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 9, 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 presents two bullish positions and one bearish position using Coffee (KC) options

1. **Coffee (KC) – Jul Call Butterfly – Speculative Directional -- bullish**
2. **Coffee (KC) – Jul Credit Put spread – Speculative Directional -- bullish**
3. **Coffee (KC) – Jul Credit Call spread – Speculative Directional -- bearish**

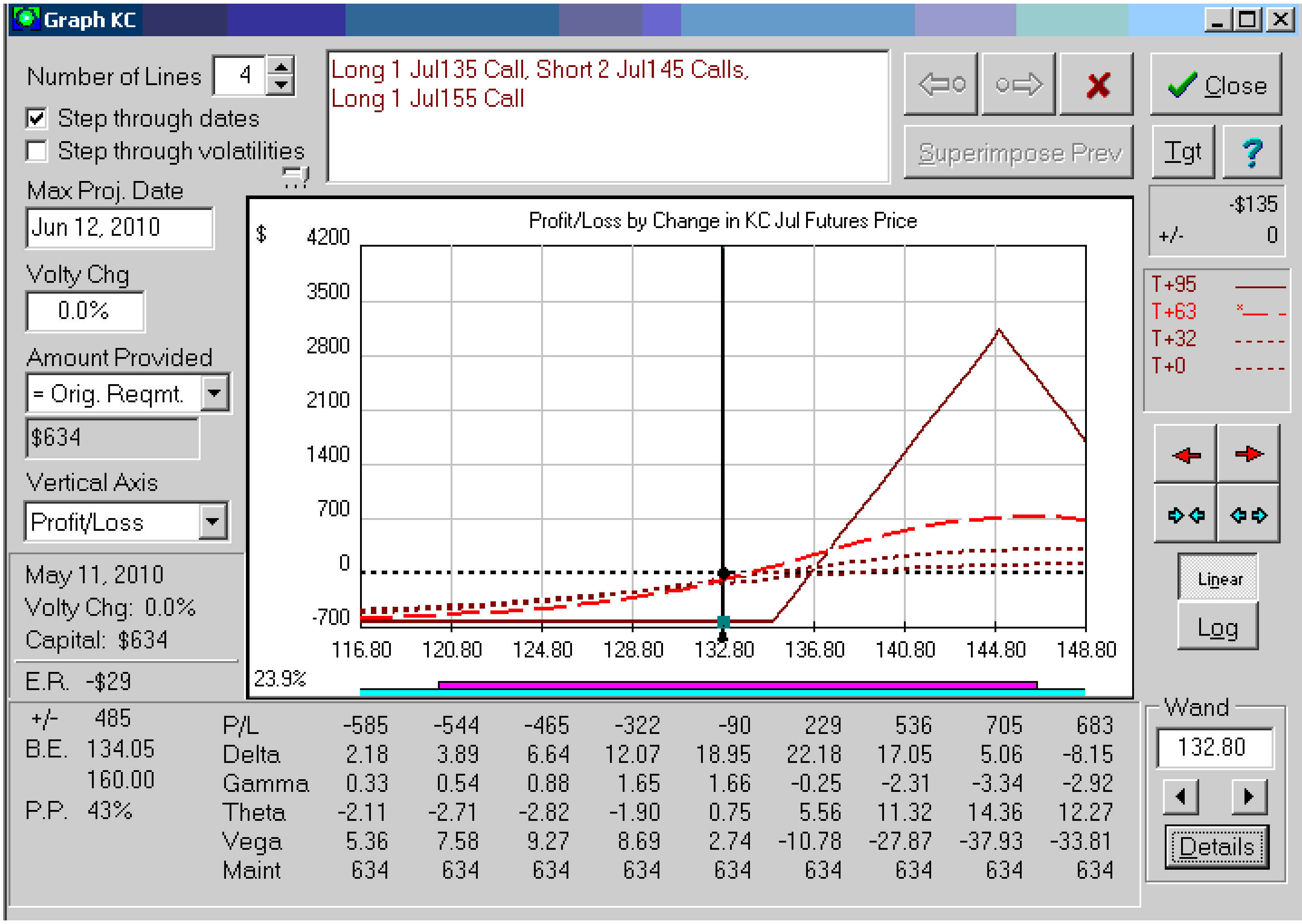
Weekly Option Implied Volatility Survey --- Data through last week's close.

