

The Explosive Power of Options

By Ted Peroulakis, MBA

The Explosive Power of Options

- Options Basics
- Underpinning forces in the economy
- My top options recommendations
- Questions & Answers

Some of my suggestions

- **Frontline Options: 337% in 13 days...**
- **USO Oil Options: 39% in 15 days...**
- **Yamana Gold Options: 135% in 35 days...**
- **Jacobs Eng. Options: 156% in 27 days...**
- **Weatherford Int. Options: 100% in 19 days...**
- **PHLX Housing Options: 50% in 1 day...**
- **Southern Copper Options: 125% in 15 days...**
- **Transocean Inc. Options: 150% in 34 days...**

More Winners

- RIMM Options: 152% in 10 days...
- Exxon Mobil Options: 105% in 30 days...
- US Steel Options: 75% in 38 days...
- S&P 100 index Options: 75% in 19 days...
- USEC Inc. Options: 113% in 14 days...
- Freeport Options: 100% in 14 days...
- Transocean Inc. Options: 100% in 9 days...

The Explosive Power of Options

Example of Options Leverage:

- Purchase 100 shares stock @ \$32 for a cost of \$3,200. If the stock rises from \$32 to \$42 you would have a \$1000 gain or a 31% increase.

OR

- Control 100 shares of stock by purchasing the option at a premium of \$3 per share for a cost of \$300 (1 contract x 100 shares x \$3 premium = \$300). If the option premium rose from \$3 to \$11, the original cost was \$300 and it is now worth \$1100. You have an \$800 profit, but a 266% return!

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Oil Going Up!



Recommendation #1

Buy Call Options on Exxon Mobil!

- Option: Oct 2009 – 75.00 calls (**XOMJO**)
- Underlying index symbol: XOM
- Expiration: October 16, 2009

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Long Call Options

- Contract gives you the right to buy a specific stock at a strike price before the expiration date for a premium
- Maximum reward is unlimited
- Maximum risk is the premium paid
- You can sell back your long call prior to expiration
- Cost of trade (maximum Risk) = (No. of contracts) x (option premium)

Options – Intrinsic Value

Exxon Mobil October Calls

Stock Price = \$72.39

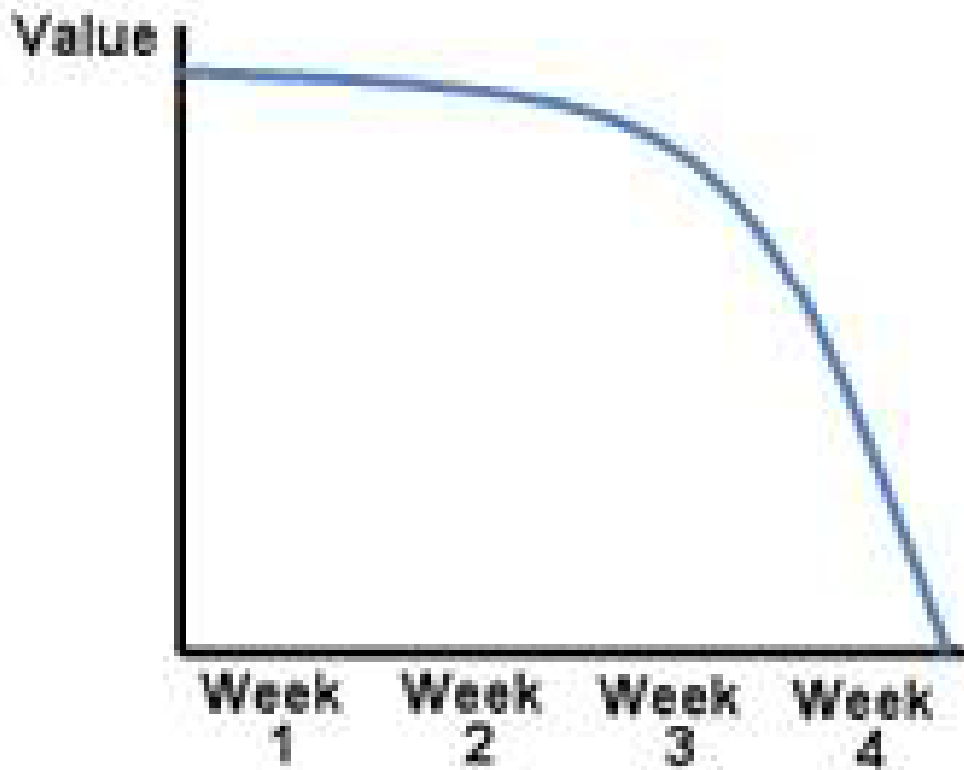
View By Expiration: [Jun 09](#) | [Jul 09](#) | [Oct 09](#) | [Jan 10](#) | [Jan 11](#)

