WEEKLY OPTIONS TRADING REPORT - ***Paul Forchione, CTA***

Paul offers option traders of all levels instructional webinars, seminars, books, CDs, and full service as a Commodity Trading Advisor and Commodity Broker. The current issue of the Weekly Options Trading Report begins on page 2.

Webinar - How I Use OptionVue

Sunday, January 24th, 2010 - 3:00 p.m. to 4:15 p.m. to PST *(EST - 6:00 p.m. to 7:15 p.m.)*

How I use OptionVue 6 --- I've been using OptionVue for 15 years (since 1994) and consider it to be my most indispensible tool for analyzing the options markets.

All serious options traders need to use a robust options software program to understand if the options they're looking at are under- or over-valued and to see the Graphic Analysis for any options trades they're contemplating. Even more importantly, a software program must give them the ability to test the margin impact of adjustment alternatives and to see the option Greeks for their spread positions.

Join me on Sunday, January 24, at 3:00 p.m. PT, and I'll demonstrate exactly how I use the OptionVue 6 software to find, analyze, and adjust option spread positions. I'll show you how I view Volatility Charts, input trades into Matrix, and make delta and vega adjustments to positions. **This webinar is a "must" for serious option traders!** **Sign Up Here!**

Paul's New e-book!

Tying Up The Loose Ends - Answers to Your Questions about Options

In this 112-page e-book, Paul gives you the unique opportunity to "eavesdrop" on the advice and answers he's given to options traders over the last 15 years. This is your chance to listen in on excerpts of dialogues between Paul and his options trading students and clients. Paul illustrates many of his answers and explanations with clear graphics (OptionVue screen shots), making it easier to zero in on the crucial information and ensure that you get that "trading edge." To learn more, click here.

Get the third and fourth CDs in Paul's Strategy Series

Delta Neutral Premium Buying Strategies and Selling Strategies

Does market volatility give you knots in your stomach? Are you confused by technical indicators and just plain tired of being on the wrong side of the market? If you answered "yes" to any of these questions, then you'll want to get Paul's latest CDs.

Paul teaches you how to use options spreads that benefit from market turbulence. Gone will be the days when you fret over the market . . . because the greater the volatility, the better. Of course, there are no free lunches, so he also teaches you how to balance negative time decay versus market movement and changes in implied volatility.

To Order Click Here.

WEEKLY OPTIONS TRADING REPORT *--- Wednesday, January 20, 2010*

Questions or Comments? Please call **800-926-0926 ext**. **254**

Each recommended position ---

(A) Is identified by type of position

Speculative Directional – options position designed to take advantage of a trend or seasonal expectation.

Speculative Implied Volatility – options position designed to take advantage of high or low implied volatility.

Speculative Statistical Volatility – options position designed to take advantage of high or low statistical volatility.

Systematic – options positions that generally begin delta neutral and which evolve over time as adjustments are made in response to moves in the underlying commodity and to changes in implied volatility.

(B) Has a trading plan

The trading plan for **Speculative** Positions will state when to close positions. The exit will be triggered when the underlying commodity moves to a specified level, when the position earns or loses a predetermined amount, or when a specific date has been reached.

The trading plan for **Systematic** Positions, on the other hand, will specify adjustment points. Adjustments will be made to reduce exposure to market direction, to changes in implied volatility, or to negative time decay. An adjustment may close some options and add new options in their place, or an adjustment may leave existing positions in place and add new options to them.

(C) Shows current Greeks and projected performance curves

The current Greeks show how a position will respond to rallies and declines (delta and gamma), to expanding and contracting implied volatility (vega), and to the passage of time (theta). OptionVue's Graphic Analysis shows projected results over a range of underlying prices and over the passage of time.

(D) Shows a Volatility Chart with a Price Chart superimposed

The Volatility Chart shows how implied and statistical volatility have fluctuated in the past and it shows their percentile ranking over the past 6 years. The Price Chart shows how the underlying commodity has behaved in the past. It's a chart for a continuous contract.

In this issue

Weekly Option Implied Volatility Survey --- Data through last week's close.

