

A background image of a financial line chart on a blue grid. The chart shows a white line fluctuating over time, with a notable upward trend towards the right. Faint text like '5y' and '10y' is visible at the top, and numbers like '20', '26', and '26' are on the right side.

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## Introduction...

Welcome to our free report, "The Top 3 Options Trades For 2016".

Options have changed the way both professionals and casual market participants trade and invest. It's no longer just about stocks and bonds. These days, options trading is just as popular – if not even more so.

Quite simply, option trading is huge. And the market continues to grow everyday by leaps and bounds.

For instance...

From 2010-2014, the OCC (the options clearing organization for the US) cleared an average of over 4 billion options contracts each year. Moreover, the average daily volume in 2014 for equity and index options was nearly 17 million contracts (and looks to be just as strong in 2015). To say options trading is popular is a huge understatement!

So what makes options so special? Why is the market so astronomically big - and growing?

I'll get back to that in a second...

First off, after reading this report, be sure to check your email inbox each day for our free e-letter, *Options Trading Research*. This newsletter is one of the best ways to not only learn more about options, but also how to use them effectively.

Now, let's take a look at what makes options so beneficial to traders...

# Why Professional Investors (And Others) Use Options

It's no secret that options have exploded in popularity over the years. The reason is simple. No other investment offers the broad range of benefits to investors that options do.

Here are the 5 most important...

For starters, options can increase your profits substantially. It's not unusual for options to rocket up hundreds of percentage points in a very short amount of time.

You see, for the cost of an option premium, you control 100 shares of stock. That means for a small investment, you have the ability to make a lot more on a stock's move (than if you had just bought the stock outright).

Second, the amount of money you need upfront with options is **SUBSTANTIALLY** less than just about any other investment out there.

You can control huge amounts of assets with a relatively small amount of money. And for many options strategies, you can actually generate income with no money out of pocket.

Try that with stocks!

Third, options give investors amazing flexibility.

There are literally hundreds of strategies you can use with options. From straddles to strangles, from call buying to put selling, the variations are endless!

You can use options to create strategies to profit from just about any scenario you can envision...

Fourth, when used correctly, options are one of the best risk management tools known to man.

This is the main reason why options are used so heavily by big-time investors and Wall Street insiders. No matter what investment you're using, or what investment strategy you're following, options can always be used to reduce risk.

Last, but not least, options make it very easy to generate income on a regular basis.

Whether it's collecting option premiums on stocks you already own, or generating credits by selling options to eager buyers, generating income is a very popular way to use options.

In a nutshell, when selling calls or puts, you can make money not just on the direction of the stock, but even if the stock doesn't move at all. Plus, selling options gives you a ton of flexibility on how you design strategies.

With so many benefits, it's no wonder the pros trade options so heavily. You've likely heard the term "smart money" when referring to professional traders. Well, the smart money is often in options.

And when you take a look at the three powerful strategies I'm about to explain, you'll see how you can become the smart money... just like the pros.

But First I'm going to share some tips, tricks and secrets to trading Options

# Six Critical Tools To Use For Successful Options Trading

I get asked all the time to divulge secret tips and techniques when it comes to trading options. The biggest secret I can share here is the list of tools I use to analyze the different options trades.

These tools are critical to understanding the underlying movement of the stock, the value of the option, and determining the appropriate strategy.

I suggest you start using these tools... or something similar and you'll start finding more successful trades!

So without delay, here are the 6 critical tools I love to use:

## **Tool One: Yahoo Finance (<http://finance.yahoo.com/>)**

No big shocker here. Yahoo has some great information on different public companies, they have good stock quotes, recent news and charts. I always start here to get a good overview of a company. Often times i figure out my trading strategy from the information I uncover.

## **Tool Two: Finviz ([finviz.com](http://finviz.com))**

Any good options trader is constantly looking at the market for trading ideas. One of the places I love to start is Finviz. It's a world class stock screener. You can search for any number of parameters, and screen out the fluff data. It's a wonderful way to screen stocks... and best of all it's FREE!

### **Tool Three: SEC (sec.gov)**

No investor or trader should ever put money behind a stock without reviewing the public data. You absolutely must understand what you're buying. SEC.gov is critical for company research and due diligence.

