



**Commentary: Friday is July expiry. The Dow has been DOWN 5 of the last 7 years, and was shelled in 2002, off 390 points.**

**There has been 2 distribution days for the Dow and S&P 500 in the past few weeks.**

**When the market was bearish last Tuesday, on a sizable correction more traders bought puts, assuming to follow the trend.**

**And the trend stopped.**

**Yesterday we saw renewed GREED to right near 14,000. Both the July720C and the August730C were available at below prior day close by 10 a.m., and could have sold for 20 to 30% profits respectively by 11.30 a.m.**

**Note we have our Dow top at right near 14,000 and do not think any move above 14,000 will be lasting, without enough of a correction/distribution to allow even greater upside.**

**Stocks declined two to one over advances. Volume was light. Floor traders are pricing premiums to the put, but the market itself will feed off earnings and Bernanke. Expect whipsaw.**

**Calls may still have strength, and 14,000 may be broken, but puts will soon have their day again.**

### **Trader Tip:**

- Use a plan and stick to it.
- Study and educate to a sector. Become an expert at something.
- "You will be wrong, you will be wrong often, and, occasionally you will be spectacularly wrong"-Barry Ritholtz, Real Money.com
- Just like a good exercise program, with trading you must build your strength, NOT rush to lift 200 lbs the first time. Paper trade. This builds muscles
- Stop "noise". Do not approach the markets randomly, trying and studying many approaches, reading versions of charts, and "mixing up" rules and systems. The # 1 problem we see is "impressions" people have off their study, but only in the "partial" they have learned. It's much like learning to play golf wrong; it's hard to unlearn.
- After you trade, study what happened. Keep careful notes on what you did, and what you didn't do. Learn from successes and failures.
- Develop your odds of success by finding what you do best. This is where studying your "journal of trades" shows where you focus in best, and should allow you to duplicate the emotions and rules when you do right.

### **Core Selling Rules:**

1. Pay NO attention to bid/ask. This is what other traders, just like you, want. Put your order in at a limit order, good for the day, for the price you want to sell the option, and reduce this price during the day if market conditions so warrant.
2. Work for mark ups of 40% down to 20%. Risk traders may hold for higher %'s, and many successful traders use the .50 to 1.00 a contract profit model.
3. Lower your selling price to the averaged cost you have paid, and sell the

position clearly within stop loss. DO NOT HOLD IN HOPES THINGS WILL CHANGE. THE ONLY REASON PEOPLE HOLD OPTIONS TOO LONG IS HOPE.

**1. Identify the signal bias**

**Signal Count Strength: Call**

**Two Way Trades: 9 to call. Overbought market**

**2. Study the market conditions**

Upcoming Events/News: <http://www.bloomberg.com/markets/ecalendar/index.html>

Futures: <http://bloomberg.com/markets/stocks/futures.html>

**3. Analyze the Dow projections**

**Theoretical Dow Projections: NEW 13,980/13,650 to 13,570**

**Actual:**

.DJI DOW JONES 30 INDUSTRIAL AVERAGE

Last [Tick] 13,950.98[ + ]  
 Day High 13,989.11  
 Day Low 13,894.98  
 Previous Close 13,907.25  
 Prev. Close Date 07/13/2007

+/- 30 to 50 points to the actual Dow. Projections are defined for a typical 21 day market period at longest. Use projections in your analysis of tops and bottoms.

<http://www.cbot.com/cbot/pub/page1/1,3248,432,00.html>

**Read The Tape:**

**9.32 a.m.** \_\_\_\_\_

**9.35 a.m.** \_\_\_\_\_

**Difference:** \_\_\_\_\_

**If the market moves are UP over 15 points the trend may be up for the day**

**If the market moves are DOWN over 15 points the trend may be down for the day**

**Use this along with analysis of the pivot point.**

**4. Use the pivot point and support and resistance lines to know when to trade**

	High	Low	Close
	719.59	715.29	717.01
Strong R	<b>718.50</b>		
R3	723.89		
R2	721.60		
R1	719.30		
Pivot	717.30		
Strong S	<b>715.00</b>		
S3	710.70		
S2	713.00		
S1	715.00		
<b>FIBONACCI</b>			
38%	716.92		
62%	717.96		
50%	717.44		

**Fibonacci shows 38%/62/50 Retracements. Support and resistance lines are often built around where the market first moves in this tightening. Pay careful attention to Retracements in relation to support and**

resistance lines. The 50% retracement area should be noted first for where these new support and resistance lines could be created.