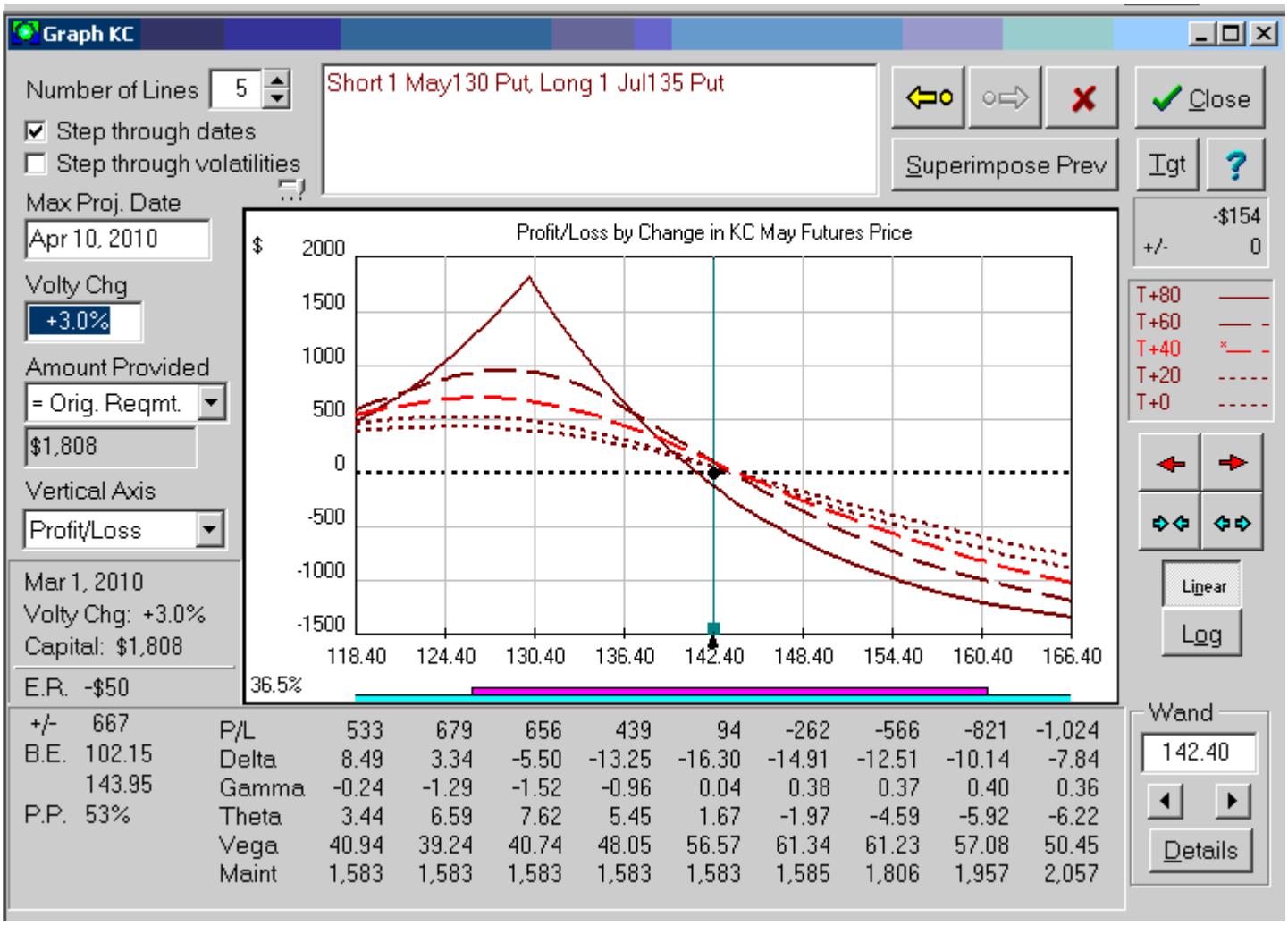
FUTURES AND OPTIONS TRADING CAN INVOLVE SUBSTANTIAL FINANCIAL RISK

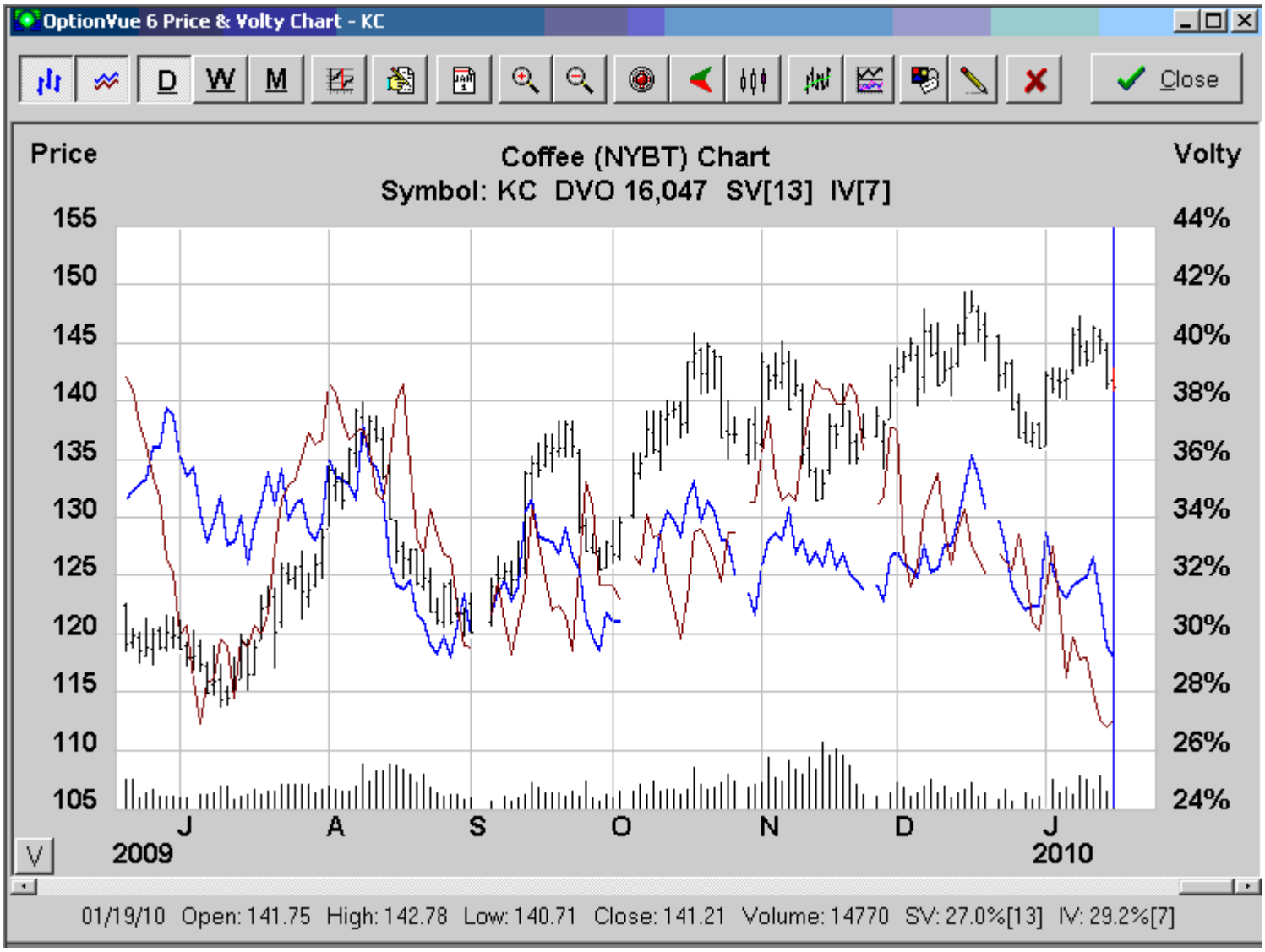
The weekly option implied volatility survey can be found on the last page

