

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, March 2, 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

This issue is devoted to a variety of Eurocurrency (EC) option spreads

1. Eurocurrency (EC) – Apr / May Diagonal Calendar Put spread – Speculative Directional -- bullish
2. Eurocurrency (EC) – Jun Call Butterfly – Speculative Directional -- bullish
3. Eurocurrency (EC) – May / Jun Ratioed Reverse Calendar Call spread – Speculative Directional and Speculative Implied Volatility – bullish
4. Eurocurrency (EC) – May / Jun Diagonal Calendar Put spread – Speculative Directional – bearish

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

FUTURES AND OPTIONS TRADING CAN INVOLVE SUBSTANTIAL FINANCIAL RISK

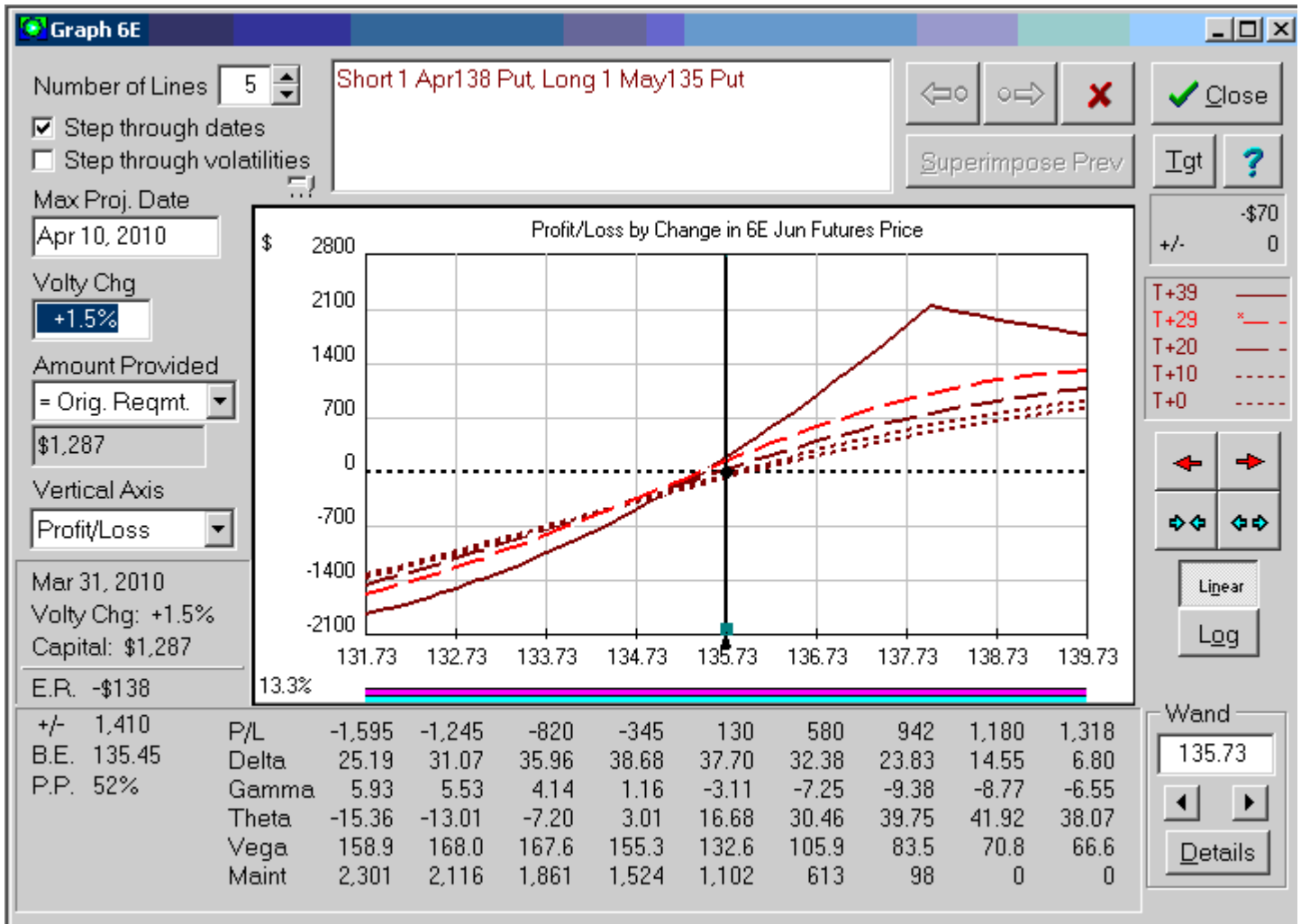
This publication is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or sell or trade in any commodities or securities herein named. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. In no event should the content of this market letter be construed as an express or implied promise, guarantee or implication by or from MF Global Inc, or any of its officers, directors, employees, affiliates or other agents that you will profit or that losses can or will be limited in any manner whatsoever. Past results are no indication of future performance. All investments are subject to risk, which should be considered prior to making investment decisions. Privacy policy available upon request.

