Four Can't Miss Options Trades

Options Trading Research

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The 4 Can't-Miss Trades For Every Options Investor...

I've just uncovered 4 "nearly perfect" options trades with incredible wealth-building potential. Each of these trades gives you an opportunity to squeeze maximum profits from some of the biggest trending areas of the stock market right now.

What's more, they are well suited for all investors (beginner and advanced traders alike).

That's why we've rushed out this special report.

In this report, I'll not only explain why each of these 4 areas is such a huge opportunity for investors right now...but I will also give you detailed instructions on how to place each of these winning trades immediately.

Plus, I will show you how and why you can lock in much bigger profits investing in these explosive opportunities with options as opposed to common stock.

Now a warning...

Trading isn't for everyone. If you don't like making big profits in a short period of time with limited risk - then options may not be your thing.

But once you have a few winners in your pocket, you'll know you've found a powerful tool that can deliver huge gains, income, and peace of mind. And you'll be an options investor for life.

Without further delay, here are the 4 trades you should be looking at right now.

Option Trade #1: The Best way to Play the coming healthcare boom-- and realize a 180% profit explosion

Healthcare in the US is undergoing major changes.

One thing's for sure, since health care reform was signed into law in 2010 the industry has dealt with a lot of uncertainty. After surviving a challenge in the Supreme Court and President Obama's reelection, it's safe to say the reforms are here to stay.

At this point 2013 is shaping up to be a relatively uneventful year for healthcare.

But it will surely be back in the spotlight in 2014 when 29 million currently uninsured Americans join the health insurance system.

In short, the health care reforms seek to increase access to affordable healthcare.

That's clearly good news for consumers. But one question remains... will healthcare businesses be able to make money in the new system?

Right now, health care companies are in the process of adjusting to the new reality of providing health care in America. They'll have to treat more people but make less money on each patient.

In my opinion, 2013 is the calm before the storm.

Healthcare companies will be dealing with the expense of adjusting to the new reforms but they won't get the benefit of the influx of 29 million new patients that will increase the number of people with health insurance. That means 2013 will likely be a difficult year for earnings growth. But earnings growth should accelerate in 2014.

Here's the thing...

You can't wait around to invest in healthcare until 2014. Investors are already bidding up healthcare stocks in anticipation of future earnings growth.

The **Health Care Select Sector SPDR** (XLV) is up 20% over the last year.

That an impressive return for an ETF. And even more so considering it was dealing with uncertainty from the Presidential election. With the removal of uncertainty, I'm expecting an even stronger 2013.

A simple option strategy to profit from more upside in health care in 2013 is to buy some "LEAPS" or long-term call options on XLV. The goal is to generate returns similar to owning the ETF but with less money out of pocket and limited risk.

Right now you can buy XLV January 2014 $40 call options for about $2.50 apiece.

These at the money call options have about a year until expiration. And the breakeven is $42.50.

If healthcare stocks simply have another year like they did in 2012 XLV should be trading for at least $47. That would send these options soaring to $7.00 apiece.

That's a return of 180%.

Option Trade #2: How to get the most income from utility stocks

Investing in electric utilities, multi-utilities, independent power producers, energy traders, and gas utilities isn't flashy. It's not like investing in a hot biotech stock or tech stock IPO. But utilities stocks are a staple for investors interested in income generation more so than growth.

And for good reason...

High quality dividend paying stocks like those found in the utilities sector are one of the few places investors can generate a decent yield on their investment these days.

In fact, utilities and other dividend paying stocks are income investors' best bet to make more than the 2% yield you can get on a diversified fixed income ETF today.

Obviously, a 2% yield doesn't cut it for many income investors.

As a result we've seen some investors pulling out of fixed income ETFs and putting that money to work in ETFs with bigger dividend yields.

Right now the **Utilities Select Sector SPDR Fund** (XLU) pays an annual dividend of $1.45.

At a recent price of $37.18 that's a dividend yield of 3.9%. Or nearly twice as much as the diversified bond fund.

What's more, XLU has a greater potential for growth. XLU is up an impressive 6.5% year to date to $37.18.

But unlike the S&P 500 that is back near the all-time highs it set back in 2007, XLU still need to gain an additional 20% to reach its all-time high of $44.66.

But here's the thing...

We're not buying XLU for the upside. I don't see XLU going up 20% to test the all-time high in the near future. I do however believe XLU will continue to advance along the well established uptrend. But that doesn't give XLU much upside in the next 6 to 12 months.

This scenario creates an opportunity for income investors to use a covered call strategy to increase the amount of income they can collect on their XLU holdings.

Right now you can buy 1,000 shares of XLU for $37,180. And you can sell the XLU June 2013 $38.00 call for 36 cents.

Keep in mind,you can sell one option contract for every 100 shares of stock you own. So you can sell 10 contracts and collect $360.

And don't forget you'll also collect two quarterly dividends of approximately 40 cents per share before these options expire.

That alone will generate $800 in dividends in the next 4 months.