1. Coffee (KC) – May / Jul Diagonal Calendar Put spread

Position / Closing Price @ 1/19	Entry Cost	Time	Comments/ Trading Plan
Sell 1 May 130 put @ 285 **Buy 1 Jul 135 put @ 676** 1 point = $3.75 May KC @ 142.40 Jul KC @ 144.30 **Greeks:** Delta (11) Gamma (0.22) Theta +$1 Vega +$46 **Margin:** $ 1,808	Approx. 391 or less points debit $ 1,466.25	**May options expire on 4/9 in 79 days**	Coffee has been chopping in a sideways channel for months and it is beginning to breakdown from the upper level of the channel. In addition, implied volatility has been declining and a strengthening US Dollar should add downward pressure on Coffee. This diagonal calendar put spread is structured to benefit from a further drop in Coffee as well as from an increase in implied volatility. The Graphic Analysis for this spread assumes implied will increase by 3 pct pts. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 391 points with an objective of closing the spread when it widens to a debit of 597 points (206 points better). This objective could be potentially achievable in 40 days (by Mar 1) provided the May KC futures contract declines to about 130.40 (12.00 pts lower) and provided implied volatility rises 3 pct pts. Close the spread if the May KC contract rallies to 150.00 (7.60 pts higher). In any event, close the spread no later than Mar 1 in 40 days.

Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets ( ). Cost is not necessarily the margin required to hold the trade. The margin includes $60 / RT per option. Projected results are estimates. ACTUAL PROFITS MAY BE LESS AND ACTUAL LOSSES MAY BE MORE. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. TRADES ARE BASED ON THE PREVIOUS DAY'S SETTLEMENT PRICES. FUTURES MARKETS MOVE QUICKLY SO EVALUATE THE MARKET BEFORE ENTRY.

