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.

Trading Ratio Spreads and "Tree" Spreads

Sunday, Feb. 28, 2010, 3:00p.m. to 4:15p.m. PT (ET 6:00 p.m.- 7:15 p.m.)

Ratio Spreads consist of a long option along with two or more short further out-of-the-money options having the same strike price. "Tree" Spreads are a subset of Ratio Spreads. They consist of a long option with two or more short further out-of-the-money options having different strikes. They generate positive time decay, they can be delta neutral, delta long or delta short, and they benefit if implied volatility decreases. Ratio Spreads and "Tree" Spreads can be high probability strategies given the proper market environment.

In this webinar, Paul shows you what that market environment should be. He also shows you how to choose the strikes to use, evaluate the potential profits as compared to possible losses, analyze the Greeks (delta, gamma, theta, and vega), and determine in advance when to adjust and what type of adjustment to make.

The serious trader should learn these strategies and have them in his trading arsenal.
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, February 17, 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

Today's issue presents neutral, bullish and bearish positions using Gold options

1. **Gold (GC) – Jun Iron Butterfly – Speculative Statistical Volatility -- neutral**
2. **Gold (GC) – Jun Call Butterfly – Speculative Directional -- bullish**
3. **Gold (GC) – Jun Put Butterfly – Speculative Directional -- bearish**

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

FUTURES AND OPTIONS TRADING CAN INVOLVE SUBSTANTIAL FINANCIAL RISK

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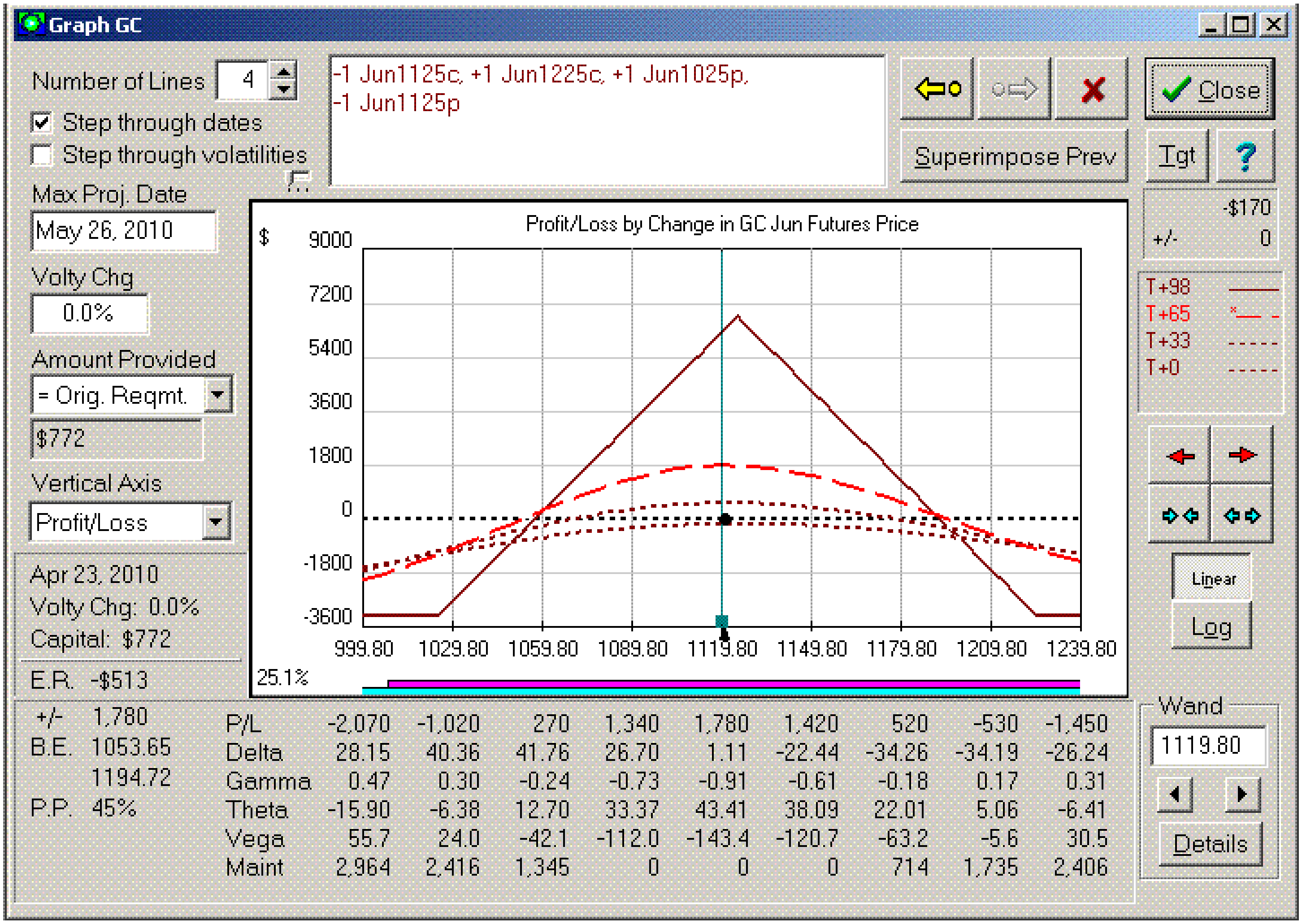
The weekly option implied volatility survey can be found on the last page

