.46		
						<input type="button" value="Calculate"/> <input type="button" value="New Analysis"/> <input type="button" value="Print"/>	
% Change	15%	10%	5%	0%	-5%	-10%	-15%
Stock Price	\$63.64	\$60.87	\$58.11	\$55.34	\$52.57	\$49.81	\$47.04
Call Value	\$18.64	\$15.87	\$13.11	\$10.34	\$7.57	\$4.81	\$2.04
Put Value	\$0.00	\$0.00	\$0.00	\$0.00	\$2.43	\$5.19	\$7.96
Spread Value	\$18.64	\$15.87	\$13.11	\$10.34	\$10.00	\$10.00	\$10.00
Spread Cost	\$11.73	\$11.73	\$11.73	\$11.73	\$11.73	\$11.73	\$11.73
Spread Profit	\$691	\$414	\$138	-\$139	-\$173	-\$173	-\$173
Spread % Return	58.9%	35.3%	11.7%	-11.8%	-14.7%	-14.7%	-14.7%

We can see from this Market Neutral analysis that if WFM increases 5% in price by expiration we would profit 11.7%. If WFM increases 10% by expiration we would profit 35.3%, and if WFM increases 15% by expiration we would profit 58.9%.

If our timing is off we would lose at most -14.7% or -\$173 and move on to the next trade.

Those wanting a more leveraged approach could purchase a call option on WFM for the March 20<sup>th</sup> expiration.

The next profit opportunity we'll look at is **KR** (Kroger):



Kroger is a retailer that manufactures and processes food for sale in its supermarkets worldwide.

As you can see from the price chart, the stock has done quite well over the past year.

KR recently receded in price after rallying for 4 months. This offers us a good buying opportunity for a call option debit spread.

At current prices the KR Apr 2015 57.5/70-strike call option spread has a 28.6% or \$278 profit potential:

**Buy to Open KR Apr 2015 57.5-strike call  
Sell to Open KR Apr 2015 70-strike call**

<b>Call Option Spread Analysis</b>							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
KR	69.65	57.5	11.9	70	2.18		
<b>Cost</b>				<input type="button" value="Calculate"/>	<input type="button" value="New Analysis"/>	<input type="button" value="Print"/>	
	\$9.72						
<b>% Change</b>	7.5%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%
<b>Stock Price</b>	\$74.87	\$73.13	\$71.39	\$69.65	\$67.91	\$66.17	\$64.43
<b>Call Buy Value</b>	\$17.37	\$15.63	\$13.89	\$12.15	\$10.41	\$8.67	\$6.93
<b>Call Sell Value</b>	\$-4.87	\$-3.13	\$-1.39	\$0.00	\$0.00	\$0.00	\$0.00
<b>Spread Value</b>	\$12.50	\$12.50	\$12.50	\$12.15	\$10.41	\$8.67	\$6.93
<b>Spread Cost</b>	\$9.72	\$9.72	\$9.72	\$9.72	\$9.72	\$9.72	\$9.72
<b>Spread Profit</b>	\$2.78	\$2.78	\$2.78	\$2.43	\$0.69	\$-1.05	\$-2.79
<b>Spread % Ret</b>	28.6%	28.6%	28.6%	25.0%	7.1%	-10.8%	-28.7%

We can see from this call option spread analysis that if KR remains flat or increases at all in price by expiration we would profit 28.6% or \$278. If KR decreases -2.5% by expiration we would still profit 7.1%.

Those wanting a more leveraged approach could purchase a call option on KR for the Mar 20<sup>th</sup> expiration.

The last profit opportunity we'll look at this week is **ISIS** (Isis Pharmaceuticals):



Isis Pharmaceuticals engages in the discovery and development of antisense drugs using novel drug discovery platforms.

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

ISIS is headed back up after recently retracing near the lower Keltner Channel in February.

We should consider initiating a call option spread on ISIS to take advantage of the high premiums available. At current prices the ISIS Apr 2015 55/65-strike call option spread has a 33.3% or \$250 profit potential with better than average downside protection:

**Buy to Open ISIS Apr 2015 55-strike call  
Sell to Open ISIS Apr 2015 65-strike call**

<b>Call Option Spread Analysis</b>							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
ISIS	70.16	55	15.6	65	8.1		
<b>Cost</b>				Calculate	New Analysis	Print	
	\$7.50						
<b>% Change</b>	10.0%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-10.0%
<b>Stock Price</b>	\$77.18	\$73.67	\$71.91	\$70.16	\$68.41	\$66.65	\$63.14
<b>Call Buy Value</b>	\$22.18	\$18.67	\$16.91	\$15.16	\$13.41	\$11.65	\$8.14
<b>Call Sell Value</b>	\$-12.18	\$-8.67	\$-6.91	\$-5.16	\$-3.41	\$-1.65	\$0.00
<b>Spread Value</b>	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$8.14
<b>Spread Cost</b>	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
<b>Spread Profit</b>	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$0.64
<b>Spread % Ret</b>	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	8.6%

We can see from this call option spread analysis that if ISIS decreases -5%, remains flat, or increases at all in price by expiration we would profit 33.3% or \$250. If SWKS decreases -10% by expiration we would still profit 8.6%.

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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