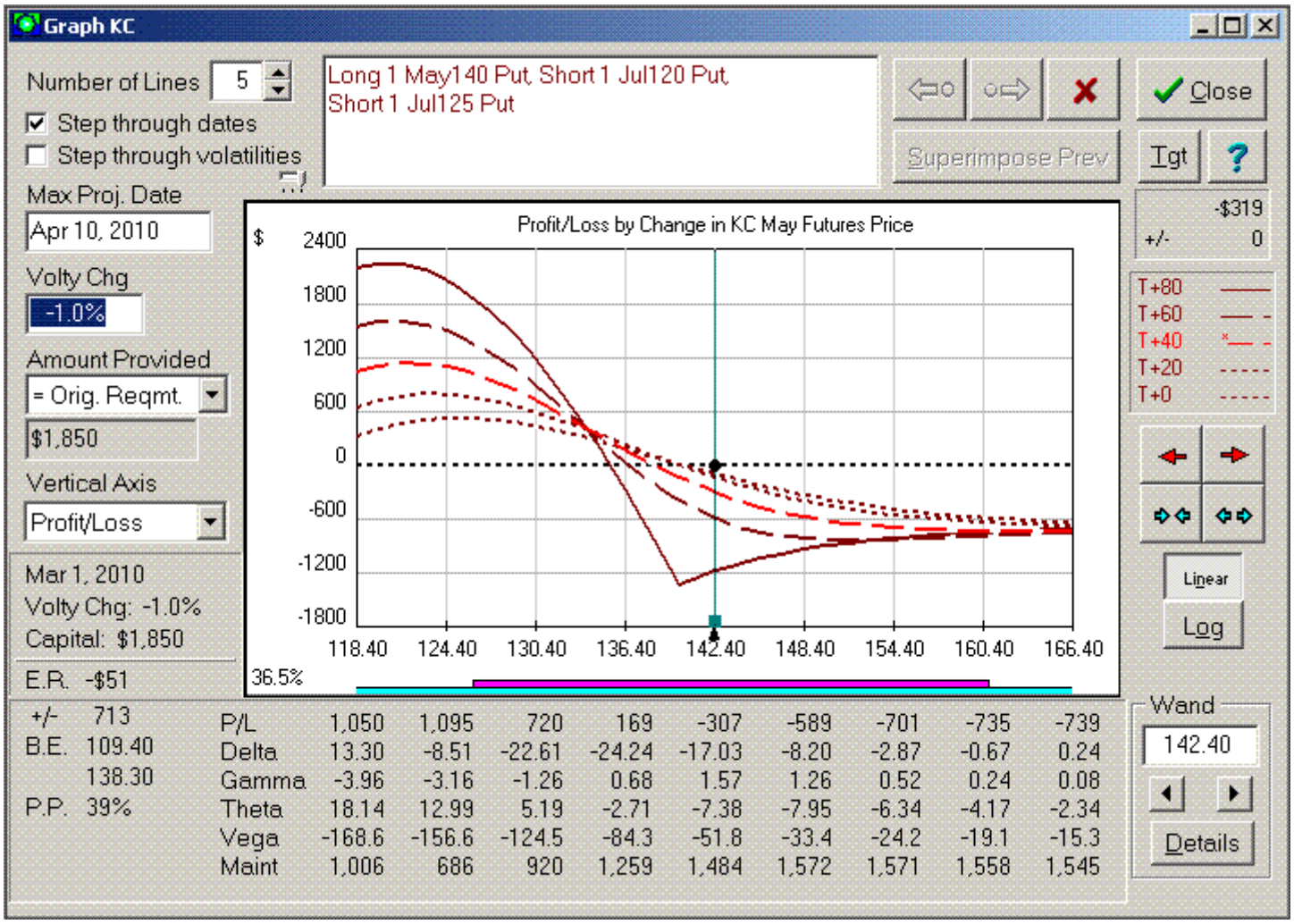




2. Coffee (KC) – May / Jul Calendar Put Tree spread

Position / Closing Price @ 1/19	Entry Cost	Time	Comments/ Trading Plan
Buy 1 May 140 put @ 689 **Sell 1 Jul 125 put @ 334** **Sell 1 Jul 120 put @ 218** 1 point = $3.75 May KC @ 142.40 Jul KC @ 144.30 **Greeks:** Delta (11) Gamma (0.13) Theta $(1) Vega $(75) **Margin:** $ 1,850	Approx 137 or less points debit $ 513.75	**May options expire on 4/9 in 79 days**	As compared to Position #1, this trade structure is different with respect to its assumption about implied volatility -- This Tree spread benefits if implied volatility declines while Position #1 assumes implied will increase. This highlights the need for each trader to decide what he expects implied volatility will do over the next 6 weeks and then select either Position #1 or this Position # 2. Implied for Coffee tends to decrease when Coffee declines; however, implied is very low now and a case can be made for it to rise over the next 6 weeks even if Coffee sells off. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 137 points with an objective of closing the spread when it widens to a debit of 375 points (238 points better). This objective could be potentially achievable in 40 days (by Mar 1) provided the May KC futures contract declines to about 130.40 (12.00 pts lower) and provided implied volatility declines 1 pct pt. Close the spread if the May KC contract rallies to 150.00 (7.60 pts higher). In any event, close the spread no later than Mar 1 in 40 days.

