WEEKLY OPTIONS TRADING REPORT *--- Tuesday, July 13, 2010*

Questions or Comments? Please call **800-926-0926 ext. 254**

Each recommended position ---

(A) Is identified by type of position

Speculative Directional – options position designed to take advantage of a trend or seasonal expectation.

Speculative Implied Volatility – options position designed to take advantage of high or low implied volatility.

Speculative Statistical Volatility – options position designed to take advantage of high or low statistical volatility.

Systematic – options positions that generally begin delta neutral and which evolve over time as adjustments are made in response to moves in the underlying commodity and to changes in implied volatility.

(B) Has a trading plan

The trading plan for **Speculative** Positions will state when to close positions. The exit will be triggered when the underlying commodity moves to a specified level, when the position earns or loses a predetermined amount, or when a specific date has been reached.

The trading plan for **Systematic** Positions, on the other hand, will specify adjustment points. Adjustments will be made to reduce exposure to market direction, to changes in implied volatility, or to negative time decay. An adjustment may close some options and add new options in their place, or an adjustment may leave existing positions in place and add new options to them.

(C) Shows current Greeks and projected performance curves

The current Greeks show how a position will respond to rallies and declines (delta and gamma), to expanding and contracting implied volatility (vega), and to the passage of time (theta). OptionVue's Graphic Analysis shows projected results over a range of underlying prices and over the passage of time.

(D) Shows a Volatility Chart with a Price Chart superimposed

The Volatility Chart shows how implied and statistical volatility have fluctuated in the past and it shows their percentile ranking over the past 6 years. The Price Chart shows how the underlying commodity has behaved in the past. It's a chart for a continuous contract.

In this issue

Today's Report presents bullish, bearish and neutral positions in US Bond options so traders can choose the spread that matches their outlook

1. **US Bonds (US) – Sep / Dec Diagonal Calendar Call spread – Speculative Directional -- bullish**
2. **US Bonds (US) – Sep / Dec Calendar Put spread – Speculative Directional -- bearish**
3. **US Bonds (US) – Sep Straddle / Dec Strangle Swap -- Speculative Statistical Volatility -- neutral**

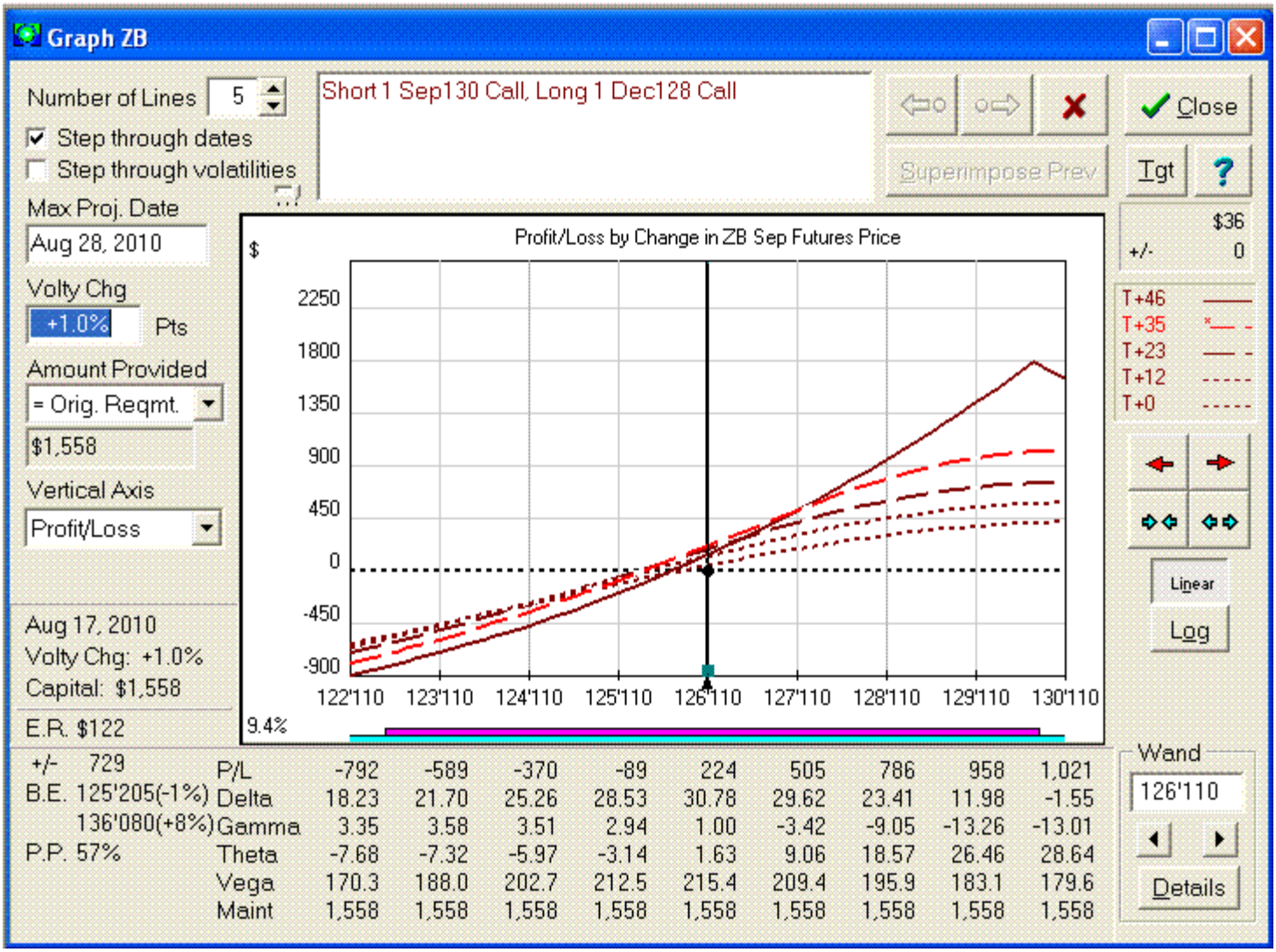
Weekly Option Implied Volatility Survey --- Data through last week's close.

