
THE OPTIONS ORACLE

Expiration Week Alert

Sep 15th, 2011

Expiration Week Alert

This Friday marks expiration day for the September option chain. We are currently holding positions in the following companies; First Solar (FSLR), Costco Wholesale Corp. (COST), Baidu, Inc. (BIDU), Potash Corp. (POT), SPDR Gold Trust (GLD), General Electric (GE) and the condor spread we legged into for the Diamond Trust Series (DIA).

Our Strategy is Working as Planned

Volatility in the market has been steadily increasing but our profits have been doing the same as we continue to work our spread positions. For investors, who have not used any option strategies, this has been a challenging market, and it looks as though the market is still struggling to find direction.

Our goal is to continue with calendar spreads that will allow us to collect time premium as a return on our investment. If you are a subscriber who is new to the world of calendar spreads then just stick with us and follow along with each of the weekly alerts. Before long, you will be more familiar with the strategy and a lot more comfortable once you have traded a few of them in your position.

Looking Ahead

We are rolling out our member page. Watch for an email from us that explains how you can log on to the site, using your email address as your login name. A password will be assigned to you which is one that is coded to your account. There are a few people that may have accidentally tagged us as spam. Please be sure to add the market guys email address to your address book so you are sure to get your member information. The addresses you should have in your book are info@themarketguys.com and bill@themarketguys.com. Once you have added these addresses to your book we should not run into any delivery problems.

We are excited about the new improvements we have made to our member page and I'm sure you will be too. Make sure you check into your site from time to time so you can view the new educational videos that we will be producing. Our goal is to provide you with the best financial education in the world.

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Below is a table that explains the abbreviated actions we mention for each option trade:

BCO = Buy Calls to Open

SCO = Sell Calls to Open

SCC = Sell Calls to Close

BCC = Buy Calls to Close

BPO = Buy Puts to Open

SPO = Sell Puts to Open

SPC = Sell Puts to Close

BPC = Buy Puts to Close

Now let's talk about our positions

The pages that follow will outline the positions we hold, along with the instructions of what we are going to do to manage risk over the coming weeks. The explanations of each strategy are highlighted in [blue text](#).

First Solar Inc. (FSLR)

We are currently holding the following position:

Long Jan 2012 120 Calls

Short Sep 120 Calls

Short Sep 100 Puts

Action to be taken by Friday

Part I

BCC Sep 120 Calls

SCO Oct 120 Calls

For a \$.75 Credit

Part II

BPC Sep 100 Puts

SPO Oct 100 Puts

For a \$3.00 Credit

[\(See explanation of strategy on next page\)](#)

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Explanation of Strategy (for FSLR):

This is a position that started in February of last year. We originally sold a credit put spread because we were bullish on the stock. We then took the profits from that spread and applied them to a long leap call position that resulted in a nice profit to our account. Instead of selling out of the long leap for a profit, to close the position, I decided to sell front month calls against the long leap to create a diagonal calendar spread. We continued to roll our front month short calls to add to the credits each and every month. Recently we started selling puts against the calendar spread, which has brought us to this more complex combination spread. If you have not participated in this yet then I would suggest you buy a long leap and/or sell the front month puts (Oct 100 puts) and join us. As you can see from the chart below, FSLR is holding a very well established support level and I think we have some profit potential to the upside. Once we have reached our short-term target price I will then send out instructions about how to modify this combo spread to maximize our profits. If you feel that this one is a little bit over your head, then that's okay too, you can still follow along with us until you understand the strategy better.

Weekly 3-year chart for FSLR



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Costco Wholesale Corp (COST)

We are currently holding the following position:

Long Jan 2012 60 Puts

Short Sep 77.50 Puts

Action to be taken by Friday

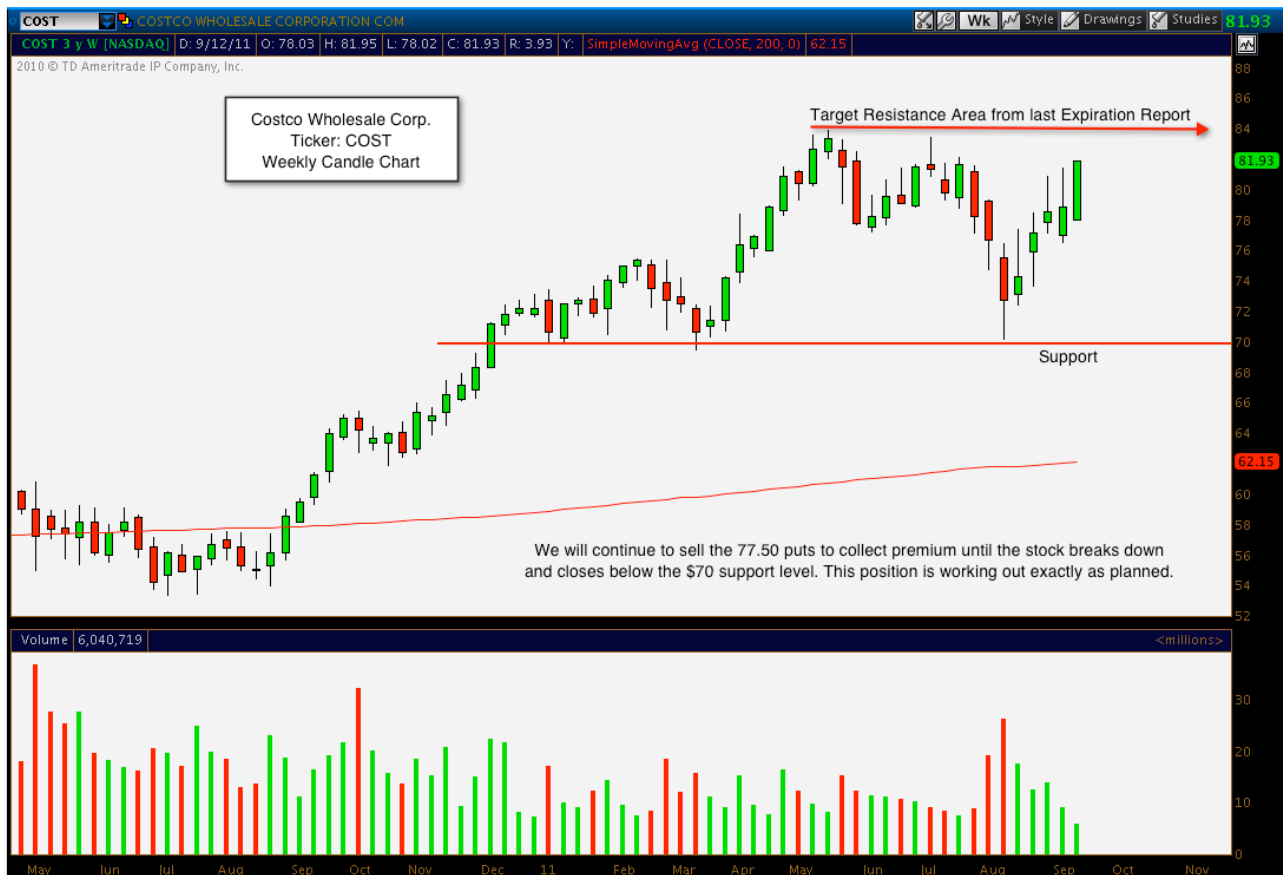
BPC Sep 77.50 Puts

SPO Oct 77.50 Puts

For a 1.50 Credit

Explanation of Strategy:

This spread, like many others we have traded, has been working well for us. We are now rolling the short side of the spread from the Sept 77.50 puts to the Oct 77.50 puts for a credit. Costco looks as though it is making a move to test resistance level at 84. Just as planned.



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Baidu, Inc. (BIDU)

We are currently holding the following position:

Long Jan 12 90 Calls

Short Sep 120 Calls

Short Sep 145 Puts

Action to be taken by Friday

Part I

BCC Sep 120 Calls

SCO Oct 120 Calls

For a \$1.30 Credit

Part II

BPC Sep 145 Puts

SPO Oct 145 Puts

For a \$6.40 Credit

Explanation of Strategy:

This position started off when we bought the Jan 90 Calls back on Oct 9th of 2010. We simultaneously sold the Oct 105 calls and turned this into a wonderful calendar spread that has given us many opportunities to collect premium as we rolled the short calls each and every month. Last week, on Sept. 9th we sold the Sep 145 puts for \$5.60 to collect a premium that was better than the original price posted in the trade alert. It just worked out that way for us. Now that we are Long the Jan 90 calls and short the Sept 120 calls, we will continue to roll the short put position making this a combination spread. This is a lot like the combination spread we have in FSLR, which is the position I highlighted on page 2 of this document. If you're unclear about how we are working this spread, then I would challenge you to push yourself a bit and not give up on this one. These combination spreads are extremely profitable when handled correctly and it's well worth your time studying them. The return on investment is impressive and you may not want to miss out on this. If you are just now initiating this trade with us then I would suggest the following; Buy the Jan 2013 100 calls instead of the Jan 2012 90 calls we are now holding and match the other parts on the short side. In other words, Buy the leaps, sell the October 120 calls and sell the Oct 145 puts to match up with our position and follow along with the adjustments we make along the way. Before you know it, you will be trading this one like a pro. I will talk more about this during our open house call next week. We are pushing a 230% return in less than a year and it's still getting better.