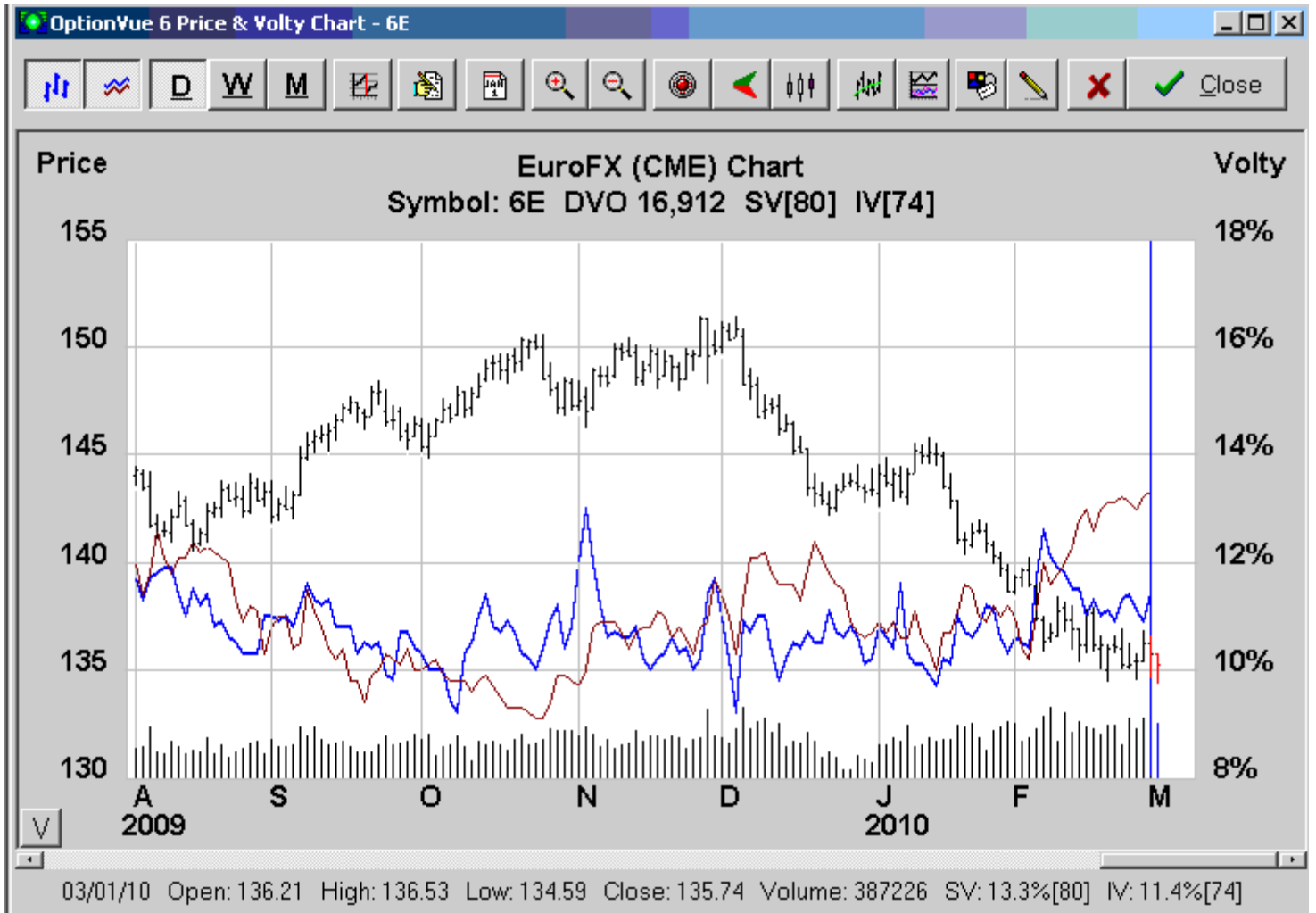
The weekly option implied volatility survey can be found on the last page