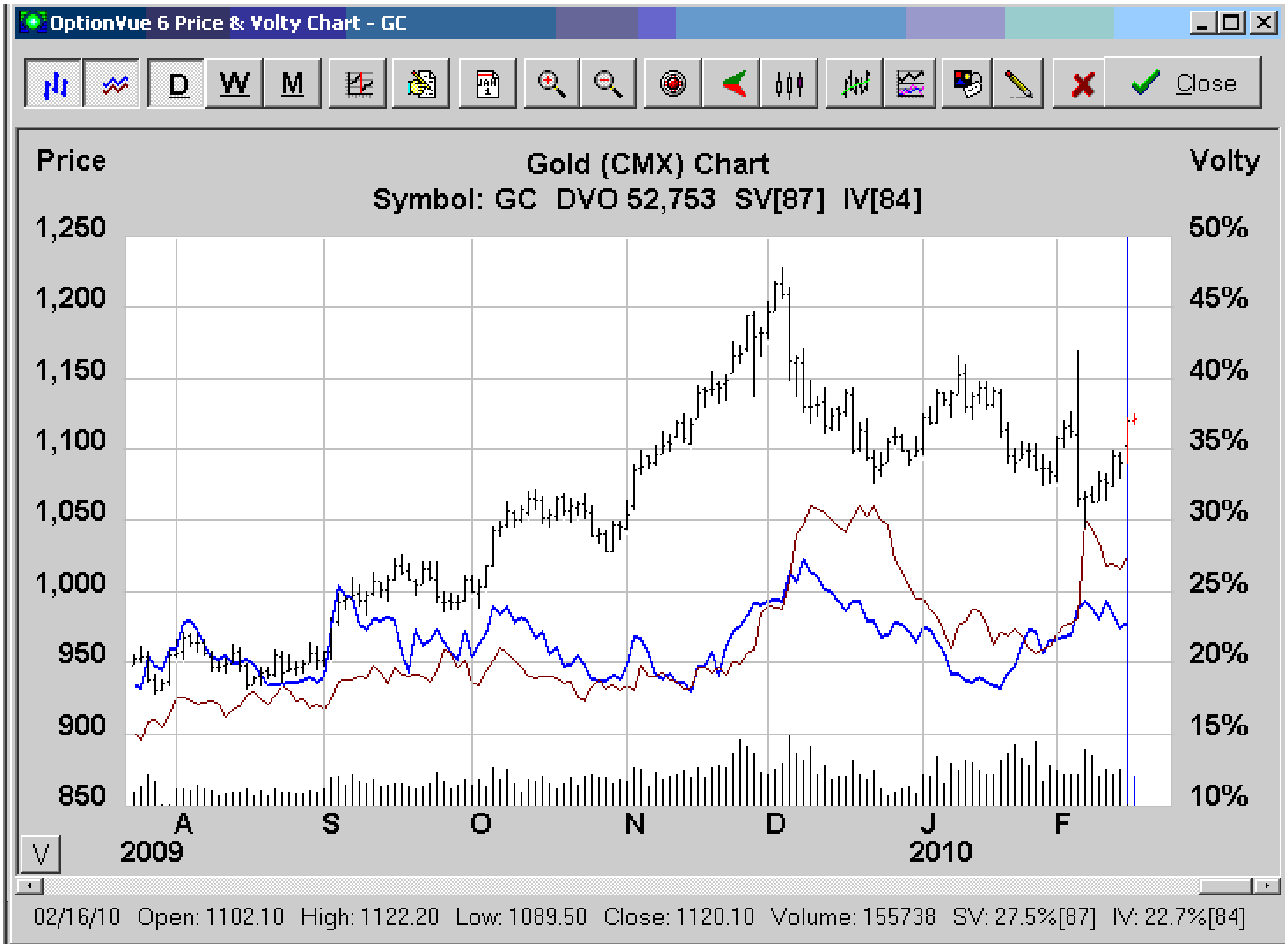
1. Gold (GC) – Jun Iron Butterfly

Position / Closing Price @ 2/16	Entry Cost	Time	Comments/ Trading Plan
Sell 1 Jun 1125 put @ 5750 **Sell 1 Jun 1125 call @ 5340** **Buy 1 Jun 1225 call @ 2210** **Buy 1 Jun 1025 put @ 1880** 1 pt = $1 Jun GC @ 1120.90 **Greeks:** Delta +1 Gamma (0.22) Theta +$11 Vega $(100) **Margin:** $ 772	Approx. 7000 or more points credit $ (7,000)	**Jun options expire on 5/25 in 97 days**	This Jun iron butterfly consists of a short Jun 1125 straddle along with a long Jun 1025 put / 1225 call strangle. It can also be considered as a Jun 1025 / 1125 bull put spread along with a Jun 1125 / 1225 bear call spread. This idea is to earn positive time decay over the next 2 months and to adjust if Jun Gold rallies or declines about 42.00 pts from its current level. The small vega factor shows that changes in implied volatility have little impact on how the spread performs. **Trading Plan/Suggested Risk:** Establish the spread for a credit of approximately 7000 points with an objective of closing the spread when it narrows to a credit of 5750 pts (1250 pts better). This objective could be potentially achievable in 65 days (by Apr 23) provided the Jun GC futures contract doesn't decline below 1079.00 (41.90 pts lower) and doesn't rally above 1165.50 (44.60 pts higher). If the Jun ES contract rallies 20.00 to 1149.80, then buy 1 Jun 1125 call (to close) and sell 1 Jun 1150 call (to open). If it continues to rally to 1170.00, then close all positions. If the Jun ES contract declines 30.00 to 1089.80, then buy 1 Jun 1125 put (to close) and sell 1 Jun 1100 put (to open). If it continues to decline to 1070.00, then close all positions. In any event, close the entire position no later than Apr 23 in 65 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.



