



# Creating Monthly Cash Flow With Covered Call Writing

**Presented by:  
The Blue Collar Investor Corp.**

Hosted by:

Alan Ellman

[alan@thebluecollarinvestor.com](mailto:alan@thebluecollarinvestor.com)

# PREVIEW

- Purchase 100 shares of Company XYX @ \$48 per share = \$4800.
- Sell an option: sell someone the right to buy these shares for \$50 per share during the next month.
- You are paid a premium of \$1.50 per share = \$150.
- This is a 3.1% 1-month return = 37% annualized.

# PREVIEW SCENARIO I

- At the end of the month, the stock price is less than \$50; your shares are NOT purchased.
- You keep your 3.1% 1-month profit and are free to sell another option.



# PREVIEW SCENARIO II

- At the end of the month, the stock price is above \$50 per share and your shares ARE purchased.
- You now make an ADDITIONAL \$200 on the sale of the stock.
- Total 1-month profit is \$350 = 7.3% 1-month return = 87% annualized!

# DEFINITIONS

# WHAT IS AN OPTION?

- 1-OPTION- the *right* to buy or sell 100 shares of stock at a fixed price (**strike**) and by a specified date (**expiration date**).
- 2-CALL OPTION- an option to *buy* 100 shares of stock at a specified price.
- 3-PUT OPTION- an option to *sell* 100 shares of stock at a specified price.



# OPTION **STRIKE PRICE** AS IT RELATES TO STOCK PRICE

- 1-AT THE MONEY-** the strike price of the call option is *identical* to the market value of the stock
- 2-IN THE MONEY-** the strike price of the call option is *lower* than the market value of the stock
- 3-OUT OF THE MONEY-** the strike price of the call option is *higher* than the market value of the stock

# OPTION VALUE AS IT RELATES TO STOCK PRICE

**1-INTRINSIC VALUE-** the amount the option is in the money ( at the money or out of the money options have no intrinsic value)

**2-TIME VALUE-** the options premium above any intrinsic value

3-Example: Buy a stock for \$56 & sell the 50 call option @ 8

If stock price is 56, intrinsic value is 6 and time value is 2

$$\text{PREMIUM} = \text{Intrinsic value} + \text{Time Value}$$



# SELLING COVERED CALL OPTIONS- DEFINITIONS

Buying Stocks and selling call options on a  
share-for-share basis

1 contract = 100 shares

# WHY SELL OPTIONS

- 1- High rate of return/low risk**
- 2- Great strategy for moderately bullish, bearish and neutral markets
- 3- Teach your children; help your parents
- 4- Control results through exit strategies**
- 5- Downside protection
- 6- Compound your \$ in minutes!**
- 7-Capture all corporate dividends
- 8-Cash-generating business in home-office
- 9- Self-directed IRAs**

# **DISADVANTAGES: THE RISK IS IN THE STOCK**

- 1-If stock price declines below breakeven there is a loss.
- 2-Profit potential is limited to the strike price of the option-  
**DON'T GET GREEDY!**
- 3-Assignment- if option is exercised, you must sell your stock. Early assignment is rare but possible. You can buy back option thereby avoiding assignment.
- 4-Learning curve and time commitment



# Stock Selection: Fundamental Analysis

1- IBD 50

2- IBD SmartSelect Ratings (6)

3- MSN Scouter Rating (Risk/Reward)

# Common Sense Principles

- Earnings reports
- Same store monthly retail sales reports
- Minimum trading volume
- Stock and industry diversification
- Cash allocation

# TECHNICAL ANALYSIS

- 1- Exponential moving averages
- 2- MACD Histogram
- 3- Stochastic oscillator
- 4- Volume



BUCY (Bucyrus Intl, Inc.) Nasdaq GS

15-Jan-2010

BUCY (Daily) 63.81

EMA(20) 61.44

EMA(100) 48.53

© StockCharts.com

Open 65.50 High 65.86 Low 63.41 Close 63.81 Volume 1.8M Chg -1.85 (-2.82%)