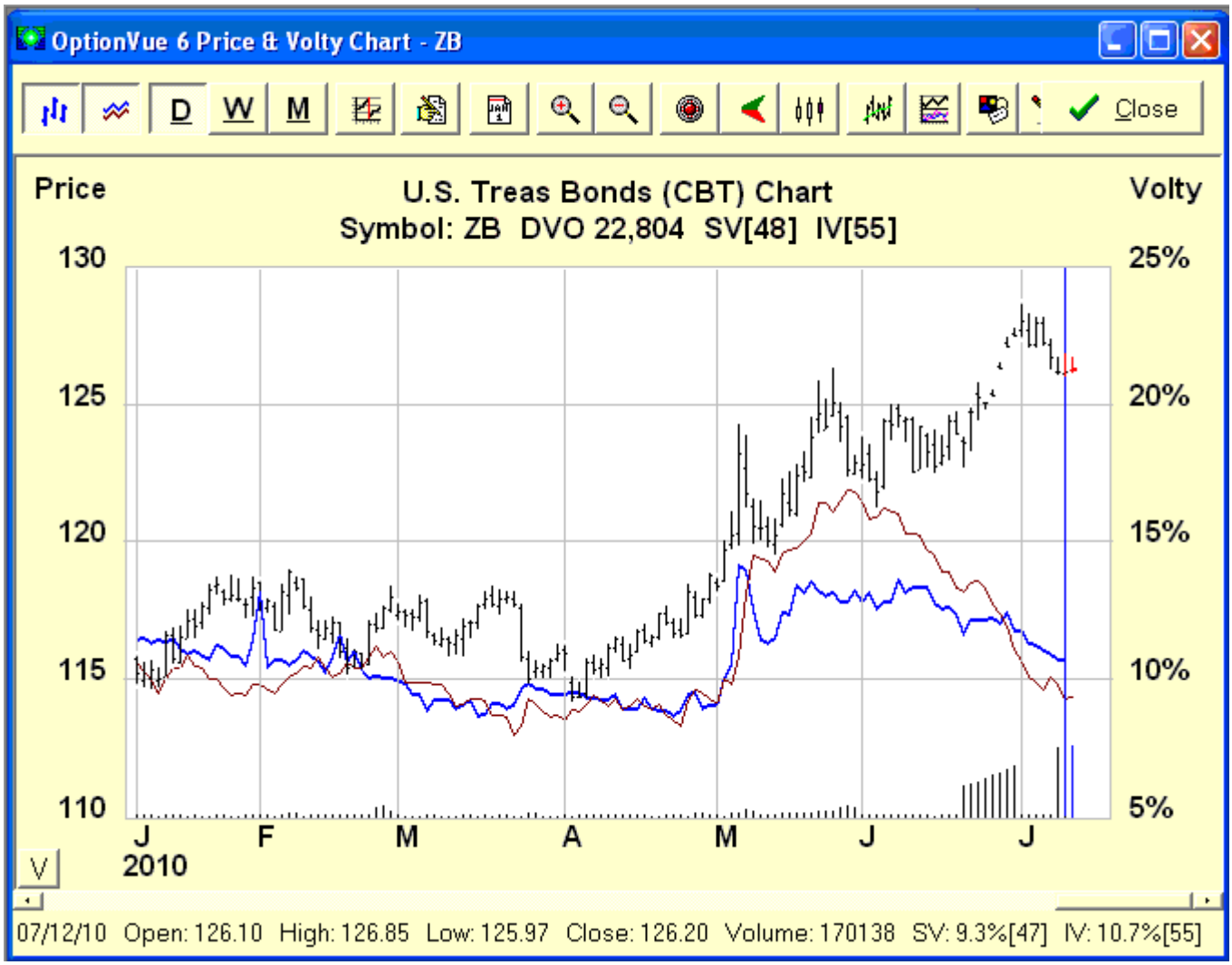
The weekly option implied volatility survey is on the last page

