



# Options Trading IQ

## TRADE ALERT

**Date:** August 30<sup>th</sup>, 2011

**Strategy:** Bear Call Spread

**Trade Set Up:** Sell RUT Sept 15<sup>th</sup> 760 Call, Buy RUT Sept 15<sup>th</sup> 765 Call for \$1.30 or better

**Premium:** \$1.30 (1.30) Net Credit or better

**Stop Loss:** \$390 (3.90)

**Trade Management:** We will look to adjust the trade if RUT breaks above 750.

**Profit Target:** Aim to hold until expiration to achieve the maximum gain.

**Comments:** RUT has had a big recovery bounce, but this should be seen as a counter-trend rally. Since the S&P downgraded US debt on August 5<sup>th</sup>, nothing has really changed in the economic landscape. We still have high unemployment, high debt levels and little to no economic growth.

There is significant overhead resistance around 770, but I think the market will reverse before that level is touched. The declining 50 day moving average should come down to around the 760 level over the next few days which will provide further resistance. Stocks sold off on higher volume during the last 15 minutes of trade today and we are very overbought on the hourly chart. With on 16 days to expiry this is a good risk-reward trade, but we will need to monitor it closely due to the high volatility in the current market. Please be sure to read the essential information below.

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