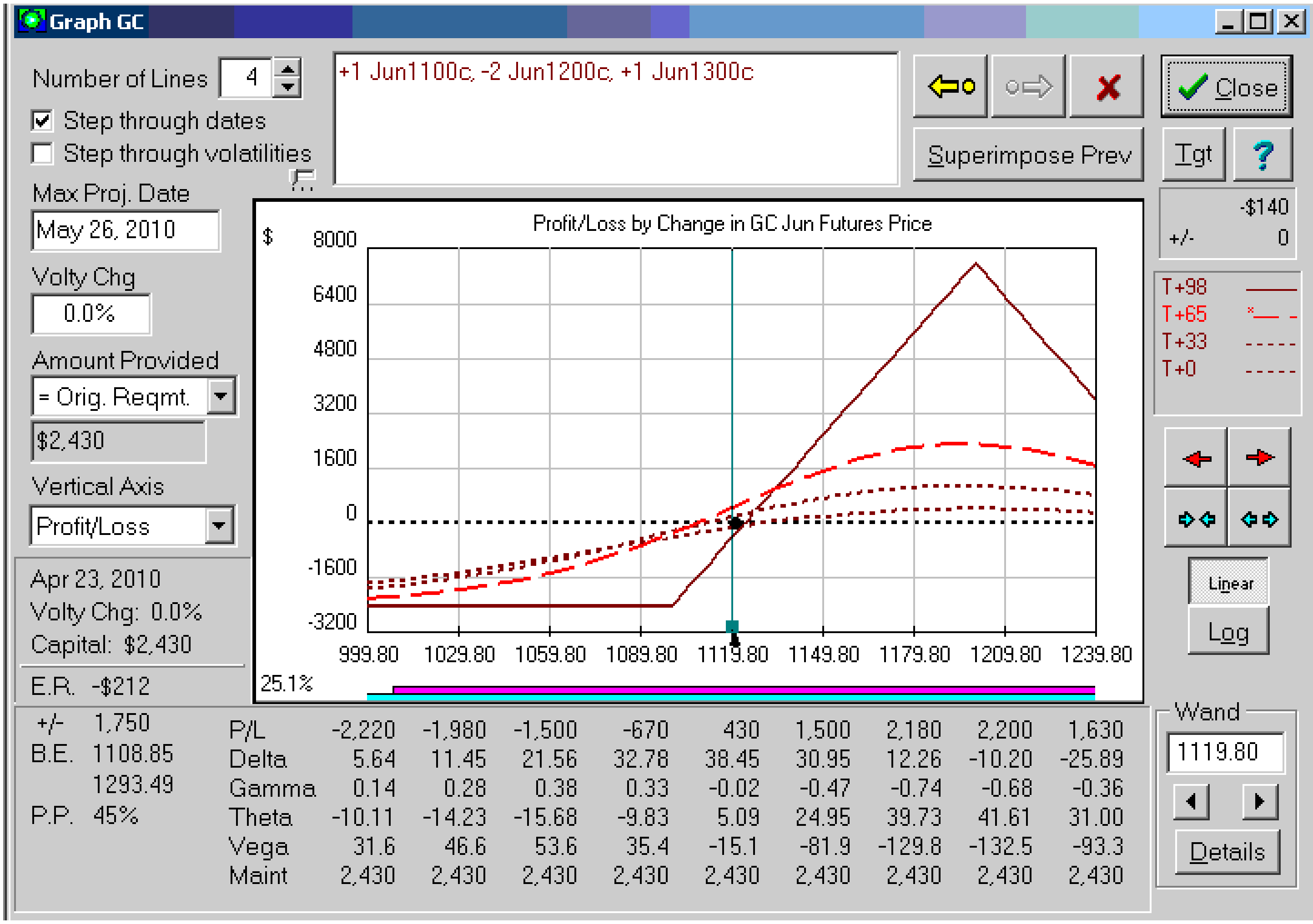
© 2010 All Rights Reserved THERE IS RISK OF LOSS IN ALL TRADING


OptionVue 6 Price & Volty Chart - GC
D
W
M
Close
Price
Gold (CMX) Chart
Symbol: GC DVO 52,753 SV[87] IV[84]
Volty
1,250
1,200
1,150
1,100
1,050
1,000
950
900
850
50%
45%
40%
35%
30%
25%
20%
15%
10%
A
S
O
N
D
J
F
2009
2010
V
02/16/10 Open: 1102.10 High: 1122.20 Low: 1089.50 Close: 1120.10 Volume: 155738 SV: 27.5%[87] IV: 22.7%[84]