1. Eurocurrency (EC) – Apr / May Diagonal Calendar Put spread

Position / Closing Price @ 3/1	Entry Cost	Time	Comments/ Trading Plan
<p>Sell 1 Apr 138 put @ 327 Buy 1 May 135 put @ 234</p> <p>1 point = \$12.50</p> <p>Jun EC @ 135.73 Note: Apr and May EC options are tied to Jun EC futures</p> <p>Greeks: Delta +26 Gamma (1.9) Theta +\$1.20 Vega +\$88</p> <p>Margin: \$ 1,287</p>	<p>Approx. 93 or more points credit</p> <p>\$ (1,162.50)</p>	<p>Apr options expire on 4/9 in 38 days</p>	<p>The Greek sovereign debt crisis has pressured the EC contract.</p> <p>As the Jun EC futures contract declined from 145.69 on Jan 13 to 134.58 on Mar 1, a record number of short contracts were created.</p> <p>This sets the stage for a potentially powerful short covering rally, especially since Germany, France and Greece have been working behind the scenes to address the issues.</p> <p>This diagonal calendar put spread consists of a short in-the-money Apr 138 put that's partially hedged by a long near-the-money May 135 put.</p> <p>It's designed to benefit over the next month if the Jun EC futures contract rallies and if implied volatility rises a modest 1.5 pct pts.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a credit of approximately 93 points with an objective of closing the spread when it narrows to a credit of 37 points (56 points better).</p> <p>This objective could be potentially achievable in 29 days (by Mar 31) provided the Jun EC futures contract rallies at least 1.00 point to 136.73 and provided implied volatility rises 1.5 pct pts.</p> <p>If the Jun EC contract declines 1.20 points to 134.53, then close the spread.</p> <p>In any event, close the spread no later than Mar 31 in 29 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.**

