

Beginners Corner Information

Lesson 8

Step-By-Step Process For
Mastering Covered Call Writing

Covered Call Writing

Form A Watch List Of The Best Covered Call Candidates: The "Running List"

- Fundamental analysis (IBD 50, SmartSelect, Scouter Ratings)
- Technical analysis (moving averages, MACD, stochastic oscillator, volume)
- Common sense principles (earnings reports, diversification)
- 40-60 stocks is a comfortable number

BCI Premium Report: Weekly Stock Screen

BE CEO OF YOUR OWN MONEY

STOCK SCREEN AND WATCH LIST

Source... Indi... 50... Source...

- (?) indicates Chart of 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												
ADS	Alliance Data Sys Corp	Other	105.74	Y	N	Y	Y	Y	Y	Y	N	
AGN	Allergan Inc	Other	87.42	Y	N	Y	Y	Y	Y	Y	N	
BWLD	Buffalo Wild Wings	20	68.24	Y	N	Y	Y	Y	Y	Y	N	
CATM	Cardtronics Inc	Other	28.48	Y	N	Y	Y	Y	Y	Y	N	
CELG	Celgene Corp	41	67.32	Y	N	Y	Y	Y	Y	Y	N	
CMG	Chipotle Mexican Grill	27	335.32	Y	N	Y	Y	Y	Y	Y	N	
ENB	Enbridge Inc	Other	36.86	Y	N	Y	Y	Y	Y	Y	N	
GWW	Grainger W W Inc	29	189.34	Y	N	Y	Y	Y	Y	Y	N	
HCP	H C P Inc	44	41.18	Y	N	Y	Y	Y	Y	Y	N	
HXL	Hexcel Corp	Other	25.08	Y	N	Y	Y	Y	Y	Y	N	
KSU	Kansas City Southern	Other	67.83	Y	N	Y	Y	Y	Y	Y	N	
LKQX	L K Q Corp	Other	30.24	Y	N	Y	Y	Y	Y	Y	N	
NOG	Northern Oil & Gas	45	24.15	Y	N	Y	Y	Y	Y	Y	N	
NUAN	Nuance Communicat	12	25.71	Y	N	Y	Y	Y	Y	Y	N	
OXY	Occidental Petroleum	Other	94.62	Y	N	Y	Y	Y	Y	Y	N	
PAA	Plains All Amer Pipe	Other	71.86	Y	N	Y	Y	Y	Y	Y	N	
PETM	Petsmart Inc	Other	51.92	Y	N	Y	Y	Y	Y	Y	N	
PLL	Pall Corp	Other	57.56	Y	N	Y	Y	Y	Y	Y	N	
PM	Philip Morris Intl Inc	Other	78.75	Y	N	Y	Y	Y	Y	Y	N	
SBNY	Signature Bank	26	60.75	Y	N	Y	Y	Y	Y	Y	N	
SE	Spectra Energy Corp	Other	30.87	Y	N	Y	Y	Y	Y	Y	N	
SLXP	Salix Pharmaceuticals	Other	47.77	Y	N	Y	Y	Y	Y	Y	N	
TCBI	Texas Capital	37	30.20	Y	N	Y	Y	Y	Y	Y	N	
TDG	Transdigm Group Inc	14	98.45	Y	N	Y	Y	Y	Y	Y	N	

BCI Premium Report: Watch List: "Running List"