### **Tool Four: StockCharts (stockcharts.com)**

If you're not looking at technical analysis, you're in a boxing match with one hand tied behind your back. Technical trading isn't the holy grail many make it out to be, but enough traders follow the analysis... that it's critical to understanding support and resistance. Stock charts is fantastic online charting, and they have basic level access that's free!

### **Tool Five: Bloomberg Calendar (bloomberg.com/markets/economic-calendar)**

The markets can move in a big way off of news. This is a great resource for upcoming news and market data.

### **Tool Six: CBOE (cboe.com)**

After you've analyzed a company and a stock, it's time to get data on the options you want to trade. There are tons of resources out there, but I've found the CBOE to have great market data, options data, and detailed info on options chains.

Start using these tools today, and I promise you'll start looking at options trading in a whole new light. The best part of all these tools... they are all free. So, there's no excuse, start using them today.

Now Let's take a close look at three options trades we think will outperform in 2016.

## Top Three Option Trades For 2016

Ok, we've discussed some of the key benefits of using options... and some of the tools we use to uncover the best options out there.

Now we're going to go over 3 actual option trades you can make that take advantage of the benefits options provide.

In addition, the 3 strategies you're about to discover can be used in a variety of ways to increase your profits, protect your portfolio, and generate income on a regular basis.

Finally, we'll take a quick look at two options trades to avoid for the remainder of the year.

### Option Trade #1: Don't Pay Full Price For This Hot Stock

One of the hottest stocks on the planet this year is **Tesla Motors** (TSLA). The electric car company was trading for around \$40 as late as April 2013. The stock has since been as high as over \$290 per share.

Basically, investors are looking at TSLA as a model for how car companies may function in the future. Not to mention, the company's all-electric sedan is turning out to be one of the best cars ever built.



There's no telling what the future may hold for this exciting company.

Here's the thing...

Tesla's stock has become very expensive. The average investor can only afford a few shares at a time.

What if there was a way to control many more shares of TSLA (and participate in its upside) without needing nearly as much money upfront to buy the shares?

That's where options come in.

Using a special option strategy, you'll be able to buy shares of TSLA at a fraction of the price that the actual shares cost!

Only through options can you get this sort of opportunity.

Let me show you what I mean...

Let's say TSLA is trading at \$250 per share.

Clearly, the current price is extremely high and most investors would only be able to afford a handful of shares at most. In fact, 100 shares of TSLA would cost you a cool \$25,000.

**Instead, you can use long-term in the money (ITM) calls on TSLA.**

By long-term, I mean as far out as you can go. We'll use January of 2017 as an example.

If you were to buy one long-term ITM call, let's say the 220 strike, it would cost roughly \$65. Remember, one option equals 100 shares, so we need to multiply the premium by 100 to get the actual cost.

In this case, that's \$6,500 to own the call.

While, that's still a decent chunk of change, it's only about a quarter as much as buying the shares outright. And, you control the shares through January 2017.

Why wouldn't you want to invest a quarter as much for the same thing?

By buying long-term ITM calls you can "control" any stock for typically less than half what it would cost to buy the stock outright.

And if Tesla starts moving higher as many people anticipate, you'll profit just as you would if you owned the stock!

By the way, if Tesla stock drops all the way to zero (fat chance!), your risk is limited to the amount of money you invested in the call options (\$6,500) in this case.

Compare that to the \$25,000 you would have lost in the stock had you bought it directly.

That's the power of options.

Full participation on the upside, limited risk on the downside.

Not a bad combination, eh?

## **Option Trade #2: Generate Income On A Stock You Already Own**

While buying options is a nice way to get leverage for cheap, there's even more opportunity when it comes to selling options.

Let's say there's a stock in your portfolio you really like (or a stock you want to buy and hold for the long-term).

For example, say you own (or buy) 100 shares of **Wells Fargo** (WFC).

WFC is a solid long-term addition to any portfolio. It's the largest bank in the US... and that's saying a lot considering how big the US financial system is.

The banking giant pulls in nearly \$50 billion a year in revenue, and generates \$22 billion in profits. Plus, it's a fairly recession-proof stock.

Hey, people still need to have a bank during a recession!

Okay, so once you have WFC in your portfolio, here's how you can continuously generate additional income from it.

**The strategy I'm referring to is selling covered calls.**

It's simple...

First, pick an out-of-the-money call. If WFC is trading at \$50, we'll use next April's 55 strike as an example. For this example, we'll say the 55 call is trading for a premium of \$2.50.