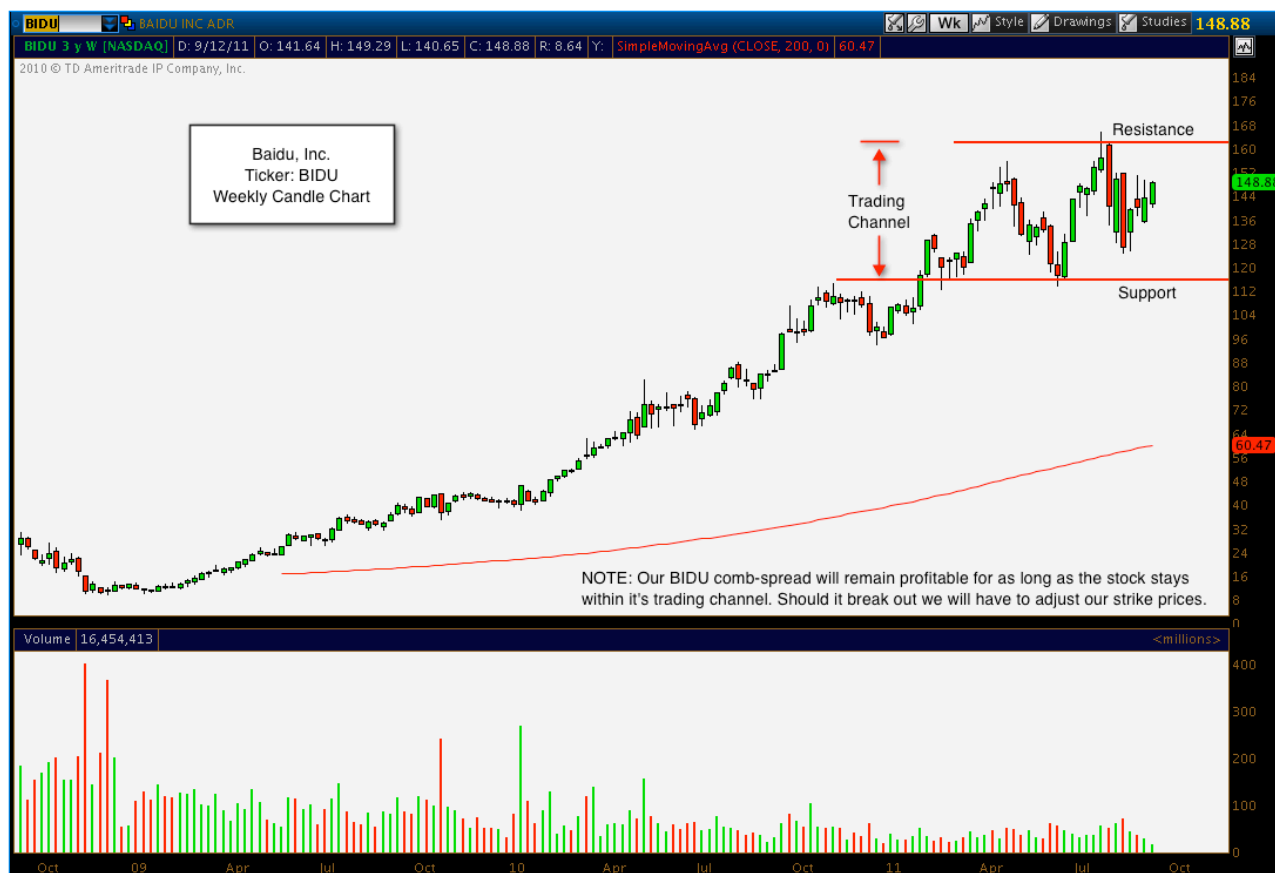
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Weekly 3-year chart for Baidu



You can see from this chart that BIDU is trading nicely within a well-defined trading channel. This combination spread we have is the most profitable trade we have had all year and it keeps getting better. Each time we roll our short strike prices, we collect a hefty credit to our account and it will be very hard to lose money on this one because we have collected more in premium than what we originally paid for the long side of the spread.

This is just another example of why you should spend your time studying spread trading. It would be very hard to get over 200% on an equity trade, but with a little patience and a lot of skill you can see this in the option markets.

