

Giddy Folks

Crikey, what can I say except the Festive Season Trading Gods are definitely on our side as profits are flowing from everywhere! YAHOOOO.

Some great correspondence came in again this week. For the benefit of our new clients, each week I include a selection of correspondence (the Good, Bad and the Ugly sometimes) as, there are a lot of great questions/comments that can help a lot of people. As I'm sure you can appreciate, I do not have enough hours in the day for one-on-one training so I want my time to benefit everyone, not just a few. My update enables me to achieve this! I am sure that you'll find a few nuggets every week. After all, just one tiny thing can have an exponential effect to your trading.

Aussie Rob, Hello!

Finally, at last, everything is up and working!! Thanks so much for your input, for the patience of Kevin, you were all wonderful.

Thanks again, Bob

[A. Thanks Bob, we're here to help as much as possible!](#)

Aussie Rob,

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

Jerry

Hi Rob I am getting a head start on planning my strategy for this Friday. I realize prices may change by then - probably will - but my question will be the same although prices may differ.

Using today's prices on MYOG --- presently the 17.50 puts are going for 0.65 x 0.80 and the 20's are going for 1.35 x 1.45.

My thought that I would appreciate your opinion on is this:

Wouldn't it make better sense to sell 20 contracts of the 17.50's rather than 10 of the 20's bringing in approximately the same premium and reducing the risk?

As always, thanks for your insights,
Chris

[A. In one word: "ABSOLUTELY"!!! This is another illustration of the power of my scanner. It would be near impossible to find these opportunities doing it manually.](#)



G'Day Mate,
I did my first trades yesterday, both covered calls.

A. Congratulations Mate!

The first was IACI and the other RIGL as per the scanner. On the IACI, the broker at Optionsxpress said that the IACI shares might not match directly with the option contract EKJLD, more shares of IACI may be required, he mentioned that it was part IACI, part EXPe and some cash. As you know I am a beginner and I wasn't sure of what he was trying to say.

A. Brokers can do a great job with confusing people. I remember my very first trade that I tried to execute. It too was a Covered Call and the Broker talked me out of it and convinced me to do something else. I had no idea what he talked me into at the time but the bottom line is... It lost me money while the Covered Call that I wanted to do would have made me money. I then did a deal with the Broker and told him that I will keep him as my Broker so long as he did one thing, that was, "Never, ever talk to me"!

A. Back to the confusion... At times there are some weird things with options, like what you write about. Most option contracts control 100 shares of stocks but at times there are some abnormalities. Just like some settlements are part cash and part stock. When this happens and your Broker doesn't explain it well enough for you to understand EXACTLY what is going on, simply pass on the trade. There will always be another great opportunity tomorrow.

Attn Aussie Clients: 1 US Option contract generally controls 100 shares of stock, unlike the Aussie market where they control 1000 shares of stock.

So, I called my regular stock broker and he executed the trade, bought the stock and sold the call. Funny thing is, I asked my regular broker to execute a covered call, buy stock DF and sell call DFJLE (Dec 05 strike 25) for 17.20 and he was hesitant because he thought 17.20 was too high for strike price of \$25. He looked up the web page on options clearing but could not find anything to explain to me. I was left confused and hence decided to ask you for help on these issues.

A. Don't let him confuse you Mate as he was probably more confused than you as he probably is not used to finding such great candidates! My scanner finds little gems like this one time and time again. You would never be able to find them without it. Maybe your Broker should be using ARLT? :-). Actually, not "maybe" he "SHOULD BE"! :-)

I just did a naked put on FD, sold Dec 05 42.5 Puts with my regular broker, just made a mistake, the scanner suggested Dec 05 40 Put. I hope this 2.50 difference in strike price doesn't hurt me!

A. A great lesson to be learnt here is to ALWAYS write out a Trading Plan. Have it written down so then you know EXACTLY what to say to your Broker. I totally understand how scary it can be placing your first few trades. Another suggestion is that when you paper trade, always pretend that you are placing the trade for real. Pick up the phone but don't dial a number, then pretend



that your Broker is on the other end of the phone and verbally place the trade. Say it out loud. This little tip can make a HUGE difference in the transition of paper trading to going live. Try it and notice how you hesitate and mess up some of the things to say. It's better doing it with no-one at the other end of the phone, isn't it?

I am beginning to learn and enjoy the process, thanks to you Mate. Have a great day.