2. Gold (GC) – Jun Call Butterfly

Position / Closing Price @ 2/16	Entry Cost	Time	Comments/ Trading Plan
Buy 1 Jun 1100 call @ 6590 **Sell 2 Jun 1200 calls @ 2770** **Buy 1 Jun 1300 call @ 1140** 1 point = $1 Jun GC @ 1120.90 **Greeks:** Delta +13 Gamma +0.12 Theta +$6 Vega $(49) **Margin:** $ 2,430	Approx 2190 or less points debit $ 2,190	**Jun options expire on 5/25 in 97 days**	Gold is being viewed as an alternative currency and it has rallied from a low at 1045.60 on Feb 5 to a high at 1122.8 on Feb 16. Traders expecting Gold will continue to rally over the next 2 months may want to consider this Jun call butterfly which consists of a Jun 1100 / 1200 bull call spread along with a Jun 1200 / 1300 bear call spread. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 2190 points with an objective of closing the spread when it widens to a debit of 3930 points (1740 points better). This objective could be potentially achievable in 65 days (by Apr 23) provided the Jun GC futures contract rallies at least 30.00 pts to 1149.80 but doesn't rally more than 120.00 pts to 1240.00. If the Jun GC contract declines 30.00 to 1089.80, then buy 1 Jun 1200 call (to close) and sell 1 Jun 1150 call (to open). If it continues to decline to 1069.80, then close the entire position. In any event, close the spread no later than Apr 23 in 65 days.

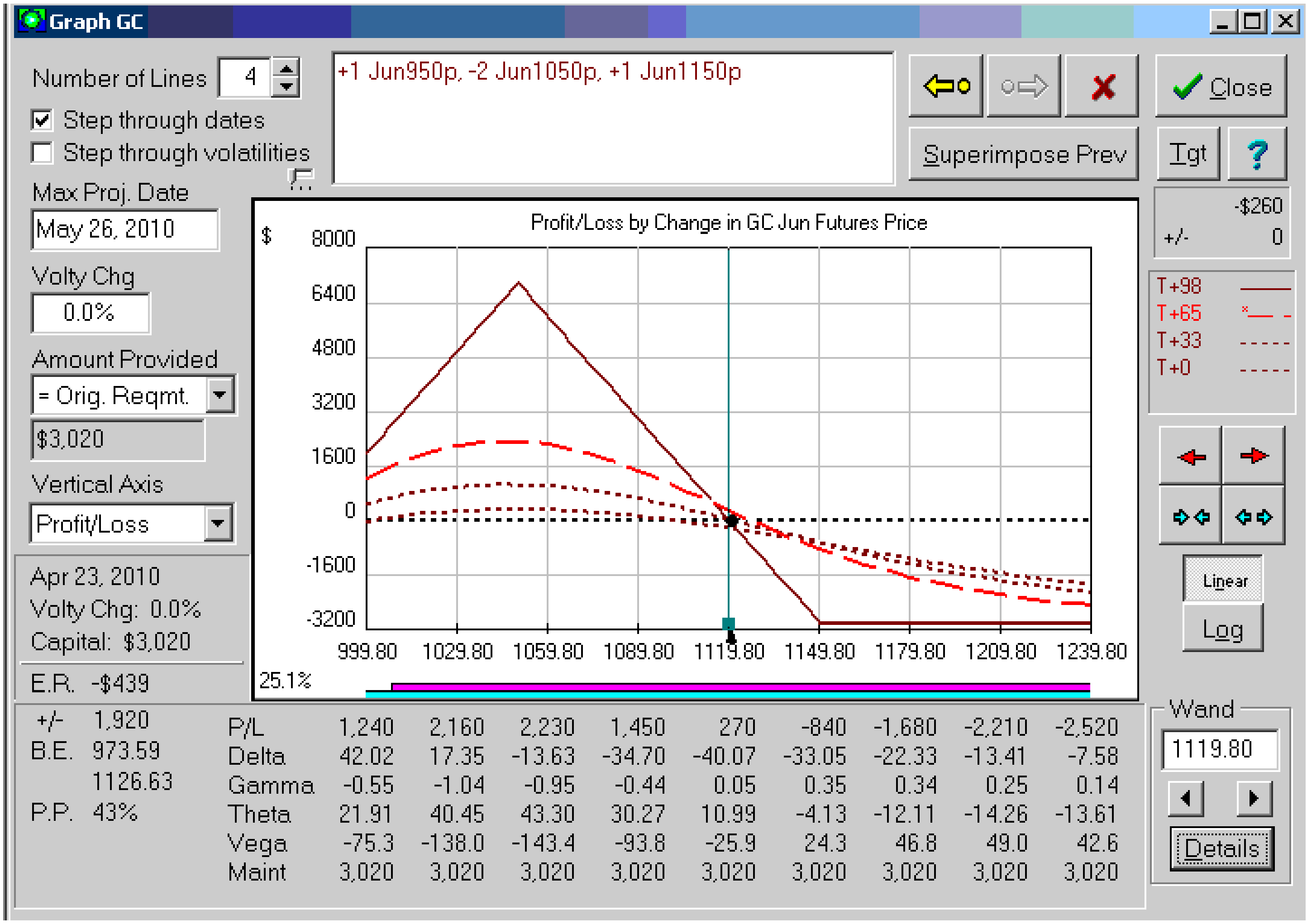
Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets ( ). Cost is not necessarily the margin required to hold the trade. The margin includes $60 / RT per option. Projected results are estimates. ACTUAL PROFITS MAY 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.