1. US Bonds (US) – Sep / Dec Diagonal Calendar Call spread

Position / Closing Price @ 7/12	Entry Cost	Time	Comments/ Trading Plan
Sell 1 Sep 130 call @ 0'39 **Buy 1 Dec 128 call @ 2'03** '01 tick = $15.625 '64 ticks = $1'00 pt = $1,000 Sep US @ 126'11 Dec US @ 124'30 **Greeks:** Delta +16 Gamma (1.81) Theta +$4 Vega +$154 **Margin:** $ 1,558	Approx. 1'28 or less points debit $ 1,437.50	**Sep options expire on 8/27 in 45 days**	Sep US Bonds rallied from a low at 121'06 on June 3 to a high at 128'19 on July 1. Over the past 11 days the Sep US contract has moved lower and is approaching support at 125'24, the middle Bollinger Band. Bullish traders also anticipate there would be flight to safety buying of Bonds if equities weaken. Implied volatility has been drifting lower and is due for a bounce so the Graphic Analysis assumes implied volatility will increase by a modest 1 pct pt. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 1'28 points with an objective of closing the spread when it widens to a debit of 2'04 points (0'40 ticks better). This objective could be potentially achievable in 35 days (by Aug 17) provided the Sep US futures contract rallies at least 1'00 pt to 127'11 and provided implied volatility increases by 1 pct pt. If the Sep US contract declines 1'00 point to 125'11, then close the spread. In any event, close the spread no later than Aug 17 in 35 days.

Entry Cost is the recommended option premium paid (debit) to enter a trade. If premium is collected (credit) it will be designated in brackets ( ). Cost is not necessarily the margin required to hold the trade. The margin includes $60 / RT per option. Projected results are estimates. ACTUAL PROFITS MAY BE LESS AND ACTUAL LOSSES MAY BE MORE. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. TRADES ARE BASED ON THE PREVIOUS DAY'S SETTLEMENT PRICES. FUTURES MARKETS MOVE QUICKLY SO EVALUATE THE MARKET BEFORE ENTRY.





2. US Bonds (US) – Sep / Dec Calendar Put spread

Position / Closing Price @ 7/12	Entry Cost	Time	Comments/ Trading Plan
Sell 1 Sep 123 put @ 0'44 **Buy 1 Dec 123 put @ 2'31** '01 tick = $15.625 '64 ticks = $1'00 pt = $1,000 Sep US @ 126'11 Dec US @ 124'30 **Greeks:** Delta (17) Gamma (1.42) Theta +$4 Vega +$155 **Margin:** $ 1,917	Approx 1'51 or less points debit $ 1,796.87	**Sep options expire on 8/27 in 45 days**	Traders with a bearish outlook cite the negative impact that fiscal policy will have on long term interest rates. In addition, these traders believe Bonds have rallied too far too fast and that a continuation of equity strength will trigger money away from Bonds and into equities. A sharp sell off would likely cause implied volatility to increase so the Graphic Analysis assumes implied volatility would rise by 1 pct pt. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 1'51 points with an objective of closing the spread when it widens to a debit of 2'27 points (0'40 ticks better). This objective could be potentially achievable in 35 days (by Aug 17) provided the Sep US futures contract declines at least 1'00 pt to 125'11 and provided implied volatility increases by 1 pct pt. If the Sep US contract rallies 1'00 point to 127'11, then close the spread. In any event, close the spread no later than Aug 17 in 35 days.

