

THE VALUE LINE

Daily Options Survey

On Line at the Opening Bell, Every Trading Day

Pages 1-2

The Weekly Option Strategist

April 12, 2004

Update on Leaps

In This Issue:

Strategist Report	1-4
Option Seminar Information	5
Weekly Performance Summary	6

Under current market conditions, our model is finding a large number of attractively priced leaps. This week, we take a fresh look at the Leaps market and show you how to find Leaps using our online Options Screener. We also review how the Leap calls, which we presented in our September 22, 2003 report, have performed.

What are Leaps?

Leaps (acronym for Longer-Term Anticipation Securities) are regularly listed options with maturities of between nine months and 2 ½ years. The CBOE introduced Leaps about 12 years ago on a limited number of stocks. Today, Leaps trade on 666 stocks, most of which are ranked by Value Line. The current expiration dates for these equity Leaps are January 22, 2005 and January 21, 2006. Starting in May (cycle 1) and continuing through June (cycle 2) and July (cycle 2), the exchanges will be listing new Leaps expiring on January 20, 2007. When the new 2007 Leaps become listed, the existing 2005 Leaps on these stocks become regular options. Usually, they are assigned new ticker codes. You can get a listing of which stocks are in which cycle Leap cycle from the Options Clearing Corp's web site www.optionsclearing.com.

Leaps have a number of features that can make them attractive to the option buyer. Although they tend to cost more in terms of premium than shorter-term options, they also have a much lower Theta or rate of time decay. This makes them more suitable for longer-term trades. For example, an at-the-money call Leap can be expected to lose only about 2% of its value in one month if the stock doesn't move. Contrast this with a 90-day call that can be expected to lose 18% of its value in one month.

Current Leap Market Conditions

On April 5, 2004, there were 10,213 ranked equity call Leaps and 10,175 ranked equity put Leaps in our Survey. From among the calls, 1,125 were ranked 1 for call buying, 886 were ranked 5

for naked call writing and 406 were ranked 1 for covered call writing. From among the puts, 2,253 were ranked 1 for put buying, 416 were ranked 5 for naked put writing and 1,196 were ranked 1 for married put buying. The rank 1 calls and puts strongly outnumbered the rank 5 calls and puts, because, according to our model, significantly more of them are underpriced than overpriced. Indeed, the majority of equity Leaps now have implied volatilities (based on the Ask prices) that are below our model's Adjusted Volatility Forecasts.

Searching for Leaps

You can use our online Options Screener to search for call and put Leaps that are suitable for buying. In Figure 1 on page 2, we have used the *Preset Screens* to look for "Longer-Term Options (LEAPS)." Under Ranks, we have checked off a rank of 1 for "Naked Call Buyer's (1=Best). Under Additional Information, we have set the range for "% In- or Outof-the-Money" at a minimum of zero (i.e. atthe-money) and a maximum of .25 (i.e. 25% in-the-money). We also specified that we wanted Leaps that expire in January, 2006 or later. Finally, we have limited our selection to Leaps that are at least 20% under valued (i.e. Buyer's Under Over Priced with a maximum of -. 20). We set the Display Options to sort our selection by the "Buyer's Rank Order." (See Figure 2 on page 62.)

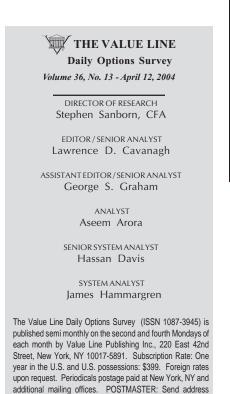
A Portfolio of Leaps

This screening returned more than 100 rank 1 Leaps. In Figure 3 on page 63, we have selected 50 of these, each with a different underlying stock. All are significantly underpriced, according to our model, with an average daily time decay (or Theta) of only \$0.64 per 100 share contract. This number is especially low when you consider that if you have a portfolio of Leaps, you can still leave a large portion of your capital in interest-bearing cash.

Performance of Leap Calls

In our September 22, 2003 report, we presented a list of 50 Leap calls, similar to the selection shown in Figure 3. Of these 50 Leap calls, 28 were profitable and 22 showed losses. Assuming that an investor bought one contract for each of these 50 recommendations, she/he would have made a profit of about 20.9%, versus gains of 13.4% for the S&P 500 and 11.9% for the NASDAQ 100. You can get a summary of these by emailing vloptions@valueline.com.