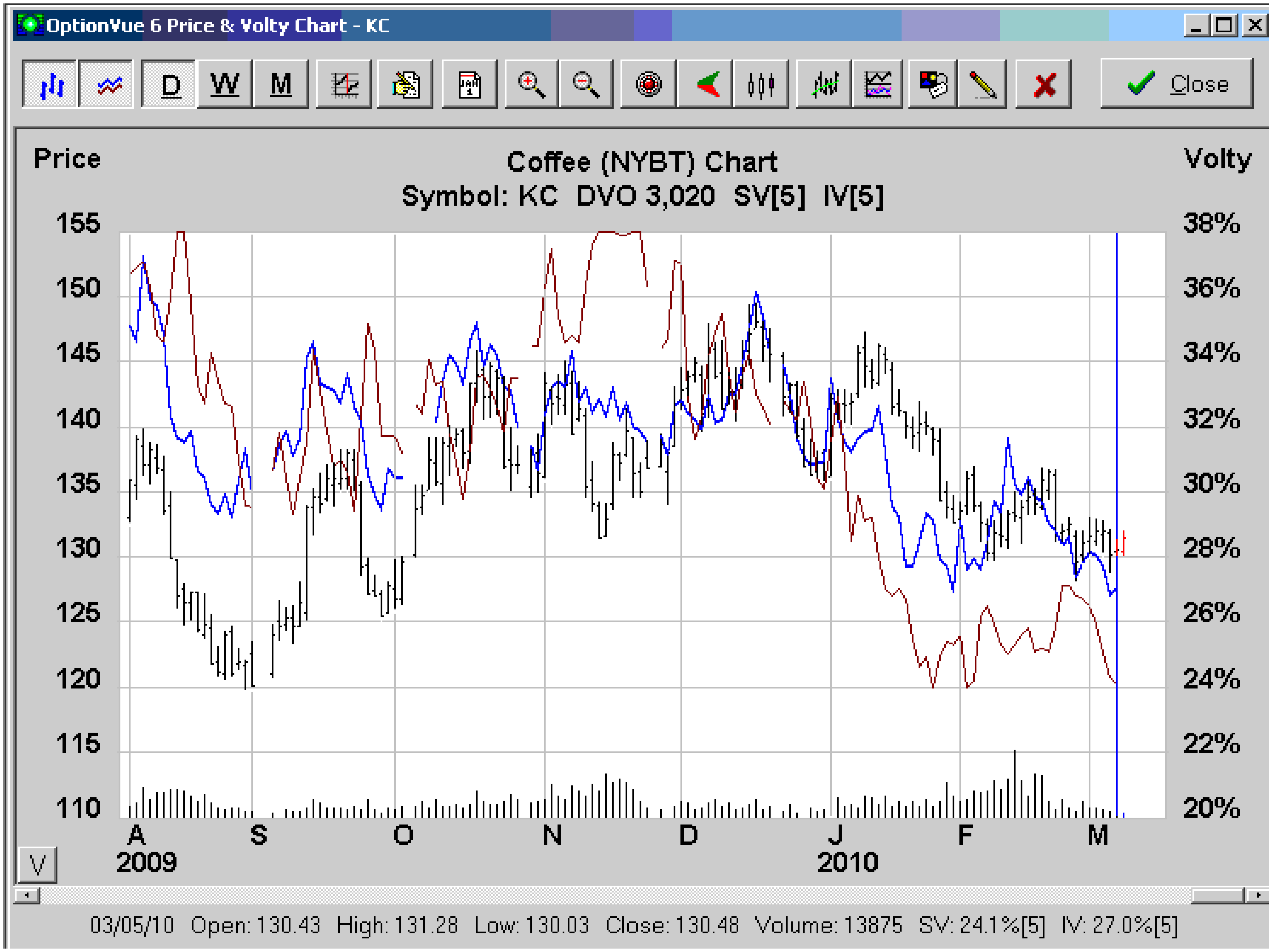
The weekly option implied volatility survey can be found on the last page