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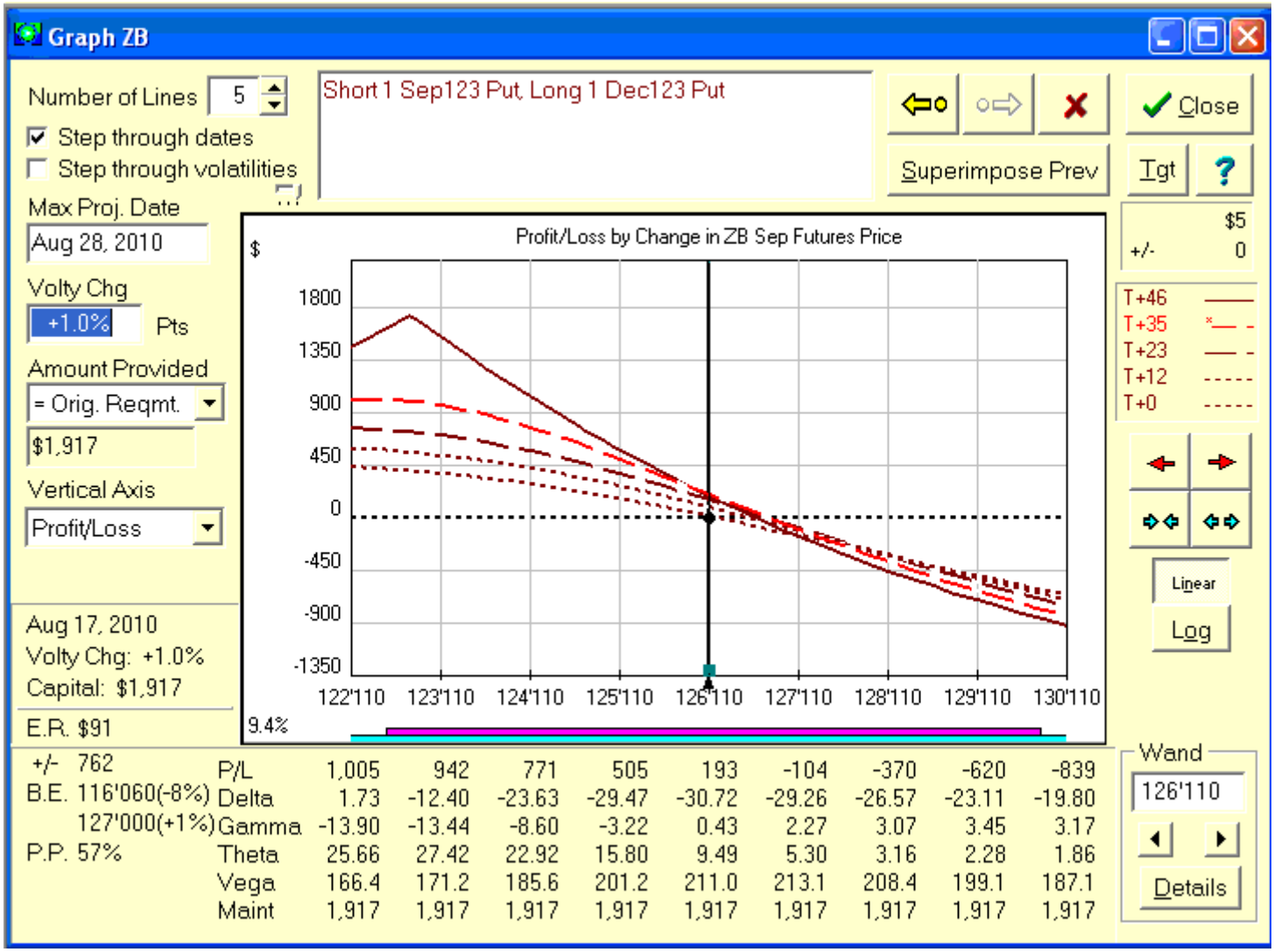

