

WEEKLY OPTIONS TRADING REPORT --- Tuesday, July 20, 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

1. Soybeans (S) – Sep / Nov Diagonal Calendar Put spread – Speculative Directional – bearish
2. Orange Juice (OJ) – Long Sep Put – Speculative Directional -- bearish
3. S&P 500 (SP) – Sep / Dec / Mar Calendar Combination -- Speculative Directional -- bearish

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

FUTURES AND OPTIONS TRADING CAN INVOLVE SUBSTANTIAL FINANCIAL RISK

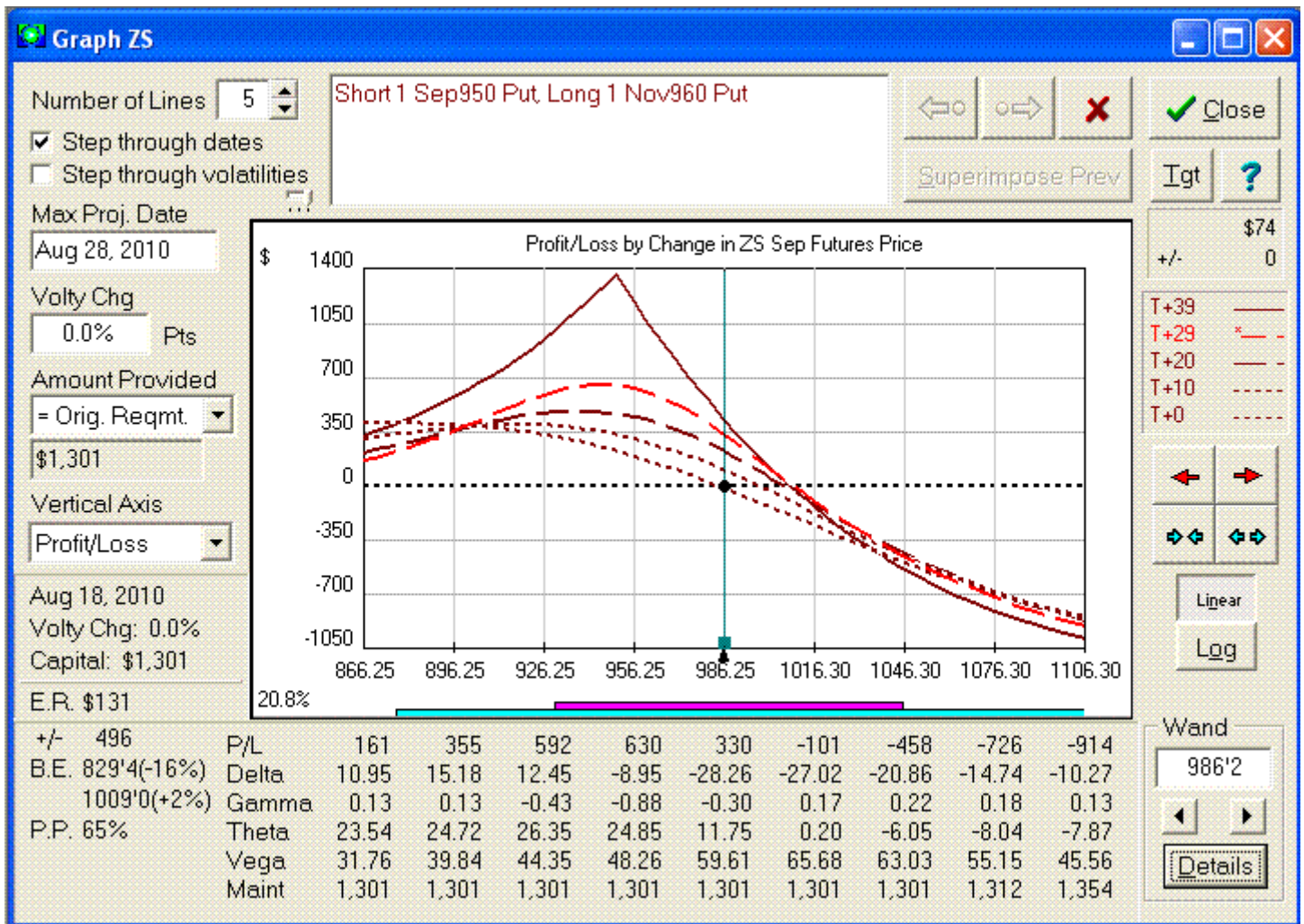
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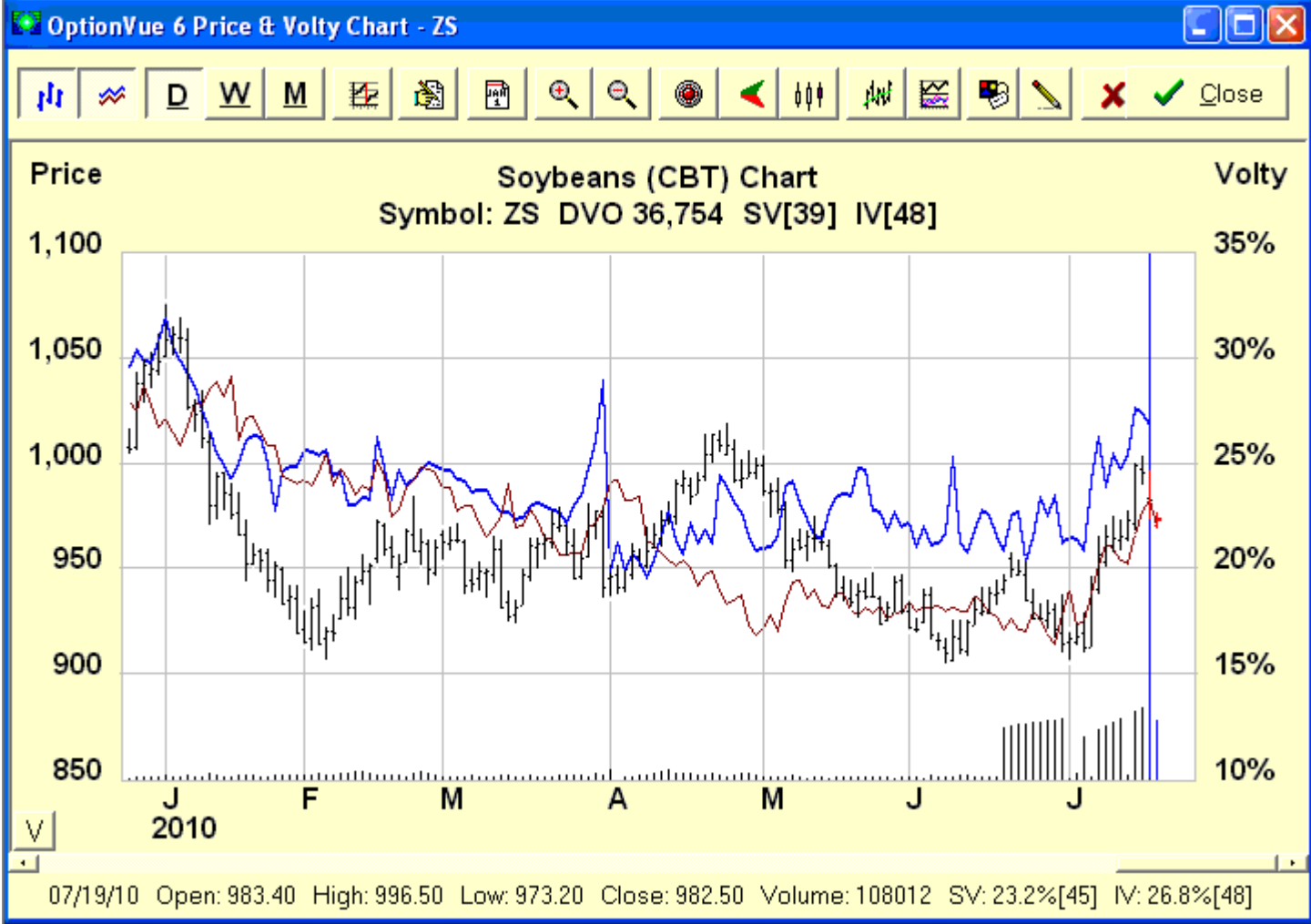
The weekly option implied volatility survey is on the last page