1. Coffee (KC) – Jul Call Butterfly

Position / Closing Price @ 3/8	Entry Cost	Time	Comments/ Trading Plan
Buy 1 Jul 135 call @ 695 **Sell 2 Jul 145 calls @ 421** **Buy 1 Jul 155 call @ 252** 1 point = $3.75 Jul KC @ 132.80 **Greeks:** Delta +7 Gamma +0.22 Theta +$2 Vega $(8) **Margin:** $ 634	Approx. 105 or less points debit $ 393.75	**Jul options expire on 6/11 in 94 days**	Jul Coffee (KC) declined from a high on Dec 16 at 152.10 to a low at 130.00 on Feb 25. This was a 14.5% decline over about two months. Coffee prices have been pressured by an anticipated large Brazilian crop and by a Vietnamese government plan to stockpile 200,000 metric tons of coffee it would buy from Vietnamese farmers, who have delayed selling their crop hoping for higher prices. This Jul call butterfly anticipates prices will rise over the next two months. It consists of a Jul 135 / 145 bull call spread along with a Jul 145 / 155 bear call spread. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 105 points with an objective of closing the spread when it widens to a debit of 312 points (207 points better). This objective could be potentially achievable in 63 days (by May 11) provided the Jul KC futures contract rallies at least 8.00 points to 140.80. If the Jul KC contract declines 4.00 points to 128.80, then close the spread. In any event, close the spread no later than May 11 in 63 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.