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the-money and more than 20% under priced, RESEARCH CENTER Value Line Option Screener To save a screen, just click on Save Screen As button. To open a saved screen, click **Browse...** to locate and select the saved screen, then click **Open** Browse... Open OR Save Screen As Screen Location: **Basic Information** Search Reset All Company/Index Stock Ticker(s) (Separate tickers by spaces) Preset Screens Industry ALL ADVERT Calls Only AIRTRANS Puts Only Longer-Term Options (LEAPS) ALCO-REV APPAREL Selected Options for Naked Call Buying \Box 1 \Box 2 \Box 3 \Box 4 \Box 5 Common (Stock) (1=Best) □3 □4 □5 Technical (Stock) (1=Best) Πз Naked Call Buyer's (1=Best) Naked Put Buyer's (1=Best) Naked Call Writer's (5=Best) □5 □4 □3 Naked Put Writer's (5=Best) □5 □4 □3 Covered Call Writer's (1=Best) \Box 1 \Box 2 \Box 3 \Box 1 \Box 2 \Box 3 Married Put Buyer's (1=Best) Additional Option Information Use drop-down menu: | <=== Please select a field name here ===> # Click to select a field name Minimum Value Maximum Value Remove All 0.25 % In- or Out-of-the-Money <== Remove 01/20/2006 2 Expiration Date <== Remove 3 Buyer's Under/Over Priced -0.2 <== Remove