1. Soybeans (S) – Sep / Nov Diagonal Calendar Put spread

Position / Closing Price @ 7/19	Entry Cost	Time	Comments/ Trading Plan
<p>Sell 1 Sep 950 put @ 18 1/4 Buy 1 Nov 960 put @ 41 7/8</p> <p>1/8 cent = \$6.25 1 cent = \$50.00</p> <p>Sep S @ 986 1/4 Nov S @ 972</p> <p>Greeks: Delta (15) Gamma (0.08) Theta +\$7 Vega +\$40</p> <p>Margin: \$ 1,301</p>	<p>Approx. 23 5/8 or less cents debit</p> <p>\$ 1,181.25</p>	<p>Sep options expire on 8/27 in 38 days</p>	<p>Beans rallied approx 10% (90 cents) between July 6 and July 15 to settle at 988 on July 15.</p> <p>Over the next 2 trading days they then declined about 16 cents.</p> <p>This Sep / Nov diagonal calendar put spread anticipates that Beans will decline at least 30 more cents.</p> <p>The long Nov 960 put is partially financed by selling the further out of the money Sep 950 put.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a debit of approximately 23 5/8 cents with the objective of closing the spread when it widens to a debit of 38 5/8 cents (15 cents better).</p> <p>This objective could be potentially achievable in 29 days (by Aug 18) provided the Sep Soybean futures contract declines at least 30 cents to 956 1/4.</p> <p>If the Sep Soybean contract rallies 30 cents to 1016 1/4 or declines 60 cents to 926 1/4, then close the spread.</p> <p>In any event, close the spread no later than Aug 18 in 29 days.</p>

