

Giddy Folks

I hope you had a great Thanksgiving and are getting reinvigorated to take the markets head on next week as we continue the bullish run to the New Year!

Some great correspondence came in again this week, including:

Giddy mate! and Happy Turkey Day to ya both! Hope your roasting a kangaroo or something. I don't think they have turkeys as a rule down under.

Scotty

A. You're right, turkey is something rarely eaten down here and believe it or not, so is kangaroo! ;-)  
They run too fast to catch!

Speaking of "roos" and a bit off topic to trading but eh, it is the festive season so something off topic is ok, isn't it? My Mum (that's Mom in Orstralian) is a wildlife rescue volunteer and she specializes in Joey rehabilitation. She looks after them until they are old enough to be set free. Here's a pic of Kerry with Mum's latest orphan, "Roobarb".



Hi Rob

I am presently paper trading and am happy with the results. I would like to know if we should be checking both daily/weekly charts.

What should one do when green is above red in daily but not in weekly? Should we wait for both to align or should we treat this signal as good for short term.

Regards  
Manjeet

A. Great to hear that you're happy with the results! ;-)

Conservative traders generally trade in the direction of the long term (weekly) trend.

1. If the weekly trend is BULLISH, they generally trade the BULLISH moves on the daily charts.
2. If the weekly trend is BEARISH, they generally trade the BEARISH moves on the daily charts.

People that are not so conservative trade in the direction of the daily charts only.

Aussie Rob,

Still enjoying your ALT. It's AOK. And I greatly appreciate the weekly commentary that you send out.

Jerry

A. Thanks for your comments Jerry! My weekly commentary is the highlight of my week. It motivates me to be able to share my thoughts with ya'll.

Guess who closed silver off yesterday? Chi, Ching, I did. (105%) and Gold today (123%). I have been stung too much in the past with metals always hanging on for that last day of profit only for it to scream down (normally) or up. So we bite the bulletto. Guess who else is on the way down, I can hear the cries of "Timber" from 'ere. Go Berri, keep pumpin out the OJ.

By for now lads.

Junior G

Well done Mate! This shows the power of paper trading. You have experienced a "metal phenomena" and now know how to handle it. Again, WELL DONE!

### **Aussie Rob's Lifestyle Trader Version 3.2**

3.2 has stood it's ground live in the market this week and is no longer a beta version. Congrats to Kevin for such a great job. Not even one bug fix required!



## **Aussie Rob's Lifestyle Trader Version 3.3**

Moss doesn't grow on a rolling stone.... We're flat strap working on 3.3 and hope to have it released very soon. It will include technical charts to enable you to use all of your favorite indicators. You'll be able to right click the Aussie Rob charts to switch over to full charting capabilities.

3.3 will incorporate a print function for the option scanner too! In the meantime, if you wish to print the scanner results, take a screenshot, paste it into Word and then print the Word Doc.

As you have already experienced, my Lifestyle Trader will be a never ending project. We will be continuously enhancing it and are excited that you are part of it's evolution!

## **Aussie Rob's Lifestyle Trader Version ???**

Support and Resistance Levels

Wizards

Crossover Alerts

More Scanners

Direct link to Trading Platforms, etc etc. Lots of great stuff is on the drawing board!

## **Family & Friends**

If you have any Family or Friends that are interested in trading, now is the time for them to come onboard as retail prices will prevail once Version 3.3 is launched!

## **Options Scanner**

The online version of my Options Scanner is no longer available now that Version 3.2 is off Beta.

## **Options ~ Naked Puts VS Covered Calls**

The risk graph being the same between Covered Calls and Naked Puts always creates a healthy debate on which one to trade. "If the risk graph is the same, then why on earth would you ever write a Covered Call?", is one argument. Another is, "When you run a scan and find high yield Puts, it could mean that there could be a higher probability of a downward move." And on the flip side of that, it could be argued that when you run a scan and find high yield Calls, it could mean that there could be a higher probability of an upside move.... So let the debates begin!

I find that it is a natural progression for stock traders to learn how to trade Covered Calls first. They're already trading stocks so their risk has automatically reduced due to the premium that they bring in from selling Calls.



