

VectorVest

Session Two

Options and The VectorVest System

Options and The VectorVest System

Market Direction

is the single most important factor
affecting a stock's price movement!

Options and The VectorVest System

For Best Results

Let the Trend be Your Friend

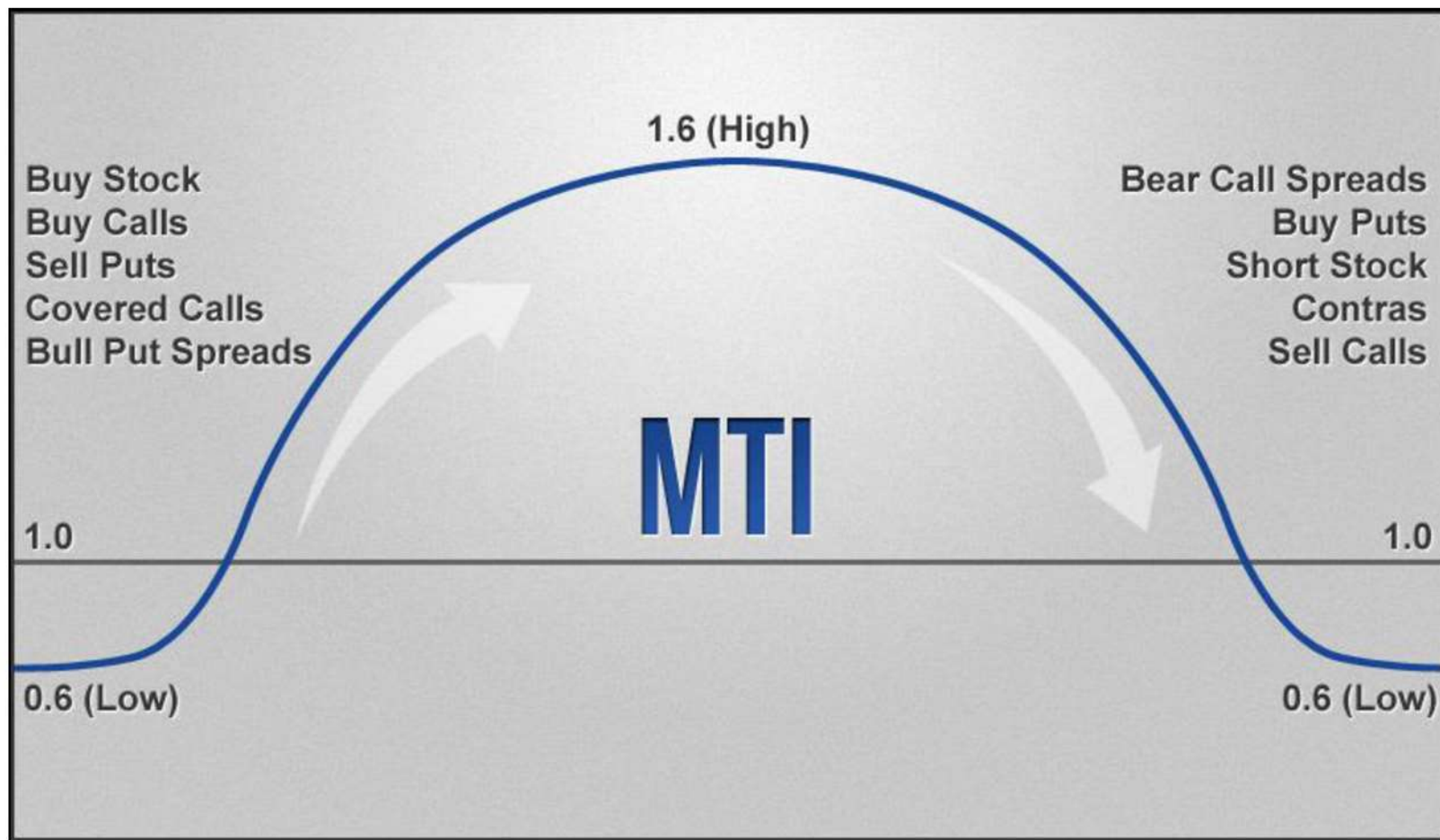
Favor Bullish Options Trades in Rising Markets

Favor Bearish Options Trades in Falling Markets

Options and The VectorVest System

The VectorVest Market Timing Graph clearly shows when the market is Rising, Falling or Transitioning and gives explicit market timing signals.

