



THE VALUE LINE

Daily Options Survey

On Line at the Opening Bell, Every Trading Day

Pages 1-2

The Weekly Option Strategist

January 19, 2004

Recent Option Rank Performance

In This Issue:

| | |
|----------------------------|-----|
| Strategist Report | 1-4 |
| Weekly Performance Summary | 5 |

For the past nine quarters (i.e. since 9/25/01), we have been publishing our weekly performance numbers on the back page of The Weekly Options Strategist. This week, we review how we compile these numbers and we analyze their compounded results.

Our Weekly Performance

On the back page of this week's report (and on the back page of every week's report), we show the Performance Tables of Value Line's common stock and option ranks.

The Common Ranks section shows the performance of stocks in the different underlying rank categories (Timeliness, if in [The Value Line Investment Survey](#), and Performance, if in the [Small and Mid-Cap Edition](#)). Note: these performance numbers are weighted by the number of options on each stock. Therefore, stocks like Intel, that have a large number of listed options, will have a heavier weight than some other stock that has relatively few listed options.

The Call Buyer's rank performance and the Put Buyer's rank performance are calculated from the average percentage change in premium over the past week (ended Tuesday, January 13th) for the options so ranked in the prior week. Thus, if the call had a rank of 1 on January 6th, we would calculate its performance as a rank 1 on January 13th regardless of whether the rank has changed. In making these calculations, we use the mid-point between the bid and the ask prices. However, since February 2003, the Buyer's ranks have been based on our model's evaluation of the day's closing ask prices. Therefore, the call and put buyers ranks are indicative of the prices at which investors can actually buy the options, even if the weekly performance numbers do not include the transaction cost of buying at the ask price and marking to market at the bid.

We calculate the Call and Put Writer's rank performance numbers from the average performance

of the naked writing rank's positions over the week. To make this calculation, we subtract the most recent premium from that of the prior week, and then divide this result by the per-share amount required to post margin of an uncovered write. (This margin calculation is the greater of: 20% of the underlying, minus the percent the option is out-of-the-money, or: 10% of the underlying.) Typically, if the average returns for option buyers are positive, then the average returns for option writers will be negative (and vice versa). In calculating the results for option writing, we again use the mid-point between the bid and the ask prices. However, the option writing ranks themselves are based on the closing bid prices for the options.

We calculate the Covered Call Writers rank performance by calculating the weekly change in the difference between the underlying stock and the mid-point (between bid and ask) of the call premium. However, the covered call ranks themselves are based on a combination of the common stock rank and the degree that the call's bid prices are overvalued.

Our Two-Year Results

In Figures 1 on page 2 and figure 2 on pages 3, we show the Naked Call and Put Buying performances on a yearly, quarterly, monthly and weekly basis. Note that we use Tuesday closing prices in our Weekly Performance calculations. Therefore, the dates shown are the Tuesdays closest to the month-end or quarter-end.

The first three columns of the Figures show the Buying results for ranks 1, 2 and 3. The next three columns show the Naked Writing Results for ranks 5, 4 and 3. The sixth column shows the changes on the benchmark S&P 500. Over the past nine quarters (i.e. since Q3, 2001), our rank 1 calls have shown a compounded gain of 1,466.1% while the rank 2

calls gained 3,978.4%. Most of the gains have occurred over the past three quarters. Our rank 5 naked call writes have shown a compounded loss of 65.7% over the past nine quarters. These losses are less than the losses for the rank 4 and 3 naked call writes.

Looking at the puts in figure 2, we see that the rank 1 puts have shown a compounded loss of 55.8% over the past nine quarters, while the rank 2 puts also showed a loss of 57.7%. The rank 3 puts, showed a compounded loss of 71.3%. The Put Writing results in Figure 2 are particularly satisfactory. Over the past nine quarters, writing naked puts has shown a compounded return of 1,894.7%, versus 209.7% for the rank 4 puts, and 140.3% for the rank 3 puts.

