

# THE OPTIONS ORACLE

Trade Alert

 Feb 28<sup>th</sup> 2014

Alert Type	<b>New Position</b>
Stock Name	<b>Apple Inc.</b>
Ticker/Symbol	<b>AAPL</b>
Current Price	<b>\$531.78</b>
<b>Action: Buy Puts to Open Sell Puts to Open</b>	<b>BPO Mar 490 Puts SPO Mar 510 Puts</b>
For a Credit of:	<b>\$2.00</b>
<b>Note:</b>	<b>Your risk is to the downside on this position</b>



Apple Inc, is one of the most volatile stocks in the market which means there is a lot of opportunity for option traders to exploit the time value. As the volatility of a stock increases so does the time value on that option so selling a credit put spread can give us a nice return on investment while limiting the risk on the trade. We just have to be sure to manage the risk on the spread should the stock close below 490. See below:

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## Trade Notes:

The maximum potential loss for a credit put spread is the difference between the two strike prices ( in this case \$20) less what you collect in premium (\$2). For this spread, the max risk is \$18. So...How do you calculate how many spreads to sell? Don't let the spread move more than one or two percent of the value of your account before you close it. Example: If your account is worth \$50,000 and you sell 5 put spreads for \$2 each, close the position if the spread trades \$3. Or...If you sell only one put spread for \$2 and the price moves to \$7 then close it out. If you are a bigger risk taker then simply adjust your numbers accordingly. Remember that you need to keep an eye on the charts so you are "on guard" should the stock break down below support.

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Happy Trading

**AJ Monte CMT**

Chief Market Strategist

The Market Guys, Inc

**RM Note:** Like I stated on page one, don't oversell your account on this position. You can start off with a couple of put spreads and if the stock moves lower, but still above support you can add to the position as long as the technical signals are bullish.

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