If XLU stays below $38.00 through June 22nd the options will expire worthless.

You'll keep the 1,000 shares of XLU, the $360 in option premium, and the $800 in dividends.

At this point you can sell your 1,000 shares of XLU or you can sell another covered call against your XLU holdings and continue to collect the dividend and option premium.

If XLU is continues to rally your stock will likely be called away if XLU gets above $38 prior to June 22nd. In this case you'll collect $820 on the sales of the stock, you still get to keep the $360 in option premium, and whatever dividends you collect before the stock is called away.

As you can see, using a covered call strategy like this is a simple way to generate income far and away better than you can get by simply investing in bonds or even in dividend stocks alone.

Option Trade #3: Cash In On The US Oil & Gas Boom

It's not every day that a breakthrough technology transforms the balance of power in the world. But that's exactly what advancements in oil and gas drilling techniques have done.

In just the last few years these technologies have fueled a boom in US oil and gas exploration & production.

The new supplies of home grown fossil fuels have flipped the balance of power in the energy sector.

Today the US enjoys a wealth of both oil and gas. But the supply of natural gas we've found locked in shale formations is truly astounding.

As a result, the price of natural gas been thrown out of balance with oil.

Now companies are rushing to capitalize on this cheap and readily available energy source. It's sure to be a boon for the stock price of the early movers.

But it's not all good news...

There will also be companies that can't or don't adapt fast enough. The companies that are left behind will see their stock prices decimated.

No doubt about it, the era of cheap natural gas in the US is sure create some massive winners and huge losers. By the time the dust settles - savvy investors will be filthy rich.

Here's how...

It was only a few years ago America was running out of natural gas. US production was declining. And demand was outpacing supply.

America was facing a grim reality.

We needed foreign supply to meet our growing demand. It was just another brick in the wall of America's dependence on foreign energy. Then advancements in drilling technology unlocked colossal new natural gas reserves.

The game changing technology...

The process is called Horizontal Hydraulic Fracturing or “Fracking” and it has reshaped the natural gas industry.

Fracking is a process used in oil and gas well drilling.

Drillers drill down vertically to the area where natural gas is trapped in the rock. Then they drill horizontally through the formation. It causes the natural gas trapped in rock formations to come pouring out.

In short, fracking makes it economically feasible to develop areas impervious to conventional drilling.

Here’s the thing...

The US is loaded with shale formations filled with natural gas! In just a few years a number of massive finds have been made. A few of the biggest are...

Marcellus Shale

Haynesville Shale

Barnett Shale

Fayetteville Shale

Bakken Shale

The amount of energy in these formations is mindboggling...

And the truth is we don’t know exactly how big they are. We’re still drilling, and they’re still getting bigger.

The US Energy Information Administration (EIA) estimates the US now has 2,586 Trillion Cubic Feet (Tcf) of natural gas reserves.

To put that in perspective, consider this... The US uses about 22 Tcf per year. That means we have more than 100 years of supply.

As a result the traditional relationship between oil and gas prices has broken down in the US. Typically oil and gas have been priced at a six to one ratio.

At recent price of $94 per barrel of WTIC oil, natural gas should be priced at $15.66 per million BTU. But natural gas trades for about $2.85 per million BTU’s (MMBTU).

But that’s not all...

US natural gas is also cheap compared to other regions of the world. Right now natural gas costs about $13.00 per MMBTU in Europe and $16.00 per MMBTU in Asia.

Clearly, America now has an abundance of natural gas. The question is, how will it be used?

The price disparity between natural gas in the US won’t last forever...

Eventually this ratio will revert back the historical norms. Economists call it reversion to the mean. (I call it common sense.)

In order for this to happen either natural gas demand will rise or supply must fall. And I can tell you right now drillers and explorers won’t stop producing natural gas.

Many of them took on massive amounts of debt to buy up fracking rights. They simply must produce or they'll go bankrupt.

Even if they're not hurting financially, most of them are contractually obligated to start pumping gas within a few years. Or they could lose their drilling rights. And they're not going let that happen.

Clearly reducing the supply of natural gas isn't a viable option.

The bottom line is something will be done with the excess supply. The profit potential from harnessing cheap natural gas is too good for companies to ignore.

But you don't have to take my word for it.

The major oil companies see the huge potential. Tom Walters, the President of **Exxon Mobil** (XOM) said, "By 2030, global gas demand will be around 140 billion cubic feet per day higher than 2009."

And even more importantly Exxon Mobil backed up their talk. They bought US natural gas producer XTO Energy for $41 billion.

That's a $41 billion bet on domestic natural gas. And that's not chump change even for them.

Obviously, they're expecting demand for natural gas to increase and for prices to go up. They didn't shell out $41 billion for nothing.

And that time could come much sooner than many expect…

As you may know, natural gas has the potential to become a viable alternative to oil as a transportation fuel. Recently we've seen entire fleets of trucks and buses being converted to run on compressed (CNG) or liquefied (LNG) natural gas.

