

# **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 CRE OF YOUR OWN MONEY

**STOCK SCREEN AND WATCH LIST**

Source: India 50

BD 50 stocks - yellow  
Other sources - green

Pass SmartSelect Screen?

Smaller 5 or better?

Technical Analysis

Earnings report this month?

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	Opt's Avail (Y/N)	Report Same Store Sales (Y/N)	Pass Fund'l And Tech Screens (Y/N)	Avg. Vol.: >250K Std/Day (Y/N)	Pass Risk vs. Reward (Y/N)	Chart: ▲ Price ▲20DMA ▲100DMA (Y/N?)	Tech Ind. UK: MACD Stock (Y/N?)	Earn. Report In This Option Month (Y/N)	Comments
<b>Passed All Screens</b>												
ADP	Alliance Data Sys Corp	Other	155.74	Y	N	Y	Y	Y	Y	Y	N	
AGN	Alegian Inc	Other	87.42	Y	N	Y	Y	Y	Y	Y	N	
BLTZ	Bentley Systems Inc	Other	138.74	Y	N	Y	Y	Y	Y	Y	N	
CATM	Cantel Inc	Other	20.40	Y	N	Y	Y	Y	Y	Y	N	
CECO	Celgene Corp	Other	87.32	Y	N	Y	Y	Y	Y	Y	N	
CHS	CHS Inc	Other	35.32	Y	N	Y	Y	Y	Y	Y	N	
CND	Corbridge Inc	Other	35.86	Y	N	Y	Y	Y	Y	Y	N	
CWW	Cummins Inc	Other	109.34	Y	N	Y	Y	Y	Y	Y	N	
FCI	FCI Inc	Other	48.10	Y	N	Y	Y	Y	Y	Y	N	
HRL	Hershey Corp	Other	25.68	Y	N	Y	Y	Y	Y	Y	N	
RSU	Kansas City Southern	Other	57.83	Y	N	Y	Y	Y	Y	Y	N	
IKO	IKO Corp	Other	30.24	Y	N	Y	Y	Y	Y	Y	N	
NOG	Northern Oil & Gas	Other	24.15	Y	N	Y	Y	Y	Y	Y	N	
NHAI	Norfolk Southern	Other	35.71	Y	N	Y	Y	Y	Y	Y	N	
OXY	Oxygent Petroleum	Other	14.02	Y	N	Y	Y	Y	Y	Y	N	
PAA	Pineapple Juice	Other	71.06	Y	N	Y	Y	Y	Y	Y	N	
PFTV	Pfizer Inc	Other	51.92	Y	N	Y	Y	Y	Y	Y	N	
PLL	PLL Corp	Other	57.56	Y	N	Y	Y	Y	Y	Y	N	
PMI	PMI Inc	Other	78.75	Y	N	Y	Y	Y	Y	Y	N	
SBNY	Signature Bank	Other	60.75	Y	N	Y	Y	Y	Y	Y	N	
RF	Radio Shack	Other	30.07	Y	N	Y	Y	Y	Y	Y	N	
SLXP	Schlumberger	Other	27.77	Y	N	Y	Y	Y	Y	Y	N	
TCR	TCR Capital	Other	30.20	Y	N	Y	Y	Y	Y	Y	N	
TRC	TRC Cos	Other	58.25	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	0.95		
	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		
	GWG (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)	01/25/12	Medical	A/A	0.75		
	ZOLL (2)	01/25/12	Medical	A/A	1.36		
	OXY (1)	01/26/12	Energy	A	1.44	1.90	
	UTEK (1)	01/25/12	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	0.78	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