3. US Bonds (US) – Sep Straddle / Dec Strangle Swap

Position / Closing Price @ 7/12	Entry Cost	Time	Comments/ Trading Plan
Sell 1 Sep US 126 call @ 2'04 **Sell 1 Sep US 126 put @ 1'46** **And** **Buy 1 Dec US 130 call @ 1'27** **Buy 1 Dec US 118 put @ 1'02** '01 tick = $15.625 '64 ticks = $1'00 pt = $1,000 Sep US @ 126'11 Dec US @ 124'30 **Greeks:** Delta +1 Gamma (11.1) Theta +$22 Vega +$120 **Margin:** $ 1,163	Approx 1'21 or more points credit $ (1,328.12)	**Sep options expire on 8/27 in 45 days**	Traders who want to structure a position that earns positive time decay and that benefits from an increase in implied volatility can consider this straddle / strangle swap. The short Sep 126 straddle is partially hedged by the long Dec 118 put / 130 call strangle. As described in the Trading Plan below, this position can be adjusted if Sep US Bonds either rally or decline to the specified levels. **Trading Plan/Suggested Risk:** Establish the spread for a credit of approximately 1'21 points with an objective of closing the spread when it narrows to a credit of 0'19 ticks (1'02 points better). This objective could be potentially achievable in 31 days (by Aug 13) provided the Sep US futures contract doesn't decline below about 124'20 or rally above about 127'24 and provided implied volatility increases by 1 pct pt. If the Sep US contract rallies 1'00 point to 127'11, then adjust by: (a) Buying 1 Sep 126 call (to close) and (b) Selling 1 Sep 127 call (to open) If the Sep US contract continues to rally to 128'11, then close the entire position. If the Sep US contract declines 1'00 point to 125'11, then adjust by: (a) Buying 1 Sep 126 put (to close) and (b) Selling 1 Sep 124 put (to open) If the Sep US contract continues to decline to 124'11, then close the entire position. In any event, close the spread no later than Aug 13 in 31 days.

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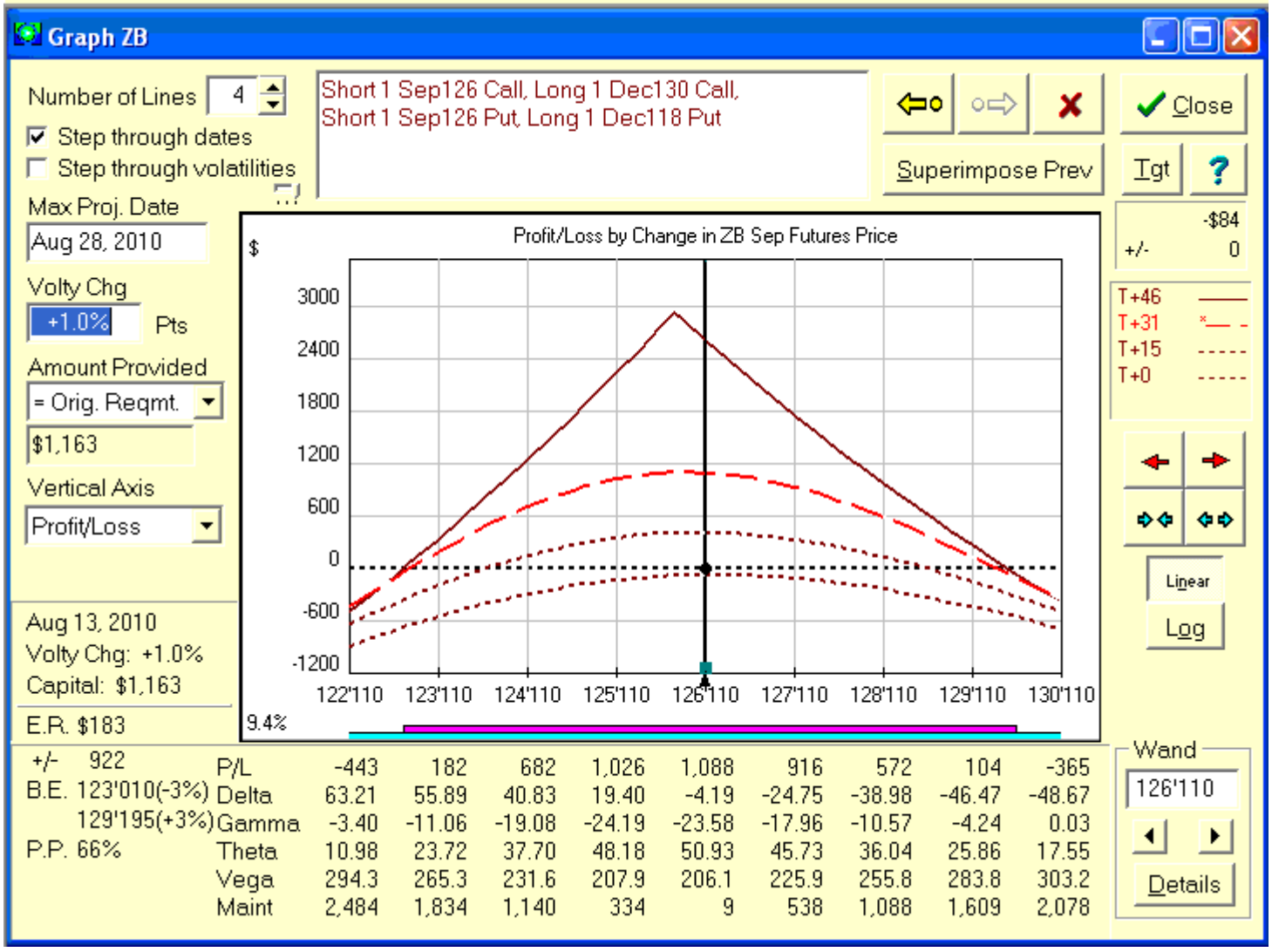