# Premium Report: Weekly Stock Screen

WEEKLY STOCK SCREEN AND WATCH LIST												
WEEKLY STOCK SCREENING...AS OF CLOSE ON 05/13/11												
<ul style="list-style-type: none"> <li>Weekly Rank or Other Source...Indicates Weekly Top 50 Rank Or Other Database As Source Of Stock</li> <li>(?) Indicates Chart or Technical Indicators Mixed...OK To Keep On Watch List</li> <li>ER Dates Are Based On Currently Available Information...Check Actual ER Date Prior To Establishing Your Position</li> </ul>												
Symbol	Company Name	Weekly Rank or Other Source	Price	Opts Avail (Y/N)	Report Same Store Sales (Y/N)	Pass Fund'l And Tech'l Screens (Y/N)	Avg. Vol.: >250K Sh/Day (Y/N)	Pass Risk vs. Reward (Y/N)	Chart: ▲ Price ▲ 20EMA ▲ 100EMA (Y/N/?)	Tech Ind. OK: MACD Stoch. (Y/N/?)	Earn. Report In This Option Month (Y/N)	Comments
Passed All Screens												
ATHN	Athenahealth Inc	Other	46.28	Y	N	Y	Y	Y	Y	Y	N	
BCR	Bard C R Inc	Other	109.56	Y	N	Y	Y	Y	Y	Y	N	
BMC	B M C Software Inc	Other	54.47	Y	N	Y	Y	Y	Y	Y	N	
CMG	Chipotle Mexican	17	280.40	Y	N	Y	Y	Y	Y	Y	N	
ENDP	Endo	29	42.39	Y	N	Y	Y	Y	Y	Y	N	
FOSL	Fossil Inc	4	105.37	Y	N	Y	Y	Y	Y	Y	N	
NFLX	Netflix Inc	6	246.52	Y	N	Y	Y	Y	Y	Y	N	
RL	Polo Ralph Lauren Co	Other	133.31	Y	N	Y	Y	Y	Y	Y	N	
RVBD	Riverbed	8	37.42	Y	N	Y	Y	Y	Y	Y	N	
SLH	Solera Holdings Inc	Other	57.74	Y	N	Y	Y	Y	Y	Y	N	
SRCL	Stericycle Inc	Other	93.02	Y	N	Y	Y	Y	Y	Y	N	
Passed Screens, Have Earnings Report In Current Month, OK For Watch List												
Mixed Data In Risk/Rwrd, Chart, And Technical Indicators, OK For Watch List												
DHX	Dice Holdings Inc	Other	16.84	Y	N	Y	Y	Y	?	?	N	Price @20 EMA / MACD - ▼ / STO - ▲
VIV	Vivo Participacoes A	Other	40.62	Y	N	Y	Y	n/a	?	?	N	Price @ 20 EMA / MACD - ▼ / STO - ▲
A	Agilent Technologies	Other	52.58	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
AMMD	American Med Systn	Other	29.89	Y	N	Y	Y	Y	Y	?	N	MACD - ▼ / STO - ▲
AVGO	Avago Technologies	Other	34.89	Y	N	Y	Y	n/a	Y	?	N	MACD - ▲ / STO - ▼
CERN	Cerner Corp	Other	119.28	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
CHSI	Catalyst Health	18	64.18	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
COH	Coach Inc	Other	59.99	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
CROX	Cros Inc	Other	22.20	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
EL	Estee Lauder Cos Cl	Other	100.17	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
FEIC	F E I Co	Other	39.50	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
HLF	Herbalife Ltd	11	106.75	Y	N	Y	Y	n/a	Y	?	N	MACD - ▲ / STO - ▼
HS	Healthspring Inc	14	43.44	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
HUM	Humana Inc	41	78.33	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
ICON	Iconix Brand Group i	Other	24.52	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼
ILMN	illumina Inc	24	76.26	Y	N	Y	Y	Y	Y	?	N	MACD - ▲ / STO - ▼



# Premium Report: "Running List"

that has been on "Running List" in the past but failed screening in current week  
 does not have a published ER Date or an inaccurate ER date but passed other screens  
 that have Earnings Reports (ER) in the current week  
 Div. Yield) presented where applicable  
**d bold** indicate a confirmed ER date (per the Earnings Report)  
 from the Running List if it fails the Weekly Screens for 3 weeks in a row after initially being placed on the