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.**

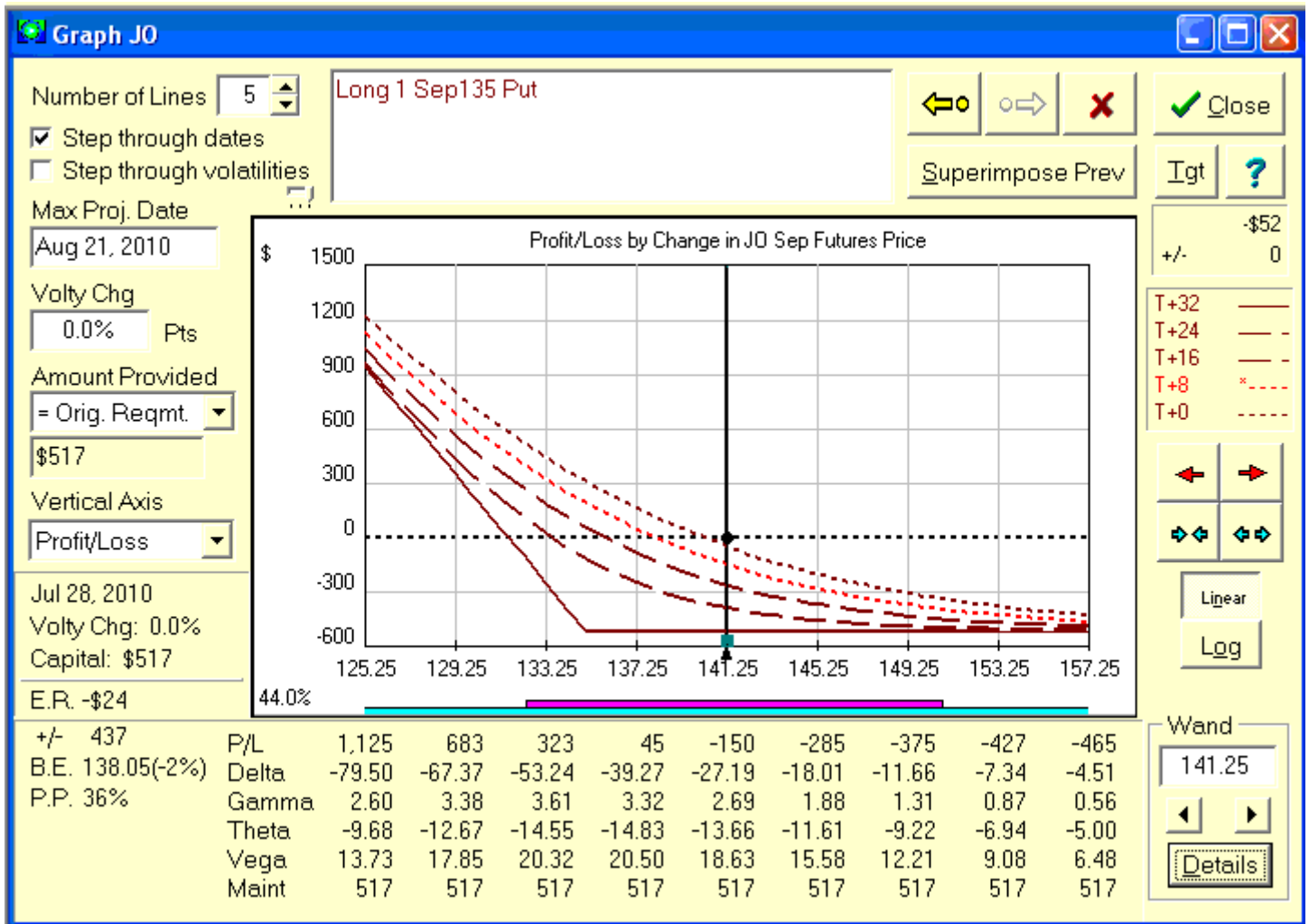


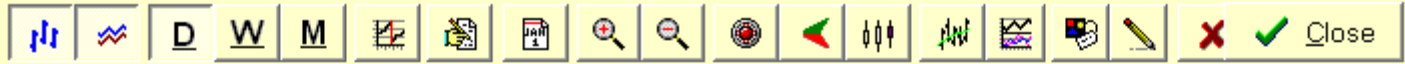


2. Orange Juice (OJ) – Long Sep Put

Position / Closing Price @ 7/19	Entry Cost	Time	Comments/ Trading Plan
<p>Buy 1 Sep 135 put @ 305</p> <p>1 pt = \$1.50</p> <p>Sep OJ @ 141.25</p> <p>Greeks:</p> <p>Delta (30) Gamma +2.5 Theta \$(12) Vega +\$22</p> <p>Margin:</p> <p>\$ 518</p>	<p>Approx 305 or less points debit</p> <p>\$ 457.50</p>	<p>Sep options expire on 8/20 in 31 days</p>	<p>Sep Orange Juice (OJ) broke from a high at 151.60 on July 2 to a low at 135.45 on Friday, July 16.</p> <p>Then yesterday on Monday, July 19 it moved higher and settled at 141.25.</p> <p>Buying this Sep 135 put is predicated on the expectation that Sep OJ will break to the downside over the next week.</p> <p>Trading Plan/Suggested Risk:</p> <p>Buy the put for a debit of approximately 305 points with the objective of selling it when the price increases to 560 pts (255 pts better).</p> <p>This objective could be potentially achievable in 8 days (by Jul 28) provided the Sep OJ futures contract declines at least 8.00 pts to 133.25.</p> <p>If the Sep OJ contract rallies 4.00 points to 145.25, then sell the put.</p> <p>In any event, sell the put no later than Jul 28 in 8 days.</p>