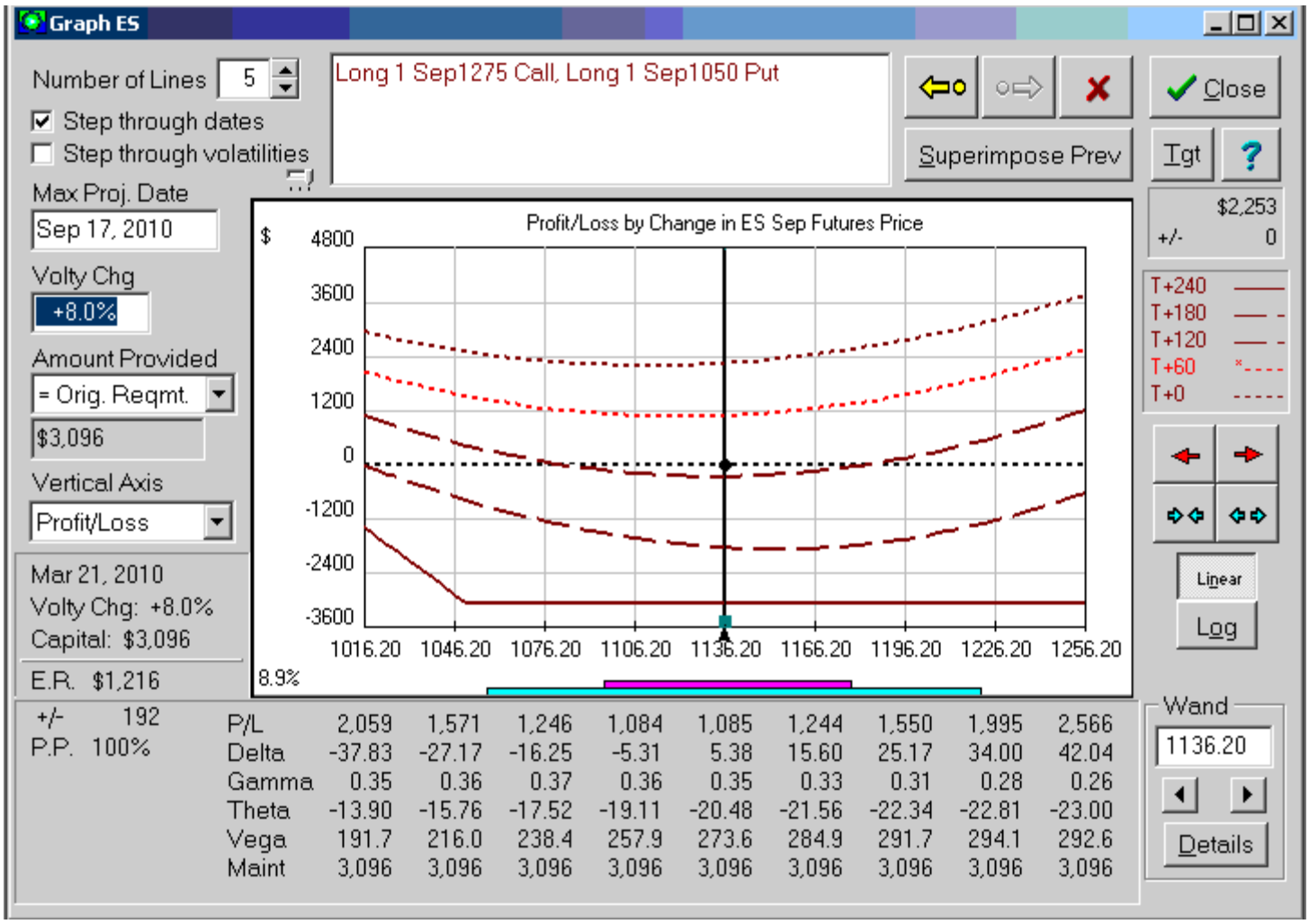
Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets ( ). Cost is not necessarily the margin required to hold the trade. The margin includes $60 / RT per option. Projected results are estimates. ACTUAL PROFITS MAY BE LESS AND ACTUAL LOSSES MAY BE MORE. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. TRADES ARE BASED ON THE PREVIOUS DAY'S SETTLEMENT PRICES. FUTURES MARKETS MOVE QUICKLY SO EVALUATE THE MARKET BEFORE ENTRY.