Current Month			Running List	Next ER Date	Industry Segment	Segment Rank	Beta	% Div. Yield	
Expiry ▼									
Week 3	Week 4	Week 5							
12/11	12/16/11	12/23/11							
P	ALK								
N	ALXN								
S	BKI								
K	BWLD								
BA	CATM								
G	CELG								
IN	CPRT								
BY	DLR								
I	ENDP								
TM	GOOG								
NS	GR								
X	HANS								
G	HMSY								
H	HS								
PASSED PREVIOUS WEEKS & PASSED CURRENT WEEK									
			GOOG (3)	01/20/12	Internet	A/A	0.89		
			BKI (7)	01/24/12	Misc	B/B	1.43	0.80	
			OZRK (2)	01/24/12	Banks	B/C	0.98	1.40	
			ALK (3)	01/25/12	Transport	A/B	1.21		
			SBNY (4)	01/25/12	Banks	B/B	1.42		
			TCBI (1)	01/26/12	Banks	B	1.43		
			CELG (1)	01/27/12	Medical	A	0.76		
			ZOLL (1)	01/27/12	Medical	A	1.36		
			JDAS (5)	02/01/12	Software	A/A	1.35		
			V (3)	02/02/12	Finance	A/A	0.95	0.90	
			YUM (3)	02/02/12	Retail	A/A	0.77	2.00	
			NETL (1)	02/02/12	Chips	B	0.96		
			EGOV (3)	02/02/12	Busn Svcs	B/B	1.06		



# ACCESSING THE OPTION CHAIN

List of Option Prices for a  
Particular Stock

# WWW.FINANCE.YAHOO.COM

1-Type in ticker symbol and ENTER

2-Hit "OPTIONS" link on left

# Access the Options Chain

**Nuance Communications, Inc. (NUAN)** At 4:00PM EST: **24.07** ↑0.55 (2.34%)

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Options

1 2 3

Call Options

Strike Symbol Last Chg Bid Ask Vol Open Int

7.50	NUAN120121C00007500	12.10	0.00	16.10	16.80	0	16
10.00	NUAN120121C00010000	14.80	0.00	14.00	14.20	3	164
12.50	NUAN120121C00012500	12.00	0.00	11.10	11.80	2	210
14.00	NUAN120121C00014000	12.00	0.00	10.00	10.30	9	9
15.00	NUAN120121C00015000	9.90	0.00	8.90	9.30	11	1,853
16.00	NUAN120121C00016000	6.40	0.00	7.90	8.30	1	1
17.50	NUAN120121C00017500	6.80	0.00	6.50	6.70	4	1,062
19.00	NUAN120121C00019000	4.70	0.00	5.10	5.30	15	238
20.00	NUAN120121C00020000	3.80	0.00	4.20	4.30	10	847
21.00	NUAN120121C00021000	3.02	0.00	3.30	3.50	30	561
22.50	NUAN120121C00022500	2.15	↑0.35	2.15	2.25	38	1,862
24.00	NUAN120121C00024000	1.30	↑0.35	1.20	1.30	343	2,207
25.00	NUAN120121C00025000	0.80	↑0.15	0.75	0.85	33	12,607
26.00	NUAN120121C00026000	0.36	↓0.04	0.45	0.55	10	1,582
27.00	NUAN120121C00027000	0.26	↓0.09	0.25	0.35	64	1,004
28.00	NUAN120121C00028000	0.15	0.00	0.15	0.20	10	805

Expire at close Friday, January 20, 2012

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# Initial Profit

Time value/Cost basis

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## Financials

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## Options

Get Options for:  GOView By Expiration: [Feb 10](#) | [Apr 10](#) | [Jul 10](#) | [Jan 11](#) | [Jan 12](#)