In Figure 3 on page 4, we show our Covered Call Writing results. Since the third quarter of 2001, our rank 1 covered calls have shown a compounded gain of 104.4%, while the rank 2 covered calls showed a gain 35.9%. These results are especially impressive when you consider that the S&P 500 was only up 7.6% over the same nine-month time period.



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Weekly Performance Files

In response to subscriber requests we now post a file of the weekly data, Ranksfile.Xls, which has the weekly performance going back to September 25, 2001. You will find this file in Re-

cent Additions to Our Archive. These weekly time series also contain our underlying common rank performance and the performance of our Married Puts.

Prepared by **Lawrence D. Cavanagh**
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Figure 1 - Naked Call Buying and Writing vs. S&P 500

| | Call Buyer's Ranks | | | Naked Call Writers Ranks | | | S&P 500 |
|------------------|--------------------|---------|--------|--------------------------|--------|--------|---------|
| | Rank 1 | Rank 2 | Rank 3 | Rank 5 | Rank 4 | Rank 3 | S&P 500 |
| Yearly | | | | | | | |
| 12/31/2002 | -76.6% | -54.0% | -72.9% | 174.6% | 124.9% | 156.4% | -23.5% |
| 12/30/2003 | 1783.1% | 1928.8% | 647.3% | -87.0% | -89.3% | -90.9% | 25.6% |
| Since Q3 01 | 1466.6% | 3978.4% | 718.1% | -65.7% | -85.0% | -87.6% | 7.6% |
| Quarterly | | | | | | | |
| 12/26/01 | 198.6% | 259.4% | 276.0% | -6.4% | -33.1% | -41.3% | 13.5% |
| 03/28/02 | -40.3% | -24.2% | -16.3% | 4.6% | 16.2% | 27.0% | -0.2% |
| 06/25/02 | -40.6% | -32.5% | -55.7% | 80.0% | 72.8% | 73.6% | -14.9% |
| 09/24/02 | -39.5% | -39.0% | -45.1% | 71.3% | 49.2% | 50.8% | -16.1% |
| 12/31/02 | 8.8% | 47.5% | 33.2% | -14.9% | -24.9% | -22.9% | 7.4% |
| 03/25/03 | -13.1% | -17.8% | -29.9% | 12.8% | 1.7% | -11.7% | -0.6% |
| 06/24/03 | 333.6% | 365.2% | 185.0% | -73.4% | -68.9% | -64.5% | 12.4% |
| 09/30/03 | 79.6% | 84.4% | 34.8% | -11.4% | -19.8% | -30.8% | -1.6% |
