

In this week's *Cash Cow* Newsletter I would like examine an analysis of the \$VIX that I recently performed, and then show you several new profit opportunities.

Before we start, let's review the recent action in the S&P 500:



The S&P 500 resisted a selloff and gained nearly 2% since Thursday's close. After today's late rally, the \$SPX closed on the upper Keltner Channel.

Today I was curious to see what the \$VIX was doing, and in my research I found some notable patterns which I'd like to share with you.

Looking at a daily chart of the \$VIX over the past 7 months, I found two bullish Slow STO divergences that occurred in May and July of this year. I also noticed what could potentially be another bullish divergence occurring now:



For those of you who are unfamiliar, a bullish divergence compares the movement of prices to the movement of an oscillating indicator. If stock price

bottoms are declining (sloping down), and the indicator's bottoms are increasing (sloping up), this typically signifies the end of a downtrend.

We can see on the \$VIX chart that the Slow STO bottoms were sloping up, while the \$VIX price bottoms during this same time period were sloping down.

There were significant spikes in volatility after these divergences occurred. To confirm these divergences, I used MACD crossovers (red arrows).

It appears that we are currently seeing the beginning of another bullish divergence happening in the \$VIX. If this does occur, we would experience higher volatility in the near future. This volatility could adversely affect any directional trades we had.

As always, we can protect ourselves from future volatility by employing some spread strategies.

Before we get into this week's profit opportunities, I'd like to review several past profit opportunities that are set to expire this Saturday, November 16th.

10/16/13 Newsletter

YELP Call Option Spread: YELP has declined -3.03% since 10/17/13, but we will profit around **40.1%** or **\$286** if YELP remains at this price or increases by expiration.

10/24/13 Newsletter

SDRL Market Neutral Spread: SDRL has declined -3.15% since 10/25/13. This is the only losing trade (-14%) so far out of all of our November 16th expiring positions. We still have a few sessions to try and make up for these losses.

QIHU Call Option Spread: QIHU has gained 5.48% since 10/25/13. We will profit around **39.9%** or **\$285** as long as QIHU doesn't decline 8% by Friday's close.

10/30/13 Newsletter

FB Call Option Spread: FB has declined -2.99% since 10/31/13, but we will profit around **13%** or **\$82** if FB remains at its current price by Friday's close.

P Call Option Spread: P has gained an impressive 16.39% since 10/31/13. We've likely reached our maximum potential and profited around **28.5%** or **\$133**, and should consider closing out and taking these profits.

OCR Market Neutral Spread: OCR has gained 4.66% since 10/31/13. We will profit around **13.1%** or **\$143** if OCR remains at its current price by expiration.

11/6/13 Newsletter

BBY Call Option Purchase/Covered Call: BBY has gained an impressive 7.58% since last Thursday. Members who bought a call option on BBY have done considerably well, as well as members who bought a Covered Call.

EWG Call Option Purchase: EWG has gained 1.28% since last Thursday, providing decent profits for most who participated in this trade.

The first profit opportunity I'd like to show you is **GILD** (Gilead Sciences):



Gilead Sciences is a biopharmaceutical company that discovers, develops, and commercializes human therapeutics for the treatment of life threatening diseases worldwide.

The stock is in a 50/100-Day EMA uptrend that is confirmed through the presence of an up-sloping On Balance Volume. After today's close the stock is resting right above the middle Keltner Channel, offering us a good entry point.

We should consider initiating a Market Neutral trade on GILD for the November 29th expiration.

At current prices the GILD November 29th 58/68-strike Market Neutral Spread has unlimited profit potential with a maximum risk of -14.4%:

Market Neutral Calculator								
Stock Symbol	Stock Price	Call Strike	Call Buy Price	Put Strike	Put Buy Price			
GILD	68.5	58	10.5	68	1.18			
						Calculate	New Analysis	Print
% Change	-15%	-10%	-5%	0%	5%	10%	15%	
Stock Price	\$58.23	\$61.65	\$65.08	\$68.50	\$71.93	\$75.35	\$78.78	
Call Value	\$0.23	\$3.65	\$7.08	\$10.50	\$13.93	\$17.35	\$20.78	
Put Value	\$9.78	\$6.35	\$2.93	\$0.00	\$0.00	\$0.00	\$0.00	
Spread Value	\$10.00	\$10.00	\$10.00	\$10.50	\$13.93	\$17.35	\$20.78	
Spread Cost	\$11.68	\$11.68	\$11.68	\$11.68	\$11.68	\$11.68	\$11.68	
Spread Profit	\$-168	\$-168	\$-168	\$-118	\$225	\$567	\$910	
Spread % Return	-14.4%	-14.4%	-14.4%	-10.1%	19.2%	48.5%	77.9%	

If GILD increases 5% by expiration we would profit 19.2% or \$225. If GILD increases 10% by expiration we would profit 48.5% or \$567.