A. Thank you too Sam! This is what motivates me to run my company instead of just sitting on the beach trading! Although some days the beach does sound good! ;-)

Sam

Hi Rob:

I have to admit I am very much looking forward to you weekly updates. There always are interesting and useful ideas that I am trying to benefit from.

A. Great, I'm glad you're enjoying them as much as I am in writing them!

I was quite amazed about your covered call strategies by selling them quite a bit in the money. First I was puzzled as I have been taught to sell at or slightly in the money but the more I thought about it the more it made sense to me. Sure the stock is likely to be called away from me but if I understand it correctly, I also get a lot more downside protection of my stock compared to selling ATM covered calls, just in case the stock declines in value. Am I right there?

A. You're 100% correct!

Is my thinking process correct if I think that the deeper in the money I do the covered call the more protection I have even with regards to the Delta. Let's say I sell a 10\$ call for a 15\$ stock. If the stock declines unexpectedly to 13\$ my loss would be less than if I sold a 12.5\$ call. Is this correct or is it the other way around?

A. You're, nearly correct again.... EXCEPT, you would NOT have made a loss! ;-) If you had just bought the stock and not sold calls against it, you would have made a loss.

If you bought a stock for \$15 and sold the \$10 Call, you're selling someone the right to buy it from you at \$10. You would bring in more than \$5 of premium so if your stock got called from you, your profit would be the extra premium above \$5. If the stock is \$13 at expiration, your stock should get called from you as the person who bought the call can buy your stock from you at \$10 and sell it in the market for \$13. They would have made a \$2+ loss but who cares, you're the seller not the buyer! That is why it is always better being the seller than a buyer.

1. If your stock went up, you would have made money.
2. If your stock stayed at the same price, you would still have made money, and...
3. If your stock went down to \$13, as per your example, you STILL would have made money! :-)



The same applies if you sold the \$12.50 Call. The purchaser has the right to buy your stock from you at \$12.50 at expiration so it too should get called.

Now which one would return the most? It all depends on the premium. One of the incredible features of my Options Scanner is that you can sort all the columns so you can easily see which of the above 2 scenarios would return you the most. Sometimes it could be the 12.50's and surprisingly, other times it can be the 10's. AWESOME, eh!

Assuming that my thinking is correct, would the difference between the premium I receive and the strike price be the same, or would ATM or only slightly ITM option be more beneficial? I guess what I am really asking is if I get the same time value for ATM and ITM calls? (If I haven't confused you by now, I certainly have confused myself with my questions.)

A. You've done a great job asking great questions and NO you have not confused me at all.

ATM options generally have more time value than OTM or ITM. This is why most people teach selling ATM. However, I'm fine with selling ITM and getting my stock called from me each month. This strategy probably makes more money than what stock traders do unless they have a lucky bullish streak but really, how often does that happen? AND... it's soooo simple and requires little management.

I find your commodity comments very stimulating. At present I trade only the e-minis once in a while but I think I will concentrate more on commodity futures in the "future". I like the leverage and the great trending that commodities seem to display.

Oskar

A. Diversification and capital preservation are the two keys to trading!

Hi Rob,

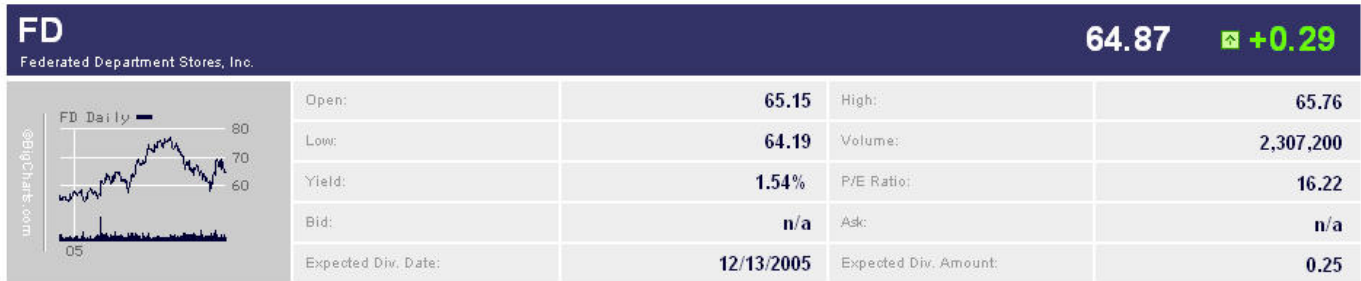
I think you have to make some adjustments in your options scanner. Some stocks, when split change their option symbols. For example, FD, Federated Department stores came up on my scan of naked puts that are at least 25% out of the money. The option symbol for FD is FDX for the puts. However, for strike prices between 32.5 to 42.5 the put option symbol is MZYX. This does not represent the true option premium. The stock is trading at \$64 and the 42.5 put is priced at \$4.50 where the 50 put is worthless. Your option scanner I noticed does this with other stocks as well. Please look into this.