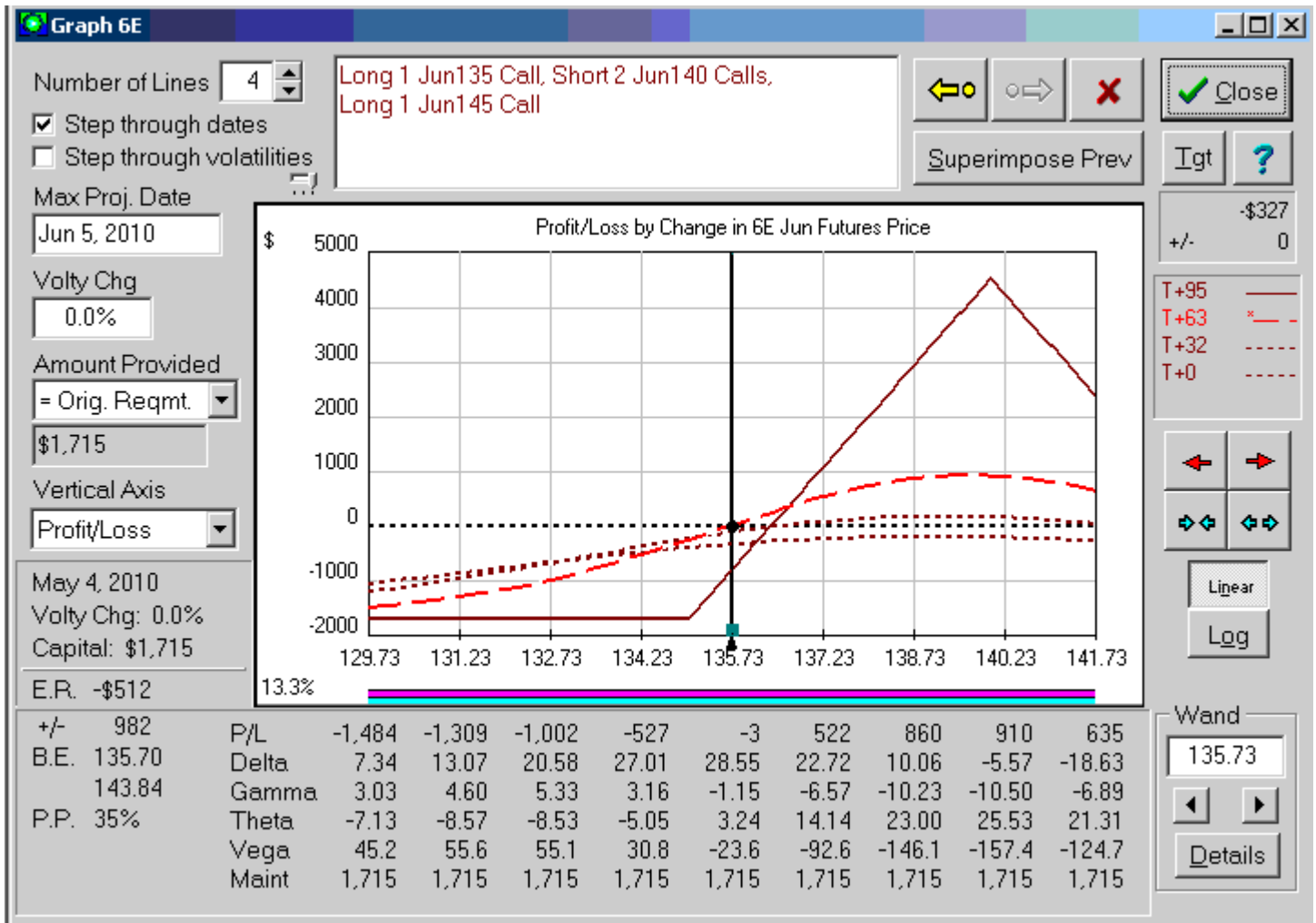




2. Eurocurrency (EC) – Jun Call Butterfly

Position / Closing Price @ 3/1	Entry Cost	Time	Comments/ Trading Plan
<p>Buy 1 Jun 135 call @ 363 Sell 1 Jun 140 call @ 147 Buy 1 Jun 145 call @ 49</p> <p>1 point = \$12.50</p> <p>Jun EC @ 135.73</p> <p>Greeks: Delta +7 Gamma (1.7) Theta +\$3.90 Vega \$(78)</p> <p>Margin: \$ 1,715</p>	<p>Approx 118 or less points debit</p> <p>\$ 1,475</p>	<p>Jun options expire on 6/4 in 94 days</p>	<p>Position # 1 has a 1-month trade horizon. This Position # 2 shows a way to benefit over the next 2 months if the Jun EC contract rallies.</p> <p>It's a straightforward Jun call butterfly that consists of a Jun 135 /140 bull call spread along with a Jun 140 / 145 bear call spread.</p> <p>It assumes implied volatility will remain at current levels as the Jun EC rallies.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a debit of approximately 118 points with an objective of closing the spread when it widens to a debit of 206 points (88 points better).</p> <p>This objective could be potentially achievable in 63 days (by May 4) provided the Jun EC futures contract rallies at least 3.00 points to 138.73 but doesn't rally more than 4.80 points to 140.53.</p> <p>If the Jun EC contract declines 1.50 points to 134.23, then close the spread.</p> <p>In any event, close the spread no later than May 4 in 63 days.</p>

