



Options Trading IQ

TRADE ALERT

Date: September 23rd, 2011

Strategy: Bull Put Spread - OIH

Current Price: \$110.44

Trade Set Up: Sell OIH Oct 20th 85 Put, Buy OIH Oct 20th 75 PUT for \$0.58 (\$58) or better. Half Position size.

Premium: \$58 (0.58) Net Credit or better

Stop Loss: \$175 (1.75). I might look to adjust the trade rather than close the trade if we hit either of these levels.

Trade Management: If OIH continues to drop, we will look to add the second half of the position, or we will sell another spread at lower strike prices in order to complete the position.

Margin / Return Details: For this trade we are risking roughly \$942 in margin to make \$58, for a return of 6.16%. This trade will be profitable if OIH finishes above 85 at expiry. We have a 23.03% range on the downside.

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

Comments: We've dropped 34% from the high and volatility has spiked meaning it's a great time to selling credit spreads. We have a 23% buffer to the downside, and our strikes are below the March 2009 low, so there is plenty of support above our trade. OIH has fallen a lot more than the general market so if the major indexes sell off, OIH should not fall as far.

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The chart below shows our trades (blue), and the most important support and resistance lines in white.