Quite often Brokers won't allow newer option traders to write Naked Puts. Naked Puts require Level 4 approval while Covered Calls only require Level 3. That fact alone is an interesting debate. Why do you only require level 3 for Covered Calls but need level 4 for Naked Puts? These levels were created with the "clients" best interest in mind, weren't they? It has nothing to do with the fact that the brokerage firm has no risk with clients writing Covered Calls because they already own the stock while they are at risk of a margin call with Naked Puts. Nah, nothing to do with that at all?!?!?

I don't personally know of any trader who has been declined Level 3 when they open their option account.

Covered Calls can be traded in retirement funds while most Brokers do not allow their clients to trade Naked Puts in those funds. "Most", not "all"...

My Options Scanner scans for both High Yield Covered Calls and Naked Puts so we have both strategies covered. It's just a matter of you choosing which strategy suits your personal risk tolerance and which strategy you feel most comfortable trading.

Now my next few comments will certainly create some extra thought...

I mentioned in the beginning of this article about premiums. So why do some stocks have higher option premium than others? It's mostly to do with Volatility, right? Then if that is the case, would you prefer to write a Covered Call on a stock with a high Call premium or a Naked Put with a high Put premium?

Both Covered Calls and Naked Puts are Bullish strategies, right? Then "could" it be deemed "safer" to write the high premium Call than the high premium Put? Interesting thought, eh? .... and one that most people do not consider.

Why and when do Market Makers pump up Call premiums?

Why and when do Market Makers pump up Put premiums?

The enticement is to write the Naked Put because you don't have to buy the stock, however, you do have to have money in your account for the "Margin" requirements.

For me personally, when I write Covered Calls, I prefer to write them ITM (In the Money) with the objective of purposely getting called out. (For example, if a stock is trading at 19.85 I would write the 17.50's) I am happy with the fact that I know what my profit is before I enter the trade and it doesn't bother me if the stock goes up and I miss out on that extra profit. I'm happy because I have created my Trading Plan. I have planned my trade and traded my plan! As I said



in an earlier article, there are not too many people out there who consistently make over 100% p.a. Lazy Old Covered Calls can easily help you achieve that!

Now with Naked Puts, I prefer to write them DEEP OTM (Out of the Money) as I do not want the stock "Put to Me"... (For example, if a stock is trading at 19.85 I would write the 17.50's or preferably the 15's if there was enough premium) Notice how I used the same stock price (19.85) and the same option strike price (17.50) on both the Covered Call and the Naked Put. The Covered Call was ITM and yet the Naked Put was OTM. That is because they are both opposite. Clear as mud? You can study my online course to learn more!

Back to the Naked Put.... If I write the 17.50, the stock would have to drop to 17.50 or lower for the stock to be "put" to me. If I want to protect my downside risk, I could buy the 15 Put, therefore creating what is known as a "Bull Put Spread". My maximum risk is then the difference between the 2 strike prices (17.50 – 15) less the premium bought in for selling (writing) the 17.50 Put. If I bought in 50c of premium, my total risk would therefore be 2.00 (2.50 – 0.50)

Both of these kinds of trades (ITM Covered Calls & OTM Naked Puts) I call "Non-Directional" because the stock can go:

- UP** – You make money
- Sideways** – You still make money
- Down** – You still make money so long as it doesn't go below the sold strike price minus the premium bought in.

Trying to trade directionally is the most difficult kind of trading. How many times have you thought a stock was going to go up, but it went down? How many times have you thought a stock was going to go down, but it went up? This is why I feel that learning how to write Covered Calls can certainly help you with your stock trading! It is certainly a strategy to compliment what you are doing right now.

### Brokerage

I was hoping to have more details for you this week but ya just gunna have to hang in there a moment longer. All good things come to those who wait, right? :-)

### Commodities

Some charts have missing data due to some of the commodities not trading over the Thanksgiving period. This will be taken into consideration with a chart adjustment next week.

### Commodities ~ What's Hot

The Canadian Dollar has gained some ground this week and Coronas are getting more expensive by the day! Glad I drink Fosters! ;-)



Last week I wrote, "Is it time to take some profits off the table with our LONG Peso? Monday will tell the whole picture. The lines haven't crossed but conservative traders would probably be pretty happy with their profits."

This week, "The Peso made a classic bounce on Monday. Trailing stops can always help with milking that last bit of profit."

The Euro has flaunted us and the Eurodollar might have bottomed.

A lot of you know how much I dislike Oats but as much as I don't like hav'n to say it... "I have to give em some credit for some long profit this week."

