

NOTE: *The following is an actual alert that was sent out on October 4th, 2006. This is an example of the amount of detail and instruction you will receive every trading day.*



Commentary: The market hit massive new highs today, on high volume and tipped just above our Dow projection top. Oil continues to lead euphoria, as does new market highs, lowered real estate values, and excitement about the economy. Traders were able to take inventory in early morning trading on the Oct625C as low as 3.00, and for risk day traders following R3 levels to as high as 7.80! As we've suggested...a big bump day again, from early flat lining after last market tops. Most traders reported great success at 3.00 to 3.40 entry, and sales to 5.00 and over! Traders also could have taken a second position inventory in the Nov610P, averaging their costs well, for a new sell price indicated below. We've now profited 4 times on the Nov610P, and continue to hold this position. We are neither bull nor bear, but a bit suspicious of the constant new highs, and ongoing market euphoria. Take prudent risk. Our profits haven't stopped on both put and all this week....stay cautious.

Stochastics remain above 80, and the put/call ratio remains confused. We continue to see strong upside, now on rising volume. The question is now...are we entering a Blow off top phase, or continuing strength?

>**From a Level 3 subscriber, BC:** "Today we got the O625C at 3.10...(yesterday we ran up into a possible exhaust area, but held the gains on close i.e. above 11726) with 11699 dow holding looking to go between 11735-11791... exited with calls at 4.20 (dow 11766) . +1.10 for me today."

From a Level 2 subscriber, LG: "*I bought on the 625C again, floyd...at 3.30 today...I watched your Dow top and believed it again...and closed my eyes til early afternoon and sold it at 6.90. I bought again on the Nov610P...I made money Friday and Monday on this one, and on the calls each day this week. Thanks.*"

1. Identify the signal bias

Signal Count Strength: Call
Two Way Trades: Whipsaw still likely

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: Theoretical Dow Projections:
11,810/ 11, 440

As we wrote yesterday, "It's also likely for an additional bull push to 11,810 area, before 350 point "stepped" downward pressure". Yesterday's top gave the market new highs, yet again, with a Dow top at 11,851."

We now see the "stepped", in stages downward pressure to a Dow low of 11,500 area. Market tops may take the Dow to 11,950 on any good news.

+/- 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

OEX Prior Day High/Low/Close: 628.34 620.24 628.33

Strong Support: 620

s3 614.83

s2 617.54

s1 622.93

Strong Resistance: New highs, no historical pattern

r3 636.44

r2 633.74

r1 631.03

Pivot Point: 625.64

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: 4.40

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>

7. Study our actual signals for the day

Intraday/2-3 day Signals:

Open Signals:

November610P (OEYWB)-. Sell to 5.60 to 6.30 up

of days stop loss- October 12th

Two buys have now been made on this issue. Averaged costs-4.35 to 4.50

New Signal:

Calls remain higher risk. This is an overbought, extended market. Continue to buy recognizing this risk.

Oct630C(OEYJF)-closed at 4.40. Best buy at 3.90 or less. Sell to 5.10

For traders wanting a higher risk/reward ratio, consider the Oct635C (OEYJG)-closed at 2.00. Best buy at 1.60, sell to 2.50. If the market remains euphoric it may be necessary to pay to prior day close.

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

8. Review and note our longer term positions

Arsenal Positions:

OPEN SIGNAL: December 520.00 PUT (OEBXD)

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

Email: info@oexoptions.com

The simplicity of the market is its' greatest disguise©

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Take Prudent Risk

"Caveat Emptor"... Let the buyer beware.

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