

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, April 25, 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 --- Tuesday, February 23, 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

1. **Corn (C) – May / Jul Diagonal Calendar Put spread – Speculative Directional -- bullish**
2. **Soybeans (S) – May / Jul Diagonal Calendar Put spread – Speculative Directional -- bullish**
3. **Soybeans (S) – May / Jul Diagonal Calendar Call spread – Speculative Directional -- bullish**

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

FUTURES AND OPTIONS TRADING CAN INVOLVE SUBSTANTIAL FINANCIAL RISK

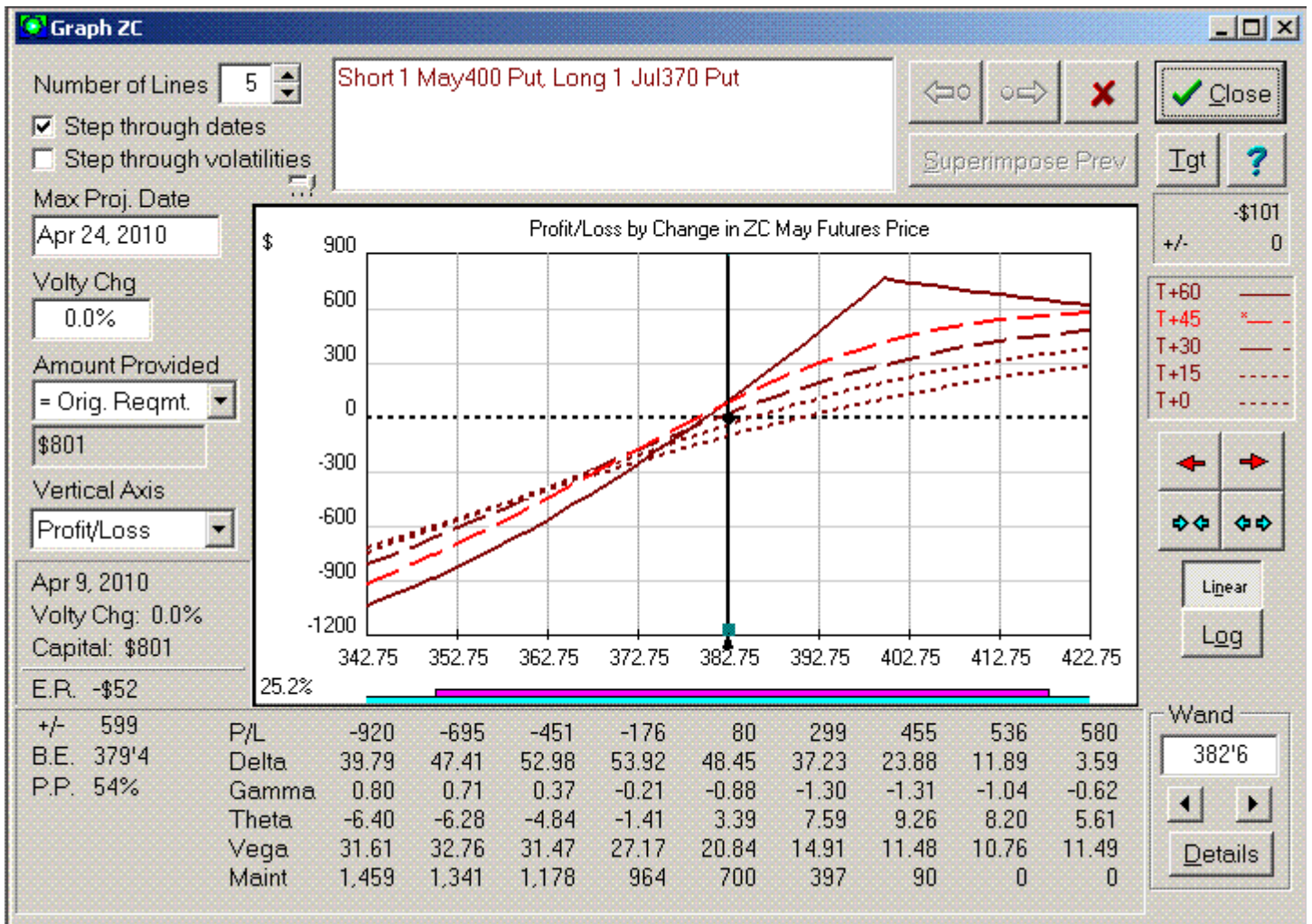
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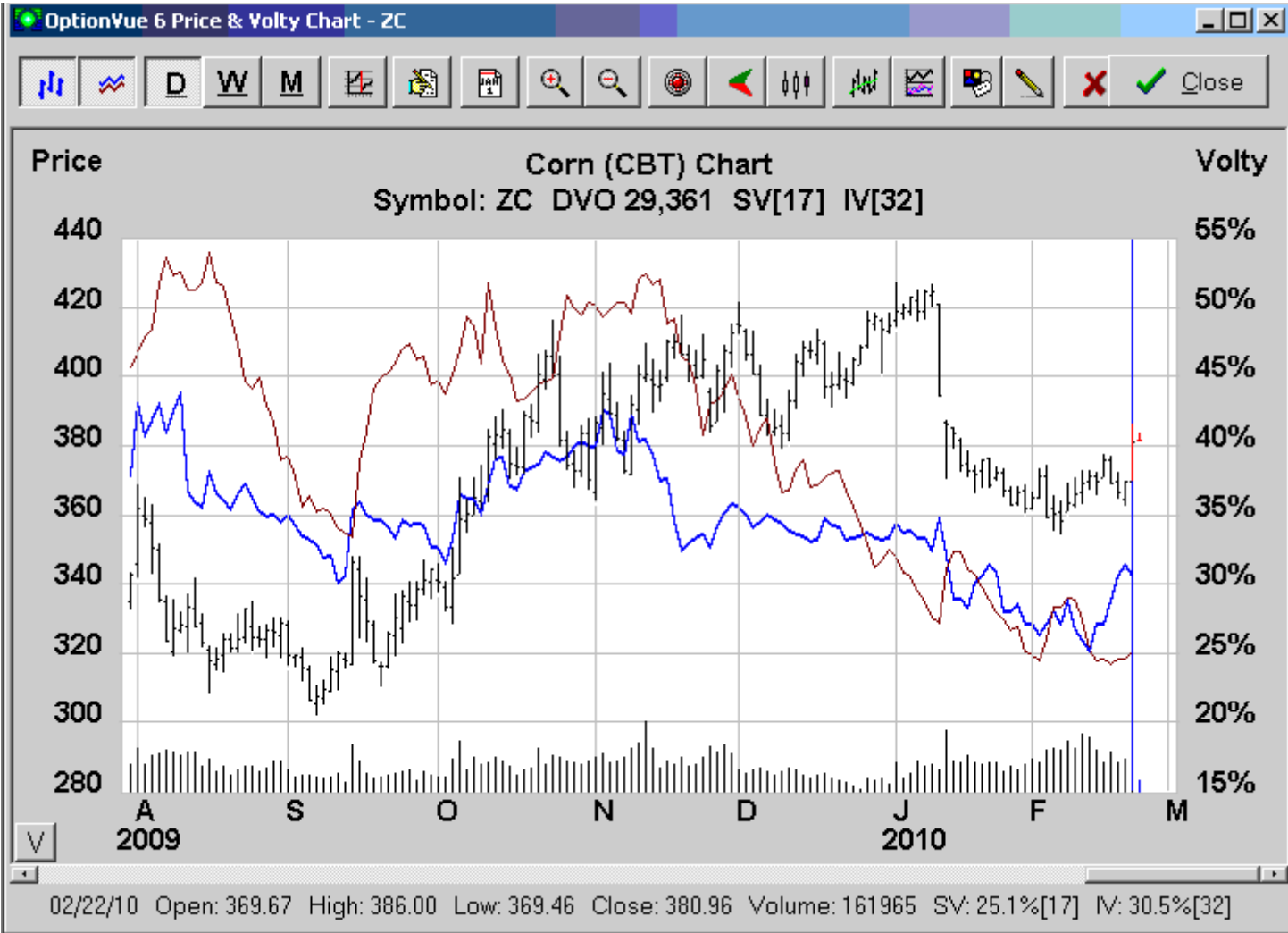
The weekly option implied volatility survey can be found on the last page