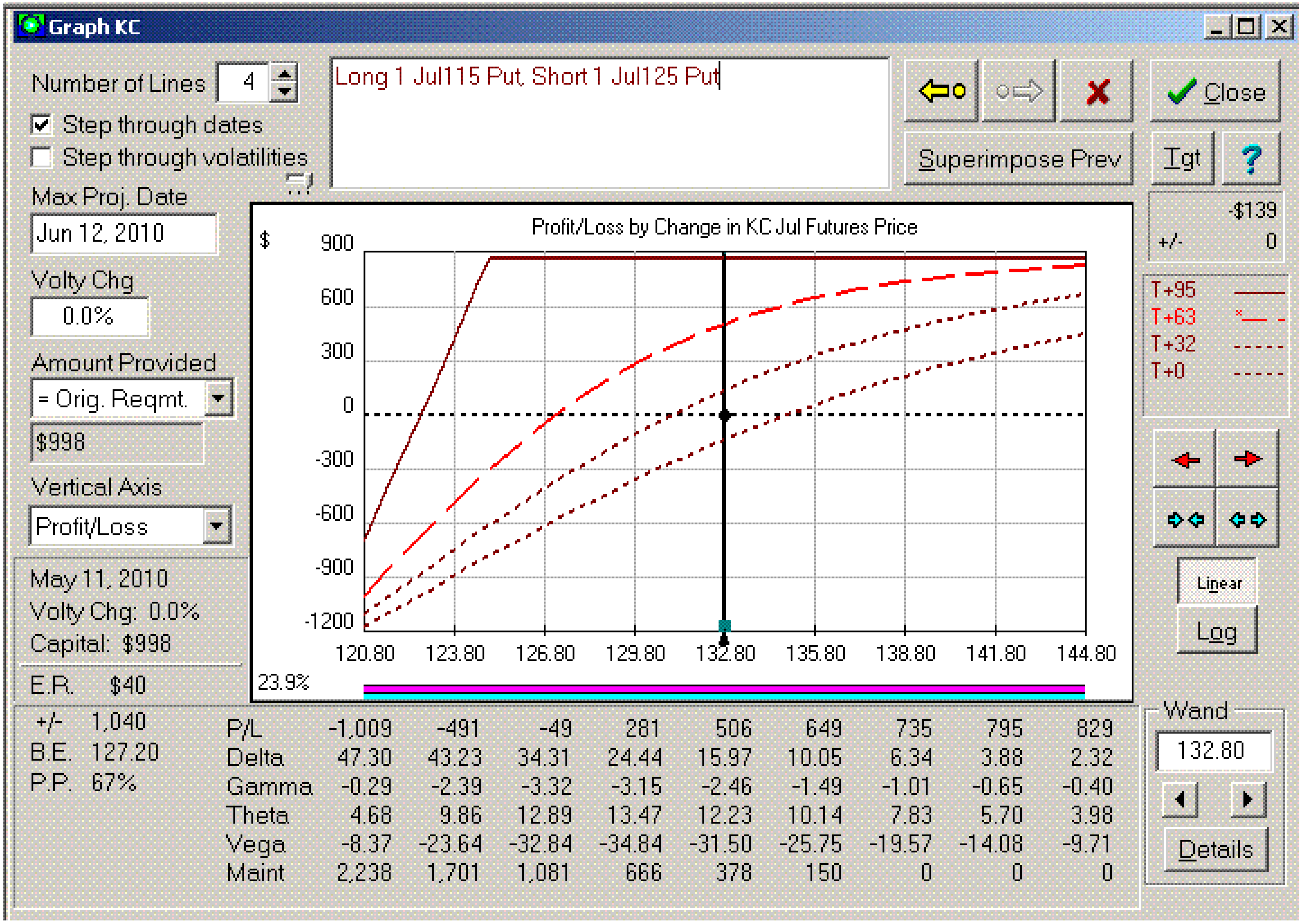

Graph KC
Number of Lines 4
Step through dates
Step through volatilities
Max Proj. Date
Jun 12, 2010
Volty Chg
0.0%
Amount Provided
= Orig. Reqmt.
$634
Vertical Axis
Profit/Loss
May 11, 2010
Volty Chg: 0.0%
Capital: $634
E.R. -$29
+/- 485
B.E. 134.05
160.00
P.P. 43%
Long 1 Jul135 Call, Short 2 Jul145 Calls,
Long 1 Jul155 Call
Superimpose Prev
Close
Tgt
?
-$135
+/- 0
T+95
T+63
T+32
T+0
Linear
Log
Wand
132.80
Details
Profit/Loss by Change in KC Jul Futures Price
$
4200
3500
2800
2100
1400
700
0
-700
116.80 120.80 124.80 128.80 132.80 136.80 140.80 144.80 148.80
23.9%
P/L -585 -544 -465 -322 -90 229 536 705 683
Delta 2.18 3.89 6.64 12.07 18.95 22.18 17.05 5.06 -8.15
Gamma 0.33 0.54 0.88 1.65 1.66 -0.25 -2.31 -3.34 -2.92
Theta -2.11 -2.71 -2.82 -1.90 0.75 5.56 11.32 14.36 12.27
Vega 5.36 7.58 9.27 8.69 2.74 -10.78 -27.87 -37.93 -33.81
Maint 634 634 634 634 634 634 634 634 634


OptionVue 6 Price & Volty Chart - KC
Close
Price
Coffee (NYBT) Chart
Symbol: KC DVO 3,020 SV[5] IV[5]
Volty
155
150
145
140
135
130
125
120
115
110
38%
36%
34%
32%
30%
28%
26%
24%
22%
20%
A
S
O
N
D
J
F
M
2009
2010
03/05/10 Open: 130.43 High: 131.28 Low: 130.03 Close: 130.48 Volume: 13875 SV: 24.1%[5] IV: 27.0%[5]

2. Coffee (KC) – Jul Credit Put spread

Position / Closing Price @ 3/8	Entry Cost	Time	Comments/ Trading Plan
Sell 1 Jul 125 put @ 390 **Buy 1 Jul 115 put @ 126** 1 point = $3.75 Jul KC @ 132.80 **Greeks:** Delta +18 Gamma (1.00) Theta +$5 Vega $(35) **Margin:** $ 998	Approx 264 or more points credit $ (990)	**Jul options expire on 6/11 in 94 days**	This Jul KC credit put spread assumes that bearish fundamental factors are fully priced into Coffee prices and that Jul KC futures will reverse to the upside over the next two months. It consists of a short out-of-the-money Jul 125 put that's hedged by a long further out-of-the-money Jul 115 put. This spread begins about 18 deltas long and it earns positive time decay. **Trading Plan/Suggested Risk:** Establish the spread for a credit of approximately 264 points with an objective of closing the spread when it narrows to a credit of 98 points (166 points better). This objective could be potentially achievable in 63 days (by May 11) provided the Jul KC futures contract rallies at least 3.00 points to 135.80. If the Jul KC contract declines 3.00 points to 129.80, then close the spread. In any event, close the spread no later than May 11 in 63 days.