Now, when selling long-term covered calls, you'll want to sell options at least six months out. I personally like to go out six to nine months.

Here's how it works...

You own WFC at \$50. The stock typically doesn't move that much - it's what we call a low volatility stock. It's not all that likely WFC will climb far above \$55 (the all-time high is \$58) in six to nine months. As such, we'll sell the 55 call for \$2.50.

If WFC stays below \$55 before the option expires, you earn \$2.50 on your covered call, or \$250 (for every 100 shares you own)... all for doing absolutely nothing.

Basically, if the stock drops, you've given yourself an extra \$2.50 cushion on the downside. But, if WFC stays around the current level, you'll make money on your call without losing a dime on your stock position.

If WFC goes up but stays below \$55, you'll make money on the stock increase up to \$55 and from the premium you collected on the covered call. That's the best of both worlds!

Finally, if WFC blows through \$55, your option will get exercised. Since you're already long 100 shares, all that means is that your broker will remove the shares from your account. In other words, you'll be cashed out of your position for profit.

If that happens you've just made \$5 on your stock appreciation and another \$250 from selling the option.

Plus, you can always buy more shares and do the same thing over and over again.

(If Wells Fargo does not reach \$55, your options expire, you keep the premium, and then you can do it all over again!)

Look, it's basically a no-lose strategy. You're somewhat protected on the downside, and every other scenario is profitable for you.

Remember, you planned on holding these shares long-term anyway, even if the price falls over the next year.

So tell me again, why wouldn't you sell covered calls every chance you get?

## **Option Trade #3 – Protect Your Portfolio With Ease**

Are you worried about the market? Does it seem like things have been unusually calm lately? Could it possibly be the calm before the storm?

If you're worried about what could happen to your portfolio in the event of a market meltdown, then you've come to the right place. Options are one of the best ways out there to reduce portfolio risk.

Here's the deal...

**It's very easy to lower your risk and protect your portfolio by simply buying index puts.**

First off, there's no reason to buy puts on all your holdings. That could get cumbersome. Instead, buying puts on an index tracking ETF will save you a lot of time and money.

For our trade will use the **SPDR S&P 500 ETF (SPY)**. It's the most popular and active market tracking index out there.

Let's say the SPY is trading at \$200 (with the S&P 500 at roughly 2,000). If you want to hedge your portfolio, it's just as easy as purchasing out of the money (OTM) SPY puts.

I like to go about three months out for my puts. And, I typically pick a strike approximately 10% below the current price. In this case, that would be the 180 strike. By going 10% out, you're lowering the cost of the puts and making your hedge more affordable.

At this point, you can decide how big of a hedge you want to put on. As a general rule of thumb, in the event of a market meltdown (say 15-20% down in a relatively short-period of time), you'd like to be able to recover at least 25% of your portfolio value.

(You can do some quick math to figure out the number of contracts you need. Assume a 20% down move in the S&P 500 and figure out how much your options will be worth – it's easy because they'll be deep in the money

at that point. Then figure out what 25% (or 50% or whatever) of your portfolio value is and buy enough options to cover that amount.)

And then all you have to do buy your SPY 180 puts.

At the current levels, they're trading for around \$3.25. So for \$325 per option, you're getting excellent protection in the event of a significant market downturn over the next six months.

That's all there is to it!

With as inexpensive and easy as the strategy is, why not give yourself peace of mind and hedge your risk?

## Two Trades To Avoid For The Rest Of The Year

Okay, so we've looked at three excellent trades for the next six months or so. One trade is speculative with big upside, one trade is about earning income, and the third trade provides protection for your portfolio.

Now, let's take a quick look at two trades to avoid completely.

- Calls can be used speculatively on commodities (or commodity ETFs) – they don't have to just be for stocks. **One speculative call trade I'd avoid is buying calls on gold.** While interest rates could be going up over the next several months, gold is no longer being utilized as a safe haven investment to the extent it once was. With the US financial system in strong shape, US investments (like Treasury bonds) are once again the low-risk products of choice. As such, I don't expect to see the price of gold appreciate much from where it is now.

- Buying options (both calls and puts) is popular on biotech stocks developing new products. That's because there's almost always a big move coming at some point in the future. But, it's basically gambling. No one knows for sure if a drug is going to have successful trials and then get approved by the FDA. What's more, biotech options are almost always extremely expensive. Even if you guess right on the direction, the move has to be enormous to pay off. In my opinion – **stay away from biotech options altogether.**

Now that we've given you some great trades to look at... and others to avoid... let's dig a bit deeper.