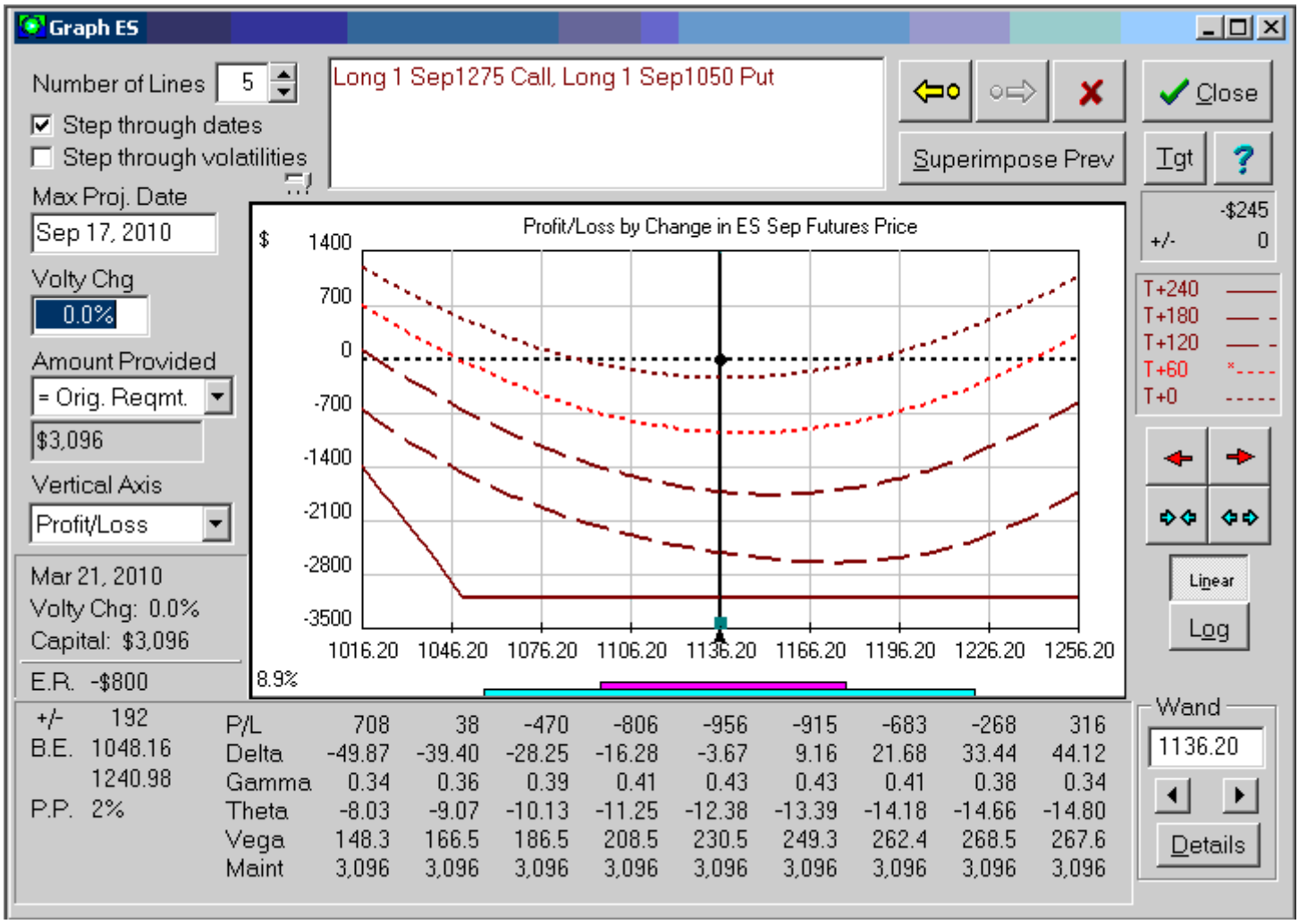


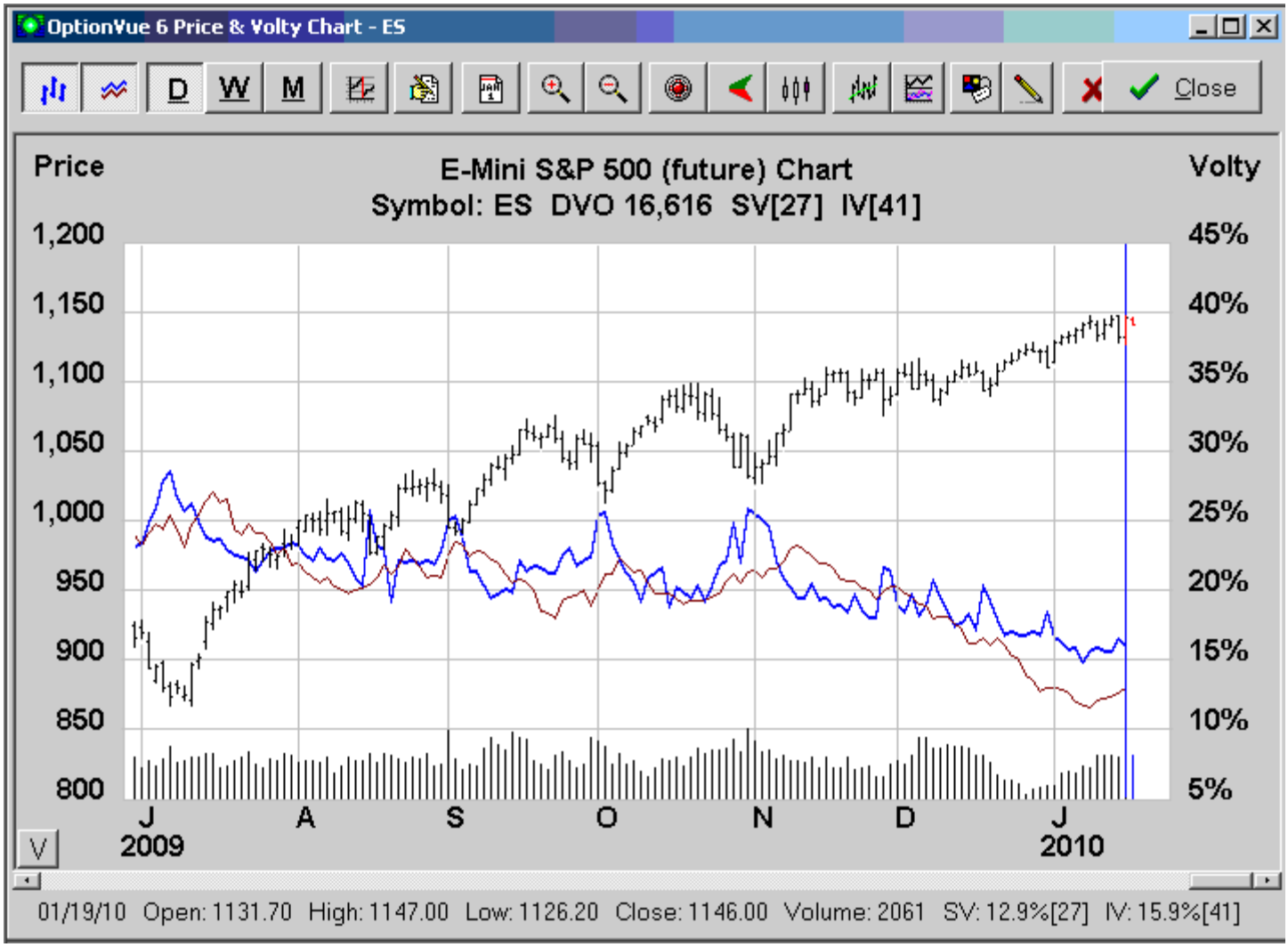
3. E-Mini S&P 500 (ES) – Sep Long Strangle