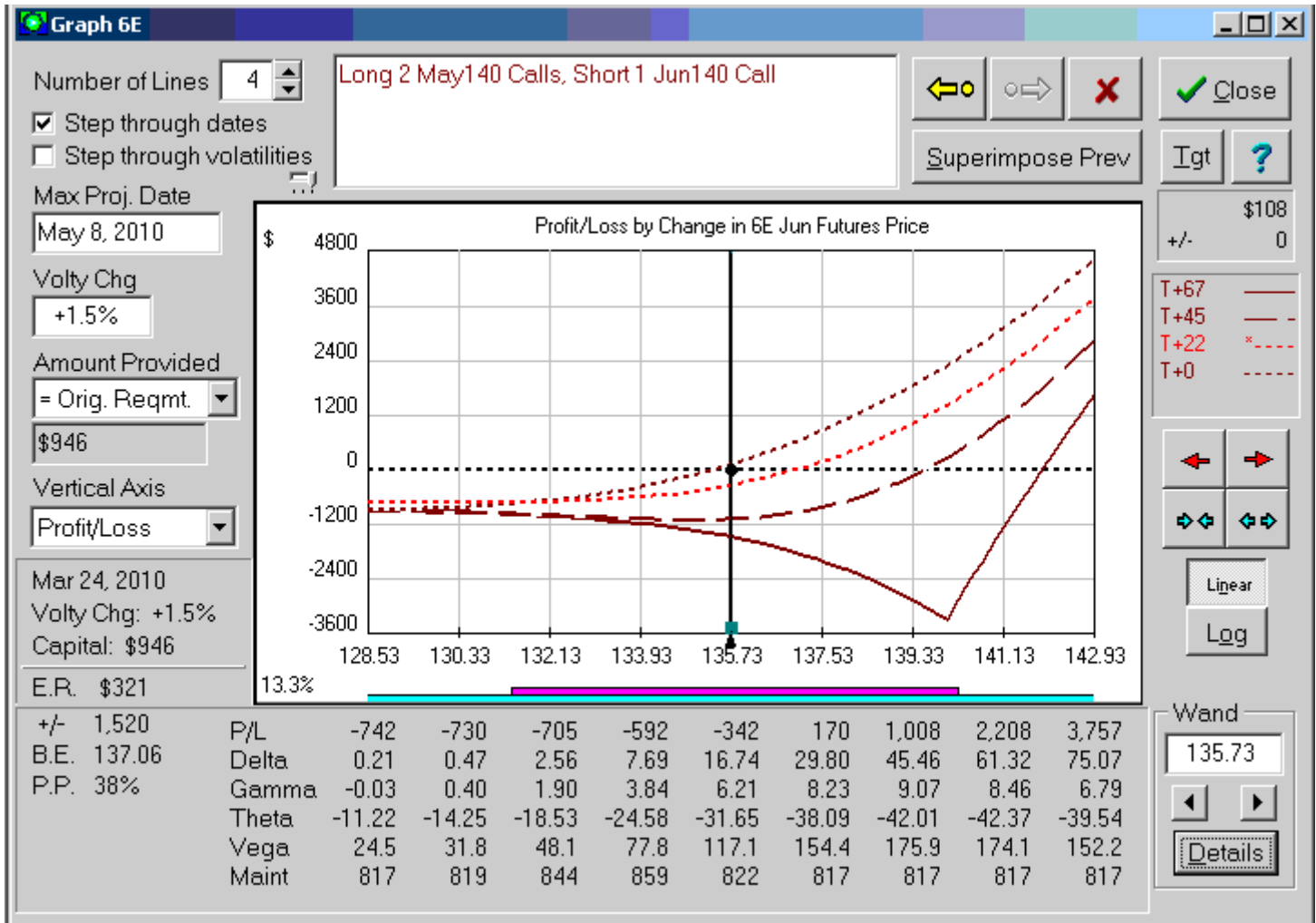
Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets (). Cost is not necessarily the margin required to hold the trade. The margin includes \$60 / RT per option. Projected results are estimates. **ACTUAL PROFITS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