Expiry ▼ Week 5 1/20/12	Running List	Next ER Date	Industry Segment	Segment Rank	Beta	% Div. Yield	Comments
	PASSED PREVIOUS WEEKS & PASSED CURRENT WEEK						
	MSM (3)	01/05/12	Retail	A/A	1.19	1.40	
	FAST (1)	01/18/12	Retail	A	1.12	1.30	
	GOOG (4)	01/19/12	Internet	A/A	0.88		
	ISRG (3)	01/19/12	Medical	A/A	0.96		
	UNP (2)	01/19/12	Transport	A/B	1.07	2.30	
	ARG (3)	01/20/12	Chemical	A/A	0.93	1.60	
	KSU (1)	01/23/12	Transport	A	1.45		
	BKI (8)	01/24/12	Misc	B/B	1.43	0.70	
	SBNY (5)	01/24/12	Banks	B/B	1.41		
	GWV (7)	01/25/12	Retail	A/A	1.00	1.40	
	HXL (3)	01/25/12	Aerospace	A/A	1.54		
	TCBI (2)	01/25/12	Banks	B/B	1.43		
	VAR (1)	01/25/12	Medical	A	1.11		
	CELG (2)	01/26/12	Medical	A/A	0.76		
	ZOLL (2)	01/26/12	Medical	A/A	1.36		
	OXY (1)	01/26/12	Energy	A	1.44	1.90	
	UTEK (1)	01/26/12	Chips	B	1.55		
	ADS (3)	02/01/12	Finance	A/A	0.95		
	BIIB (2)	02/01/12	Medical	A/A	0.80		
	PRGO (1)	02/01/12	Medical	C	0.89	0.30	
	NETL (2)	02/02/12	Chips	B/B	0.94		
	V (4)	02/02/12	Finance	A/A	0.94	0.90	
	YUM (4)	02/02/12	Retail	A/A	0.76	1.90	
	AGN (1)	02/02/12	Medical	A	0.84	0.20	
	ENB (4)	02/03/12	Energy	A/A	0.68	3.00	
	GR (3)	02/03/12	Aerospace	A/A	0.62	0.90	
	MA (5)	02/03/12	Finance	A/A	1.22	0.20	
	SE (1)	02/03/12	Energy	A	0.89	3.60	
	EXXI (2)	02/04/12	Energy	A/A	1.87		
	TDG (6)	02/07/12	Aerospace	A/A	1.18		

Options Chain: Prepare For Calculations

View By Expiration: [Jun 10](#) | [Jul 10](#) | [Sep 10](#) | [Dec 10](#) | [Jan 11](#) | [Jan 12](#)

CALL OPTIONS

Expire at close Friday, June 18, 2010

Strike	Symbol	Last	Chg	Bid	Ask	Vol	Open Int
22.50	MELI100619C00022500	24.80	0.00	22.90	25.30	0	1
30.00	MELI100619C00030000	18.60	0.00	15.60	17.90	0	216
35.00	MELI100619C00035000	15.22	0.00	10.80	13.10	0	189
40.00	MELI100619C00040000	7.74	0.00	6.40	8.50	0	132
42.50	MELI100619C00042500	5.50	↓ 1.70	5.10	6.40	12	290
45.00	MELI100619C00045000	3.70	↓ 0.60	4.20	4.50	2	355
47.50	MELI100619C00047500	2.00	↓ 0.73	2.70	2.95	10	332
50.00	MELI100619C00050000	1.60	↑ 0.10	1.50	1.75	358	1,636
52.50	MELI100619C00052500	0.70	↓ 0.40	0.80	1.00	1	429
55.00	MELI100619C00055000	0.38	↓ 0.02	0.35	0.45	215	863
57.50	MELI100619C00057500	0.36	0.00	0.15	0.30	0	119
60.00	MELI100619C00060000	0.05	↓ 0.20	0.05	0.15	252	531
65.00	MELI100619C00065000	0.21	0.00	N/A	0.10	0	330
70.00	MELI100619C00070000	0.15	0.00	N/A	0.10	0	158
75.00	MELI100619C00075000	0.05	0.00	N/A	0.05	0	215
80.00	MELI100619C00080000	0.10	0.00	N/A	0.05	0	114