Position / Closing Price @ 1/19	Entry Cost	Time	Comments/ Trading Plan
Buy 1 Sep 1225 call @ 1790 **Buy 1 Sep 1050 put @ 4330** 1 point = $0.50 Sep ES @ 1136.20 **Greeks:** Delta (1) Gamma +0.4 Theta $(12) Vega +$290 **Margin:** $ 3,096	Approx 6190 or less points debit $ 3,095	**Sep options expire on 9/16 in 239 days**	Equities have been moving higher on light volume and on declining implied volatility. In fact, implied volatility has declined to one and a half year lows. This Sep long strangle is structured to benefit if implied volatility rises over the next couple of months. Negative time decay is minimal. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 6190 points with an objective of closing the spread when it widens to a debit of 8600 points (2410 points better). This objective could be potentially achievable in 60 days (by Mar 21) provided the Sep ES futures contract declines and implied volatility rises by 8 pct pts. This is shown on the Graphic Analysis immediately below. If the Sep ES contract rallies, implied volatility will likely not increase, so in 60 days the spread will lose a little money (as shown in the other, the second, Graphic Analysis below) In any event, close the spread no later than Mar 21 in 60 days.

Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets ( ). Cost is not necessarily the margin required to hold the trade. The margin includes $60 / RT per option. Projected results are estimates. ACTUAL PROFITS MAY BE LESS AND ACTUAL LOSSES MAY BE MORE. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. TRADES ARE BASED ON THE PREVIOUS DAY'S SETTLEMENT PRICES. FUTURES MARKETS MOVE QUICKLY SO EVALUATE THE MARKET BEFORE ENTRY.