Options and The VectorVest System



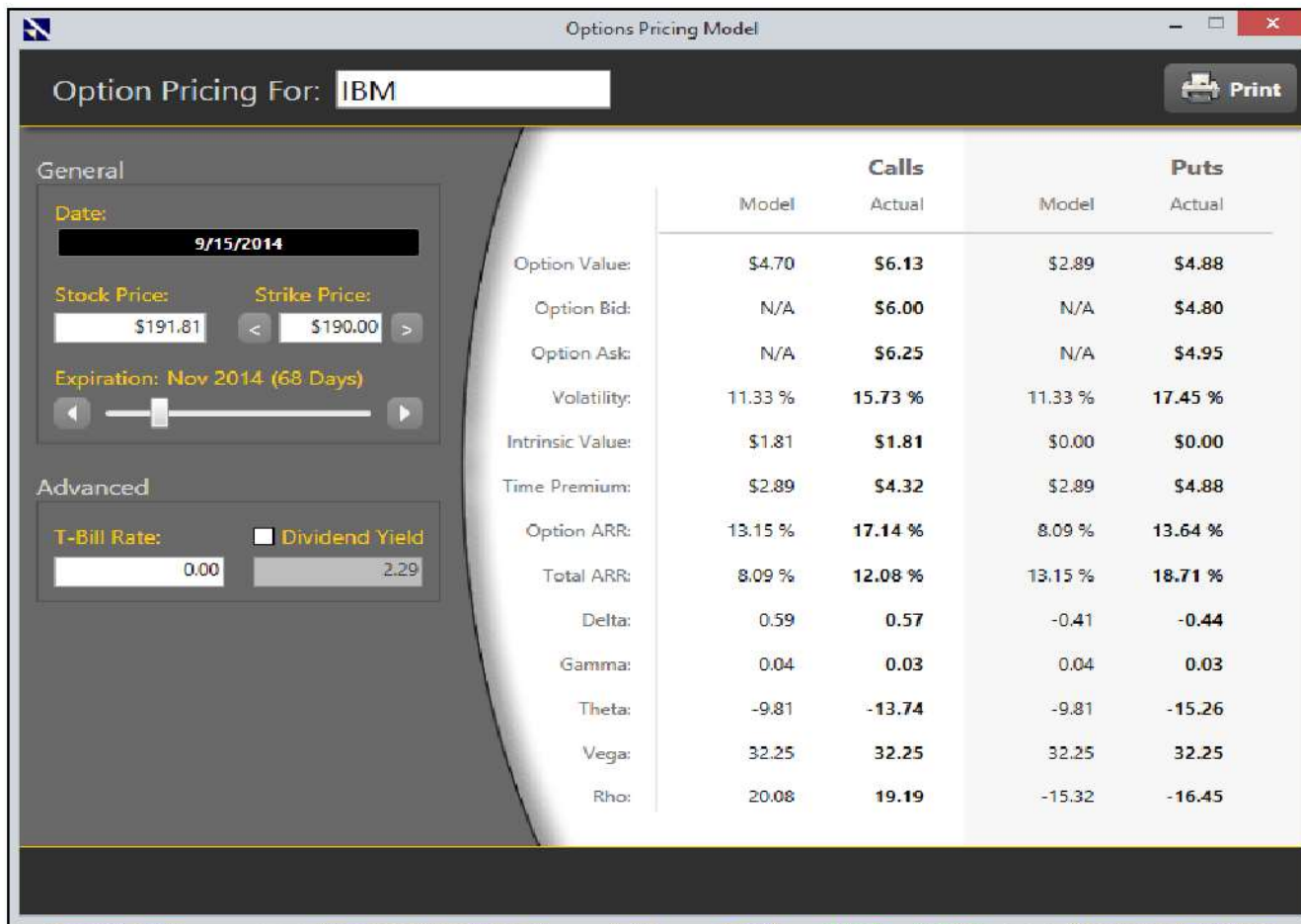
Options and The VectorVest System

Black-Scholes Pricing Model

- The *Black-Scholes* valuation model is a statistical model that calculates the theoretical value of an option, given the strike, expiration, etc...
- It can be used to find under or overvalued options and is most useful in assessing option trades and strategies.