1. Corn (C) – May / Jul Diagonal Calendar Put spread

Position / Closing Price @ 2/22	Entry Cost	Time	Comments/ Trading Plan
<p>Sell 1 May 400 put @ 29 Buy 1 Jul 370 put @ 18</p> <p>1 cent = \$0.50</p> <p>May C @ 382 3/4 Jul C @ 393 3/4</p> <p>Greeks: Delta +27 Gamma (0.34) Theta +\$2 Vega +\$12</p> <p>Margin: \$ 801</p>	<p>Approx. 11 or more cents credit</p> <p>\$ (550)</p>	<p>May options expire on 4/23 in 97 days</p>	<p>May Corn broke to the downside from 433 on Jan 12 and bottomed at 359 on Feb 5. It has subsequently rallied to a high at 387 3/4 yesterday.</p> <p>This diagonal calendar put spread consists of a short May 400 put that's hedged by a long Jul 370 put.</p> <p>This spread begins about 27 deltas long and also earns positive time decay as Corn moves higher.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a credit of approximately 11 cents with an objective of closing the spread when it narrows to a debit of 1/2 cent (11 1/2 cents better).</p> <p>This objective could be potentially achievable in 45 days (by Apr 9) provided the May C futures contract rallies at least 20 cents to 402 3/4.</p> <p>If the May Corn contract declines 15 cents to 367 3/4, then close the spread.</p> <p>In any event, close the spread no later than Apr 9 in 45 days.</p>