Graph GC
Number of Lines 4
Step through dates
Step through volatilities
+1 Jun1100c, -2 Jun1200c, +1 Jun1300c
Superimpose Prev
Close
Tgt
Max Proj. Date
May 26, 2010
Volty Chg
0.0%
Amount Provided
= Orig. Reqmt.
$2,430
Vertical Axis
Profit/Loss
Apr 23, 2010
Volty Chg: 0.0%
Capital: $2,430
E.R. -$212
+/- 1,750
B.E. 1108.85
1293.49
P.P. 45%
Profit/Loss by Change in GC Jun Futures Price
$
8000
6400
4800
3200
1600
0
-1600
-3200
999.80 1029.80 1059.80 1089.80 1119.80 1149.80 1179.80 1209.80 1239.80
25.1%
-$140
+/- 0
T+98
T+65
T+33
T+0
Linear
Log
Wand
1119.80
Details
P/L -2,220 -1,980 -1,500 -670 430 1,500 2,180 2,200 1,630
Delta 5.64 11.45 21.56 32.78 38.45 30.95 12.26 -10.20 -25.89
Gamma 0.14 0.28 0.38 0.33 -0.02 -0.47 -0.74 -0.68 -0.36
Theta -10.11 -14.23 -15.68 -9.83 5.09 24.95 39.73 41.61 31.00
Vega 31.6 46.6 53.6 35.4 -15.1 -81.9 -129.8 -132.5 -93.3
Maint 2,430 2,430 2,430 2,430 2,430 2,430 2,430 2,430 2,430

3. Gold (GC) – Jun Put Butterfly

Position / Closing Price @ 2/16	Entry Cost	Time	Comments/ Trading Plan
Buy 1 Jun 1150 put @ 7210 **Sell 2 Jun 1050 puts @ 2580** **Buy 1 Jun 950 put @ 730** 1 point = $1 Jun GC @ 1120.90 **Greeks:** Delta (14) Gamma (0.09) Theta +$7 Vega $(59) **Margin:** $ 3,020	Approx 2780 or less points debit $ 2,780	**Jun options expire on 5/25 in 97 days**	Jun Gold peaked at 1230.00 on Dec 3 last year and has declined to a low at 1045.60 on Feb 5 so traders that expect this downtrend to continue can consider this Jun put butterfly. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 2780 points with an objective of closing the spread when it widens to a debit of 4470 points (1690 points better). This objective could be potentially achievable in 65 days (by Apr 23) provided the Jun GC futures contract declines at least 30.00 pts to 1089.80 but doesn't decline more than 115.70 pts to 1005.20. If the Jun GC contract rallies 20.00 to 1139.80, then buy 1 Jun 1050 put (to close) and sell 1 Jun 1100 put (to open). If it continues to rally to 1159.80, then close the entire position. In any event, close the spread no later than Apr 23 in 65 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.