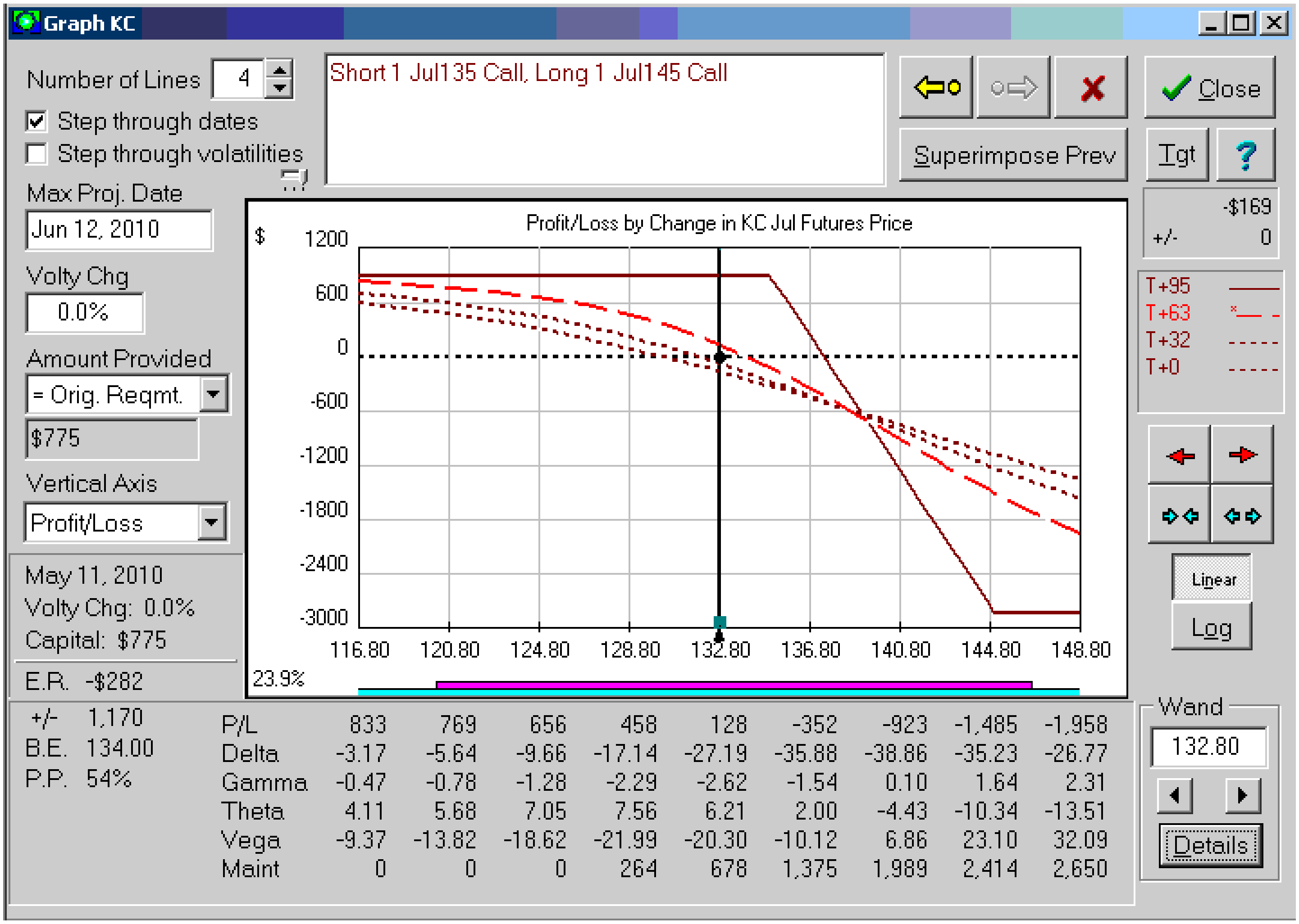
Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets ( ). Cost is not necessarily the margin required to hold the trade. The margin includes $60 / RT per option. Projected results are estimates. ACTUAL PROFITS MAY 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 KC
Number of Lines 4
Step through dates
Step through volatilities
Long 1 Jul115 Put, Short 1 Jul125 Put
Close
Superimpose Prev
Tgt
Max Proj. Date
Jun 12, 2010
Volty Chg
0.0%
Amount Provided
= Orig. Reqmt.
$998
Vertical Axis
Profit/Loss
May 11, 2010
Volty Chg: 0.0%
Capital: $998
E.R. $40
+/- 1,040
B.E. 127.20
P.P. 67%
Profit/Loss by Change in KC Jul Futures Price
$
900
600
300
0
-300
-600
-900
-1200
120.80 123.80 126.80 129.80 132.80 135.80 138.80 141.80 144.80
23.9%
-$139
+/- 0
T+95
T+63
T+32
T+0
Linear
Log
Wand
132.80
Details
P/L -1,009 -491 -49 281 506 649 735 795 829
Delta 47.30 43.23 34.31 24.44 15.97 10.05 6.34 3.88 2.32
Gamma -0.29 -2.39 -3.32 -3.15 -2.46 -1.49 -1.01 -0.65 -0.40
Theta 4.68 9.86 12.89 13.47 12.23 10.14 7.83 5.70 3.98
Vega -8.37 -23.64 -32.84 -34.84 -31.50 -25.75 -19.57 -14.08 -9.71
Maint 2,238 1,701 1,081 666 378 150 0 0 0