| 12/30/03 | 118.9% | 130.5% | 132.9% | -39.9% | -49.0% | -49.6% | 11.0% |
| Monthly | | | | | | | |
| 1/28/2003 | -22.1% | -17.4% | -18.8% | 23.9% | 14.4% | 8.2% | -2.4% |
| 2/25/2003 | -28.4% | -28.6% | -30.5% | 42.2% | 28.4% | 19.5% | -2.3% |
| 3/25/2003 | 55.9% | 39.4% | 24.2% | -36.0% | -30.7% | -31.8% | 4.3% |
| 4/29/2003 | 28.3% | 32.3% | 29.4% | -38.0% | -27.1% | -24.7% | 4.9% |
| 5/27/2003 | 109.1% | 103.7% | 60.7% | -40.5% | -43.1% | -39.9% | 3.7% |
| 6/24/2003 | 61.6% | 72.6% | 37.1% | -27.8% | -25.0% | -21.5% | 3.4% |
| 7/29/2003 | 72.3% | 56.3% | 32.0% | -7.6% | -19.7% | -23.8% | 0.6% |
| 8/26/2003 | 2.0% | 20.4% | 12.3% | -9.7% | -12.0% | -13.3% | 0.8% |
| 9/30/2003 | 30.0% | 22.3% | 8.4% | -13.4% | -6.6% | -12.5% | -0.1% |
| 10/27/2003 | 87.6% | 72.1% | 44.8% | -24.0% | -27.4% | -36.6% | 4.0% |
| 11/25/2003 | 15.5% | 14.1% | 21.4% | 12.6% | -9.7% | -8.4% | 1.3% |
| 12/30/2003 | 1.0% | 17.4% | 32.6% | -29.7% | -22.2% | -13.1% | 5.3% |
| Weekly | | | | | | | |
| 10/7/2003 | 53.7% | 49.3% | 35.2% | -21.2% | -26.6% | -33.1% | 3.6% |
| 10/14/2003 | 19.3% | 16.4% | 11.6% | -6.6% | -8.4% | -10.4% | 1.4% |
| 10/21/2003 | -7.5% | -7.2% | -6.7% | 6.9% | 7.1% | 6.8% | -0.3% |
| 10/27/2003 | 10.7% | 6.7% | 2.8% | -3.5% | 0.9% | -0.9% | -0.6% |
| 11/4/2003 | 12.8% | 16.1% | 12.0% | -3.3% | -8.1% | -8.2% | 0.6% |
| 11/11/2003 | -12.5% | -8.7% | 1.1% | 5.1% | 5.4% | 8.0% | 0.5% |
| 11/18/2003 | -5.1% | -9.6% | -3.4% | 4.3% | 6.3% | 7.9% | -1.2% |
| 11/25/2003 | 23.3% | 19.1% | 11.0% | 6.2% | -12.3% | -14.4% | 1.4% |
| 12/2/2003 | 15.3% | 12.2% | 11.1% | -7.4% | -8.1% | -8.9% | 1.2% |
| 12/9/2003 | -28.4% | -20.2% | -7.2% | 1.9% | 10.9% | 19.1% | -0.6% |
| 12/16/2003 | -6.1% | 0.1% | 2.8% | -2.2% | -3.3% | 1.0% | 1.4% |
| 12/23/2003 | 19.3% | 21.7% | 15.9% | -14.2% | -14.4% | -14.9% | 1.8% |
| 12/30/2003 | 9.2% | 7.6% | 8.0% | -11.3% | -7.7% | -6.8% | 1.4% |
| 1/6/2004 | 14.9% | 17.5% | 11.8% | -4.3% | -7.1% | -11.4% | 1.1% |
| 1/13/2004 | 7.5% | 11.9% | 8.5% | -2.6% | -5.6% | -5.4% | -0.6% |