Graph GC
Number of Lines 4
Step through dates
Step through volatilities
+1 Jun950p, -2 Jun1050p, +1 Jun1150p
Close
Superimpose Prev
Tgt
Max Proj. Date
May 26, 2010
Volty Chg
0.0%
Amount Provided
= Orig. Reqmt.
$3,020
Vertical Axis
Profit/Loss
Apr 23, 2010
Volty Chg: 0.0%
Capital: $3,020
E.R. -$439
Profit/Loss by Change in GC Jun Futures Price
$
8000
6400
4800
3200
1600
0
-1600
-3200
999.80 1029.80 1059.80 1089.80 1119.80 1149.80 1179.80 1209.80 1239.80
25.1%
-$260
+/- 0
T+98
T+65
T+33
T+0
Linear
Log
Wand
1119.80
Details
+/- 1,920
B.E. 973.59
1126.63
P.P. 43%
P/L 1,240 2,160 2,230 1,450 270 -840 -1,680 -2,210 -2,520
Delta 42.02 17.35 -13.63 -34.70 -40.07 -33.05 -22.33 -13.41 -7.58
Gamma -0.55 -1.04 -0.95 -0.44 0.05 0.35 0.34 0.25 0.14
Theta 21.91 40.45 43.30 30.27 10.99 -4.13 -12.11 -14.26 -13.61
Vega -75.3 -138.0 -143.4 -93.8 -25.9 24.3 46.8 49.0 42.6
Maint 3,020 3,020 3,020 3,020 3,020 3,020 3,020 3,020 3,020