3. Coffee (KC) – Jul Credit Call spread

Position / Closing Price @ 3/8	Entry Cost	Time	Comments/ Trading Plan
Sell 1 Jul 135 call @ 695 **Buy 1 Jul 145 call @ 421** 1 point = $3.75 Jul KC @ 132.80 **Greeks:** Delta (18) Gamma (0.5) Theta +$1 Vega $(11) **Margin:** $ 775	Approx 274 or more points credit $ (1,027.50)	**Jul options expire on 6/11 in 94 days**	Traders who expect Coffee to continue to decline over the next two months can consider establishing this Jul KC credit call spread. The short out-of-the-money Jul 135 call is hedged by the long further out-of-the-money Jul 145 call. This spread begins about 18 deltas short and earns positive time decay since the short Jul 135 call decays more rapidly than the long Jul 145 call. **Trading Plan/Suggested Risk:** Establish the spread for a credit of approximately 274 points with an objective of closing the spread when it narrows to a credit of 120 points (154 points better). This objective could be potentially achievable in 63 days (by May 11) provided the Jul KC futures contract declines at least 4.00 points to 128.80. If the Jul KC contract rallies 4.00 points to 136.80, then close the spread. In any event, close the spread no later than May 11 in 63 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 KC
Number of Lines 4
Step through dates
Step through volatilities
Max Proj. Date
Jun 12, 2010
Volty Chg
0.0%
Amount Provided
= Orig. Reqmt.
$775
Vertical Axis
Profit/Loss
May 11, 2010
Volty Chg: 0.0%
Capital: $775
E.R. -$282
+/- 1,170
B.E. 134.00
P.P. 54%
Short 1 Jul135 Call, Long 1 Jul145 Call
Close
Superimpose Prev
Tgt
-$169
+/- 0
T+95
T+63
T+32
T+0
Linear
Log
Wand
132.80
Details
Profit/Loss by Change in KC Jul Futures Price
$
1200
600
0
-600
-1200
-1800
-2400
-3000
116.80
120.80
124.80
128.80
132.80
136.80
140.80
144.80
148.80
23.9%
P/L 833 769 656 458 128 -352 -923 -1,485 -1,958
Delta -3.17 -5.64 -9.66 -17.14 -27.19 -35.88 -38.86 -35.23 -26.77
Gamma -0.47 -0.78 -1.28 -2.29 -2.62 -1.54 0.10 1.64 2.31
Theta 4.11 5.68 7.05 7.56 6.21 2.00 -4.43 -10.34 -13.51
Vega -9.37 -13.82 -18.62 -21.99 -20.30 -10.12 6.86 23.10 32.09
Maint 0 0 0 264 678 1,375 1,989 2,414 2,650