## CALL OPTIONS

Expire at close Fri, Feb 19, 2010

Strike	Symbol	Last	Chg	Bid	Ask	Vol	Open Int
<a href="#">140.00</a>	<a href="#">APVBH.X</a>	67.30	↓ 2.25	65.90	66.40	17	42
<a href="#">145.00</a>	<a href="#">APVBL.X</a>	62.40	↓ 3.50	60.90	61.60	10	65
<a href="#">150.00</a>	<a href="#">APVBJ.X</a>	57.50	↓ 2.55	55.95	56.65	47	626
<a href="#">155.00</a>	<a href="#">APVBK.X</a>	51.90	↓ 4.10	51.00	51.60	25	150
<a href="#">160.00</a>	<a href="#">APVBL.X</a>	46.45	↓ 3.30	46.25	46.65	111	261
<a href="#">165.00</a>	<a href="#">APVBM.X</a>	42.52	↓ 3.08	41.45	42.05	63	170
<a href="#">170.00</a>	<a href="#">APVBN.X</a>	37.00	↓ 3.25	36.80	37.15	226	684
<a href="#">175.00</a>	<a href="#">APVBO.X</a>	32.50	↓ 3.05	32.25	32.45	132	759
<a href="#">180.00</a>	<a href="#">APVBP.X</a>	28.10	↓ 2.80	27.90	28.05	1,035	1,990
<a href="#">185.00</a>	<a href="#">APVBQ.X</a>	23.80	↓ 3.10	23.75	23.90	643	1,732
<a href="#">190.00</a>	<a href="#">APVBR.X</a>	19.95	↓ 2.55	19.85	20.05	1,808	4,194
<a href="#">195.00</a>	<a href="#">APVBS.X</a>	16.45	↓ 2.30	16.35	16.50	1,244	4,456
<a href="#">200.00</a>	<a href="#">APVBT.X</a>	13.35	↓ 1.88	13.25	13.35	8,012	15,835
<a href="#">210.00</a>	<a href="#">AJLBV.X</a>	8.20	↓ 1.50	8.15	8.25	15,475	40,999
<a href="#">220.00</a>	<a href="#">AJLBX.X</a>	4.70	↓ 0.95	4.70	4.75	18,311	39,687
<a href="#">230.00</a>	<a href="#">AJLBY.X</a>	2.50	↓ 0.55	2.52	2.53	10,342	24,601
<a href="#">240.00</a>	<a href="#">AJLBC.X</a>	1.28	↓ 0.27	1.28	1.30	3,701	13,806
<a href="#">250.00</a>	<a href="#">AJLBE.X</a>	0.66	↓ 0.14	0.62	0.66	2,634	11,800
<a href="#">260.00</a>	<a href="#">AJLBG.X</a>	0.34	↓ 0.06	0.32	0.34	548	5,959
<a href="#">270.00</a>	<a href="#">AJLBI.X</a>	0.17	↓ 0.02	0.15	0.16	213	1,021
<a href="#">280.00</a>	<a href="#">AJLBK.X</a>	0.08	↓ 0.02	0.07	0.09	216	1,528
<a href="#">290.00</a>	<a href="#">AJLBM.X</a>	0.05	0.00	0.03	0.05	637	1,313

## PUT OPTIONS

Expire at close Fri, Feb 19, 2010

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## Options

Get Options

View By Expiration: **Feb 14** | Mar 14 | Jun 14 | Jan 15 | Jan 16

Call Options				Expire at close Saturday, February 22, 2014			
Strike	Symbol	Last	Chg	Bid	Ask	Vol	Open Int
41.00	SYNA140222C00041000	17.60	0.00	16.50	17.80	35	95
42.00	SYNA140222C00042000	8.91	0.00	15.60	18.10	49	49
43.00	SYNA140222C00043000	8.20	0.00	14.10	17.20	13	13
44.00	SYNA140222C00044000	11.55	0.00	13.70	14.80	9	5
45.00	SYNA140222C00045000	9.10	0.00	12.80	14.00	1	106
46.00	SYNA140222C00046000	10.69	0.00	11.80	13.00	10	20
47.00	SYNA140222C00047000	12.50	0.00	11.00	12.10	2	247
48.00	SYNA140222C00048000	10.80	0.00	10.10	11.20	1	17
49.00	SYNA140222C00049000	9.50	0.00	9.30	11.80	1	17
50.00	SYNA140222C00050000	9.00	0.00	8.50	9.40	315	1,663
55.00	SYNA140222C00055000	5.00	↓ 0.30	4.90	5.10	40	708
60.00	SYNA140222C00060000	2.50	↓ 0.26	2.40	2.55	8	1,721
65.00	SYNA140222C00065000	1.25	↓ 0.09	1.10	1.20	3	604
70.00	SYNA140222C00070000	0.50	↓ 0.20	0.45	0.55	2	73