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.**

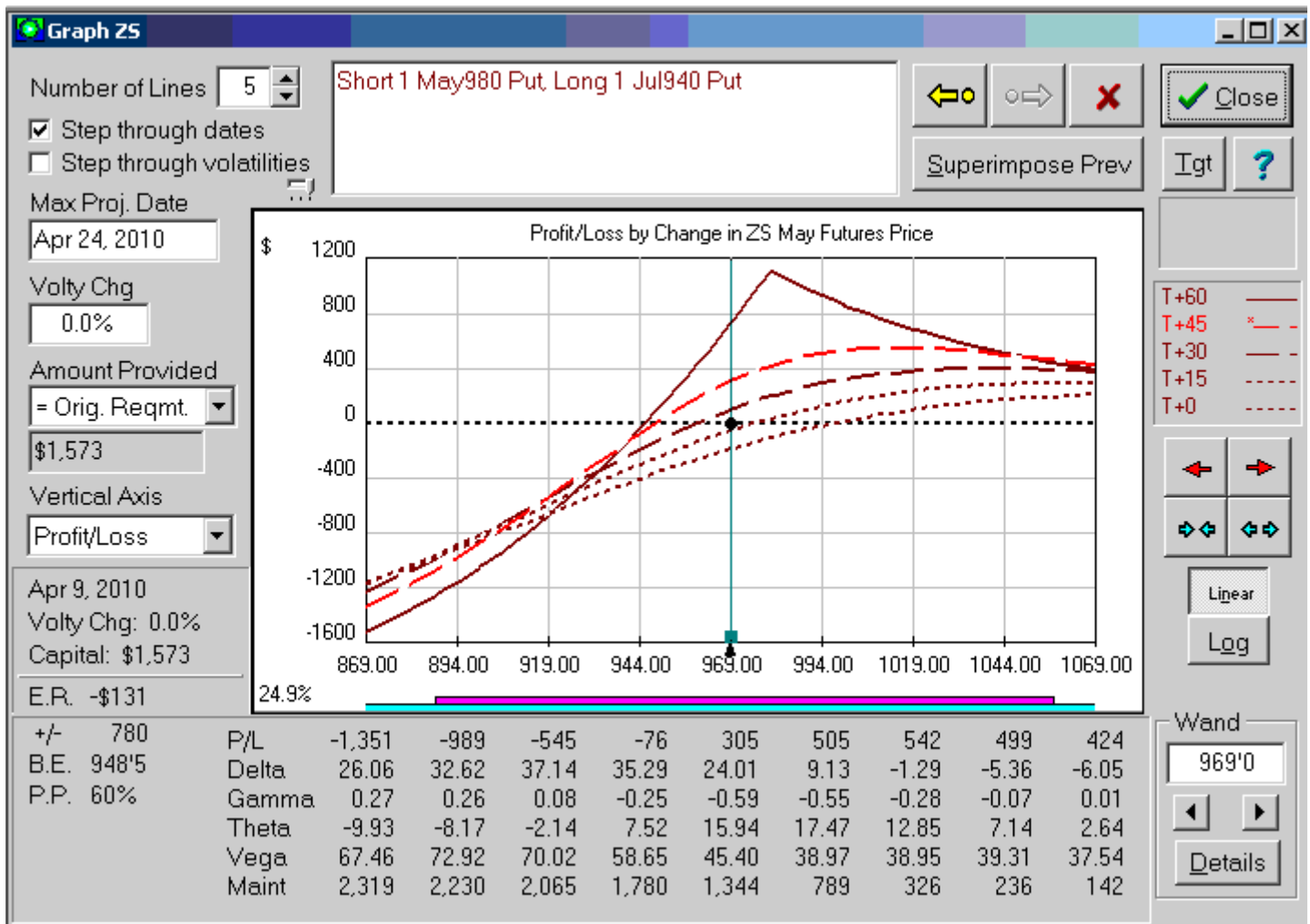


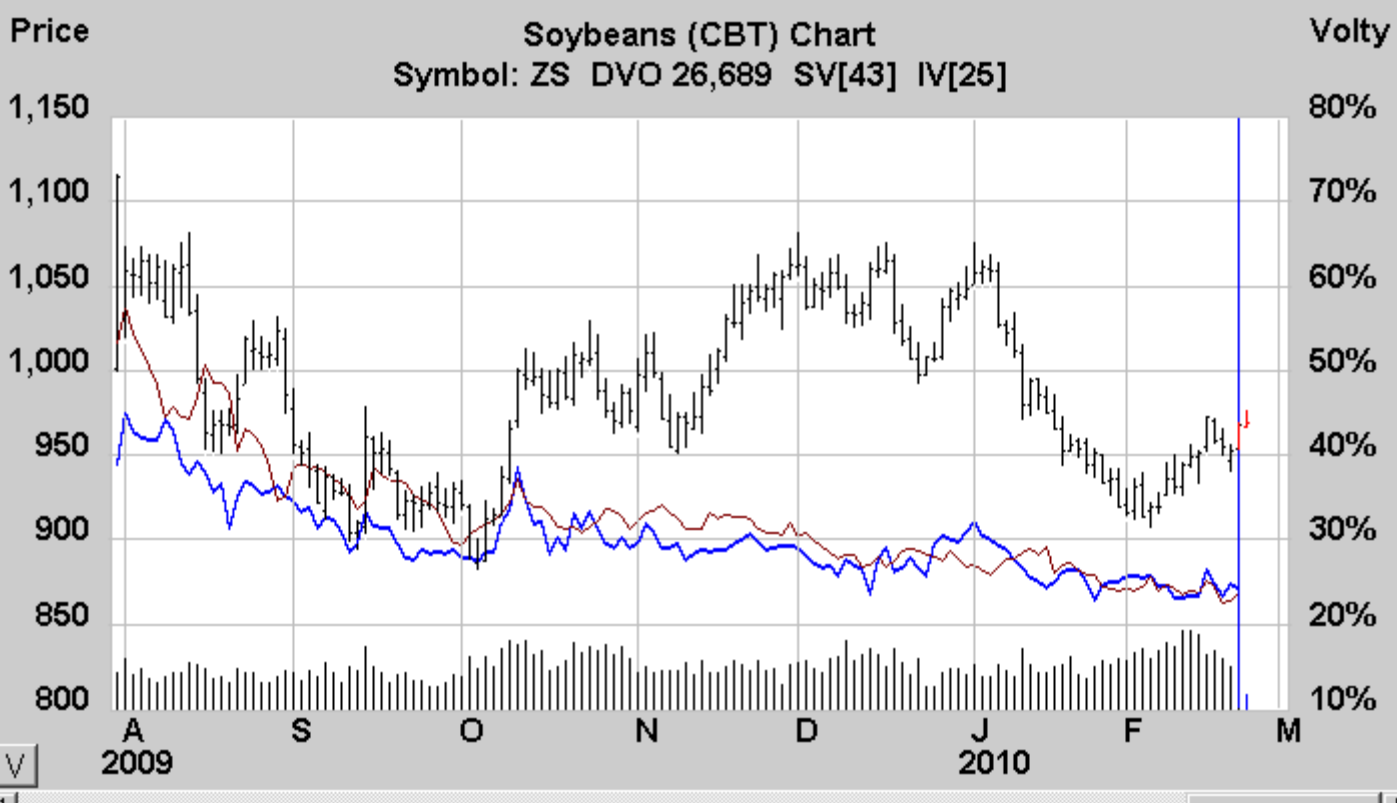


2. Soybeans (S) – May / Jul Diagonal Calendar Put spread

Position / Closing Price @ 2/22	Entry Cost	Time	Comments/ Trading Plan
<p>Sell 1 May 980 put @ 43 3/8 Buy 1 Jul 940 put @ 39 1/8</p> <p>1 cent = \$0.50</p> <p>May S @ 969 Jul S @ 975 1/4</p> <p>Greeks:</p> <p>Delta +15 Gamma (0.16) Theta +\$5 Vega +\$29</p> <p>Margin:</p> <p>\$ 1,573</p>	<p>Approx 4 1/4 or more cents credit</p> <p>\$ (212.50)</p>	<p>May options expire on 4/23 in 97 days</p>	<p>May Beans broke to the downside from 1063 on Jan 7 and bottomed at 911 on Feb 4. Beans have subsequently rallied to close at 969 yesterday.</p> <p>This diagonal calendar put spread consists of a short May 980 put that's hedged by a long Jul 940 put.</p> <p>This spread begins about 15 deltas long and also earns positive time decay as Beans move higher.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a credit of approximately 4 1/4 cents with an objective of closing the spread when it narrows to a debit of 8 cents (12 1/4 cents better).</p> <p>This objective could be potentially achievable in 45 days (by Apr 9) provided the May Soybean futures contract rallies at least 24 cents to 993 but doesn't rally more than 75 cents to 1044.</p> <p>If the May Soybean contract declines 30 cents to 939, then close the spread.</p> <p>In any event, close the spread no later than Apr 9 in 45 days.</p>