There are some great options trading strategies you can use to make money in the markets every day. Here are 5 of the most popular!

## Seven Incredibly Popular Options Trading Strategies For Daily Profits!

First a quick note. There are thousands of options trading strategies out there. Probably a strategy for every options trader alive!

That said, a handful of trading strategies are finding some excitement amongst traders. The most important thing to understand is different strategies thrive in different types of markets. So what worked last year, might not work this year.

That's why knowing how to use different strategies is critical.

Below is a quick overview of these strategies, I encourage you to dive in deeply and gather an intimate knowledge of these and many more. You'll

find a lot of information about these strategies on our website  
[optionstradingresearch.com](http://optionstradingresearch.com)

One last comment, some of these strategies are more risky than others... so make sure you understand what you're doing BEFORE placing any trade.

So without further delay, here are seven popular options trading strategies.

### **Strategy One: Buying A Call or A Put**

This is the most basic of option trade out there. If you believe a stock might move up, you buy a call option. if you think it's heading lower, you buy a put option. You're making a directional bet on the underlying stock. These types of trades are the simplest to understand, but can whipsaw very quickly in price...

### **Strategy Two: The Covered Call**

This is a favorite strategy of many retired investors... it's also the only strategy allowed in your IRA! Here you simply buy 100 shares of a particular stock... they SELL a call option for that stock at a higher price. You capture the premium in the option, and wait for it to expire worthless... then do it again!

It's a great strategy to protect against the downside... and an easy way to collect regular income.

### **Strategy Three: The Married Put**



This is the insurance play. Let's say you own a stock, but for whatever reason don't or can't sell it. You purchase a put option to protect yourself from the stock falling in price. It's a simple insurance policy...

### **Strategy Four: The Collar Trade**

Ok, now things are getting a bit more complex. The Collar trade is when you own a stock... say 100 shares of some blue chip... and you sell a call and buy a put. You capture premium for your call option... and use part of the premium to buy your put option. It's like getting your insurance at a discount!

### **Strategy Five: Credit Spreads**

A credit spread is when you simultaneously buy and sell a call option... or a put option. let's look at a Call credit spread... you would sell a call at say a strike of \$55 and at the same time buy a call at \$60. You capture the premium from the \$55 option, and spend a little for the \$60 option, putting money in your pocket. Another great strategy for putting cash in your pocket every month.

### **Strategy Six: Iron Condor**

I love the name of this trade... the iron condor is when you put on a credit spread using both calls and puts on the same stock! Complicated... yes. But again very profitable and a great way to generate cash.

### **Strategy Seven: Bear Spread**

This is a great trade if you expect the stock price to fall. You buy put options at one strike price and sell the same number of puts at a lower

strike price. Make sure to use the same expiration date!

## A Final Word

By now you can see just how powerful options are.

The benefits are plentiful... and plain to see. Not only can options boost your profits, they can also lower your risk and increase flexibility. That's why the pros use options!

Done correctly, option trading can provide huge upside potential. Even better, they can do it without increasing your risk. In fact, they'll even lower your risk in many cases.

Speaking of that, there are hundreds of situations you can use options and options strategies. They can be ideal trading instruments for just about any scenario.

You've seen just how easy it is to own your favorite stock for cheap using options, generate income on a stock you already own, and protect your portfolio with ease.

These popular strategies can make you loads of money and reduce risk. That's why so many expert investors use them on a regular basis.

And there's so much more to discover about options. We just scratched the surface of all the possibilities...

## 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!

## **Make Money TODAY with Options...**

I know many readers are wanting to make money immediately with their options trades... and there looking for even more training and guidance.

Let me tell you about one of our options services... Advanced Options Adviser. It's run by our options expert Gordon Lewis, who traded on the floor of the CBOE and made markets in options for years.

He's been sharing his research and trading ideas with readers for years... and he's had amazing results!

In just 25 he recommended 25 options that showed Gains Over 100%.

YES - 25 different opportunities last year to double your money.

To learn how you can get an inside look at his trades: [Learn all the secrets about options trading right here...](#)

<https://optionstradingresearch.com/premium/aoa-intro-2/>

Check it out now!

Sincerely,

Gordon Lewis,

**Chief Options Strategist**

***Options Trading Research***

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