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Options Pricing Model



Option Pricing

<u>When</u>	<u>Calls</u>	<u>Puts</u>
1. Stock Prices Rise:	<u>Rise</u>	<u>Fall</u>
2. Strike Prices Rise:	<u>Fall</u>	<u>Rise</u>
3. Duration Increases:	<u>Rise</u>	<u>Rise</u>
4. Volatility Increases:	<u>Rise</u>	<u>Rise</u>
5. Interest Rates Increase:	<u>Rise</u>	<u>Fall</u>
6. Dividends Increase:	<u>Fall</u>	<u>Rise</u>

Options and The VectorVest System

Options Rate of Return

Combines the power of UniSearch with the ability to search for, select and implement the right option trade.

Options Rate of Return Screen

Vector + Vector 1.25

Run Search 10/13/2014 12:08 PM Stream *Option data is current as of market close on 10/10/2014

Parameters

Puts Calls
 Expiration: Nov 2014 (40 Days)
 At the money
 T-Bill Rate: 0.01
 Only return:
 Optionable stocks

Date/Time	Parameter	Operator	Value
Time of Search	Stock Watchlist	<>	ContraContra ETFs
Time of Search	Stock VST	>=	1
Time of Search	Stock Exchange	<>	I, x, P, Q, X
Time of Search	Stock RS - (Relative Safety)	>=	1.25
Time of Search	Stock GRT - (Growth Rate)	>=	10
Time of Search	Stock AvgVol - (50 day moving ...)	>=	100000
Time of Search	Stock YSG - (Yield Safety Growth...)	>=	1
Time of Search	Stock Industry Group	<>	ETFs (Short)
Time of Search	Stock Price - (Actual)	>=	1
Time of Search	Stock Exchange	=	xA, xO, xN

.....

Company	Symbol	Option Bid Price	Option Ask Price	Option ARR	Price	Strike Price	Option Price	Hist Vol	Imp Vol	Total ARR	Time
Cal-Maine Food	CALM	1.10	1.45	61.91%	88.42	\$95.00	\$1.28	25.78%	31.44%	113.40%	
Shire PLC	SHPG	4.00	7.50	104.72%	247.69	\$250.00	\$5.75	20.78%	37.12%	95.25%	
Aetna Inc	AFT	0.89	0.98	54.94%	77.98	\$78.00	\$0.94	21.91%	23.86%	74.91%	
C V S Corp	CVS	0.78	0.99	48.96%	81.99	\$82.50	\$0.89	12.52%	18.37%	50.06%	
Helmreh&Payne	HP	1.45	2.65	111.51%	81.580	\$85.00	\$2.05	27.00%	51.66%	172.99%	
R P C Inc	RES	2.00	2.40	588.54%	16.69	\$15.00	\$2.22	36.77%	46.90%	2.65%	
Skyworks Soltn	SWKS	1.50	2.90	213.52%	46.70	\$47.00	\$2.20	41.43%	79.11%	212.55%	
Travelers Comp	TRV	0.40	0.50	21.83%	94.339	\$95.00	\$0.45	10.37%	15.13%	68.41%	
Union Pacific	UNP	1.66	1.91	80.35%	100.15	\$101.00	\$1.79	18.61%	26.93%	65.05%	
Gen'l Dynamics	GD	2.25	2.55	90.33%	121.57	\$120.00	\$2.40	16.99%	24.17%	44.41%	
Ball Corp	BLL	0.10	0.60	25.50%	62.78	\$65.00	\$0.35	13.73%	31.22%	198.91%	
Hormel Foods	HRL	1.75	2.05	167.45%	51.94	\$50.00	\$1.90	15.29%	22.52%	11.46%	
Netease.com	NETS	1.75	2.55	117.60%	84.125	\$82.50	\$2.15	21.37%	33.67%	67.29%	
Teva Pharm ADR	TEVA	0.71	0.82	67.38%	50.82	\$52.00	\$0.77	23.84%	27.95%	84.11%	
Western Digitl	WDC	1.78	1.95	94.07%	88.76	\$90.00	\$1.87	18.50%	30.49%	70.87%	

Options and The VectorVest System

Options Analyzer

Allows you to verify and examine the Profit/Loss implications at expiration of options trades. It also allows you to perform sensitivity studies of all the factors affecting the option premiums prior to expiration. It is perfect for back-testing ideas and for assessing potential option trades.

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Options Analyzer