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.**



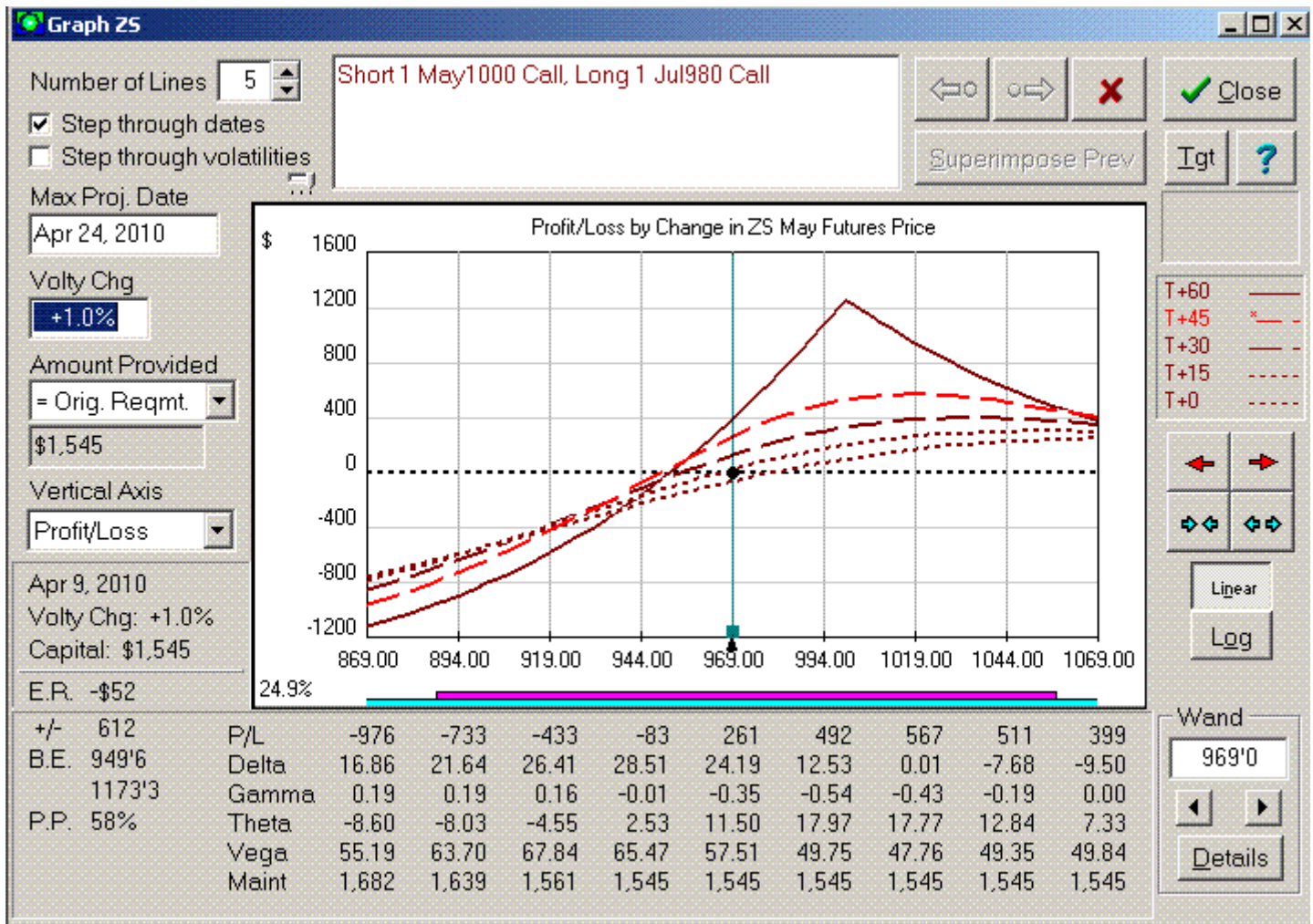


02/22/10 Open: 953.20 High: 968.80 Low: 952.00 Close: 967.80 Volume: 86107 SV: 23.8%[43] IV: 23.9%[25]

3. Soybeans (S) – May / Jul Diagonal Calendar Call spread

Position / Closing Price @ 2/22	Entry Cost	Time	Comments/ Trading Plan
<p>Sell 1 May 1000 call @ 25 Buy 1 Jul 980 call @ 53 1/2</p> <p>1 cent = \$0.50</p> <p>May S @ 969 Jul S @ 975 1/4</p> <p>Greeks: Delta +13 Gamma (0.10) Theta +\$4 Vega +\$37</p> <p>Margin: \$ 1,545</p>	<p>Approx 28 1/2 or less cents debit</p> <p>\$ 1,425</p>	<p>May options expire on 4/23 in 97 days</p>	<p>Traders expecting implied volatility to increase may wish to consider this Position # 3 as opposed to Position # 2.</p> <p>Notice that the margin and objective of each position are equal; however, their trade structures are different.</p> <p>Position # 2 collects a credit; this Position # 3 costs a debit.</p> <p>And Position # 3 is less impacted by an extreme drop in price.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a debit of approximately 28 1/2 cents with an objective of closing the spread when it widens to a debit of 40 3/4 cents (12 1/4 cents better).</p> <p>This objective could be potentially achievable in 45 days (by Apr 9) provided the May Soybean futures contract rallies at least 25 cents to 994 but doesn't rally more than 81 cents to 1050.</p> <p>If the May Soybean contract declines 30 cents to 939, then close the spread.</p> <p>In any event, close the spread no later than Apr 9 in 45 days.</p>