## Put Options

Expire at close Saturday, February 22, 2014



### RETURN ON OPTION (ROO) CALCULATOR - MULTIPLE STOCKS

[illegible]

86.00	QQQ140222C00086000	3.25	↑0.18	3.26	3.29	620	38,344
86.	<b>QQQ: \$88.73</b>	2.16	0.00	2.65	2.79	6	7
87.		2.23	↑0.28	2.19	2.21	96	3,240
87.		1.71	0.00	2.31	2.35	41	45
87.		2.46	↑0.14	2.45	2.47	1,063	44,251
87.		1.74	0.00	1.94	1.99	97	159
88.00	QQQ140207C00088000	1.44	↑0.19	1.43	1.46	293	4,801
88.00	QQQ140214C00088000	1.48	↑0.07	1.60	1.63	46	1,136
88.00	QQQ140222C00088000	1.76	↑0.14	1.75	1.76	516	56,991
88.50	QQQ140214C00088500	1.24	↑0.07	1.29	1.32	10	65
89.00	QQQ140207C00089000	0.78	↑0.01	0.83	0.85	677	2,163
89.00	QQQ140214C00089000	0.98	↑0.06	1.01	1.02	3	1,303
89.00	QQQ140222C00089000	1.17	↑0.11	1.16	1.17	1,063	32,503
89.50	QQQ140214C00089500	0.71	↑0.08	0.76	0.78	10	447
90.00	QQQ140207C00090000	0.43	↑0.05	0.42	0.43	76	4,325
90.00	QQQ140214C00090000	0.50	0.00	0.56	0.58	17	1,646
90.00	QQQ140222C00090000	0.71	↑0.06	0.69	0.70	5,953	319,083



# RETURN ON OPTION (ROO) CALCULATOR - MULTIPLE STOCKS

Stock Name or Symbol	Stock \$/sh	Option \$/sh	Strike \$	Expires	Intrinsic	Upside	ROO	Up Potential	Down Protect
SYNA	\$57.32	\$4.90	\$ 55.00	02/21/14	\$ 2.32	\$ -	4.7%	0.0%	4.0%
SYNA	\$57.32	\$2.40	\$60.00	02/21/14	\$ -	\$ 2.68	4.2%	4.7%	0.0%
QQQ	\$88.73	\$1.16	\$89.00	02/21/14	\$ -	\$ 0.27	1.3%	0.3%	0.0%
<p><b>Potential 1.6%, 1-month return = 19.2% annualized</b></p>									
<p>INTRO SINGLE <b>MULTIPLE</b> WHATNOW (+)</p>									



# Managing Our Covered Call Positions

- Stock selection process
- Earnings Reports
- Industry or sector diversification
- **Strike price selection**
- Trading volume
- **EXIT STRATEGIES- BUY BACK THE OPTION**

# Strike Price Selection

- **I-T-M** strikes are the most conservative . Use these when technicals are mixed and/or the market is bearish or volatile.
- **A-T-M** strikes can be used when technicals are good and market conditions are positive.
- **O-T-M** strikes are used when extremely bullish on the stock and general market conditions are favorable

Price = \$37.03		Calls				Mar 12
Last	Intrinsic Value	Bid	Ask	Vol	Open Interest	Strike
24.45	24.53	22.50	26.40	0	0	12.50
22.00	22.03	21.70	22.30	0	0	15.00
19.45	19.53	17.50	21.40	0	5	17.50
17.05	17.03	16.90	17.20	0	44	20.00
14.55	14.53	14.40	14.70	0	77	22.50
12.05	12.03	11.90	12.20	0	195	25.00
9.60	9.53	9.40	9.80	0	148	27.50
7.15	7.03	7.00	7.30	0	407	30.00
4.90	4.53	4.70	5.10	0	592	32.50
2.98	2.03	2.85	3.10	46	1,523	35.00
1.52	0.00	1.45	1.60	3	1,003	37.50
0.60	0.00	0.55	0.65	3	128	40.00
0.25	0.00	0.20	0.30	30	27	42.50
0.08	0.00	0.05	0.10	0	1	45.00
0.10	0.00	N/A	0.10	0	0	47.50



