

# Cash Cow Newsletter

September 3 2014

In this week's **Cash Cow** newsletter we are going to start by looking at the recent performance of the S&P 500 Index.

The \$SPX evened out this week and has gained only .04% since last Thursday's close. The index has been trading on the upper Keltner Channel for almost 2 weeks now. It's possible that we could see some form of profit taking in the near future. We can protect ourselves in the event the market declines by utilizing mostly spread strategies this week.



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



Chipotle is a fast-casual and fresh Mexican food restaurant.

The company is fundamentally strong with consistent Revenue growth, Retained Earnings growth, and Equity growth. The stock is currently in a 50/100-Day EMA uptrend and recently retraced to the middle Keltner Channel.

We can take advantage of future price growth and give ourselves downside protection by initiating a call option debit spread on this stock.

At current prices the CMG Oct 18<sup>th</sup> 620/635-strike call option spread has a 25% or \$300 profit potential.

**Buy to Open CMG Oct 18<sup>th</sup> 620-strike Call  
Sell to Open CMG Oct 18<sup>th</sup> 635-strike Call**

<b>Call Option Spread Analysis</b>							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
CMG	680.72	620	69.3	635	57.3		
Cost				Calculate	New Analysis	Print	
	\$12.00						
<b>% Change</b>	7.5%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%
Stock Price	\$731.77	\$714.76	\$697.74	\$680.72	\$663.70	\$646.68	\$629.67
Call Buy Value	\$111.77	\$94.76	\$77.74	\$60.72	\$43.70	\$26.68	\$9.67
Call Sell Value	-\$96.77	-\$79.76	-\$62.74	-\$45.72	-\$28.70	-\$11.68	\$0.00
Spread Value	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$9.67
Spread Cost	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00
Spread Profit	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	-\$2.33
Spread % Ret	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	-19.5%

We can see from this call option spread analysis that if CMG increases, remains flat, or decreases -5% in price by expiration we would profit 25% or \$300.

Those of you with larger accounts who want a more leveraged approach could purchase an In-the-Money weekly call option on CMG for the September 12<sup>th</sup> expiration.

The next profit opportunity we'll look at this week is **HP** (Helmerich & Payne):



Helmerich & Payne is a contract drilling company that operates in North and South America. The stock is currently in a 50/100-Day EMA uptrend that's confirmed through the presence of an up-sloping On Balance Volume. Also, the MACD recently crossed on the bull side which confirms the uptrend.

We can take advantage of future price growth and give ourselves downside protection by initiating a call option debit spread on this stock.

At current prices the HP Oct 18<sup>th</sup> 90/105-strike call option spread has a 27.1% or \$320 profit potential:

**Buy to Open HP Oct 18<sup>th</sup> 90-strike Call  
Sell to Open HP Oct 18<sup>th</sup> 105-strike Call**

<b>Call Option Spread Analysis</b>							
Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price		
HP	105.12	90	15.4	105	3.6		
<b>Cost</b>				<input type="button" value="Calculate"/>	<input type="button" value="New Analysis"/>	<input type="button" value="Print"/>	
	<b>\$11.80</b>						
<b>% Change</b>	7.5%	5.0%	2.5%	0.0%	-2.5%	-5.0%	-7.5%
<b>Stock Price</b>	\$113.00	\$110.38	\$107.75	\$105.12	\$102.49	\$99.86	\$97.24
<b>Call Buy Value</b>	\$23.00	\$20.38	\$17.75	\$15.12	\$12.49	\$9.86	\$7.24
<b>Call Sell Value</b>	\$-8.00	\$-5.38	\$-2.75	\$-0.12	\$0.00	\$0.00	\$0.00
<b>Spread Value</b>	\$15.00	\$15.00	\$15.00	\$15.00	\$12.49	\$9.86	\$7.24
<b>Spread Cost</b>	\$11.80	\$11.80	\$11.80	\$11.80	\$11.80	\$11.80	\$11.80
<b>Spread Profit</b>	\$3.20	\$3.20	\$3.20	\$3.20	\$0.69	\$-1.94	\$-4.56
<b>Spread % Ret</b>	27.1%	27.1%	27.1%	27.1%	5.9%	-16.4%	-38.7%

We can see from this call option spread analysis that if HP increases or remains flat by expiration we would profit 27.1% or \$320. If HP decreases -2.5% by expiration we would profit 5.9%.

Those wanting a more leveraged approach could purchase an In-the-Money call option on HP for the September 20<sup>th</sup> expiration.

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



Micron Technologies manufactures and markets semiconductor solutions worldwide.

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

After recently retracing between the middle and lower Keltner Channels, we are presented with a good buy opportunity.

We should consider purchasing an In-the-Money weekly call option on MU for the September 12<sup>th</sup> expiration.

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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