Figure 1 - Screening for Leap Calls: Call Buyer's Rank 1, 25% or less in-

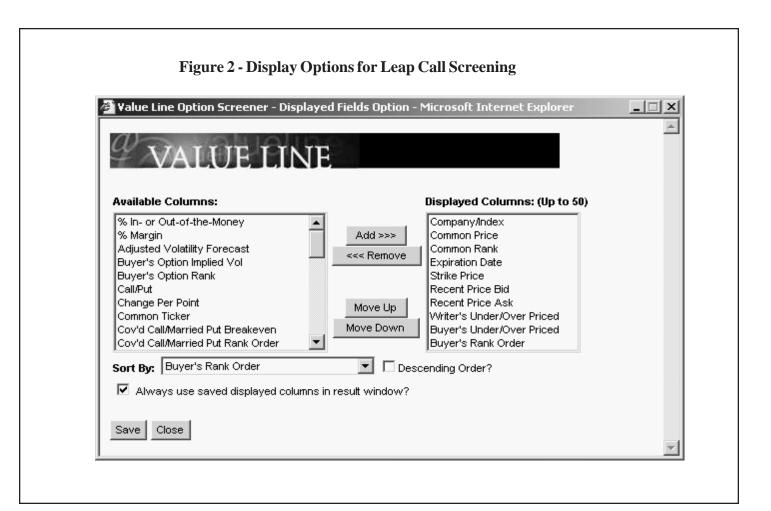


Figure 3 - Fifty Attractively Priced Leap Calls, Expiring January 21, 2006

	-						Estimated		,		Theta on
Option		Common		Common		Ask	Normal	Ask	Volatility	Under	100
Ticker	Company	Ticker	Industry	Price	Price	Price	Price		Forecast		Shares
YA AF	Agilent Technologies	Α	INSTRMNT	32.32	30.00	8.40	12.49	42%	69%		
WEW AI	Amazon.com	AMZN	INTERNET	46.08	45.00	10.90	20.47	41%	85%		
	AmeriTrade Holding	AMTD	INTERNET	15.76	15.00	4.40	7.25	48%	87%		
	Apollo Group `A'	APOL	EDUC	89.79	85.00	19.10	27.05	34%	52%		
WSZ AF	Barnes & Noble	BKS	RETAILSP	32.06	30.00	6.30	9.22	29%	48%	-38%	-0.38
YZU AK	Biogen Idec Inc.	BIIB	DRUG	56.78	55.00	13.50	21.52	41%	70%	-41%	-0.94
WUS AW	BMC Software	BMC	SOFTWARE	19.95	17.50	5.60	7.79	41%	65%	-36%	-0.30
WYO AJ	Celgene Corp.	CELG	DRUG	52.35	50.00	13.00	20.43	42%	71%	-41%	-0.87
WLD AX	Cendant Corp.	CD	DIVERSIF	24.71	22.50	5.10	8.68	29%	60%	-51%	-0.28
YZE AK	Cephalon Inc.	CEPH	DRUG	59.52	55.00	14.20	21.97	37%	64%	-42%	-0.88
YWH AX	Check Point Software	CHKP	SOFTWARE	22.75	22.50	5.30	9.78	41%	82%	-49%	-0.38
WOD AD	Coca-Cola Enterprises	CCE	BEVERAGE	24.40	20.00	5.70	7.77	25%	45%	-44%	-0.17
WDQ AZ	Dell Inc.	DELL	COMPUTER	34.56	32.50	6.70	10.55	29%	52%	-43%	-0.42
YDT AW	Deutsche Telekom	DT	TELEFGN	17.91	17.50	3.00	4.99	28%	50%	-44%	-0.21
YZK AV	E*Trade Fin'l	ET	INTERNET	13.19	12.50	3.70	6.13	48%	88%	-45%	-0.24
YEU AN	eBay Inc.	EBAY	INTERNET	73.94	70.00	15.80	30.37	34%	75%	-54%	-1.04
YBS AD	Edison Int'l	EIX	UTILWEST	24.32	20.00	5.10	8.59	16%	52%	-68%	-0.10
YKF AD	Emulex Corp.	ELX	COMPUTER	20.71	20.00	6.50	10.83	56%	103%	-45%	-0.44
WRY AF	Ericsson ADR	ERICY	TELEFGN	30.45	30.00	8.10	12.04	48%	75%	-35%	-0.58
WEY AC	ESS Technology Inc	ESST	SEMICOND	15.01	15.00	4.40	6.99	54%	91%	-40%	-0.30
YYZ AG	FLIR Systems	FLIR	ELECEQ	39.19	35.00	10.30	15.67	39%	69%	-43%	
YZT AB	Genentech Inc.	DNA	BIOTECH	110.20	110.00	21.70	33.28	35%	56%	-36%	-1.64
YUE AK	Getty Images	GYI	INFOSER	55.41	55.00	10.80	22.03	34%	76%	-54%	-0.78
WVL AN	Invitrogen Corp.	IVGN	BIOTECH	74.33	70.00	17.30	27.34	37%	66%		
YTJ AF	Jabil Circuit	JBL	ELECTRNX	30.43	30.00	7.00	11.70	41%	72%		
WBW AE	Juniper Networks	JNPR	TELEQUIP	26.94	25.00	8.10	13.26	50%	93%		
YTI AV	Knight Trading Group	NITE	FINANCL	13.16	12.50	3.90	6.09	51%	87%		
YZF AG	Laboratory Corp.	LH	MEDSERV	39.36	35.00	9.60	14.31	34%	60%		
YLA AR	Lexmark Int'l `A'	LXK	OFFICE	90.56	90.00	17.00	28.32	33%	58%		
	NBTY Inc.	NTY	RETAILSP	36.80	35.00	8.30	13.89	37%	68%		
YHF AD	Network Appliance	NTAP	COMPUTER		20.00	7.00	11.56	49%	96%		
YUN AI	New Century Financial	NCEN	FINANCL	49.89	45.00	11.60	19.65	33%	68%	-50%	-0.61
WFU AE	Nextel Communic. 'A'	NXTL	TELESERV	25.29	25.00	5.50	11.11	38%	84%		
YQP AK	Oxford Health Plans	OHP	MEDSERV	57.60	55.00	10.80	17.49	31%	55%		
WHZ AH	PacifiCare Health	PHS	MEDSERV	41.96	40.00	10.50	16.71	42%			
YML AW	PMC-Sierra	PMCS	SEMICOND	17.69	17.50	5.00	8.70	51%			
YCY AE	priceline.com	PCLN	INTERNET	26.73	25.00	8.50	15.55	54%	116%		
WVR AV	Providian Fin'l	PVN	FINANCL	13.27	12.50	3.30	5.37	41%	74%		
WLU AM	Qualcomm Inc.	QCOM	TELEQUIP	67.95	65.00	14.30	24.09	35%	65%		
YFK AP	Quest Diagnostics	DGX	MEDSERV	82.80	80.00	13.80	21.18	28%	46%		
WLJ AA	Research in Motion Ltd	RIMM	WIRELESS	107.56	105.00	32.00	51.32	53%	92%		
YSD AF	SanDisk Corp.	SNDK	COMPUTER		30.00	9.40	14.79	53%			
YUH AN	Schein (Henry)	HSIC	MEDSUPPL	75.53	70.00	14.60	29.09	28%	68%		
YAG AI	Symantec Corp.	SYMC	SOFTWARE		45.00	12.10	17.84	40%	65%		
WAN AC	Time Warner	TWX	ENTRTAIN	17.33	15.00	4.30	6.19	33%	57%		
		UNH	MEDSERV	66.52	65.00	11.20	19.17	28%			
WNF AQ	Univ. Phoenix Online	UOPX	EDUC	89.70	85.00	20.50	29.08	37%			
WZZ AH	Waters Corp.	WAT	INSTRMNT	40.74	40.00	7.70	12.39	32%	55%		
	Williams Cos.	WMB	GASDIVRS	10.02	10.00	2.30	3.79	42%			
WYH AI	Yahoo! Inc.	YHOO	INTERNET	48.60	45.00	12.90	20.61	43%			