But a full scale adoption of natural gas as a transportation fuel has been slower to catch on. Right now, the US lacks the infrastructure for vehicles to refuel their natural gas powered vehicles.

But that's quickly changing…

In order for natural gas to become a true alternative to oil it faces some big challenges. First and foremost it must be just as convenient and easy to get as it is to fuel up with gasoline.

It doesn't matter how much money a natural gas fueled car could save you versus a gasoline fueled vehicle if you can't easily fill 'er up when the tank is low.

Right now a host of companies are working on the infrastructure needed to make refueling NGV's as convenient as possible. And after years of organizing and planning, 2013 is pivotal year for the advancement of natural gas' future as a transportation fuel.

One company that's right at the epicenter of this movement is **Clean Energy Fuels** (CLNE).

Clean Energy Fuels designs, builds, operates, and maintains fueling stations. They also sell non-lubricated natural gas compressors and related equipment used in CNG and LNG stations.

In addition, they offer finance services for the purchase of natural gas vehicles or for the conversion of gasoline or diesel powered vehicles to operate on natural gas.

Obviously, if natural gas takes another step toward becoming an alternative transportation fuel CLNE should soar.

Buying CLNE stock could generate sizeable returns in the next few years.

In fact, some analysts estimate CLNE could be worth as much as $25 per share before long.

At recent price of about $13.00 per share. That's a solid 92% gain on investment. If you bought 1000 shares today your investment would balloon to an eye-popping $24,960.

But what if you don't have $13,000 to invest in CLNE?

Instead, you can use long-term call options called LEAPs to lower your cost but still reap the rewards.

A LEAP option is simply an option with an expiration date far out in the future.

And the best part is a LEAP allows you to control a large amount of stock for an extended period of time much cheaper than if you actually owned the stock.

For instance you can buy the CLNE January 2015 $12.00 call option for about $3.50. That means for $3,500 you can by 10 contracts and control 1,000 shares of CLNE for almost two full years.

If CLNE lives up to its $25 price target the option will soar 270% to $13.00.

I don't know about you, but I'll take a 270% gain over a 92% gain any day.

By the way, owning LEAP options limits your risk to your initial $3,500 investment. If CLNE's stock price takes a dive you can never lose more than the cost of the call option.

However, if you bought $13,000 worth of CLNE stock you could lose the entire amount if the stock price goes to $0.

That's the power of options – smaller dollar amounts out of pocket, bigger percentage gains, and limited risk.

As you can see, LEAP options can be a powerful tool when a stock is soaring. But they can also be used when a stock is plummeting.

Option Trade #4: One Company That Will Get Crushed By Cheap Natural Gas

There's no doubt about it, cheap natural gas is reshaping the energy landscape. And it's not just the potential for natural gas as a transportation fuel either. It's playing havoc with electricity producers too.

Coal has long been the predominant fuel used to generate electricity in the US.

But cheap prices and fewer harmful emissions are driving electric utilities toward natural gas and away from coal.

It has dealt coal producers like **Peabody Energy** (BTU) a harmful blow. BTU is down a whopping 66% to $24.50 from the April 2011 high of $73.95.

Clearly, their stock has already taken a beating. But there's still more downside ahead as coal loses more ground to natural gas.

In fact some analysts have given BTU a $17 price target! That's an additional 30% downside from here.

You could short BTU's common stock to profit from the fall. But shorting a stock comes with too much (unlimited) risk.

I'd rather use a LEAP put option on BTU to make their pain my gain.

Right now you can buy the BTU January 2014 $25.00 put option for $4.75. That means for $475 I can control 100 shares of BTU stock until January of 2014.

Remember, as the owner of a put option we want BTU to move lower. In this case the breakeven on this trade is $20.25.

If BTU is below $20.25 when the option expires in January 2014 we'll make money.

And if it reaches the $17 price target, these options will jump in value by 68% to $800.

What's more, if BTU moves against us our risk is limited to the cost of the put option… in this case $475.

However, if you had shorted the stock and it moves against you… you're on the hook to buy back the stock at a higher price. And since there's no limit to how high a stock's price can go, your risk is unlimited!

I'll take a scenario where my percentage gains are bigger and my risk is defined any day. And a LEAP put option on BTU gives both.

Where To Get More Options Trading Ideas On These Strategies And Many More…

One of the additional benefits you'll receive along with this report is a free subscription to our Options Trading Research newsletter (delivered straight to the email address you provided).

Published several times a week, Options Trading Research will give you professional options trading ideas, market commentary and analysis all designed to make you a better options trader!

Authored by my expert team and me, we'll show you what's working in the options market and what you need to know to generate the biggest returns.

To make it as useful as possible, we've also tailored it so both beginners and advanced traders can profit immediately from what they read...

So if you're serious about making money and securing your retirement using options-- welcome aboard!

I promise that you won't find a better source of proven, useful options trading ideas anywhere on the web!

Sincerely,

Corey Williams, Chief Options Strategist
Options Trading Research