WEEKLY OPTION IMPLIED VOLATILITY SURVEY ----- DATA through July 9, 2010

UNDERLYING MARKET	Symbol	Jul 9	Jul 2	Jun 25	May 28	Apr 30	Mar 26	(UP TO) 6YR I.V. RANGE	1.5-YEAR I.V. RANGE	6-YEAR % RANK	1.5 yr % RANK
Stocks, Int Rates											
S&P 500	SP	**24.0**	**28.4**	**22.9**	**29.4**	**17.0**	**15.0**	8.5 - 69.3	8.8 – 69.3	79	58
DOW JONES	DJ	**15.7**	**15.7**	**15.7**	**15.7**	**15.7**	**15.7**	8.3 – 66.5	8.3 – 66.5	59	1
EURODOLLAR	ED	**71.8**	**74.5**	**78.9**	**104.6**	**93.2**	**80.0**	7.7 - 168.7	7.7 – 168.7	79	28
TEN-YEAR Notes	TY	**6.7**	**7.1**	**7.0**	**7.7**	**6.0**	**6.2**	3.5 – 9.4	3.5 – 9.4	60	27
US 30-YR Bonds	US	**11.0**	**11.9**	**12.0**	**13.0**	**9.1**	**9.4**	5.2 - 21.7	5.2 - 21.7	70	22
CURRENCIES											
AUSTRALIAN $	AD	**15.6**	**17.5**	**14.8**	**19.7**	**10.8**	**10.8**	6.2 – 46.7	6.2 – 46.7	79	45
BRITISH POUND	BP	**10.8**	**11.4**	**12.1**	**15.3**	**12.8**	**12.5**	4.9 - 29.5	4.9 - 29.5	70	4
CANADIAN $	CD	**12.4**	**13.2**	**12.3**	**16.0**	**10.6**	**9.6**	5.8 - 26.9	5.8 – 26.9	71	27
EURO Currency	EC	**11.9**	**13.2**	**13.1**	**16.4**	**11.7**	**10.5**	4.7 - 28.7	4.7 - 28.7	82	53
JAPANESE YEN	JY	**10.4**	**12.0**	**11.3**	**13.9**	**10.3**	**10.8**	6.3 - 34.4	6.3 – 34.4	53	3
SWISS FRANC	SF	**10.4**	**12.0**	**10.6**	**12.6**	**10.5**	**10.3**	5.6 - 24.3	5.6 - 24.3	52	15
GRAINS											
CORN	C	**30.3**	**29.8**	**29.5**	**31.0**	**30.7**	**30.6**	15.6 - 50.2	25.3 – 50.2	48	18
WHEAT	W	**31.4**	**28.6**	**31.2**	**28.6**	**31.5**	**31.9**	20.1 – 61.1	27.2 - 61.1	50	22
SOYBEANS	S	**23.7**	**22.0**	**22.0**	**22.3**	**22.4**	**22.8**	16.4 - 50.0	20.0 - 50.0	29	22
SOYBEAN MEAL	SM	**25.2**	**24.5**	**26.8**	**26.2**	**25.1**	**24.2**	17.0 - 46.3	22.6 - 46.3	30	18
SOYBEAN OIL	BO	**20.8**	**18.8**	**21.0**	**21.4**	**20.1**	**20.3**	16.9 - 47.8	17.3 - 47.8	8	8
OATS	O	**27.8**	**27.8**	**27.8**	**27.8**	**27.8**	**27.7**	17.3 - 48.8	17.3 - 48.8	26	14
ROUGH RICE	RR/NR	**22.0**	**22.0**	**22.0**	**22.0**	**22.0**	**22.0**	12.7 - 47.0	12.7 - 47.0	33	6
FOODS, FIBER											
COFFEE	KC	**36.1**	**39.5**	**39.5**	**28.6**	**28.3**	**25.4**	23.2 - 62.5	23.2 - 62.5	63	72
COCOA	CO/CC	**30.2**	**30.4**	**30.1**	**30.8**	**32.0**	**33.5**	20.6 - 53.5	20.6 - 53.5	42	1