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Price

Orange Juice (NYBT) Chart Symbol: JO DVO 226 SV[87] IV[67]

Volty



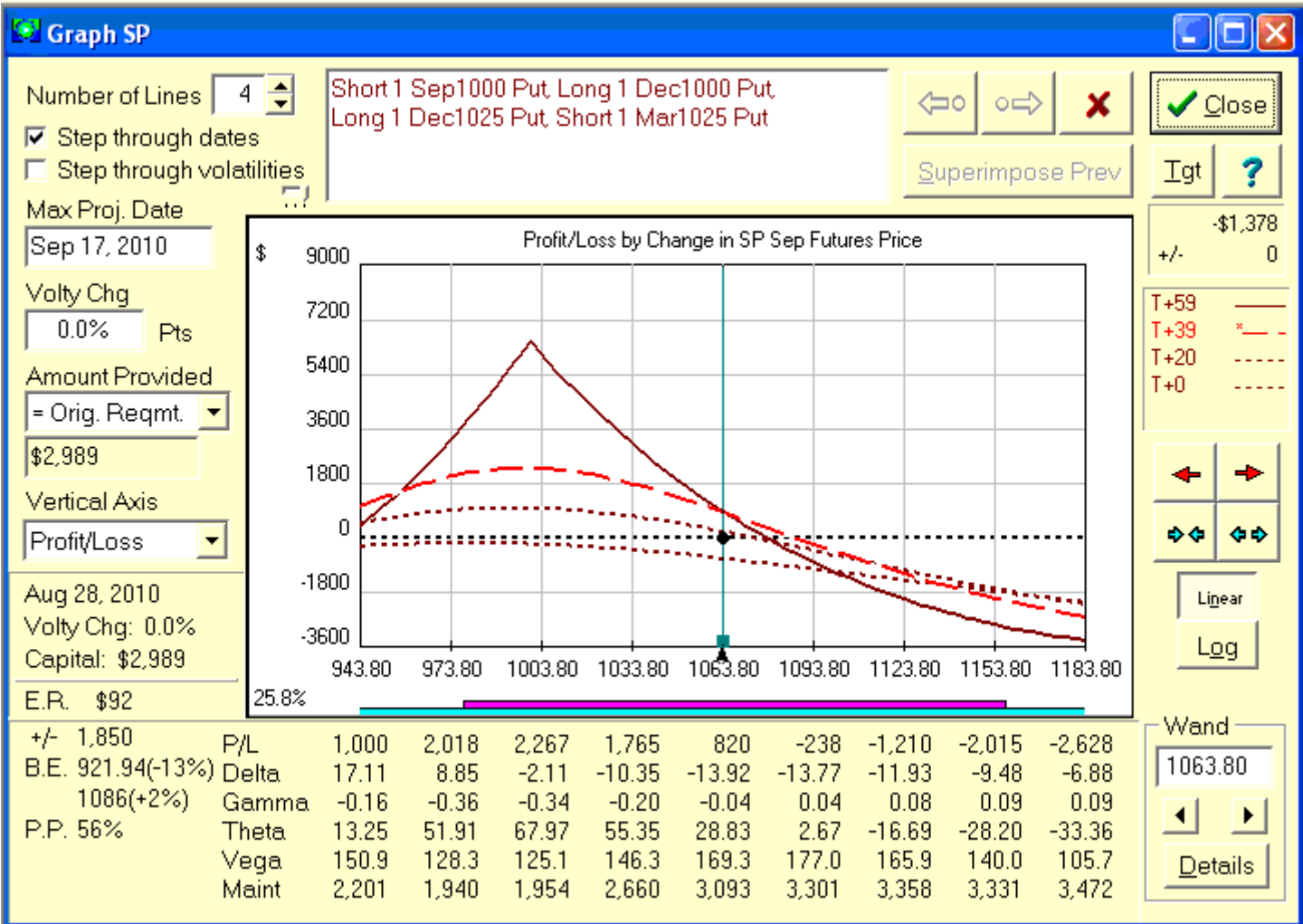
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07/16/10 Open: 137.60 High: 141.01 Low: 135.58 Close: 139.99 Volume: 1521 SV: 39.1%[80] IV: 35.3%[67]