Spring 2004 Options Seminar Schedule

Register by phone 1-800-654-0508 or go to www.valueline.com

We are pleased to announce our Spring 2004 Options Training Seminars. We designed these sessions to teach you how to use options as an investment tool and how to get the most out of *The Value Line Daily Options Survey*.

Morning Session (9:00 a.m. to 12:00 noon)

We start with an introduction to options and an overview of the options market. We then discuss the basic option strategies (Call & Put Buying, Call & Put Writing, Covered Call Writing and Married Put Buying) and we will review the recent performance of our option ranks. We will then show you how to get started with our new, interactive, online service. We will cover such topics as what to look for in an option and how to find options that suit your objectives.

Coffee & Tea Break (10:00 a.m.)

Lunch (12:00 Noon to 1:00 p.m.)

Afternoon Session (1:00 p.m. to 4:00 p.m.)

We will show you how to use our daily download files for advanced option queries. We will walk you through our templates for portfolio tracking, position evaluation and strategy allocations. We will show you how to build a market neutral portfolio, designed to make money in bearish as well as bullish markets. Finally, we will show you how to use option spreads to make optimum use of your capital with limited risk.

There is a registration fee of \$145 for the day, which includes a copy of the presentation. You must make hotel reservations directly with the hotel, phone numbers are provided below. In addition, lunch will be provided. As space is limited, pre-registration is required, and we cannot offer refunds. You may, however, designate someone to attend in your place. You must make hotel reservations directly with the hotel.

Locations:

Las Vegas, NV *Sunday, April 18, 2004 MGM Grand Hotel & Casino 3799 Las Vegas Blvd. South Las Vegas, NV 89109 702-891-7777 For hotel reservations, go to www.mgmgrand.com

White Plains, NY
Saturday, May 15, 2004
Crowne Plaza
66 Hale Avenue
White Plains, NY 10601
914-682-0050
For hotel reservations, go to
www.crowneplaza.com

^{*} The April 18 Seminar in Las Vegas and the May 2 Seminar in London will be given on a Sunday (the day after the Value Line Investment Survey seminars).

Market Review - Week Ending 04/06/04

Market Indexes Dow Jones Industrial	Close 10,570.81	% Change 1.82%	Volatility Indexes*	% Change
Nasdaq 100	1,493.58	3.34%	22.23	-4.10%
S&P 500	1,148.16	1.88%	15.32	-5.90%
GG I GG G	1,110.10	1.5570	10.02	0.0070
Performance Tables Common Ranks	% Change	Count	Percent	
Rank 1	3.17%		8.08%	
Rank 2	2.68%		20.17%	
Rank 3	2.68%		54.23%	
Rank 4	2.28%		13.09%	
Rank 5	2.66%		4.43%	
rain o	2.0070	1010	11.1070	
Call Buyer's Ranks				
Rank 1	23.05%		7.22%	
Rank 2	19.99%		17.26%	
Rank 3	17.12%	39321	75.52%	
Call Writer's Ranks				
Rank 5	-10.30%		8.41%	
Rank 4	-10.37%		17.40%	
Rank 3	-13.42%	25964	74.18%	
Covered Call Ranks				
Rank 1	0.70%	2923	8.35%	
Rank 2	-0.05%	6174	17.64%	
Rank 3	0.64%	16991	48.55%	
Rank 4	0.52%		17.16%	
Rank 5	0.70%	2906	8.30%	
Put Buying Ranks				
Rank 1	-9.04%	4639	8.89%	
Rank 2	-13.09%	9073	17.38%	
Rank 3	-12.06%	38496	73.74%	
Put Writer's Ranks				
Rank 5	7.51%	2875	7.75%	
Rank 4	8.01%	6198	16.71%	
Rank 3	11.54%	28019	75.54%	
Married Put Ranks				
Rank 1	0.94%	3767	7.22%	
Rank 2	0.79%		17.16%	
Rank 3	0.82%		47.14%	
Rank 4	0.92%		16.20%	
Rank 5	0.94%	6417	12.29%	

^{* -} VIX for the S&P 100 and VXN for the Nasdaq 100