Figure 2 - Naked Put Buying and Writing vs. S&P 500

| | Put Buyer's Ranks | | | Naked Put Writers Ranks | | | S&P 500 |
|------------------|-------------------|--------|--------|-------------------------|--------|--------|---------|
| | Rank 1 | Rank 2 | Rank 3 | Rank 5 | Rank 4 | Rank 3 | |
| Yearly | | | | | | | |
| 12/31/2002 | 350.9% | 472.7% | 367.0% | 53.1% | -66.5% | -82.3% | -23.5% |
| 12/30/2003 | -79.8% | -82.3% | -83.0% | 650.8% | 335.8% | 499.2% | 25.6% |
| Since Q3 01 | -55.8% | -57.7% | -71.3% | 1894.7% | 209.7% | 140.3% | 7.6% |
| Quarterly | | | | | | | |
| 12/26/01 | -52.9% | -58.8% | -67.0% | 72.2% | 100.1% | 119.0% | 13.5% |
| 03/28/02 | -37.3% | -17.4% | -19.9% | 9.9% | 8.1% | 6.4% | -0.2% |
| 06/25/02 | 196.4% | 188.8% | 190.3% | -26.4% | -45.2% | -58.1% | -14.9% |
| 09/24/02 | 191.5% | 215.8% | 220.3% | -34.4% | -64.4% | -72.7% | -16.1% |
| 12/31/02 | -16.7% | -24.0% | -37.3% | 188.6% | 58.8% | 45.4% | 7.4% |
| 03/25/03 | 6.6% | 4.6% | -10.7% | 36.2% | 16.7% | 7.3% | -0.6% |
| 06/24/03 | -55.5% | -61.2% | -63.2% | 144.5% | 104.5% | 152.6% | 12.4% |
| 09/30/03 | 18.0% | 21.7% | 12.5% | 21.2% | 3.0% | 7.4% | -1.6% |
| 12/30/03 | -57.9% | -57.9% | -47.0% | 70.7% | 56.5% | 77.8% | 11.0% |
| Monthly | | | | | | | |
| 1/28/2003 | 6.2% | 1.4% | -1.5% | 12.2% | 8.6% | 2.6% | -2.4% |
| 2/25/2003 | 13.7% | 7.0% | 1.6% | 9.9% | -3.0% | -12.2% | -2.3% |
| 3/25/2003 | -11.7% | -3.5% | -10.8% | 10.5% | 10.7% | 19.2% | 4.3% |
| 4/29/2003 | -28.0% | -35.4% | -40.7% | 53.9% | 49.1% | 55.8% | 4.9% |
| 5/27/2003 | -29.8% | -33.1% | -27.8% | 36.9% | 25.9% | 47.8% | 3.7% |
| 6/24/2003 | -11.9% | -10.3% | -14.1% | 16.0% | 8.9% | 9.7% | 3.4% |
| 7/29/2003 | 8.1% | 15.7% | 9.0% | 8.1% | 5.8% | 2.8% | 0.6% |
| 8/26/2003 | -12.5% | -13.9% | -10.9% | 13.5% | 7.6% | 13.6% | 0.8% |
| 9/30/2003 | 6.9% | 4.2% | 0.3% | 7.7% | 2.4% | 6.4% | -0.1% |
| 10/27/2003 | -24.3% | -31.4% | -33.2% | 31.8% | 29.9% | 33.9% | 4.0% |
| 11/25/2003 | -19.9% | -15.5% | -8.1% | 11.4% | 11.5% | 10.9% | 1.3% |
| 12/30/2003 | -30.5% | -27.3% | -13.6% | 16.3% | 8.0% | 19.7% | 5.3% |
| Weekly | | | | | | | |
| 10/7/2003 | 0.1% | -2.5% | -4.3% | 1.0% | 2.3% | 3.7% | 3.6% |
| 10/14/2003 | -18.1% | -19.3% | -21.6% | 8.3% | 12.2% | 18.1% | 1.4% |
| 10/21/2003 | -10.2% | -11.9% | -10.6% | 5.0% | 4.7% | 7.2% | -0.3% |
| 10/27/2003 | -5.8% | -3.7% | -6.9% | 5.2% | 5.4% | 2.7% | -0.6% |
| 11/4/2003 | -7.9% | -11.9% | -10.0% | 2.6% | 3.3% | 5.8% | 0.6% |
| 11/11/2003 | 1.8% | -0.5% | -2.6% | 2.0% | 2.8% | 1.0% | 0.5% |
| 11/18/2003 | -8.3% | -6.5% | -1.9% | 1.9% | 1.5% | 3.7% | -1.2% |
| 11/25/2003 | 6.0% | 0.7% | -4.0% | 1.2% | 1.9% | 0.9% | 1.4% |
| 12/2/2003 | -3.2% | -3.6% | -5.2% | 2.7% | 3.0% | 3.1% | 1.2% |
| 12/9/2003 | -6.5% | -2.9% | -3.0% | 3.5% | 2.6% | 2.7% | -0.6% |
| 12/16/2003 | -10.0% | -7.7% | -10.2% | 2.0% | 2.8% | 6.6% | 1.4% |
| 12/23/2003 | 13.4% | 8.7% | 9.1% | 0.3% | -2.4% | -4.2% | 1.8% |
| 12/30/2003 | 8.9% | 11.0% | 11.2% | 1.0% | -1.6% | -6.5% | 1.4% |
| 1/6/2004 | -3.0% | -2.5% | -3.4% | -2.1% | 0.3% | 4.1% | 1.1% |
| 1/13/2004 | 12.6% | 8.4% | 9.8% | -3.4% | -4.0% | -6.4% | -0.6% |

