This letter includes some trading ideas following Chuck Hughes’ trade 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 1-866-661-5664 or 310-647-5664 and ask for Brad.

In this week’s Cash Cow Newsletter we are going to briefly look at last week’s recommendations and look at new profit opportunities using the Market Neutral strategy and Call Option Purchase strategy.

Let’s first take a look at the recent performance of the S&P 500 Index:
The S&P 500 increased .96% today, bringing the index back into 1600 territory after closing below the lower Keltner Channel on Monday.

Last week we looked at a Covered Call trade on HD. The stock has increased 2.4% since Thursday’s close. The stock closed near the middle Keltner Channel today. We should consider rolling over this Covered Call into next week’s July 5 expiration as HD is likely to continue its price appreciation.

The next profit opportunity we looked at last week was a monthly Market Neutral Spread on CI. The stock is up 3% since Thursday’s close.

This week we will continue to look at taking monthly Market Neutral Spreads along with some weekly Call Option purchases on select stocks.

In case you missed last week’s newsletter, I’ll quickly outline my new ‘Market Neutral Strategy’ for you.

The Market Neutral Strategy is a spread strategy that allows you to gain unlimited profit potential while limiting your downside risk.

The strategy is implemented by simultaneously purchasing a call option and purchasing a put option on an underlying stock. You can also leg into the spread by purchasing a put option to protect profits on an existing call option purchase.

To give you a better idea of how the strategy works, our first two profit opportunities for this week will be Market Neutral Spreads.
The first profit opportunity we’ll look at this week is JNJ (Johnson & Johnson):

Johnson & Johnson is a company that researches, develops, manufactures, and sells various health care products worldwide.

The company has consistently increased their Retained Earnings and Equity over the past several years.
The stock is currently in a 50/100-Day EMA uptrend that is confirmed through the presence of an up-sloping On Balance Volume.

We can take advantage of future price appreciation by initiating a Market Neutral Spread on JNJ for the July 2013 monthly expiration.

At current prices the JNJ July 2013 77.5/90-strike Market Neutral Spread has unlimited profit potential with a maximum loss potential of -3.2%:

![Market Neutral Calculator](image)

The Market Neutral Calculator above calculates the profit/loss potential of this spread trade assuming various changes in the price of JNJ stock at option expiration from a 15% increase to a 15% decrease.

We can see from the calculator above that the maximum risk in this trade is $41 or 3.2% if JNJ stock remains flat or declines 10%. If there is a large decrease in JNJ stock this spread will also produce excellent returns.
Our profit potential in this trade is not capped, so we would continue to profit as JNJ stock increased in price before expiration. A 10% price increase in JNJ stock would result in a 40.9% spread return.

If my timing is bad, I can simply take a 3.2% loss and move on to another trade. There is no need to place a protective stop or worry about bad earnings reports or market sell offs.

In today’s market conditions, a directional option trade can easily develop into a 100% loss.

The next profit opportunity we’ll look at this week is HON (Honeywell):

Honeywell is a diversified technology and manufacturing company that operates worldwide.
The company has consistently increased their Revenue, Retained Earnings, and Equity over the past several years.

The stock is in a 50/100-Day EMA uptrend and has the potential for continued price appreciation.

We should consider initiating a monthly Market Neutral Spread on this stock to take advantage of any future price growth while limiting our risk.

Currently the HON July 2013 65/82.5-Strike Market Neutral Spread has unlimited profit potential with a maximum risk of -3.6%:

We can see from the calculator above that the maximum risk in this trade is -3.6% if HON stock remains flat or declines 15%.
Our profit potential in this trade is not capped, so we would continue to profit as HON stock increased in price by expiration. If my timing is bad I can simply take a 3.6% loss and move on to another trade.

The next profit opportunity I’ll show you this week is **UTX** (United Technologies):

United Technologies provides technology products and services to the building systems and aerospace industries worldwide.

The company has consistently increased their Retained Earnings and Equity over the past several years.

UTX is currently in a 50/100-Day EMA uptrend and is showing a bullish divergence which can be seen in the chart above. This divergence compares
the movement of prices to the movement of the Slow Stochastics indicator. As the new price bottoms are declining, the indicators bottoms are not, which usually indicates weakness in the trend.

If UTX rallies in the following week, we could best take advantage by initiating a weekly call option purchase on UTX for the July 5th expiration.

Note: Profit performance does not include transaction costs

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