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 Feb 19, 2010

UNDERLYING MARKET	Symbol	Feb 19	Feb 12	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	18.8	21.4	21.4	17.2	18.9	23.3	8.5 - 69.3	8.8 - 69.3	63	9
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	104.1	106.0	107.0	106.3	110.7	112.7	7.7 - 168.7	7.7 - 168.7	93	72
TEN-YEAR Notes	TY	6.4	6.1	6.1	7.0	6.2	7.7	3.5 - 9.4	3.5 - 9.4	56	10
US 30-YR Bonds	US	11.1	10.9	10.7	11.1	11.7	13.0	5.2 - 21.7	5.2 - 21.7	71	14
CURRENCIES											
AUSTRALIAN \$	AD	15.8	14.0	14.0	13.0	14.5	16.0	6.2 - 46.7	6.2 - 46.7	82	32
BRITISH POUND	BP	12.4	12.0	10.7	11.2	11.7	13.1	4.9 - 29.5	4.9 - 29.5	82	32
CANADIAN \$	CD	12.5	11.4	11.9	11.5	13.8	15.6	5.8 - 26.9	5.8 - 26.9	74	14
EURO Currency	EC	10.9	11.8	10.9	10.4	10.5	10.7	4.7 - 28.7	4.7 - 28.7	75	27
JAPANESE YEN	JY	11.6	12.3	13.1	13.4	11.6	13.4	6.3 - 34.4	6.3 - 34.4	64	3
SWISS FRANC	SF	11.9	11.1	10.5	10.4	11.0	11.4	5.6 - 24.3	5.6 - 24.3	75	37
GRAINS											
CORN	C	29.4	26.7	28.4	33.3	33.6	39.5	15.6 - 50.2	25.3 - 50.2	44	4
WHEAT	W	37.4	35.2	31.8	40.0	37.6	38.4	20.1 - 61.1	29.1 - 61.1	68	26
SOYBEANS	S	24.7	23.5	24.4	30.2	29.2	29.8	16.4 - 50.0	20.0 - 50.0	34	3
SOYBEAN MEAL	SM	24.5	23.5	23.1	26.0	29.2	30.4	17.0 - 46.3	22.6 - 46.3	24	5
SOYBEAN OIL	BO	23.8	21.9	23.1	24.8	28.4	29.8	16.9 - 47.8	17.3 - 47.8	30	6
OATS	O	27.8	27.7	27.7	29.4	29.6	40.3	17.3 - 48.8	17.3 - 48.8	26	14
ROUGH RICE	RR/NR	22.0	22.1	22.1	25.8	24.7	27.8	12.7 - 47.0	12.7 - 47.0	33	6
FOODS, FIBER											
COFFEE	KC	29.8	30.1	28.2	30.9	31.5	31.8	23.2 - 62.5	23.2 - 62.5	18	7
COCOA	CO/CC	33.5	34.1	34.3	37.9	38.5	43.2	20.6 - 53.5	20.6 - 53.5	52	2
SUGAR	SB	45.8	44.7	49.7	48.5	42.9	48.1	18.6 - 52.0	18.6 - 52.0	92	67
ORANGE JUICE	OJ/JO	31.8	34.9	39.8	47.2	39.1	43.0	17.7 - 55.8	18.7 - 55.8	53	1
COTTON	CT	27.4	28.4	28.8	27.0	28.4	29.7	16.4 - 47.2	16.4 - 47.2	44	13
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	34.5	34.4	32.0	35.4	41.6	93.1	17.1 - 349	25.1 - 349	59	12
GOLD	GC	23.1	23.3	21.6	22.1	23.1	18.8	10.8 - 48.7	18.7 - 48.7	71	40
SILVER	SI	32.6	32.6	32.1	32.4	36.2	35.2	16.9 - 75.2	19.0 - 75.2	43	6
ENERGY											
CRUDE OIL	CL	31.5	34.1	32.9	33.0	37.4	40.6	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	30.8	34.3	32.8	33.5	38.0	40.6	25.9 - 73.6	25.9 - 73.6	25	1
NATURAL GAS	NG	44.1	43.6	47.3	55.9	54.2	54.0	30.0 - 98.1	33.6 - 91.4	34	1
MEATS											
LIVE CATTLE	LC	13.9	13.9	15.9	14.6	12.6	14.6	11.6 - 37.9	11.6 - 37.9	18	9
FEEDER CATTLE	FC	11.8	11.7	12.4	12.0	13.0	12.6	9.0 - 35.0	11.9 - 35.0	18	3
LEAN HOGS	LH	23.0	23.6	23.0	25.7	24.3	26.1	17.5 - 48.5	17.5 - 48.5	35	3

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	HIGH option implied volatility	VOLATILITY NOTES
Consider for option buying strategies (option purchases, ratio backspreads long straddles or long strangles, and calendar spreads)	Consider for option selling strategies (option sales, ratio spreads, and reverse calendar spreads)	(Comments and observations).
SP, DJ, TY, JY, C, S, SM, BO, RR, KC, CO, OJ, SI, CL, HO, NG, LC, FC and LH	NONE	Implied volatility is extremely low in most markets.