

Beginners Corner Information

Lesson 3

Stock Selection Using Fundamental and
Technical Analysis

Covered Call Writing

What is Fundamental Analysis?

- A method of evaluating the financial health of a company by looking at earnings, sales, assets etc.
- PE Ratio = Price/Annual Earnings
- PEG Ratio = PE Ratio/Earnings Growth
- Online software screening services:
- Free and Pay

Fundamental Analysis- BCI Methodology

- IBD 50 Index- favors earnings and sales
- IBD SmartSelect Ratings- 6 green circles
- StockScouter Rating System- 5 or better

Links to Fundamental Screens

- www.investors.com
- www.moneycentral.msn.com/StockRating/srsmain.asp
- Stocks not listed in the IBD 50 must pass the SmartSelect and Scouter screens to remain in consideration
- The Premium Report will screen these for you

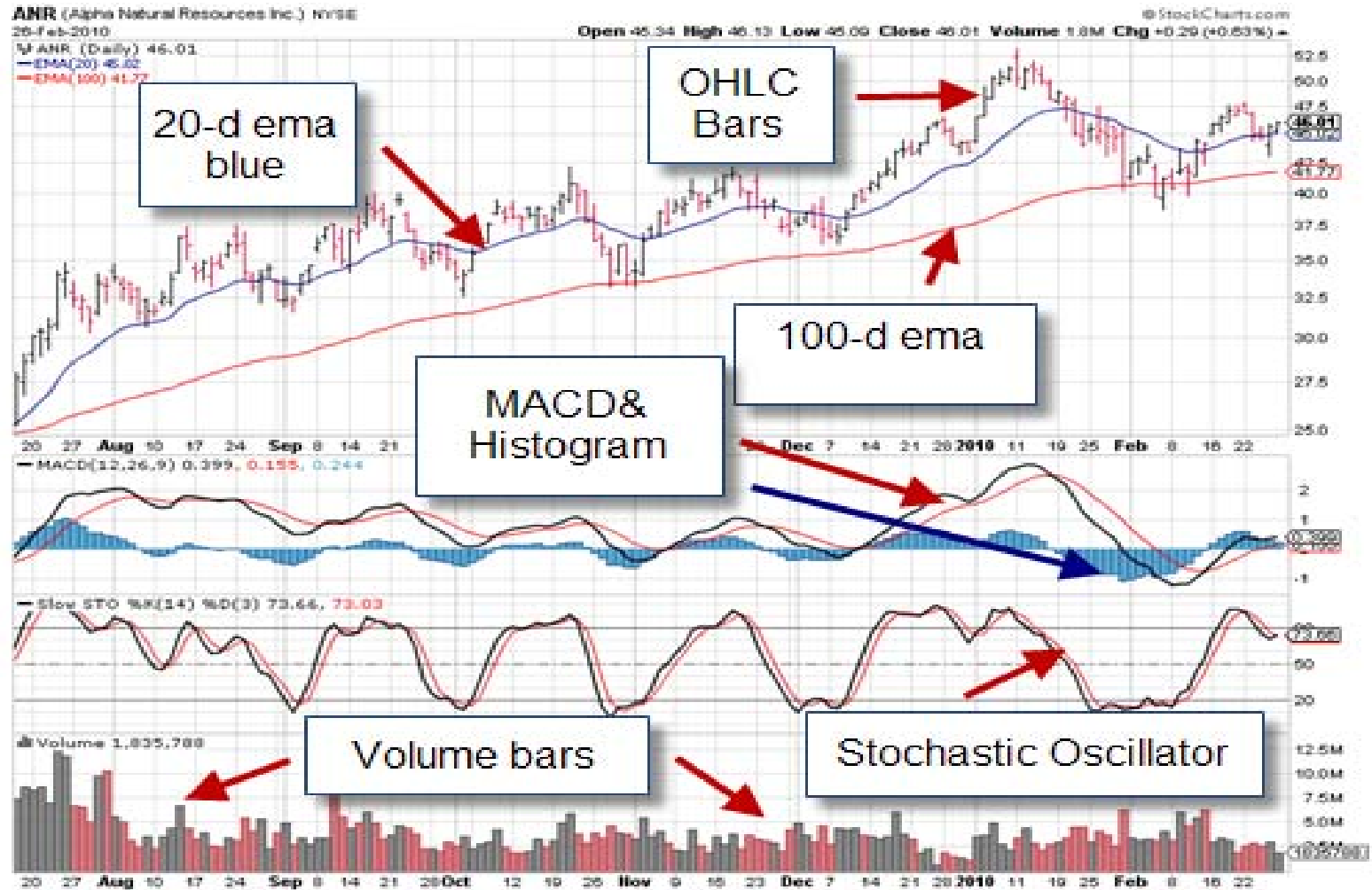
What is Technical Analysis?

- A method of predicting future stock price based on historical price movements
- A price chart over time
- Determine trend and momentum
- Free sites available
- www.stockcharts.com

Technical Analysis- BCI Methodology

- Moving averages- trend
- MACD histogram- trend and momentum
- Stochastic Oscillator- momentum
- Volume- confirmation

WWW.STOCKCHARTS.COM



Premium Report

WEEKLY STOCK SCREEN AND WATCH LIST

WEEKLY STOCK SCREENING...AS OF CLOSE ON 05/13/11

- Weekly Rank or Other Source...Indicates Weekly Top 50 Rank Or Other Database As Source Of Stock
- (?) Indicates Chart or Technical Indicators Mixed...OK To Keep On Watch List
- ER Dates Are Based On Currently Available Information...Check Actual ER Date Prior To Establishing Your Position

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

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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 Systm	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	Crocs 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 - ▼

Summary

- Stock selection for covered call writing begins with locating stocks with the greatest earnings and sales growth
- We then evaluate price charts for bullish trends and momentum
- Screening can absolutely be done by average retail investors
- The BCI team produces a weekly report of screened stocks
- In Lesson 4 we will discuss common sense considerations that must be factored into our stock selection decisions