Those looking for a shorter term, higher leveraged approach can look to purchase a weekly call option on GILD for the November 22nd expiration.

The next profit opportunity we'll look at is **WFM** (Whole Foods Market):



Whole Foods Market owns and operates a chain of natural and organic foods supermarkets throughout the United States. The company offers produce, grocery, meat and poultry, seafood, bakery, prepared foods & catering, coffee, tea, nutritional supplements, and vitamins.

The stock recently sold off after earnings, and still appears to still be oversold after bottoming out. We are presented with a low risk entry point for a Market Neutral Spread.

At current prices the WFM December 21st 47.5/60-strike Market Neutral Spread has unlimited profit potential with a maximum risk of only -6.3%:

Market Neutral Calculator								
Stock Symbol	Stock Price	Call Strike	Call Buy Price	Put Strike	Put Buy Price			
WFM	59.05	47.5	11.35	60	1.99			
						Calculate	New Analysis	Print
% Change	-30%	-20%	-10%	0%	5%	10%	20%	
Stock Price	\$41.34	\$47.24	\$53.15	\$59.05	\$62.00	\$64.96	\$70.86	
Call Value	\$0.00	\$0.00	\$5.65	\$11.55	\$14.50	\$17.46	\$23.36	
Put Value	\$18.67	\$12.76	\$6.86	\$0.95	\$0.00	\$0.00	\$0.00	
Spread Value	\$18.67	\$12.76	\$12.50	\$12.50	\$14.50	\$17.46	\$23.36	
Spread Cost	\$13.34	\$13.34	\$13.34	\$13.34	\$13.34	\$13.34	\$13.34	
Spread Profit	\$533	\$-58	\$-84	\$-84	\$116	\$412	\$1,002	
Spread % Return	39.9%	-4.3%	-6.3%	-6.3%	8.7%	30.8%	75.1%	

If WFM increases 10% by expiration we would profit 30.8% or \$412. If WFM increases 20% by expiration we would profit 75.1% or \$1,002. If WFM remains flat or decreases -10% we will only experience a -6.3% loss. If WFM decreases -30% by expiration we would profit 39.9% or \$533.

The last profit opportunity we'll look at this week is **MDSO** (Medidata Solutions):



Medidata Solutions is the leading global provider of cloud-based solutions for clinical research in life sciences.

As you can see from the price chart, MDSO has done considerable well over the past several months. The stock is trading near the middle Keltner Channel, providing a good entry point for a call option spread.

At current prices the MDSO December 21st 95/110-strike call option spread has a 31.6% profit potential with better than average downside protection:

Call Option Spread Analysis

Stock Symbol	Current Stock Price	Buy Strike	Buy Price	Sell Strike	Sell Price
MDSO	113.05	95	19.4	110	8

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Cost</td> <td style="text-align: center;">\$11.40</td> </tr> </table>	Cost	\$11.40	<input type="button" value="Calculate"/> <input type="button" value="New Analysis"/> <input type="button" value="Print"/>
Cost	\$11.40		

% Change	-10.0%	-5.0%	-2.5%	0.0%	2.5%	5.0%	10.0%
Stock Price	\$101.75	\$107.40	\$110.22	\$113.05	\$115.88	\$118.70	\$124.36
Call Buy Value	\$6.75	\$12.40	\$15.22	\$18.05	\$20.88	\$23.70	\$29.36
Call Sell Value	\$0.00	\$0.00	\$-0.22	\$-3.05	\$-5.88	\$-8.70	\$-14.36
Spread Value	\$6.75	\$12.40	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Spread Cost	\$11.40	\$11.40	\$11.40	\$11.40	\$11.40	\$11.40	\$11.40
Spread Profit	\$-4.66	\$1.00	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60
Spread % Ret	-40.8%	8.8%	31.6%	31.6%	31.6%	31.6%	31.6%

If MDSO increases in price, remains flat, or decreases -2.5% by expiration we would profit 31.6%, or \$360. If MDSO decreases -5% by expiration we would still profit 8%.

Note: Profit performance displayed in this newsletter does not include transaction Costs.

This newsletter includes some trading ideas following Chuck Hughes' trading strategies along with educational information. For a complete listing of Chuck's exact trades, including specific entries and exits and real time Portfolio tracking, please call Brad at 1-866-661-5664 or 310-647-5664.

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