Thanks Rohit

A. This is a great comment and I'm glad that you bought it up so then I can add it to the FAQs! There is really no way that we can filter this information as it is what we get from the Exchanges. You can confirm this by looking at your Broker's option chain or some of the free sites that list option chains, like bigcharts.com



Here's a screenshot of FD's option chain on Big Charts. You'll see that the 42.50 Puts are going for 4.30 x 4.90.



The Technical Indicator gives you the trading edge! [Learn more](#)

OPTION CHAIN FOR FEDERATED DEPARTMENT STORES, INC.

CALLS								PUTS							
Hide December, 2005 Options															
Symbol	Last	Change	Vol	Bid	Ask	Open Int.	StrikePrice	Symbol	Last	Change	Vol	Bid	Ask	Open Int.	
MZYLZ				5.20	5.80	21.00	32.50	MZYXZ				0.05	0.05	103.00	
MZYLG				2.65	3.30	52.00	35.00	MZYXG	0.40		4.00	0.05	0.10	162.00	
MZYLU	2.10			0.50	1.15	29.00	37.50	MZYXU	0.80		25.00	0.25	0.50	140.00	
MZYLH				0.10	0.10	307.00	40.00	MZYXH	2.15		3.00	1.80	2.45	567.00	
MZYLK				0.05	0.05	257.00	42.50	MZYXV				4.30	4.90	14.00	
MZYLI							45.00	MZYXI							
MZYLW							47.50	MZYXW							
FDLJ	16.70		49.00	14.90	15.10	178.00	50.00	FDXJ	0.10		10.00	0.05	0.05	128.00	
MZYLJ							50.00	MZYXJ							
FDLK	14.20		1.00	9.90	10.20	78.00	55.00	FDXK	0.10	-0.05	450.00	0.05	0.10	2,004.00	
MZYLK							55.00	MZYXK							
FDLI	5.00		6.00	5.30	5.40	1,000.00	60.00	FDXI	0.40		15.00	0.25	0.45	2,000.00	

I ran a scan the day after you sent me your email and FD no longer appeared. It probably takes a day or two for the exchange's data to correct itself after these events. I guess the other way of looking at it is; "if it looks too good to be true, then it probably is"! As flippant as that remark might sound, it is probably the best way to describe it!

This can never be detrimental to a client's trading account because if the option is not available, you simply could not trade it. If it is available, then.... Count your blessings! The worse case is a little inconvenience, but hey, if that's the biggest thing we have to worry about with our trading, we're do'n ok! :-)

Once again, thanks for bringing this to my attention, it has given me the opportunity to explain it to everyone!



'Morning Rob: A few comments, a few questions:

Are you planning to go beyond covered calls and naked puts with your option module software?

A. Yes, I'm considering adding Spreads. *(Folks, please don't email asking when. We're working on a truck load of different enhancements and the moment we are ready for a new release, we'll let you know. My Lifestyle Trader is an evolution.... It will continually evolve!)*

My problem is that I do not own any stock, so the strategy as I understand it would not work for me.

A. There are two simple solutions Mate:

1. Buy stock so then you can do Covered Calls.
2. Trade Naked Puts so you don't have to buy the stock.

At the end of the day, X% return is X% return so does it matter if it comes from Covered Calls, Naked Puts, Currencies, Pork Bellies or playing two-up with two coins (I'll explain that one another day! :-)?

I prefer to do the simple stuff that works instead of all of those complicated strategies that require so much analysis paralysis. 10 commissions to get in, another 10 to get out.... yadda yadda yadda. Covered Calls work. Your profit's in the bank the moment you place the trade!

I know I did get excited when I once attended a presentation of Options made Easy put on by Globaltec. I am assuming since that was your stuff to begin with, that your new software would go beyond that and get even better. Correct?