CALL OPTIONS Expire at close Fri, Oct 16, 2009

Strike	Symbol	Last	Chg	Bid	Ask	Vol	Open Int
15.00	EXAJC.X	54.40	0.00	57.10	57.35	4	4
40.00	XOMJH.X	28.35	0.00	32.15	32.50	17	37
45.00	XOMJI.X	25.30	0.00	27.25	27.55	18	1,728
50.00	XOMJJ.X	22.30	0.00	22.60	22.70	8	1,293
55.00	XOMJK.X	17.70	↑ 0.65	18.00	18.10	20	14,489
60.00	XOMJL.X	13.20	↑ 0.25	13.50	13.65	5	1,155
65.00	XOMJM.X	9.70	↑ 0.35	9.55	9.65	53	4,792
70.00	XOMJN.X	6.22	↑ 0.22	6.20	6.30	28	8,242
75.00	XOMJO.X	3.65	↑ 0.35	3.60	3.70	483	13,513
80.00	XOMJP.X	1.90	↑ 0.18	1.85	1.90	102	15,515
85.00	XOMJQ.X	0.85	↑ 0.03	0.84	0.87	66	12,024
90.00	XOMJR.X	0.37	↑ 0.06	0.35	0.37	25	7,337
95.00	XOMJS.X	0.15	0.00	0.13	0.17	13	2,058
100.00	XOMJT.X	0.11	0.00	0.04	0.11	10	569
105.00	XOMJA.X	0.05	0.00	N/A	0.07	50	80
110.00	XOMJB.X	0.07	0.00	N/A	0.05	0	3
115.00	XOMJC.X	0.12	0.00	N/A	0.05	0	50
120.00	XOMJD.X	0.03	0.00	N/A	0.03	15	55
125.00	XOMJE.X	0.02	0.00	N/A	0.03	30	669



Options – Time Value



Options – Time Value

Exxon Mobil Options - 75 Strike

Stock Price = \$72.39

Strike Price:

CALL OPTIONS								Strike Price at 75.00
Expires	Symbol	Last	Chg	Bid	Ask	Vol	Open Int	
Jun 09	XOMFO.X	0.55	↑ 0.12	0.56	0.57	2,648	39,974	
Jul 09	XOMGO.X	1.52	↑ 0.19	1.52	1.53	1,783	63,941	
Oct 09	XOMJO.X	3.60	↑ 0.30	3.65	3.70	488	13,513	
Jan 10	XOMAO.X	5.00	↑ 0.05	5.00	5.20	216	23,325	
Jan 11	ODUAQ.X	8.50	↑ 0.30	8.40	8.50	1	6,099	

PUT OPTIONS								Strike Price at 75.00
Expires	Symbol	Last	Chg	Bid	Ask	Vol	Open Int	
Jun 09	XOMRO.X	3.15	↓ 0.45	3.05	3.10	685	1,262	
Jul 09	XOMSO.X	4.05	↓ 0.40	3.95	4.05	126	13,534	
Oct 09	XOMVO.X	7.15	0.00	6.50	6.55	420	2,923	
Jan 11	ODUMO.X	15.15	0.00	12.65	12.90	42	5,967	

Highlighted options are in-the-money.

Capital One – Credit Cards



Recommendation #2

Buy Put Options on Capital One!