WEEKLY OPTION IMPLIED VOLATILITY SURVEY ----- DATA through Jan 15, 2010

UNDERLYING MARKET	Symbol	Jan 15	Jan 8	Dec 31	Nov 27	Oct 30	Sep 25	(UP TO) 6YR I.V. RANGE	1.5-YEAR I.V. RANGE	6-YEAR % RANK	1.5 yr % RANK
Stocks, Int Rates											
S&P 500	SP	**15.8**	**16.0**	**17.2**	**18.9**	**23.3**	**21.7**	8.5 - 69.3	8.8 – 69.3	58	1
DOW JONES	DJ	**15.7**	**16.4**	**17.5**	**16.2**	**20.6**	**20.2**	8.3 – 66.5	8.3 – 66.5	59	1
EURODOLLAR	ED	**106.1**	**111.4**	**106.3**	**110.7**	**112.7**	**112.7**	7.7 - 168.7	7.7 – 168.7	94	77
TEN-YEAR Notes	TY	**6.5**	**6.8**	**7.0**	**6.2**	**7.7**	**7.6**	3.5 – 9.4	3.5 – 9.4	55	6
US 30-YR Bonds	US	**11.2**	**11.4**	**11.1**	**11.7**	**13.0**	**13.0**	5.2 - 21.7	5.2 - 21.7	71	17
CURRENCIES											
AUSTRALIAN $	AD	**12.5**	**13.0**	**13.0**	**14.5**	**16.0**	**14.1**	6.2 – 46.7	6.2 – 46.7	60	1
BRITISH POUND	BP	**10.5**	**12.1**	**11.2**	**11.7**	**13.1**	**11.4**	4.9 - 29.5	4.9 - 29.5	72	6
CANADIAN $	CD	**11.2**	**12.0**	**11.5**	**13.8**	**15.6**	**13.7**	5.8 - 26.9	5.8 – 26.9	68	4
EURO Currency	EC	**10.0**	**10.7**	**10.4**	**10.5**	**10.7**	**10.2**	4.7 - 28.7	4.7 - 28.7	62	5
JAPANESE YEN	JY	**12.3**	**13.3**	**13.4**	**11.6**	**13.4**	**13.3**	6.3 - 34.4	6.3 – 34.4	71	10
SWISS FRANC	SF	**10.1**	**10.4**	**10.4**	**11.0**	**11.4**	**10.6**	5.6 - 24.3	5.6 - 24.3	43	1
GRAINS											
CORN	C	**31.4**	**33.6**	**33.3**	**33.6**	**39.5**	**34.1**	15.6 - 50.2	25.3 – 50.2	51	1
WHEAT	W	**36.0**	**38.4**	**40.0**	**37.6**	**38.4**	**29.9**	20.1 – 61.1	29.1 - 61.1	65	15
SOYBEANS	S	**25.7**	**30.0**	**30.2**	**29.2**	**29.8**	**28.3**	16.4 - 50.0	20.0 - 50.0	40	1
SOYBEAN MEAL	SM	**25.3**	**26.9**	**26.0**	**29.2**	**30.4**	**30.0**	17.0 - 46.3	22.6 - 46.3	27	1
SOYBEAN OIL	BO	**24.4**	**25.5**	**24.8**	**28.4**	**29.8**	**26.1**	16.9 - 47.8	17.3 - 47.8	32	1
OATS	O	**27.7**	**29.5**	**29.4**	**29.6**	**40.3**	**33.2**	17.3 - 48.8	17.3 - 48.8	24	14
ROUGH RICE	RR/NR	**22.1**	**24.7**	**25.8**	**24.7**	**27.8**	**22.4**	12.7 - 47.0	12.7 - 47.0	35	6
FOODS, FIBER											
COFFEE	KC	**31.4**	**32.0**	**30.9**	**31.5**	**31.8**	**32.3**	23.2 - 62.5	23.2 - 62.5	23	10
COCOA	CO/CC	**37.3**	**38.5**	**37.9**	**38.5**	**43.2**	**40.2**	20.6 - 53.5	20.6 - 53.5	67	1
SUGAR	SB	**49.7**	**52.0**	**48.5**	**42.9**	**48.1**	**47.0**	18.6 - 52.0	18.6 – 52.0	98	93
ORANGE JUICE	OJ/JO	**40.6**	**52.3**	**47.2**	**39.1**	**43.0**	**53.1**	17.7- 55.8	18.7 – 55.8	82	42
COTTON	CT	**24.3**	**26.1**	**27.0**	**28.4**	**29.7**	**27.8**	16.4 - 47.2	16.4 – 47.2	29	1
LUMBER	LB	**29.9**	**28.8**	**29.5**	**29.4**	**28.6**	**34.8**	18.6 - 53.5	21.2 - 53.5	64	41
METALS											
COPPER	HG	**30.5**	**31.7**	**35.4**	**41.6**	**93.1**	**253.8**	17.1 – 349	25.1 – 349	46	3
GOLD	GC	**18.8**	**20.9**	**22.1**	**23.1**	**18.8**	**21.8**	10.8 - 48.7	18.7 – 48.7	48	1
SILVER	SI	**31.0**	**32.4**	**32.4**	**36.2**	**35.2**	**38.2**	16.9 - 75.2	19.0 – 75.2	32	1
ENERGY											
CRUDE OIL	CL	**31.3**	**31.9**	**33.0**	**37.4**	**40.6**	**45.9**	24.8 - 99.9	24.8 - 99.9	33	1
GASOLINE	RB	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	26.2 - 69.9	29.3 - 62.6	n/a	n/a
HEATING OIL	HO	**30.7**	**33.3**	**33.5**	**38.0**	**40.6**	**45.8**	25.9 - 73.6	25.9 - 73.6	24	1
NATURAL GAS	NG	**54.9**	**56.3**	**55.9**	**54.2**	**54.0**	**67.8**	30.0 - 98.1	33.6 – 91.4	50	19
MEATS											
LIVE CATTLE	LC	**14.2**	**14.9**	**14.6**	**12.6**	**14.6**	**13.2**	11.6 - 37.9	11.6 - 37.9	22	14
FEEDER CATTLE	FC	**12.0**	**12.0**	**12.0**	**13.0**	**12.6**	**12.6**	9.0 - 35.0	12.0 - 35.0	18	1
LEAN HOGS	LH	**23.2**	**25.2**	**25.7**	**24.3**	**26.1**	**39.9**	17.5 - 48.5	17.5 - 48.5	37	4

Data is from **OptionVue**, using weekly option I.V. averages. **To contact OptionVue, call (800-733-6610).**

OPTION MARKET COMMENTS - Evaluated using computer and subjective analysis. In general, when volatility is low, option purchases are attractive; when high, option-selling strategies are appropriate.
Implied option volatility, statistical market volatility, and liquidity are important considerations.

LOW option implied volatility Consider for option buying strategies (option purchases, ratio backspreads long straddles or long strangles, and calendar spreads)	**HIGH option implied volatility** Consider for option selling strategies (option sales, ratio spreads, and reverse calendar spreads)	**VOLATILITY NOTES** (Comments and observations).
SP, DJ, TY, AD, BP, CD, EC, JY, SF, C, S, SM, BO, RR, KC, CO, CT, HG, GC, SI, CL, HO, FC and LH	SB	Implied volatility is extremely low in most markets.

