

Cash Cow Newsletter

June 4 2014

In this week's **Cash Cow** newsletter I would like to start off by briefly reviewing the performance of the S&P 500 Index.



Buying pressure has been strong in the past month, evident by recurrent all-time highs and an up-sloping On Balance Volume. Today's close brought a new all-time high with it.

It seems unlikely that these gains will continue throughout the next week or so, but anything is possible. It would be prudent to assume some form of correction occurring when choosing what strategies to utilize this week. Spread strategies can offer us this desired protection during correctional environments.

We will be using a mix of monthly spread strategies and our call option purchase strategy for this week's profit opportunities.

The first profit opportunity we'll look at this week is **QCOM** (QUALCOMM):



QUALCOMM designs, develops, manufactures, and markets digital communications products and services. The company has consistently increased their Revenue, Equity, and Retained Earnings over the past several years.

The stock is currently trading near the middle Keltner Channel which gives us a good entry point for a Market Neutral Spread. We should consider initiating a Market Neutral spread on QCOM for the July 19th expiration.

At current prices the QCOM July 19th 70/80-strike Market Neutral spread has unlimited profit potential with a maximum risk of -10.3%, or -\$115.

Buy to Open QCOM July 19th 70-strike Call
Buy to Open QCOM July 19th 80-strike Put

Market Neutral Calculator							
Stock Symbol	Stock Price	Call Strike	Call Buy Price	Put Strike	Put Buy Price		
QCOM	79.92	70	9.92	80	1.23		
				Calculate	New Analysis	Print	
% Change	20%	10%	5%	0%	-5%	-10%	-20%
Stock Price	\$95.90	\$87.91	\$83.92	\$79.92	\$75.92	\$71.93	\$63.94
Call Value	\$25.90	\$17.91	\$13.92	\$9.92	\$5.92	\$1.93	\$0.00
Put Value	\$0.00	\$0.00	\$0.00	\$0.08	\$4.08	\$8.07	\$16.06
Spread Value	\$25.90	\$17.91	\$13.92	\$10.00	\$10.00	\$10.00	\$16.06
Spread Cost	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15	\$11.15
Spread Profit	\$1,475	\$676	\$277	-\$115	-\$115	-\$115	\$491
Spread % Return	132.3%	60.6%	24.8%	-10.3%	-10.3%	-10.3%	44.1%

We can see from this Market Neutral Analysis that we would continue to profit as QCOM continued to increase in price.

If QCOM increases 5% by expiration we would profit 24.8% or \$277. If QCOM increased 10% by expiration we would profit 60.6% or \$676. If QCOM *decreased* -20% we would *profit* 44.1% or \$491.

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



Corning manufactures and sells specialty glasses, ceramics, and related materials worldwide.

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

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

We should consider purchasing a weekly In-the-Money call option on GLW for the June 13th expiration.

The last profit opportunity we'll look at is **ACT** (Actavis):



Actavis is an integrated specialty pharmaceutical company that is engaged in the development, manufacture, marketing, sale, and distribution of pharmaceutical products worldwide.

ACT is in a 50/100-Day EMA uptrend and is also in a MACD short-term uptrend. The stock is trading near the middle Keltner Channel which offers us a favorable entry point for a call option spread.

We should consider initiating a call option debit spread on ACT for the July 19th expiration. At current prices the ACT July 19th 185/205-strike call option spread has a profit potential of 25% or \$400.

**Buy to Open ACT July 19th 185-strike Call
Sell to Open ACT July 19th 205-strike Call**

Call Option Spread Analysis							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
ACT	211	185	27.2	205	11.2		
Cost							
\$16.00						Calculate	New Analysis
						Print	
% Change	10.0%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%
Stock Price	\$232.10	\$221.55	\$216.28	\$211.00	\$205.73	\$200.45	\$195.18
Call Buy Value	\$47.10	\$36.55	\$31.28	\$26.00	\$20.73	\$15.45	\$10.18
Call Sell Value	\$-27.10	\$-16.55	\$-11.28	\$-6.00	\$-0.73	\$0.00	\$0.00
Spread Value	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$15.45	\$10.18
Spread Cost	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00
Spread Profit	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$-0.55	\$-5.83
Spread % Ret	25.0%	25.0%	25.0%	25.0%	25.0%	-3.4%	-36.4%

We can see from this analysis that if ACT decreases -2.5%, stays flat, or increases at all in price by expiration we would profit 25% or \$400. If ACT decreased -5% by expiration we would only take a -3.4% loss.

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.

Cash Cow Newsletter Archive

Click on the link provided below to access the Cash Cow Archive.

Cash Cow Newsletter Archive: <http://weeklyoptiontrade.com/archive.html>