3. Eurocurrency (EC) – May / Jun Ratioed Reverse Calendar Call spread

Position / Closing Price @ 3/1	Entry Cost	Time	Comments/ Trading Plan
<p>Buy 2 May 140 calls @ 99 Sell 1 Jun 140 call @ 147</p> <p>1 point = \$12.50</p> <p>Jun EC @ 135.73 Note: May and Jun EC options are tied to Jun EC futures</p> <p>Greeks: Delta +24 Gamma +6.4 Theta \$(21) Vega +\$173</p> <p>Margin: \$ 946</p>	<p>Approx 51 or less points debit</p> <p>\$ 637.50</p>	<p>May options expire on 5/7 in 66 days</p>	<p>Aggressive traders expecting a sharp rally over the next 3 weeks can consider this Position # 3.</p> <p>The margin for this position is low; however this ratioed reverse calendar call spread needs the Jun EC futures contract to rally sharply over the next 3 weeks and needs implied volatility to rise at least 1.5 pct pts in order to offset the effects of negative time decay.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a debit of approximately 51 points with an objective of closing the spread when it widens to a debit of 146 points (95 points better).</p> <p>This objective could be potentially achievable in 22 days (by Mar 24) provided the Jun EC futures contract rallies at least 3.60 points to 139.33 and provided implied volatility rises 1.5 pct pts.</p> <p>If the Jun EC contract declines 1.80 points to 133.93, then close the spread.</p> <p>In any event, close the spread no later than Mar 24 in 22 days.</p>

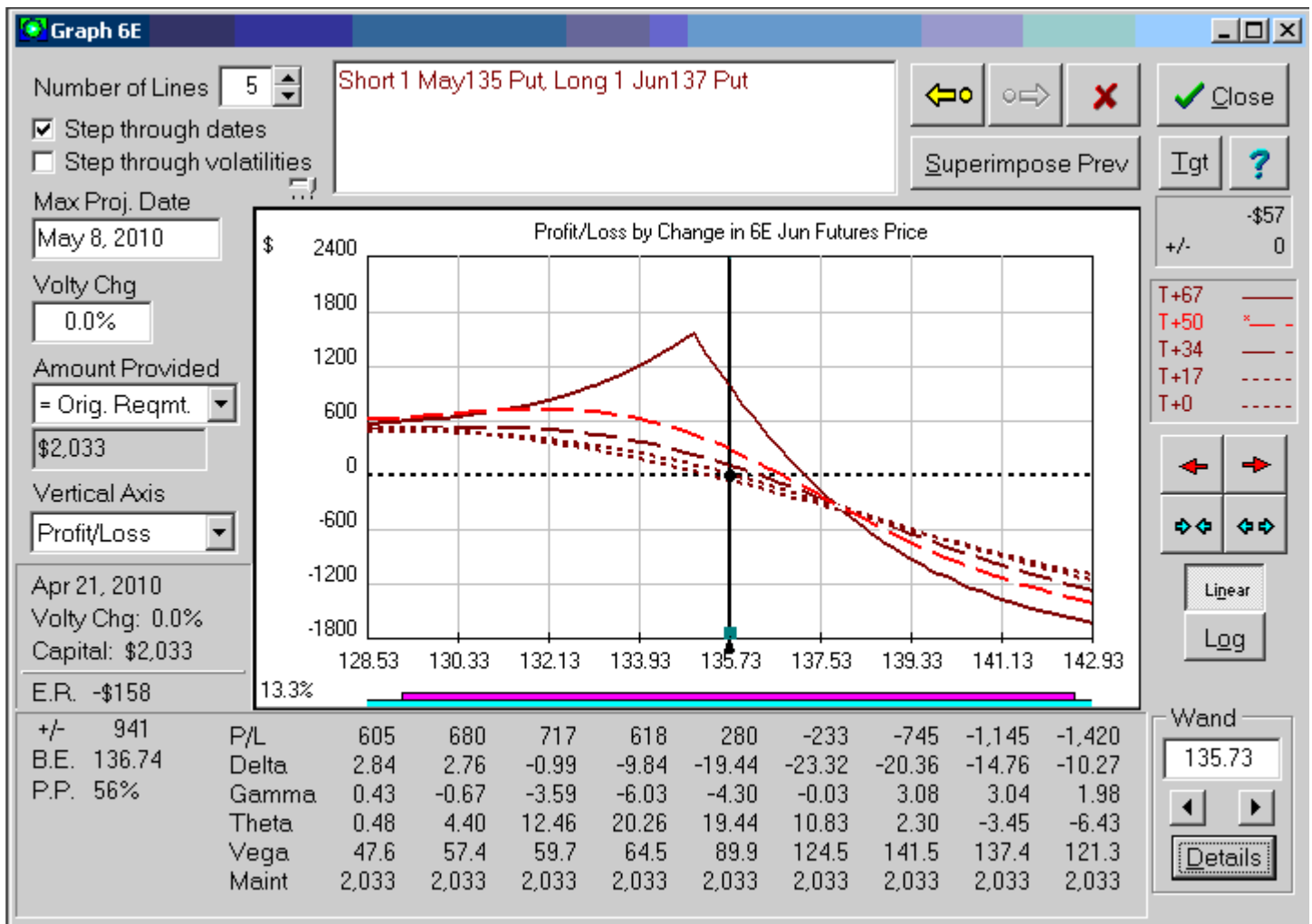
Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets (). Cost is not necessarily the margin required to hold the trade. The margin includes \$60 / RT per option. Projected results are estimates. **ACTUAL PROFITS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