Expre at close | nday, June 18, 2010

Strike	Symbol	Last	Chg	Bid	Ask	Vol	Open Int
<a href="#">22.50</a>	<a href="#">MELI100619C00022500</a>	24.80	0.00	22.90	25.30	0	1
<a href="#">30.00</a>	<a href="#">MELI100619C00030000</a>	18.60	0.00	15.60	17.90	0	215
<a href="#">35.00</a>	<a href="#">MELI100619C00035000</a>	15.22	0.00	10.80	13.10	0	189
<a href="#">40.00</a>	<a href="#">MELI100619C00040000</a>	7.74	0.00	6.40	8.50	0	132
<a href="#">42.50</a>	<a href="#">MELI100619C00042500</a>	5.50	↓ 1.70	5.10	6.40	12	290
<a href="#">45.00</a>	<a href="#">MELI100619C00045000</a>	3.70	↓ 0.60	4.20	4.50	2	355
<a href="#">47.50</a>	<a href="#">MELI100619C00047500</a>	2.00	↓ 0.73	2.70	2.95	10	332
<a href="#">50.00</a>	<a href="#">MELI100619C00050000</a>	1.60	↑ 0.10	1.50	1.75	358	1,638
<a href="#">52.50</a>	<a href="#">MELI100619C00052500</a>	0.70	↓ 0.40	0.80	1.00	1	429
<a href="#">55.00</a>	<a href="#">MELI100619C00055000</a>	0.38	↓ 0.02	0.35	0.45	215	863
<a href="#">57.50</a>	<a href="#">MLLI100619C00057500</a>	0.06	0.00	0.15	0.30	0	119
<a href="#">60.00</a>	<a href="#">MELI100619C00060000</a>	0.05	↓ 0.20	0.05	0.15	252	531
<a href="#">65.00</a>	<a href="#">MELI100619C00065000</a>	0.21	0.00	N/A	0.10	0	330
<a href="#">70.00</a>	<a href="#">MLLI100619C00070000</a>	0.15	0.00	N/A	0.10	0	159
<a href="#">75.00</a>	<a href="#">MELI100619C00075000</a>	0.05	0.00	N/A	0.05	0	215
<a href="#">80.00</a>	<a href="#">MLLI100619C00080000</a>	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>
nfx	\$ 75.00	\$ 4.70	\$ 75.00	05/21/10	\$ -	\$ -	6.3%	0.0%	0.0%
nfx	\$ 75.00	\$ 2.60	\$ 80.00	05/21/10	\$ -	\$ 5.00	3.5%	6.7%	0.0%
svks	\$15.49	\$ 1.15	\$ 15.00	05/21/10	\$ 0.49	\$ -	4.4%	0.0%	3.2%
dlb	\$ 59.11	\$ 1.95	\$ 60.00	05/21/10	\$ -	\$ 0.99	3.3%	15%	0.0%
netl	\$ 29.40	\$ 1.65	\$ 30.00	05/21/10	\$ -	\$ 0.50	5.6%	2.0%	0.0%
lpxl	\$ 17.94	\$ 1.20	\$ 17.50	05/21/10	\$ 0.44	\$ -	4.3%	0.0%	2.5%
prgc	\$ 59.08	\$ 5.50	\$ 55.00	05/21/10	\$ 4.08	\$ -	2.6%	0.0%	6.9%
prgc	\$ 59.08	\$ 2.40	\$ 60.00	05/21/10	\$ -	\$ 0.92	4.1%	16%	0.0%
cltp	\$ 40.29	\$ 4.00	\$ 33.00	05/21/10	\$ 2.29	\$ -	4.5%	0.0%	5.7%
cltp	\$ 40.29	\$ 2.90	\$ 40.00	05/21/10	\$ 0.29	\$ -	6.5%	0.0%	0.7%
cltp	\$ 40.29	\$ 2.00	\$ 42.00	05/21/10	\$ -	\$ 1.71	5.0%	4.2%	0.0%
urbi	\$ 37.84	\$ 2.75	\$ 35.00	05/21/10	\$ 1.34	\$ -	2.5%	0.0%	4.9%
urbi	\$ 37.84	\$ 1.60	\$ 33.00	05/21/10	\$ -	\$ 0.16	4.2%	0.4%	0.0%
urbi	\$ 37.84	\$ 0.80	\$ 40.00	05/21/10	\$ -	\$ 2.16	2.1%	5.7%	0.0%
stoo	\$ 48.96	\$ 1.95	\$ 50.00	05/21/10	\$ -	\$ 1.04	4.0%	2.1%	0.0%



# Cash Allocation

1								
2		Calculating Cash Allocation						
3								
4	<b><u>SECURITY</u></b>		<b><u>PRICE</u></b>		<b><u>Shares/\$10k</u></b>		<b><u>Rounded</u></b>	<b><u>COST</u></b>
5							<b><u>Off</u></b>	
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="VME"/> <a href="#">VIEW REAL-TIME QUOTE</a>   <a href="#">SYMBOL LOOK-UP</a>
Quantity	<input type="text" value="100"/> 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="KRC"/> <a href="#">Symbol Look-Up</a>   <a href="#">Get Option Chain</a>   <a href="#">View Real Time Quote</a>
Expiration Date	<input type="text" value="17-JUL-2010"/>
Strike Price	<input type="text" value="10.0"/>
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="1.10"/>
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

# **For FREE Information**

- Visit my blog @ <http://www.thebluecollarinvestor.com/blog/>
- Join my mailing list @ <http://www.thebluecollarinvestor.com/joinfrnds.shtml>

# For Our Line Of Educational Products

- <http://www.thebluecollarinvestor.com/store.shtml>



The advertisement features a collection of educational products against a yellow and blue background. On the left, several books are displayed: 'Exit Strategies for Covered Call Writing' by Alan Elson, 'COVERED CALL WRITING' by Alan Elson, and 'The Blue Collar Investor's Complete Encyclopedia for Covered Call Writing'. A green button with a play icon and the text 'Watch Informational Video' is positioned below the books. To the right, three DVD cases are shown, with the top one labeled 'COVERED CALL WRITING'. The text 'Tools To Take Control Of Your Financial Future' is prominently displayed in the upper right. At the bottom right, the website address 'www.thebluecollarinvestor.com/store.shtml' is provided.

Tools To Take Control Of Your Financial Future

www.thebluecollarinvestor.com/store.shtml

# Premium Membership Information

- <http://www.thebluecollarinvestor.com/membership.shtml>

Expiry ▼ Week 5 2/20/12	Running List	Next ER Date	Industry Segment	Segment Rank	Beta	% Div. Yield	Comments
	<b>PASSED PREVIOUS WEEKS &amp; PASSED CURRENT WEEK</b>						
	MSM (3)	01/05/12	Retail	A/A	1.19	1.40	
	FAST (1)	01/12/12	Retail	A	1.12	1.30	
	GOOG (4)	01/19/12	Internet	A/A	0.88		
	ISRG (3)	01/19/12	Medical	A/A	0.95		
	UNP (2)	01/19/12	Transport	A/B	1.07	2.30	
	ARG (3)	01/20/12	Chemical	A/A	0.98	1.60	
	KSU (1)	01/23/12	Transport	A	1.45		
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	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	0.69	3.60	
	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		

# **Alan's Contact Information**

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