- Option: Sep 2009 – 25.00 puts (**COFUE**)
- Underlying index symbol: COF
- Expiration: September 18, 2009

The Explosive Power of Options

Long Put Options

- Contract gives you the right to sell a specific stock at a strike price before the expiration date for a premium
- Maximum reward= Strike Price – Premium
- Maximum risk is the premium paid
- You can sell back your long put option prior to expiration
- Cost of trade (Maximum Risk) = (No. of shares) x (No. of contracts) x (option premium)

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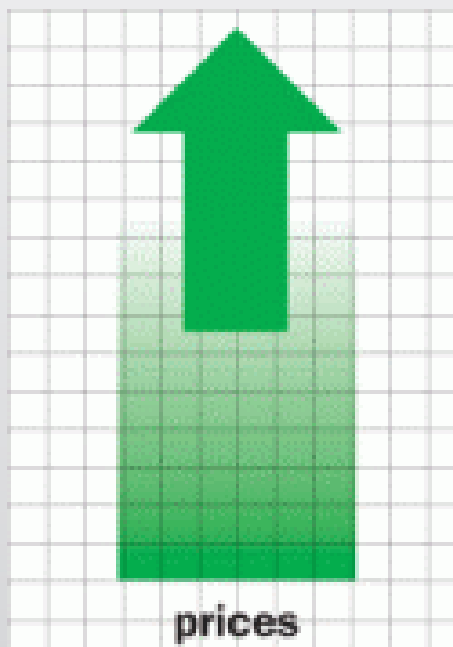
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The Big Picture

Underpinning Forces In The Economy

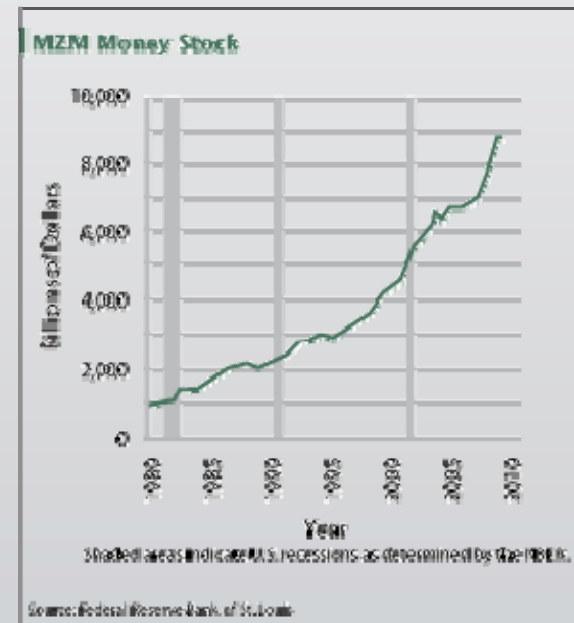


The Coming Boom In Inflation



Why is Inflation Coming?

- Global Economic Crisis
- Massive Federal Spending
- America is in Debt
- Printing Money



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Hyperinflation?



How To Profit From The Coming Boom In Inflation

Where to invest when heavy inflation hits:

- Gold
- Silver
- Agriculture
- Dividend Raisers
- Energy
- Commodities
- Real Estate
- TIPS Bonds

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- +8% SPDR Gold Shares (GLD) in 125 Days...
- +24% iShares Silver Trust (SLV) in 118 Days...
- +93% Freeport-McMoRan (FCX) in 111 Days...
- +46% Plum Creek Timber (PCL) in 90 Days...
- +15% Agriculture ETF (DBA) in 55 Days...
- +31% iShares MSCI Brazil Index (EWZ) in 55 Days...
- +47% Market Vectors Russia ETF (RSX) in 55 Days...
- +32% PowerShares India ETF (PIN) in 55 Days...
- +22% FTSE/Xinhua China ETF (FXI) in 55 Days...
- +15% The Coca-Cola Company (KO) in 27 Days...
- +13% Agribusiness ETF (MOO) in 20 Days...

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GOLD



Recommendation #3

Buy Options on Gold!

- Option: Jan 2010 – 100.00 calls (**KFFAV**)
- Underlying index symbol: GLD
- Expiration: January 15, 2010

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SILVER



Recommendation #4

Buy Options on Silver!

- Option: Jan 2010 – 15.00 calls (**SLVAO**)
- Underlying index symbol: SLV
- Expiration: January 15, 2010

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Agriculture



Recommendation #5

Buy Options on Agriculture!

- Option: Oct 2009 – 30.00 calls (**DBAJD**)
- Underlying index symbol: DBA
- Expiration: October 16, 2009

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Emerging Markets – Brazil



Recommendation #6

Buy Options on Brazil!