4. Eurocurrency (EC) – May / Jun Diagonal Calendar Put spread

Position / Closing Price @ 3/1	Entry Cost	Time	Comments/ Trading Plan
<p>Sell 1 May 135 put @ 234 Buy 1 Jun 137 put @ 387</p> <p>1 point = \$12.50</p> <p>Jun EC @ 135.73 Note: May and Jun EC options are tied to Jun EC futures</p> <p>Greeks: Delta (11) Gamma (0.81) Theta +\$4 Vega +\$55</p> <p>Margin: \$ 2,032</p>	<p>Approx 153 or less points debit</p> <p>\$ 1,912.50</p>	<p>May options expire on 5/7 in 66 days</p>	<p>Traders expecting that the EC contract will remain under pressure can consider this bearishly oriented diagonal calendar put spread.</p> <p>The long Jun 137 put is partially financed by the sale of the May 135 put.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a debit of approximately 153 points with an objective of closing the spread when it widens to a debit of 212 points (59 points better).</p> <p>This objective could be potentially achievable in 50 days (by Apr 21) provided the Jun EC futures contract declines at least 1.80 points to 133.93.</p> <p>If the Jun EC contract rallies 1.80 points to 137.53, then close the spread.</p> <p>In any event, close the spread no later than Apr 21 in 50 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 26	Feb 19	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	18.1	18.8	21.4	17.2	18.9	23.3	8.5 - 69.3	8.8 - 69.3	62	8
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	99.3	104.1	107.0	106.3	110.7	112.7	7.7 - 168.7	7.7 - 168.7	92	67
TEN-YEAR Notes	TY	6.0	6.4	6.1	7.0	6.2	7.7	3.5 - 9.4	3.5 - 9.4	49	1
US 30-YR Bonds	US	10.0	11.1	10.7	11.1	11.7	13.0	5.2 - 21.7	5.2 - 21.7	60	3
CURRENCIES											
AUSTRALIAN \$	AD	13.4	15.8	14.0	13.0	14.5	16.0	6.2 - 46.7	6.2 - 46.7	67	5
BRITISH POUND	BP	11.9	12.4	10.7	11.2	11.7	13.1	4.9 - 29.5	4.9 - 29.5	80	19
CANADIAN \$	CD	10.5	12.5	11.9	11.5	13.8	15.6	5.8 - 26.9	5.8 - 26.9	64	1
EURO Currency	EC	11.2	10.9	10.9	10.4	10.5	10.7	4.7 - 28.7	4.7 - 28.7	77	31