What did I say last week AND the week before about the E-Minis???? Here's a reminder.... "Who is NOT making money outta the E-minis? If you're not, I think you've chosen the wrong profession! Seriously, these charts are AWESOME!" That was last week and the week before, where are we now???

The Long profits are still flowing on the Nikkei and the Russell too!

Last week I mentioned, "Sugar could be getting ready for profit taking." And guess what, yup, more sweet profits taken off the table and now we're long again!

## **Commodities ~ What's Not**

I mentioned last week, "No rocket science required to see what's happening with the Yen." What did it do on Friday?

Corn.... Well, what can I say??? How can you NOT be making money outta this baby?

Some great profits are flowing with our Wheat shorts.

So Mr Oily really is the trendsetter, eh! He's still heading south and his Soy comrades ARE finally joining him and aren't the profits sweet!

Coffee.... More great profits just taken off the table on Monday.

Cotton.... Down again?

Lumber: How's your "Short Woody" Geoff?

What did I say last week about OJ? "How much money did we make outta the Mr Juicy Long? NOW how much are we mak'n outta the short? SHOWMETHEMONEEEEEY!"



What am I gunna say about OJ this week? "SHOWMEMOREMONEEEEEY!"

## Commodities – Neutral

The Pommy Dollar (Pound) is basing atm, getting ready for it's next downturn???

The Vegans are grinning with glee as Soy profits are flowing and all the livestock have "Mad Trading" disease. Meaning... the Carnivores have no idea if they're Arthur or Martha. This is why I'm always preaching..... "SPREAD YOUR RISK". There are always some commodities trending while others are not. If you had to pick only one or two to trade, then Mr. Murphy will surely come in and mess ya up! Murphy's Law: The ONE that you pick to trade will stop trending! No I'm not a "Pessimist", I'm a "Realist".... Gee, that was cool, I just created a new word! ;-)

The metals were the star performers in last week's update. It's a bit hard to tell where they're gunna head next week.

**New to Commodities:** Please and I mean PLEASE.... Do not get carried away with the incredible profits that are coming from some of these commodities. The market has been around for some time now and it will probably still be around in 90 days time. Always, and I mean ALWAYS paper trade something new for at least 90 days before using real money! You can get whipsawed around, sorry, I should have said, YOU WILL GET WHIPSAWED AROUND and a lot of people cannot handle that happening, however those who follow the rules and paper trade first, understand that whipsawing is part of the game. You will have losing trades, probably more losing trades than winning trades, however, in the long run, my commodities module has been producing consistent profits over time! Be disciplined and play by the rules so you'll be in the game for the long haul. If not, YOU WILL get wiped out. I'm not saying that to scare you out of trading commodities, I say that because I want you to be in the game long enough to be able to enjoy the profits! Follow the rules and paper trade! *"End of lecture"*

## Aussie Rob's Watch List

The whole idea of my Watch Lists is for you to keep an eye on my previous Watch Lists to find trending stocks to put into your own Watch Lists.

I run 5 different scans and then select the stocks that appear in at least 3 scans.

5 Scan:	Bullish ( <b>Green</b> )	Bearish ( <b>Red</b> )
4 Scan:	Bullish ( <b>Blue</b> )	Bearish ( <b>Blue</b> )
3 Scan:	Bullish ( <b>Black</b> )	Bearish ( <b>Black</b> )



# Aussie Rob

A WORLD LEADER IN TRADING SOFTWARE & TRAINING

The Bulls outnumber the Bears again this week, streaking ahead 23:12 The Bears were really lean this week with no **Reds** or **Blues**!

## Bullish List

AAPL  
AKAM  
BGF  
**BLK**  
**BNS**  
BWNG  
CBD  
CDY  
EDP  
**EPHC**  
**GROW**  
LCI  
**NDAQ**  
NG  
QDEL  
RIG  
RSA  
**RY**  
SLF  
TD  
TMX  
**TSU**  
USHS

## Bearish List

ABT  
ALXN  
BKH  
BKK  
BOO  
COO  
EPIX  
FCJ  
MSY  
RCS  
TLS  
XPRT

Well that's it for another week, enjoy ARLT V3.2... and get ready for another great week in the market!

AVEAGREATWEEKEND, cut you loses quick, let your winners run! I'm outta here....

Kind Regards  
The Aussie Rob Team

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*"Everything's EASY when you know how!"*