	A	B	C	D	E	F	G	H	I	J	K
3											
9											
0											
1											
2	RETURN ON OPTION (ROO) CALCULATOR - MULTIPLE STOCKS										
3	<u>Stock Name or Symbol</u>	<u>Stock \$/sh</u>	<u>Option \$/sh</u>	<u>Strike \$</u>	<u>Expires</u>	<u>Intrinsic</u>	<u>Upside</u>		<u>ROO</u>	<u>Up Potential</u>	<u>Down Protect</u>
4	SWI	\$ 37.03	\$ 2.85	\$ 35.00	03/16/12	\$ 2.03	\$ -		2.3%	0.0%	5.5%
5	SWI	\$ 37.03	\$ 1.45	\$ 37.50	03/16/12	\$ -	\$ 0.47		3.9%	1.3%	0.0%
6	SWI	\$ 37.03	\$ 0.55	\$ 40.00	03/16/12	\$ -	\$ 2.97		1.5%	8.0%	0.0%
7											
8	GSM	\$ 24.50	\$ 2.50	\$ 22.50		\$ 2.00	\$ -		2.2%	0.0%	8.2%
9	GSM	\$ 24.50	\$ 1.00	\$ 25.00		\$ -	\$ 0.50		4.1%	2.0%	0.0%
0											
1	HAL	\$ 56.97	\$ 3.12	\$ 55.00		\$ 1.97	\$ -		2.1%	0.0%	3.5%
2	HAL	\$ 56.97	\$ 1.69	\$ 57.50		\$ -	\$ 0.53		3.0%	0.9%	0.0%
3	HAL	\$ 56.97	\$ 0.77	\$ 60.00		\$ -	\$ 3.03		1.4%	5.3%	0.0%
4											
5	EBAY	\$ 33.32	\$ 1.90	\$ 32.00		\$ 1.32	\$ -		1.8%	0.0%	4.0%
6	EBAY	\$ 33.32	\$ 1.27	\$ 33.00		\$ 0.32	\$ -		2.9%	0.0%	1.0%
7	EBAY	\$ 33.32	\$ 0.79	\$ 34.00		\$ -	\$ 0.68		2.4%	2.0%	0.0%
8	EBAY	\$ 33.32	\$ 0.45	\$ 35.00		\$ -	\$ 1.68		1.4%	5.0%	0.0%
9											
0	ICF	\$ 76.28	\$ 2.30	\$ 75.00		\$ 1.28	\$ -		1.4%	0.0%	1.7%
1	ICF	\$ 76.28	\$ 1.68	\$ 76.00		\$ 0.28	\$ -		1.8%	0.0%	0.4%
2	ICF	\$ 76.28	\$ 1.12	\$ 77.00		\$ -	\$ 0.72		1.5%	0.9%	0.0%
3											
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# Stock Price: 5 Possibilities

- Price goes up a lot- win
- Price goes up a little- win
- Price stays the same- win
- Price goes down a little- probable win
- Price goes down a lot- lose



# Exit Strategies: Prior to Expiration Friday

- Rolling Down
- Hitting a Double
- Unwind when Deep I-T-M
- Convert Dead Money to Cash Profits
- **ALL EXIT STRATEGIES START WITH  
BUYING BACK THE OPTION**



# “Hitting a Double” Example



# Exit Strategies: On or Near Expiration Friday

- Rolling Out- Same strike, next month
- Rolling Out and UP- higher strike, next month
- Stock still meets all system criteria
- Avoid assignment
- **ALL EXIT STRATEGIES START WITH BUYING BACK THE OPTION**