- Option: Sep 2009 – 55.00 calls (**EWZIK**)
- Underlying index symbol: EWZ
- Expiration: September 18, 2009

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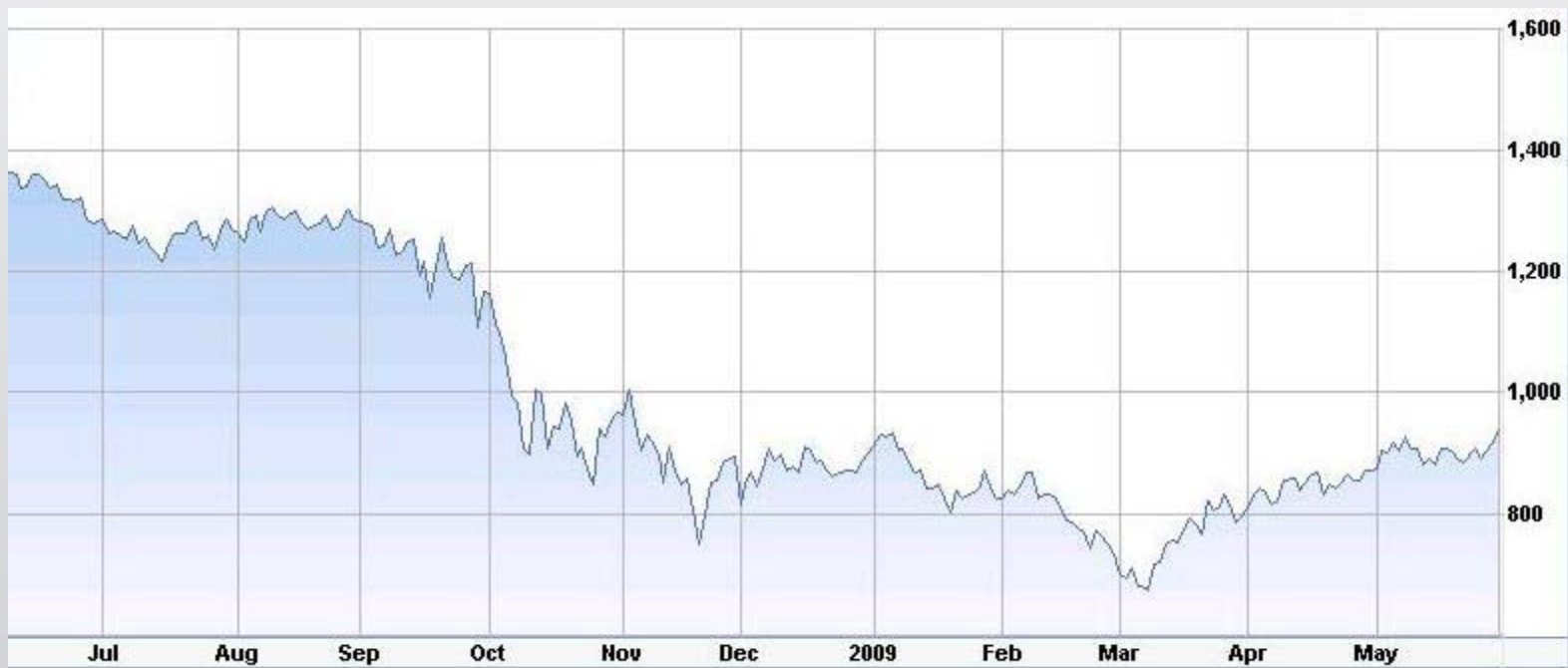


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The Market S&P 500



Recommendation #7

Buy Put Options on the Market!

- Option: July 2009 – 95.00 puts (**SWG SQ**)
- Underlying index symbol: SPY
- Expiration: July 17, 2009

Sell Discipline

- **Limit your losses - Close the position if the option trades 50% below your entry price.**
- **Sell the first half of the position if the option trades 100% above your entry price.**
- **Let the second half ride for maximum profits.**

Options Power Trader

- Aims to deliver consistent maximum profits, regardless of market direction, by recommending limited-risk call and put option trades on stocks, ETF's and indexes.
- I evaluate the underlying fundamental indicators, technical indicators, investor sentiment, and trends to zero-in on the best profit opportunities for you.

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- The mission of the OPTIONS POWER TRADER is to identify highly leveraged speculative options with maximum profit potential.

Ted Peroulakis

Editor – Financial Analyst

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My New Options Strategy:

Options Power Trader

Ted Peroulakis