**Rule #1:** If the day's price action starts above the pivot point within the first 30 to 60 minutes of trading the market will typically stay above the pivot for the trading day. Conversely, if the first 30 to 60 minutes of trading is below the pivot it is typically a session where it stays below the pivot, or a bear day.

**Rule #2:** If the market opens and "trades the edges" (R2 or R3, or S2 and S3) the market tends to trade the day "back" towards the pivot.

**Rule #3:** The further the price moves from the pivot the more we avoid buying the high or selling the low

**First Hour Pivot Action:** \_\_\_\_\_

## 5. Take the ATR to know the highest high, or lowest low of that day on the OEX

**Average True Range: 6.98 (7 day average)**

Add the ATR to the OEX low of the first hour-this projects the potential high of the day

Subtract the ATR from the OEX high of the first hour-this projects the potential low of the day. Use the high/low of prior day if unable to analyze first hour of the trading day.

**Calculation:**

**1st Hour Low** \_\_\_\_\_

**Plus ATR** \_\_\_\_\_

**Highest High of Day:** \_\_\_\_\_

Or

**1st Hour High** \_\_\_\_\_

**Minus ATR** \_\_\_\_\_

**Lowest Low of Day :** \_\_\_\_\_

## 6. Review what the buying bias is

*OEX Put/Call Ratio:*

<http://www.cboe.com/data/mktstat2.aspx#OEX> <<http://www.cboe.com/data/mktstat2.aspx#OEX>>

*Two to one decliners to advancers Monday.*

## 7. Study our actual signals for the day

**Intraday/2-3 day Signals:**

-OEZGD OEX.X JUL 2007 720.0000 CALL

Last [Tick] 2.65[ - ]  
Day High 4.10  
Day Low 2.30  
Previous Close 3.30  
Prev. Close Date 07/13/2007

**This position was profitable on a day trade last Friday and again profitable Monday**

**New Signal: Pay up to prior day close. Best buy at 2.40 or less. Sell to 3.90  
# of days stop loss**

and/or

-OEZHF OEX.X AUG 2007 730.0000 CALL

Last [Tick] 6.20[ + ]  
Day High 6.60  
Day Low 5.30  
Previous Close 6.40  
Prev. Close Date 07/13/2007

**This position also available Friday at prior day close, and sold up to 6.40.**

**It was available below prior day close, and sold up to 6.60 on Monday.**

**New Signal: Pay up to prior day close. Best buy at 4.80 or less. Sell to 6.70**

**# of days stop loss  
Expect second buys**

OEX Options Method: Buy the option no higher than prior day close, or at "best buy" price. Set profit goals at 20-40% and place good until cancelled limit order. Take a second buy position at 33% discount to your first buy, if necessary, and adjust profit goals to 20-40% of averaged price. Use a stop loss of selling the 4th day after the purchase.

Study the password protected areas of our website for more complete details of how to use support/resistance, ATR and stop loss. [www.oexoptions.com](http://www.oexoptions.com) <<http://www.oexoptions.com>>

## **8. Review and note our longer term positions**

### **Arsenal Positions:**

-OEYTR OEX.X AUG 2007 690.0000 PUT

Last [Tick] 4.20[ - ]

Day High 4.50

Day Low 3.60

Previous Close 4.60

**Sell to 9.20**

**Stop Loss: July 20th, 2007**

**Two buys have been made. Only risk traders will add to the position.**

**We will continue to hold this short term to see if any hesitancy begins.**

**We are also considering moving this issue to an in the money put, August expiry.**

**If so, an intraday alert will be issued.**

**We answer all trader inquiries same day. Intraday alerts only provided when market conditions so warrant.**

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