WEEKLY OPTION IMPLIED VOLATILITY SURVEY ----- DATA through Mar 5, 2010

UNDERLYING MARKET	Symbol	Mar 5	Feb 26	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	**16.2**	**18.1**	**21.4**	**17.2**	**18.9**	**23.3**	8.5 - 69.3	8.8 – 69.3	57	4
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	**94.2**	**99.3**	**107.0**	**106.3**	**110.7**	**112.7**	7.7 - 168.7	7.7 – 168.7	90	62
TEN-YEAR Notes	TY	**6.0**	**6.0**	**6.1**	**7.0**	**6.2**	**7.7**	3.5 – 9.4	3.5 – 9.4	49	1
US 30-YR Bonds	US	**9.4**	**10.0**	**10.7**	**11.1**	**11.7**	**13.0**	5.2 - 21.7	5.2 - 21.7	56	1
CURRENCIES											
AUSTRALIAN $	AD	**12.9**	**13.4**	**14.0**	**13.0**	**14.5**	**16.0**	6.2 – 46.7	6.2 – 46.7	64	1
BRITISH POUND	BP	**13.3**	**11.9**	**10.7**	**11.2**	**11.7**	**13.1**	4.9 - 29.5	4.9 - 29.5	86	45
CANADIAN $	CD	**10.8**	**10.5**	**11.9**	**11.5**	**13.8**	**15.6**	5.8 - 26.9	5.8 – 26.9	65	1
EURO Currency	EC	**11.0**	**11.2**	**10.9**	**10.4**	**10.5**	**10.7**	4.7 - 28.7	4.7 - 28.7	77	29
JAPANESE YEN	JY	**11.2**	**11.4**	**13.1**	**13.4**	**11.6**	**13.4**	6.3 - 34.4	6.3 – 34.4	61	1
SWISS FRANC	SF	**10.4**	**10.4**	**10.5**	**10.4**	**11.0**	**11.4**	5.6 - 24.3	5.6 - 24.3	49	4
GRAINS											
CORN	C	**30.2**	**30.3**	**28.4**	**33.3**	**33.6**	**39.5**	15.6 - 50.2	25.3 – 50.2	46	6
WHEAT	W	**34.1**	**34.1**	**31.8**	**40.0**	**37.6**	**38.4**	20.1 – 61.1	29.1 - 61.1	58	13
SOYBEANS	S	**24.2**	**24.5**	**24.4**	**30.2**	**29.2**	**29.8**	16.4 - 50.0	20.0 - 50.0	29	1
SOYBEAN MEAL	SM	**25.2**	**24.6**	**23.1**	**26.0**	**29.2**	**30.4**	17.0 - 46.3	22.6 - 46.3	27	8
SOYBEAN OIL	BO	**23.3**	**23.4**	**23.1**	**24.8**	**28.4**	**29.8**	16.9 - 47.8	17.3 - 47.8	27	8
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	**22.0**	**22.1**	**22.1**	**25.8**	**24.7**	**27.8**	12.7 - 47.0	12.7 - 47.0	33	6
FOODS, FIBER											
COFFEE	KC	**27.5**	**28.2**	**28.2**	**30.9**	**31.5**	**31.8**	23.2 - 62.5	23.2 - 62.5	13	1
COCOA	CO/CC	**33.9**	**33.0**	**34.3**	**37.9**	**38.5**	**43.2**	20.6 - 53.5	20.6 - 53.5	54	5
SUGAR	SB	**43.9**	**43.2**	**49.7**	**48.5**	**42.9**	**48.1**	18.6 - 52.0	18.6 – 52.0	88	52
ORANGE JUICE	OJ/JO	**30.9**	**30.6**	**39.8**	**47.2**	**39.1**	**43.0**	17.7- 55.8	18.7 – 55.8	48	2
COTTON	CT	**29.7**	**25.9**	**28.8**	**27.0**	**28.4**	**29.7**	16.4 - 47.2	16.4 – 47.2	60	29
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	**36.4**	**36.2**	**32.0**	**35.4**	**41.6**	**93.1**	17.1 – 349	25.1 – 349	66	19
GOLD	GC	**18.6**	**21.0**	**21.6**	**22.1**	**23.1**	**18.8**	10.8 - 48.7	18.6 – 48.7	44	1
SILVER	SI	**30.6**	**32.2**	**32.1**	**32.4**	**36.2**	**35.2**	16.9 - 75.2	19.0 – 75.2	31	1
ENERGY											
CRUDE OIL	CL	**30.8**	**30.5**	**32.9**	**33.0**	**37.4**	**40.6**	24.8 - 99.9	24.8 - 99.9	29	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	**30.9**	**31.3**	**32.8**	**33.5**	**38.0**	**40.6**	25.9 - 73.6	25.9 - 73.6	26	3
NATURAL GAS	NG	**37.8**	**41.4**	**47.3**	**55.9**	**54.2**	**54.0**	30.0 - 98.1	33.6 – 91.4	16	1
MEATS											
LIVE CATTLE	LC	**13.4**	**13.7**	**15.9**	**14.6**	**12.6**	**14.6**	11.6 - 37.9	11.6 - 37.9	12	6
FEEDER CATTLE	FC	**12.5**	**11.4**	**12.4**	**12.0**	**13.0**	**12.6**	9.0 - 35.0	11.9 - 35.0	26	17
LEAN HOGS	LH	**21.5**	**22.3**	**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 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, US, AD, CD, JY, SF,C, S, SM, BO, RR, KC, CO, OJ, GC, SI, CL, HO, NG, LC and LH	NONE	Implied volatility is extremely low in virtually ALL markets.