SUGAR	SB	**38.6**	**38.7**	**38.3**	**44.2**	**39.7**	**48.5**	18.6 - 52.0	18.6 – 52.0	74	19
ORANGE JUICE	OJ/JO	**36.4**	**35.4**	**34.8**	**27.7**	**27.4**	**27.8**	17.7- 55.8	18.7 – 55.8	68	43
COTTON	CT	**24.4**	**23.9**	**23.6**	**24.0**	**25.4**	**26.3**	16.4 - 47.2	16.4 – 47.2	32	9
LUMBER	LB	**37.3**	**37.3**	**46.7**	**29.9**	**29.9**	**29.9**	18.6 - 53.5	21.2 - 53.5	90	61
METALS											
COPPER	HG	**36.6**	**37.3**	**40.2**	**39.6**	**28.8**	**37.7**	17.1 – 349	25.1 – 349	64	31
GOLD	GC	**18.6**	**20.4**	**19.3**	**21.3**	**16.8**	**17.3**	10.8 - 48.7	16.1 – 48.7	41	10
SILVER	SI	**31.7**	**32.1**	**29.5**	**33.4**	**25.7**	**26.3**	16.9 - 75.2	19.0 – 75.2	41	21
ENERGY											
CRUDE OIL	CL	**32.8**	**35.3**	**33.0**	**39.0**	**28.0**	**29.0**	24.8 - 99.9	24.8 - 99.9	39	18
GASOLINE	RB	**34.6**	**32.5**	**23.4**	**38.1**	**28.8**	**n/a**	23.4 - 69.9	23.4 - 62.6	28	26
HEATING OIL	HO	**33.8**	**33.2**	**27.9**	**37.2**	**28.3**	**29.5**	25.9 - 73.6	25.9 - 73.6	40	26
NATURAL GAS	NG	**48.6**	**50.9**	**50.5**	**43.3**	**45.6**	**41.2**	30.0 - 98.1	33.6 – 91.4	36	26
MEATS											
LIVE CATTLE	LC	**13.8**	**14.5**	**15.2**	**17.5**	**15.8**	**15.9**	11.6 - 37.9	11.6 - 37.9	18	13
FEEDER CATTLE	FC	**13.0**	**13.8**	**13.4**	**15.5**	**14.9**	**12.7**	9.0 - 35.0	11.9 - 35.0	34	33
LEAN HOGS	LH	**21.3**	**20.5**	**21.9**	**22.1**	**21.6**	**20.9**	17.5 - 48.5	17.5 - 48.5	18	10

Data is from **OptionVue**, using weekly option I.V. averages. **To contact OptionVue, call (800-733-6610).**

OPTION MARKET COMMENTS - Evaluated using computer and subjective analysis. In general, when volatility is low, option purchases are attractive; when high, option-selling strategies are appropriate.
Implied option volatility, statistical market volatility, and liquidity are important considerations.

LOW option implied volatility Consider for option buying strategies (option purchases, ratio backspreads long straddles or long strangles, and calendar spreads)	**HIGH option implied volatility** Consider for option selling strategies (option sales, ratio spreads, and reverse calendar spreads)	**VOLATILITY NOTES** (Comments and observations).
DJ, BP, JY, BO, RR, CO, CT, GC and HO	None	