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Potash Corp. (POT)

We are currently holding the following position:

Long Jan 70 Puts

Short Sep 57.50 Puts

Action to be taken by Friday

BPC Sep 57.50 Puts

SPO Oct 57.50 Puts

For a \$2.10 Credit

Explanation of Strategy:

We got into this position on March 5th when we bought the Jan 70 Puts for 13.45. We have consistently sold front month puts against our long put position, which has allowed us to collect cash, each and every month. This week we are going to roll out the short strike price to the October 57.50 puts and collect another \$2.10 in the process. We are currently up 89.2% on this one since and as long as the stock stays within its trading channel it will stay profitable.



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SPDR Gold Trust (GLD)

We are currently holding the following position:

Long Jan 13 130 Calls

Short Sep 146 Calls

Action to be taken by Friday

BCC Sep 146 Calls

SCO Oct 146 Calls

For a \$.20 Credit

Explanation of Strategy:

The instructions are to by back the Sep 146 calls to close the short side of the spread and open a new position to sell the Oct 146 calls. I think GLD will pull back a bit to fill the gaps so it's best that we stay short the Sept 146 calls to give us more of a hedge to protect the long Jan 130 calls we hold in the account. Our strategy has not changed much since last expiration.



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SPDR Dow Jones Industrial Average ETF Trust (DIA)

We are currently holding the following position:

Long Jan 110 Calls

Short Sep 119 Calls

Action to be taken by Friday

BCC Sep 119 Calls

SCO Oct 119 Calls

For a \$1.10 Credit

Explanation of Strategy:

This is a position that we started back on June 25th when we bought the Jan 110 Calls to leg into a long call calendar spread. On July 2nd we sold the July 126 calls to collect a credit in order to lower the cost basis of the long January call position and we continued to roll the short calls to collect more credits along the way. We then bought puts to protect the downside, with the expectation of turning this call calendar spread into a condor spread, which worked out perfectly. Below are the highlights for the second part of this strategy.

Diamond Trust (DIA)

We are currently holding the following position:

Long Jan 129.75 Puts

Short Sep 114 Puts

Action to be taken by Friday

BPC Sep 119 Puts

SPO Oct 119 Puts

For a \$2.75 Credit

Explanation of Strategy:

We "legged" into this position to complete the condor spread which is nothing more than a long call calendar spread combined with a long put calendar spread. The idea is to stay short the call and put against the long leap call and leap put. Our goal is to collect premium each month as time erosion takes place. As we continue to roll this position, the extra cash we pick up each month becomes a return on the investment made on the long options. If you are unclear about this particular position, don't worry, I will cover this on the next open house call this Monday. Take good notes and be sure to ask questions. This is one strategy that you should try to master because it is one of the safest strategies around with profits that are very consistent.

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Important note regarding our Condor Position

Out of all the positions we have, the condor spread in DIA is the most complicated of the bunch. It's taken more time to put this one on but it could very well wind up being the most profitable trade of the year. I can understand if you have not taken a position with this trade because of the complexity but I would recommend that you at least follow along with us so you can learn the process. If you have traded this one with us, but need a little help rolling the position, call your broker and ask them to help you place the trade to make sure you are doing it right. I will be talking more about this position during our next open house session and it will probably be the highlight of the call.



General Electric (GE)

We are currently holding the following position:

Long Jan 13 10 Calls

Short Oct 16 Calls

Action to be taken by Friday

Do Nothing. Hold the Position.

Explanation of Strategy:

This is a less complicated spread that is working out well for us. If you have not yet taken a position in this with us then you can pick up right here by buying the Jan 13 10 calls and selling the October 16 calls against them. Then follow along as I send you each expiration alert so you will learn how to roll the position.

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Wrapping it Up

This has been another good expiration week for us. Every single position we rolled resulted in a cash credit to our account and it doesn't get better than that. I expect the 4th quarter of 2011 to be the icing on the cake as we work hard to collect more profits through the end of the year. Be sure to log into your member page and take a look around. This is just the beginning and I'm sure you will be pleased with what we have in store for you. Our member section is for paying customers only. If you want me to produce videos that focus on certain strategies, just let me know and I will do my best to post those to the educational pages.



'Open House'

We will be holding our next 'Open House' conference call on Monday Sept 19th at 8pm EST. This is an interactive call that follows option expiration Friday. Be ready to submit your questions and stock symbols so we can analyze your positions and help with any challenges you may be facing in these volatile markets. Below is a link that will get you to the registration page. Simply cut and paste this web address to your browser to reserve your seat. Don't wait, because we will have a packed house and seating is limited.

<https://www3.gotomeeting.com/register/393093670>

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