JAPANESE YEN	JY	11.4	11.6	13.1	13.4	11.6	13.4	6.3 - 34.4	6.3 - 34.4	63	1
SWISS FRANC	SF	10.4	11.9	10.5	10.4	11.0	11.4	5.6 - 24.3	5.6 - 24.3	49	4
GRAINS											
CORN	C	30.3	29.4	28.4	33.3	33.6	39.5	15.6 - 50.2	25.3 - 50.2	47	6
WHEAT	W	34.1	37.4	31.8	40.0	37.6	38.4	20.1 - 61.1	29.1 - 61.1	58	13
SOYBEANS	S	24.5	24.7	24.4	30.2	29.2	29.8	16.4 - 50.0	20.0 - 50.0	32	3
SOYBEAN MEAL	SM	24.6	24.5	23.1	26.0	29.2	30.4	17.0 - 46.3	22.6 - 46.3	24	5
SOYBEAN OIL	BO	23.4	23.8	23.1	24.8	28.4	29.8	16.9 - 47.8	17.3 - 47.8	28	5
OATS	O	27.8	27.8	27.7	29.4	29.6	40.3	17.3 - 48.8	17.3 - 48.8	26	14
ROUGH RICE	RR/NR	22.1	22.0	22.1	25.8	24.7	27.8	12.7 - 47.0	12.7 - 47.0	35	6
FOODS, FIBER											
COFFEE	KC	28.2	29.8	28.2	30.9	31.5	31.8	23.2 - 62.5	23.2 - 62.5	15	2
COCOA	CO/CC	33.0	33.5	34.3	37.9	38.5	43.2	20.6 - 53.5	20.6 - 53.5	51	2
SUGAR	SB	43.2	45.8	49.7	48.5	42.9	48.1	18.6 - 52.0	18.6 - 52.0	87	49
ORANGE JUICE	OJ/JO	30.6	31.8	39.8	47.2	39.1	43.0	17.7 - 55.8	18.7 - 55.8	48	1
COTTON	CT	25.9	27.4	28.8	27.0	28.4	29.7	16.4 - 47.2	16.4 - 47.2	34	3
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	36.2	34.5	32.0	35.4	41.6	93.1	17.1 - 349	25.1 - 349	65	18
GOLD	GC	21.0	23.1	21.6	22.1	23.1	18.8	10.8 - 48.7	18.7 - 48.7	59	22
SILVER	SI	32.2	32.6	32.1	32.4	36.2	35.2	16.9 - 75.2	19.0 - 75.2	41	4
ENERGY											
CRUDE OIL	CL	30.5	31.5	32.9	33.0	37.4	40.6	24.8 - 99.9	24.8 - 99.9	28	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	31.3	30.8	32.8	33.5	38.0	40.6	25.9 - 73.6	25.9 - 73.6	28	3
NATURAL GAS	NG	41.4	44.1	47.3	55.9	54.2	54.0	30.0 - 98.1	33.6 - 91.4	29	1
MEATS											
LIVE CATTLE	LC	13.7	13.9	15.9	14.6	12.6	14.6	11.6 - 37.9	11.6 - 37.9	16	8
FEEDER CATTLE	FC	11.4	11.8	12.4	12.0	13.0	12.6	9.0 - 35.0	11.9 - 35.0	13	1
LEAN HOGS	LH	22.3	23.0	23.0	25.7	24.3	26.1	17.5 - 48.5	17.5 - 48.5	27	1

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, US, AD, CD, JY, SF,C, S, SM, BO, RR, KC, CO, OJ, CT, SI, CL, HO, NG, LC, FC and LH	NONE	Implied volatility is extremely low in virtually ALL markets.