WEEKLY OPTION IMPLIED VOLATILITY SURVEY ----- DATA through Feb 12, 2010

UNDERLYING MARKET	Symbol	Feb 12	Feb 5	Jan 29	Dec 31	Nov 27	Oct 30	(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	**21.4**	**20.9**	**21.4**	**17.2**	**18.9**	**23.3**	8.5 - 69.3	8.8 – 69.3	73	28
DOW JONES	DJ	**15.7**	**15.7**	**15.7**	**17.5**	**16.2**	**20.6**	8.3 – 66.5	8.3 – 66.5	59	1
EURODOLLAR	ED	**106.0**	**103.4**	**107.0**	**106.3**	**110.7**	**112.7**	7.7 - 168.7	7.7 – 168.7	93	73
TEN-YEAR Notes	TY	**6.1**	**6.1**	**6.1**	**7.0**	**6.2**	**7.7**	3.5 – 9.4	3.5 – 9.4	50	1
US 30-YR Bonds	US	**10.9**	**10.7**	**10.7**	**11.1**	**11.7**	**13.0**	5.2 - 21.7	5.2 - 21.7	69	12
CURRENCIES											
AUSTRALIAN $	AD	**14.0**	**14.9**	**14.0**	**13.0**	**14.5**	**16.0**	6.2 – 46.7	6.2 – 46.7	72	10
BRITISH POUND	BP	**12.0**	**11.3**	**10.7**	**11.2**	**11.7**	**13.1**	4.9 - 29.5	4.9 - 29.5	81	23
CANADIAN $	CD	**11.4**	**11.7**	**11.9**	**11.5**	**13.8**	**15.6**	5.8 - 26.9	5.8 – 26.9	68	6
EURO Currency	EC	**11.8**	**11.1**	**10.9**	**10.4**	**10.5**	**10.7**	4.7 - 28.7	4.7 - 28.7	83	40
JAPANESE YEN	JY	**12.3**	**12.9**	**13.1**	**13.4**	**11.6**	**13.4**	6.3 - 34.4	6.3 – 34.4	70	9
SWISS FRANC	SF	**11.1**	**10.5**	**10.5**	**10.4**	**11.0**	**11.4**	5.6 - 24.3	5.6 - 24.3	64	22
GRAINS											
CORN	C	**26.7**	**27.0**	**28.4**	**33.3**	**33.6**	**39.5**	15.6 - 50.2	25.3 – 50.2	30	1
WHEAT	W	**35.2**	**32.5**	**31.8**	**40.0**	**37.6**	**38.4**	20.1 – 61.1	29.1 - 61.1	62	18
SOYBEANS	S	**23.5**	**25.3**	**24.4**	**30.2**	**29.2**	**29.8**	16.4 - 50.0	20.0 - 50.0	23	1
SOYBEAN MEAL	SM	**23.5**	**23.5**	**23.1**	**26.0**	**29.2**	**30.4**	17.0 - 46.3	22.6 - 46.3	16	1
SOYBEAN OIL	BO	**21.9**	**23.6**	**23.1**	**24.8**	**28.4**	**29.8**	16.9 - 47.8	17.3 - 47.8	14	1
OATS	O	**27.7**	**27.7**	**27.7**	**29.4**	**29.6**	**40.3**	17.3 - 48.8	17.3 - 48.8	24	14