# “Rolling Out” Example: ARMH





3.30	3.31	3.20	3.40	2	333	29.00
4.30	4.31	4.20	4.40	2	1,405	30.00
	3.31	3.20	3.40	36	6,186	31.00
	2.31	2.25	2.40	40	1,050	32.00
	3.31	1.25	1.35	21	795	33.00
	3.31	0.40	0.55	48	622	34.00
	0.00	0.05	0.10	0	1,529	35.00
0.05	0.00	0.05	0.05	0	386	36.00
0.05	0.00	0.05	0.05	0	0	37.00
0.05	0.00	0.05	0.05	0	0	38.00
0.05	0.00	N/A	0.05	0	0	39.00

11/\$33 call  
= \$1.35

Spreads for Sat Nov 17 00:00:00 PST 2012 Options: Bull Call Spreads | Bull P

Calls						Dec 12
Last	Intrinsic Value	Bid	Ask	Vol	Open Interest	Strike
13.30	13.31	12.70	13.90	0	0	21.00
12.30	12.31	11.70	12.90	0	0	22.00
11.30	11.31	10.70	11.90	0	0	23.00
10.30	10.31	10.00	10.60	0	0	24.00
9.35	9.31	9.10	9.60	0	2	25.00
8.35	8.31	8.20	8.50	0	0	26.00
7.35	7.31	7.20	7.50	0	0	27.00
		6.30	6.60	0	20	28.00
		5.30	5.50	24	32	29.00
		4.40	4.60	0	144	30.00
		3.60	3.80	8	127	31.00
2.88	2.31	2.80	2.95	2	242	32.00
2.15	1.31	2.10	2.20	0	409	33.00
1.57	0.31	1.50	1.65	14	1,103	34.00
1.10	0.00	1.05	1.15	397	915	35.00
0.70	0.00	0.65	0.75	15	106	36.00

12/\$33 call =  
\$2.10

$$ROO = 2.27\%$$

$$DP = \$131 / \$34.31 = 3.8\%$$

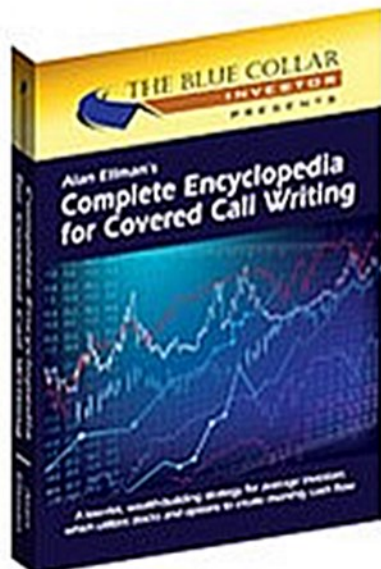
WHAT IF I ROLL OUT?				w/o upside pot.
The proceeds for 1 ARMH DEC 33.00 is:				\$ 210.00
The cost to buy back 1 ARMH NOV 33.00 is:				\$ (135.00)
Your net return will be:				<u>\$ 75.00</u>
Your comparative basis in the stock is:				<u>\$ 3,300.00</u>
Your comparative returns are:				<u>2.27%</u>
Your downside protection is:				<u>\$131.00</u>

# Related Strategies

- Selling cash-secured puts
- Using LEAPS as stock surrogates
- Protective puts- the collar strategy
- Covered calls to increase dividend yield
- Portfolio overwriting
- Using cash-secured puts to enter a cc trade “at a discount” (Put-Call-Put or PCP strategy)



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Here is one example:



Learn why this chart suggests:

- 1- Selling out-of-the-money calls
- 2- An opportunity for 3 income streams
- 3- Favoring bullish exit strategies
- 4- Greater consideration for our option-selling portfolios