Figure 3 - Covered Call Writing Ranks vs. S&P 500

Covered Call Writers Ranks

| | Rank 1 | Rank 2 | Rank 3 | Rank 4 | Rank 5 | S&P 500 |
|------------------|--------|--------|--------|--------|--------|---------|
| Yearly | | | | | | |
| 12/31/2002 | -5.7% | -20.2% | -24.2% | -31.0% | -22.8% | -23.5% |
| 12/30/2003 | 51.6% | 25.2% | 23.8% | 18.8% | -15.0% | 25.6% |
| Since Q3 01 | 104.4% | 35.9% | 25.6% | 7.7% | -18.3% | 7.6% |
| Quarterly | | | | | | |
| 12/26/01 | 39.7% | 33.3% | 33.4% | 31.9% | 23.8% | 13.5% |
| 03/28/02 | 1.8% | -1.6% | -2.2% | -2.3% | 4.3% | -0.2% |
| 06/25/02 | -11.5% | -12.6% | -15.7% | -20.4% | -19.8% | -14.9% |
| 09/24/02 | -12.4% | -15.8% | -17.4% | -23.5% | -24.0% | -16.1% |
| 12/31/02 | 19.4% | 10.1% | 11.4% | 15.9% | 21.5% | 7.4% |
| 03/25/03 | 7.5% | 8.9% | 2.2% | -1.9% | -8.5% | -0.6% |
| 06/24/03 | 15.5% | -1.7% | 7.5% | 8.1% | -13.5% | 12.4% |
| 09/30/03 | 9.1% | 13.4% | 2.3% | 4.4% | 1.9% | -1.6% |
| 12/30/03 | 11.2% | 2.7% | 10.1% | 8.1% | 5.4% | 11.0% |
| Monthly | | | | | | |
| 1/28/2003 | 4.9% | 3.1% | 1.8% | 0.4% | -0.5% | -2.4% |
| 2/25/2003 | 4.7% | 2.1% | -1.7% | -3.0% | -4.4% | -2.3% |
| 3/25/2003 | -2.2% | 3.5% | 2.1% | 0.8% | -3.8% | 4.3% |
| 4/29/2003 | 11.0% | 1.0% | 3.9% | 2.7% | -8.1% | 4.9% |
| 5/27/2003 | 3.8% | -3.5% | 2.6% | 2.0% | -9.0% | 3.7% |
| 6/24/2003 | 0.2% | 0.8% | 0.8% | 3.2% | 3.4% | 3.4% |
| 7/29/2003 | 9.3% | 2.5% | 1.7% | 1.9% | 0.4% | 0.6% |
| 8/26/2003 | 4.6% | 6.8% | 0.6% | 0.3% | 1.6% | 0.8% |
| 9/30/2003 | -3.9% | 4.1% | 0.0% | 1.3% | -0.1% | -0.1% |
| 10/27/2003 | 3.7% | 0.5% | 8.0% | 3.2% | 1.1% | 4.0% |
| 11/25/2003 | 8.0% | -0.1% | 0.6% | 0.9% | 1.7% | 1.3% |
| 12/30/2003 | -0.7% | 2.3% | 1.4% | 3.9% | 2.5% | 5.3% |
| Weekly | | | | | | |
| 10/7/2003 | 0.8% | 3.1% | 3.5% | 3.3% | 2.3% | 3.6% |
| 10/14/2003 | 2.4% | 1.4% | 1.8% | 0.9% | -0.1% | 1.4% |
| 10/21/2003 | 0.2% | 6.2% | 7.2% | 8.4% | 8.6% | -0.3% |
| 10/27/2003 | 5.2% | 2.1% | 2.3% | 2.9% | 3.3% | -0.6% |
| 11/4/2003 | 3.2% | 1.5% | 1.5% | 1.4% | 0.7% | 0.6% |
| 11/11/2003 | 1.7% | 0.8% | 0.0% | -0.6% | -1.8% | 0.5% |
| 11/18/2003 | 8.7% | 6.9% | 7.3% | 7.1% | 6.5% | -1.2% |
| 11/25/2003 | 5.4% | 4.2% | 4.0% | 3.7% | 2.1% | 1.4% |
| 12/2/2003 | 2.4% | 1.3% | 0.0% | -1.4% | -1.5% | 1.2% |
| 12/9/2003 | -1.5% | -1.9% | -2.0% | -1.3% | -0.8% | -0.6% |
| 12/16/2003 | 1.5% | 0.7% | 0.8% | 0.7% | 1.3% | 1.4% |
| 12/23/2003 | 1.8% | 1.4% | 1.6% | 1.9% | 1.8% | 1.8% |
| 12/30/2003 | -2.5% | -2.2% | -2.3% | -2.5% | -2.5% | 1.4% |
| 1/6/2004 | -1.4% | -2.1% | -3.3% | -4.4% | -2.7% | 1.1% |
| 1/13/2004 | 0.8% | 0.7% | 1.2% | 0.4% | -0.2% | -0.6% |