ROUGH RICE	RR/NR	**22.1**	**22.1**	**22.1**	**25.8**	**24.7**	**27.8**	12.7 - 47.0	12.7 - 47.0	35	6
FOODS, FIBER											
COFFEE	KC	**30.1**	**28.1**	**28.2**	**30.9**	**31.5**	**31.8**	23.2 - 62.5	23.2 - 62.5	18	7
COCOA	CO/CC	**34.1**	**32.9**	**34.3**	**37.9**	**38.5**	**43.2**	20.6 - 53.5	20.6 - 53.5	54	2
SUGAR	SB	**44.7**	**46.1**	**49.7**	**48.5**	**42.9**	**48.1**	18.6 - 52.0	18.6 – 52.0	90	58
ORANGE JUICE	OJ/JO	**34.9**	**38.0**	**39.8**	**47.2**	**39.1**	**43.0**	17.7- 55.8	18.7 – 55.8	63	16
COTTON	CT	**28.4**	**30.9**	**28.8**	**27.0**	**28.4**	**29.7**	16.4 - 47.2	16.4 – 47.2	53	17
LUMBER	LB	**29.9**	**29.9**	**29.9**	**29.5**	**29.4**	**28.6**	18.6 - 53.5	21.2 - 53.5	64	41
METALS											
COPPER	HG	**34.4**	**35.5**	**32.0**	**35.4**	**41.6**	**93.1**	17.1 – 349	25.1 – 349	58	12
GOLD	GC	**23.3**	**22.8**	**21.6**	**22.1**	**23.1**	**18.8**	10.8 - 48.7	18.7 – 48.7	73	41
SILVER	SI	**32.6**	**33.3**	**32.1**	**32.4**	**36.2**	**35.2**	16.9 - 75.2	19.0 – 75.2	43	6
ENERGY											
CRUDE OIL	CL	**34.1**	**32.8**	**32.9**	**33.0**	**37.4**	**40.6**	24.8 - 99.9	24.8 - 99.9	44	8
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	**34.3**	**33.8**	**32.8**	**33.5**	**38.0**	**40.6**	25.9 - 73.6	25.9 - 73.6	41	8
NATURAL GAS	NG	**43.6**	**45.3**	**47.3**	**55.9**	**54.2**	**54.0**	30.0 - 98.1	33.6 – 91.4	33	1
MEATS											
LIVE CATTLE	LC	**13.9**	**15.1**	**15.9**	**14.6**	**12.6**	**14.6**	11.6 - 37.9	11.6 - 37.9	18	9
FEEDER CATTLE	FC	**11.7**	**11.9**	**12.4**	**12.0**	**13.0**	**12.6**	9.0 - 35.0	11.9 - 35.0	16	1
LEAN HOGS	LH	**23.6**	**23.4**	**23.0**	**25.7**	**24.3**	**26.1**	17.5 - 48.5	17.5 - 48.5	45	10

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).
DJ, TY, AD, CD, JY, C, S, SM, BO, RR, KC, CO, SI, CL, HO, NG, LC, FC and LH	NONE	Implied volatility is extremely low in most markets.