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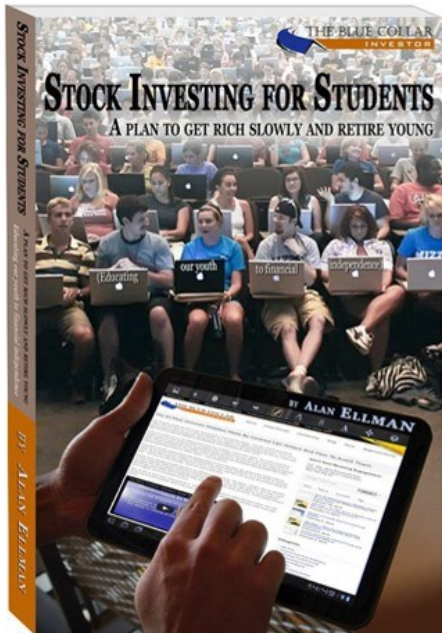
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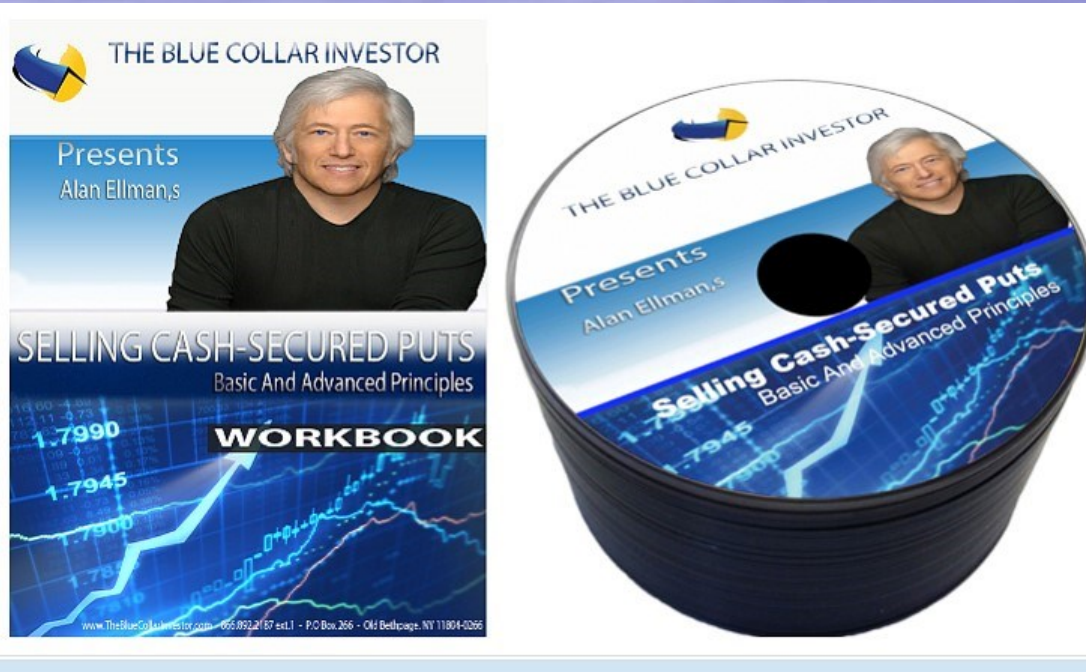




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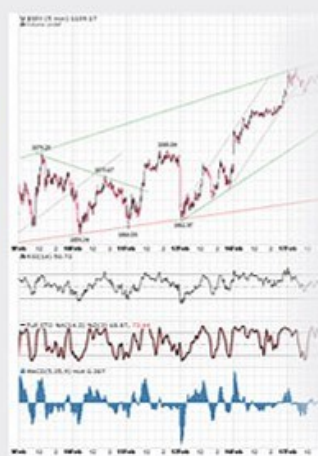


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## Ask Alan – Exercise Of In-The-Money Expiring Contracts

Posted on September 11, 2013 by Alan Ellman in Ask Alan

Alan answers a question shared by Alexander from Bristol CT, who asks: "If my options expire in-the-money will my broker automatically exercise the option?" If you want more

"Ask Alan" videos, you can view the archive. More Video: For those new to Alan's system of Covered Call Writing, be sure to take the Free Beginners [...]

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## When And Why Will My In-The-Money Strike Be Exercised?

Posted on September 7, 2013 by Alan Ellman in Covered Call Exit Strategies, Investment Basics, Option Trading Basics, Options Calculations, Options Trade Execution, Stock Option Strategies

Covered call writers receive option premiums for undertaking the obligation to sell our shares to the option holder if that holder decides to exercise that right. Understanding when and why exercise will take place is critical to the implementation of appropriate exit strategies and therefore maximizing our option and stock profits. Let's first look at [...]

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