

# Cash Cow Newsletter

July 23 2014

In this week's **Cash Cow** newsletter we are going to briefly look at the recent performance of the S&P 500 Index, and then look at several new profit opportunities.

The S&P 500 Index gained about 1% since last Thursday's close, and is currently trading between the middle and upper Keltner Channels:



The index remains in a short-term, intermediate-term, and long-term uptrend. There are numerous stocks that are currently trading near their middle and lower Keltner Channels. This week we will mainly be using our call option purchase strategy on select stocks to best take advantage of any future growth.

The first profit opportunity we'll look at this week is **MU** (Micron Technology):



Micron Technology manufactures and markets semiconductor solutions worldwide.

The stock recently retraced to the middle Keltner Channel, offering us a favorable entry point.

We should consider purchasing an In-the-Money weekly call option on MU for the August 1<sup>st</sup> expiration.

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



We have looked at DIS in past newsletters due to the company's consistent fundamental growth in Revenue, Equity, and Retained Earnings.

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

DIS recently retraced near the middle Keltner Channel, offering us a good entry point into this stock.

We should consider purchasing an In-the-Money weekly call option on DIS for the August 1<sup>st</sup> expiration.

The last profit opportunity we'll look at this week is **TRN** (Trinity Industries):



Trinity Industries provides various products and services for the energy, transportation, chemical, and construction sectors worldwide.

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

The stock is currently in a strong uptrend as you can see from the price chart above. We can take advantage of future price growth by initiating an In-the-Money call option purchase on TRN for the August 16<sup>th</sup> expiration.

Those wanting a less leveraged approach could initiate a call option debit spread on TRN for the August 16<sup>th</sup> expiration.

At current prices the TRN August 2014 35/45-strike call option debit spread has a profit potential of 19% or \$160:

**Buy to Open TRN August 16<sup>th</sup> 35-strike call**  
**Sell to Open TRN August 16<sup>th</sup> 45-strike call**

Call Option Spread Analysis							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
TRN	45.12	35	10.25	45	1.85		
Cost				Calculate	New Analysis	Print	
	\$8.40						
% Change	7.5%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%
Stock Price	\$48.50	\$47.38	\$46.25	\$45.12	\$43.99	\$42.86	\$41.74
Call Buy Value	\$13.50	\$12.38	\$11.25	\$10.12	\$8.99	\$7.86	\$6.74
Call Sell Value	\$-3.50	\$-2.38	\$-1.25	\$-0.12	\$0.00	\$0.00	\$0.00
Spread Value	\$10.00	\$10.00	\$10.00	\$10.00	\$8.99	\$7.86	\$6.74
Spread Cost	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40
Spread Profit	\$1.60	\$1.60	\$1.60	\$1.60	\$0.59	\$-0.54	\$-1.66
Spread % Ret	19.0%	19.0%	19.0%	19.0%	7.0%	-6.4%	-19.8%

We can see from this analysis that if TRN remains flat or increases in price by expiration, we would profit 19% or \$160. If TRN decreased -2.5% by expiration we would still profit 7.0%

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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