The Ellman Calculator

<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>
nftx	\$ 75.00	\$ 4.70	\$ 75.00	05/21/10	\$ -	\$ -	6.3%	0.0%	0.0%
nftx	\$ 75.00	\$ 2.60	\$ 80.00	05/21/10	\$ -	\$ 5.00	3.5%	6.7%	0.0%
swks	\$15.49	\$ 1.15	\$ 15.00	05/21/10	\$ 0.49	\$ -	4.4%	0.0%	3.2%
dib	\$ 59.11	\$ 1.95	\$ 60.00	05/21/10	\$ -	\$ 0.89	3.3%	1.5%	0.0%
netl	\$ 29.40	\$ 1.65	\$ 30.00	05/21/10	\$ -	\$ 0.60	5.6%	2.0%	0.0%
ipxl	\$ 17.94	\$ 1.20	\$ 17.50	05/21/10	\$ 0.44	\$ -	4.3%	0.0%	2.5%
prgo	\$ 59.08	\$ 5.50	\$ 55.00	05/21/10	\$ 4.08	\$ -	2.6%	0.0%	6.9%
prgo	\$ 59.08	\$ 2.40	\$ 60.00	05/21/10	\$ -	\$ 0.92	4.1%	1.6%	0.0%
ctrp	\$ 40.29	\$ 4.00	\$ 38.00	05/21/10	\$ 2.29	\$ -	4.5%	0.0%	5.7%
ctrp	\$ 40.29	\$ 2.90	\$ 40.00	05/21/10	\$ 0.29	\$ -	6.5%	0.0%	0.7%
ctrp	\$ 40.29	\$ 2.00	\$ 42.00	05/21/10	\$ -	\$ 1.71	5.0%	4.2%	0.0%
urbn	\$ 37.84	\$ 2.75	\$ 36.00	05/21/10	\$ 1.84	\$ -	2.5%	0.0%	4.9%
urbn	\$ 37.84	\$ 1.60	\$ 38.00	05/21/10	\$ -	\$ 0.16	4.2%	0.4%	0.0%
urbn	\$ 37.84	\$ 0.80	\$ 40.00	05/21/10	\$ -	\$ 2.16	2.1%	5.7%	0.0%
shoo	\$ 48.96	\$ 1.95	\$ 50.00	05/21/10	\$ -	\$ 1.04	4.0%	2.1%	0.0%

Cash Allocation

Calculating Cash Allocation

1							
2	Calculating Cash Allocation						
3	Calculating Cash Allocation						
4	<u>SECURITY</u>	<u>PRICE</u>	<u>Shares/\$10k</u>	<u>Rounded</u>	<u>Off</u>	<u>COST</u>	
5							
6							
7	XLI	\$32.62	306	300		\$9,786	
8							
9	XLY	\$34.83	287	300		\$10,449	
10							
11	XLF	\$16.98	588	600		\$10,188	
12							
13	XLP	\$28.03	356	300		\$8,409	
14							
15	QQQ	\$50.13	199	200		\$10,006	
16							
17							

Trade Execution: Online Discount Broker

Transaction	<input type="text" value="Stocks"/>
Action	<input checked="" type="radio"/> Buy Stock <input type="radio"/> Sell Stock
Symbol	<input type="text" value="ymw"/> View Real-Time Quote Symbol Look-up
Quantity	<input type="text" value="300"/> Shares
Order	<input type="radio"/> Limit <input checked="" type="radio"/> Market <input type="radio"/> Stop <input type="radio"/> Stop Limit
Price	Market
Duration	Day Only
Account Type	<input type="radio"/> Cash <input checked="" type="radio"/> Margin
Funding From	Available Cash in Your Account

Transaction	<input type="text" value="Options"/>
Action	<input type="text" value="Sell Covered Call"/>
Underlying Symbol	<input type="text" value="KIRK"/> Symbol Look-Up Get Option Chain View Real Time Quote
Expiration Date	<input type="text" value="17-JUL-2010"/>
Strike Price	<input type="text" value="15.0"/>
Quantity	<input type="text" value="3"/> Contracts
Order	<input checked="" type="radio"/> Limit <input type="radio"/> Market <input type="radio"/> Stop <input type="radio"/> Stop Limit
Limit Price	<input type="text" value="1.15"/>
Duration	<input checked="" type="radio"/> Day Only <input type="radio"/> Good-Until-Canceled (30 Days)
Qualifiers	<input type="checkbox"/> All or None
Account Type	<input type="radio"/> Cash <input checked="" type="radio"/> Margin
Proceeds To	Available Cash in Your Account

Exit Strategies: Position Management

- Buy back option first
- Declining stocks use 20%/10% guidelines
- Close position mid-contract if time value approaches zero
- Consider rolling strategies on or near expiration Friday

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Alan's Contact Information

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