Market Review - Week Ending 01/13/04

| Market Indexes | Close | % Change | Volatility Indexes* | % Change |
|-----------------------|--------------|-----------------|----------------------------|-----------------|
| Dow Jones Industrial | 10,427.18 | -1.06% | | |
| Nasdaq 100 | 1,524.78 | 1.34% | 23.05 | 3.78% |
| S&P 100 | 555.75 | -0.20% | 18.04 | 12.05% |
| S&P 500 | 1121.23 | -0.06% | | |

Performance Tables

| Common Ranks | % Change | Count | Percent |
|---------------------|-----------------|--------------|----------------|
| Rank 1 | 0.67% | 8855 | 8.93% |
| Rank 2 | 1.79% | 20509 | 20.69% |
| Rank 3 | 0.99% | 51749 | 52.21% |
| Rank 4 | 1.24% | 14372 | 14.50% |
| Rank 5 | 0.66% | 3641 | 3.67% |

Call Buyer's Ranks

| | | | |
|--------|--------|-------|--------|
| Rank 1 | 7.48% | 4164 | 8.46% |
| Rank 2 | 11.88% | 9005 | 18.30% |
| Rank 3 | 8.48% | 36041 | 73.24% |

Call Writer's Ranks

| | | | |
|--------|--------|-------|--------|
| Rank 5 | -2.59% | 1810 | 5.80% |
| Rank 4 | -5.58% | 4604 | 14.75% |
| Rank 3 | -5.38% | 24803 | 79.45% |

Covered Call Ranks

| | | | |
|--------|--------|-------|--------|
| Rank 1 | 1.15% | 2165 | 6.94% |
| Rank 2 | 0.48% | 5067 | 16.23% |
| Rank 3 | 0.00% | 14571 | 46.68% |
| Rank 4 | -0.03% | 6352 | 20.35% |
| Rank 5 | 0.01% | 3062 | 9.81% |

Put Buying Ranks

| | | | |
|--------|--------|-------|--------|
| Rank 1 | -2.56% | 5265 | 10.56% |
| Rank 2 | -3.51% | 9028 | 18.12% |
| Rank 3 | -1.51% | 35543 | 71.32% |

Put Writer's Ranks

| | | | |
|--------|--------|-------|--------|
| Rank 5 | -2.01% | 1932 | 5.80% |
| Rank 4 | 3.99% | 4958 | 14.89% |
| Rank 3 | 4.17% | 26415 | 79.31% |

Married Put Ranks

| | | | |
|--------|-------|-------|--------|
| Rank 1 | 0.46% | 4315 | 8.66% |
| Rank 2 | 0.47% | 9434 | 18.93% |
| Rank 3 | 0.50% | 21554 | 43.25% |
| Rank 4 | 0.53% | 7131 | 14.31% |
| Rank 5 | 0.56% | 7402 | 14.85% |

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