A. Yes and no.... I personally feel that it has become way too complicated with too much stuff added to it. *(For those who do not know my history, I partnered with Globaltec and created Options Made EASY. I am no longer involved with Globaltec.)* My Lifestyle Trader has taken trading back to the basics. Back to the way that it should be. Simple with no "Analysis Paralysis". My focus will always be, "Keep it simple" and only include the simple stuff that works. I can't understand why people would want to do double backflipp'n Butterfly Condor Ratio Backspreads.

Like you I am all for simplicity in trading.

A. I'm glad to hear that! ;-)

I have been reading options books and reviewing videos and DVD's for two years now and this whole options game is beset with far too much woo-woo and complexity. And I am a smart guy. Lord, what must it be like for a newbie to options?

A. EXACTLY! Most of those books contain 2 pages of the good stuff and the rest is fluff. When I was first learning to trade options, I felt that all of the Educators were just trying to show how



smart they were by making everything so damn difficult. It was like they didn't want you to learn how to trade!?!?!?

You have my support Rob, keep up the good work and we will all prosper!

A. Thanks Mate, I appreciate your kind words of encouragement!

Marshall

Australian Master Licensee

A BIG welcome to a guy with a BIG heart, Greg Appleyard, our Australian Master Licensee! Some of you would have met Greg and possibly his Son Geoff when they attended several of my US Training Workshops a few months back. Greg came on tour with us and after the first Workshop he convinced Geoff to take his holidays and come and check out my Workshops too. To cut a long story short, they liked the product that much they bought the company. Well not quite! They did however become my Master Licensee for Australia.

New Aussie Clients

A big welcome to all of the new Aussie clients who took advantage of Greg's generous "Aussie Launch Promotion" and came onboard this week! I'm look'n forward to meeting ya'll at a Training Workshop in 2006. Aussie and US Training Workshop dates will be announced in the New Year.

Support Emails

I need to ask ya'll to help me to help you! Please do not cc me or the rest of the company email addresses when you email support. Simply email support@aussierob.biz and they will help you. When the same email is sent to sales, info, rob, support, fred, mary, joe etc etc, someone could easily "assume" that someone else has taken care of your email, when in fact if everyone "assumed" then your email would go unreplied, especially if you sent it to fred because we don't have a "Fred"! :-)

I'm sure you can appreciate that I personally get "a lot" of emails and the more time I spend reading ones that I don't have to, the less time I have of creating new material to help you with your trading.

Thank you for your understanding.

Family & Friends

It was great to receive a lot of emails this week from your family and friends. As I mentioned last week, 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

There's plenty of great stuff for you to read in the opening pages of this week's update. If you've skipped past the "correspondence", hit the rewind button and go back and read it as it contains a lot of great education. Nothing beats real life experience from real life people!

Brokerage

Hopefully, should be, maybe next week?!?!? Unfortunately there are too many things with the Brokerage project that is out of my control. It is happening, just not as quickly as I would have liked. It's unfortunate that others are not prepared to work 20 hours a day. Bloody hard to get good help these days, eh! ;-) *(Ed, Leslie.... If you are reading this, this comment is not directed at you guys!)*

Commodities ~ What's Hot

Well if diamonds are a girl's best friend, then gold must be a bloke's best friend! More on gold when I get to the metals...

Aussie Dollar is still going strong with no sign of a cross to signal our exit yet. The Pommy Dollar has taken off again after taking a rest from it's recent free-fall. Take a look at the weekly chart and see if you can see what I can see. Knucks are powering up still and Coronas are gunna be totally unaffordable by Christmas. Speaking of which, I'm back DownUnder for Christmas so I'll have to switch the Egg Nog for Fosters! Cheers! ;-)

A big spike in Unleaded, better top up the gas tank before next week!

Wheat's hot, hot, hot atm ("At the Moment" NOT "At the Money")

Oats, ahhhh, some nice long profits taken off the table and now another long entry triggered! There was HUGE resistance that caused the pullback to trigger the exit but now's it's blasted through. The sky's the limit now.... Take a look at the weekly chart to see the resistance that I'm talk'n about.

Each of the Soys have triggered short exits and now long entries. There were some great profits taken off the table with the shorts. Bring on the longs!

