

Beginners Corner Information

Lesson 4

Stock Selection: Common Sense Considerations

Selling Cash-Secured Puts

Avoid Earnings Reports

- Never sell a put option when a company is reporting earnings in the current contract period
- WWW.EARNINGSWHISPERS.COM
- Premium Report- running list

Avoid Stocks That Report MONTHLY Same Store Sales Stats

- “Banned Stocks”
- GPS, WAG, COST
- For a FREE list: **www.thebluecollarinvestor.com**
- “Free Resources” link on the top black bar of the BCI website

Minimum Trading Volume

- Never buy a stock with an average trading volume < 250,000 shares per day
- Favor options with a minimum “open interest” of 100 contracts and/or a bid-ask spread of \$0.30 or less.

Nov 14

Puts

Strike	Last	Intrinsic Value	Bid	Ask	Vol	Open interest
45.00	0.05	0.00	N/A	0.05	0	14
50.00	0.05	0.00	0.05	0.05	0	73
55.00	0.05	0.00	0.05	0.05	0	147
60.00	0.05	0.00	0.05	0.05	0	3,067
62.50	0.08	0.00	0.05	0.10	0	229
63.00	0.08	0.00	0.05	0.10	0	18
63.50	0.10	0.00	0.05	0.15	0	5
64.00	0.10	0.00	0.05	0.15	0	16
64.50	0.12	0.00	0.05	0.20	0	31
65.00	0.17	0.00	0.10	0.25	0	1,646
65.50	0.22	0.00	0.15	0.30	0	14
66.00	0.28	0.00	0.20	0.35	0	40
66.50	0.35	0.00	0.25	0.45	0	4
67.00	0.45	0.00	0.35	0.55	0	106
67.50	0.55	0.00	0.40	0.70	0	124
68.00	0.75	0.00	0.65	0.85	0	575
68.50	0.95	0.00	0.85	1.05	0	892
69.00	1.10	0.00	0.95	1.25	1	192
69.50	1.40	0.44	1.30	1.50	0	206
70.00	1.70	0.94	1.60	1.80	0	6,886
70.50	1.88	1.44	1.65	2.10	0	158
71.00	2.30	1.94	2.10	2.50	0	227
71.50	2.67	2.44	2.50	2.85	0	390
72.00	2.92	2.94	2.65	3.20	0	679
72.50	3.45	3.44	3.20	3.70	0	420
73.00	3.80	3.94	3.50	4.10	0	297
73.50	4.25	4.44	3.90	4.60	0	182
74.00	4.60	4.94	4.20	5.00	0	55

Stock And Industry Diversification

- Minimum of 5 different stocks in 5 different industries
- No one security or group represents > 20% of your portfolio
- Premium “running list” has industry information
- Exchange-traded-funds are another way to diversify
- Premium ETF Report

Cash Allocation (\$50K Portfolio)

A	B	C	D	E	F	G	H	
<u>STOCK</u>		<u>Price</u>	<u># shares/10k</u>		<u>Rounded off</u>		<u># contracts</u>	
A		\$10	1000		1000		10	
B		\$20	500		500		5	
C		\$30	333		300		3	
D		50	200		200		2	
E		100	100		100		1	

Premium Report- Common Sense Info

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WEEKLY STOCK SCREEN AND WATCH LIST

WEEKLY STOCK SCREENING AS OF CLOSE ON 12/16/11

- Weekly Rank or Other Source
- (?) Indicates Chart or Technical
- ER Dates Are Based On Currently Available Information...

Same store sales

Average trading volume

Other Database As Source Of Stock

On Watch List

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												
ALK	Alaska Air Group Inc	Other	76.16	Y	N	Y	Y	Y	Y	Y	N	
CPRT	Copart Inc	Other	46.15	Y	N	Y	Y	Y	Y	Y	N	
DLR	Digital Realty Trust Inc	Other	65.57	Y	N	Y	Y	Y	Y	Y	N	
JDAS	J D A Software Group	Other	33.50	Y	N	Y	Y	Y	Y	Y	N	
LQDT	Liquidity Services Inc	Other	38.64	Y	N	Y	Y	Y	Y	Y	N	
PAA	Plains All Amer Pipe	Other	69.37	Y	N	Y	Y	Y	Y	Y	N	
PETM	Petsmart Inc	Other	50.49	Y	N	Y	Y	Y	Y	Y	N	

Summary

- In addition to fundamental and technical analysis we must also factor in common sense principles
- Earnings reports
- Same store MONTHLY sales stats
- Minimum trading volume
- Stock and industry diversification
- Cash allocation
- In Lesson 5 we will address Calculations