Great profits have just been taken off the table with the E-Mini longs and now we're long again with the E-Mini Nasdaq as it's just broken through resistance, S&P is nearly ready but as I always say..... "Anticipate a cross, anticipate a loss".

The Nikkei has bounced to the upside again and is still shooting to the stars.



The Russell is like the S&P, “almost” set up. When they’re as close as what this beauty is, you can always enter on a limit!

Feeders have just triggered a profitable long exit while the live Moo Cows haven’t. Conservative traders would probably be happy with profit taking by exiting on a limit should they go down at the open on Monday.

And now for the Metals.... Copper is shooting to through the roof again along with Gold & Silver. Palladium needs to break through resistance for me to be happy entering long again. Move your mouse over the highest peak on the daily chart to see resistance. Platinum has triggered another long entry.

Now back to Gold and Silver for a minute...

Gold: Entry triggered on the 9th of Nov to go long at the open on the 10th. Opened at 467.50 and it closed Friday at 503.30 = 35+pt move so far!

35 x \$100 = \$3,500 profit on this trade so far. Will certainly pay for a few years of datafeed! :-)

Silver: Long at the open on the 8th of Nov @ 7.61 and it closed Friday at 8.54 and still going up! More great profits!

Cocoa is trying it’s best to go up. The weekly chart doesn’t excite me too much as it’s been stair stepping down. Or should I say, “stair falling down”?

Short exit was triggered (thanks for the profits) and now we’re long again with Lumber.

Mr Juicy, what can I say about you except we’re smiling all the way to the bank! The charts don’t get much better than this folks. Look at the daily chart. Beautiful long, then a beautiful short and now we’re long AGAIN. Not only are we “long again” but we’ve broken through resistance. Move your mouse over the lines to see the historical prices. Hover it over the previous high peak and you’ll see that it’s broken through resistance. SHOW ME THE MONEEEEEY! :-)

The week before I mentioned: “Sugar could be getting ready for profit taking.”
Then last week I mentioned: “And guess what, yup, more sweet profits taken off the table and now we’re long again!”
And this week: “She’s still heading north!”

Commodities ~ What’s Not

I mentioned two weeks ago, “No rocket science required to see what’s happening with the Yen.”
Then last week I said, “What did it do on Friday?”



This week I say, “How can you not make money outta these charts?”

Energies have been all over the place but Propane looks to be setting up another nice short.

We exited our latest Corn short with some more great profits.

Rice is trending nicely but the trends are not lasting very long. Take a look at the weekly chart to get a better picture. The way to trade these is by placing a tight trailing stop once you become profitable on the trade.

Dow Mini has triggered a long exit (thanks for the profits) and a short entry. Be careful with this one as it's a counter trend trade (Going against the long term trend).

Coffee.... Another great short but it's heading down to some pretty strong resistance. Take a look at the weekly chart.

Cotton.... Last week I asked, “Down again?” Yup, she's stumbling down worse than the West Indies Cricket team! Actually, I should've said the Kiwi cricket team as the Aussies are giv'n em a butt whooping right now while I'm writing this update.

Commodities – Neutral

The Puni Bond.... Well what can I say???

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. This happens most of the time! 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.



Aussie Rob

A WORLD LEADER IN TRADING SOFTWARE & TRAINING

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

5 Scan:	Bullish (Green)	Bearish (Red)
4 Scan:	Bullish (Blue)	Bearish (Blue)
3 Scan:	Bullish (Black)	Bearish (Black)

The Bulls outnumber the Bears again this week, streaking ahead 33:12 It's interesting to note that we have had our first "5" Bear (HR)

Bullish List

ABER
ANCX
BTM
CASY
CECE
CSU
CVO
DBRN
DMC
EMR
GIL
HAE
JPK
LMS
LOGI
MEOH
NML
NOIZ
OVTI
PTRY
SCMR
SCSS
SMTL
SNPS
SON
THOR
TMB
TNC
TRO
URGI

Bearish List

AGG
ANDS
APPX
AXL
FCM
GHCI
HR
INZ
MMT
MTCT
RIGL
TIP

List continued on next page...



Aussie Rob

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WWE
ZEUS
ZMH

Well that's it for another week, enjoy your weekend and I'll catch ya's next week! Cut you loses quick, let your winners run! I'm outta here....

Kind Regards
The Aussie Rob Team

www.aussierob.biz

"Everything's EASY when you know how!"