3. S&P 500 (SP) – Sep / Dec / Mar Calendar Combination

Position / Closing Price @ 7/19	Entry Cost	Time	Comments/ Trading Plan
<p> Sell 1 Sep SP 1000 put @ 2270 Buy 1 Dec SP 1000 put @ 5180 And Buy 1 Dec SP 1025 put @ 5970 Sell 1 Mar SP 1025 put @ 8200 </p> <p>1 pt =\$2.50</p> <p>Sep SP @ 1063.80 Dec SP @ 1059.20 Mar SP @ 1054.70</p> <p>Greeks:</p> <p>Delta (4) Gamma (0.03) Theta +\$14 Vega +\$85</p> <p>Margin:</p> <p>\$ 2,989</p>	<p>Approx 680 or less points debit</p> <p>\$ 1,700</p>	<p>Sep options expire on 9/16 in 58 days</p>	<p>Equities appear poised for another leg down. Disappointing earnings coupled with a deflationary environment make the path of least resistance lower.</p> <p>Declining consumer confidence along with a stubbornly high unemployment rate also point to lower equity prices.</p> <p>This Sep / Dec 1000 put calendar spread is partially financed by the Dec / Mar 1025 reverse put calendar spread.</p> <p>The combination of these spreads creates a position that earns positive time decay, is delta negative, and benefits from any increase in implied volatility.</p> <p>Trading Plan/Suggested Risk:</p> <p>Establish the spread for a debit of approximately 680 points with the objective of closing the spread when it widens to a debit of 1480 points (800 points better).</p> <p>This objective could be potentially achievable in 39 days (by Aug 28) provided the Sep SP futures contract declines to about 1033.80 (30.00 pts lower).</p> <p>If the Sep SP contract rallies 30.00 points to 1093.80, then close the spread.</p> <p>In any event, close the spread no later than Aug 28 in 39 days.</p>

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

UNDERLYING MARKET	Symbol	Jul 16	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	22.8	24.0	28.4	22.9	29.4	17.0	15.0	8.5 - 69.3	8.8 - 69.3	75	47
DOW JONES	DJ	15.7	15.7	15.7	15.7	15.7	15.7	15.7	8.3 - 66.5	8.3 - 66.5	59	1
EURODOLLAR	ED	74.7	71.8	74.5	78.9	104.6	93.2	80.0	7.7 - 168.7	7.7 - 168.7	76	15
TEN-YEAR Notes	TY	6.3	6.7	7.1	7.0	7.7	6.0	6.2	3.5 - 9.4	3.5 - 9.4	58	21
US 30-YR Bonds	US	10.6	11.0	11.9	12.0	13.0	9.1	9.4	5.2 - 21.7	5.2 - 21.7	66	14
CURRENCIES												
AUSTRALIAN \$	AD	15.0	15.6	17.5	14.8	19.7	10.8	10.8	6.2 - 46.7	6.2 - 46.7	76	38
BRITISH POUND	BP	10.5	10.8	11.4	12.1	15.3	12.8	12.5	4.9 - 29.5	4.9 - 29.5	68	1
CANADIAN \$	CD	12.0	12.4	13.2	12.3	16.0	10.6	9.6	5.8 - 26.9	5.8 - 26.9	68	22
EURO Currency	EC	11.9	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	11.0	10.4	12.0	11.3	13.9	10.3	10.8	6.3 - 34.4	6.3 - 34.4	58	8
SWISS FRANC	SF	10.6	10.4	12.0	10.6	12.6	10.5	10.3	5.6 - 24.3	5.6 - 24.3	58	23
GRAINS												
CORN	C	31.0	30.3	29.8	29.5	31.0	30.7	30.6	15.6 - 50.2	25.3 - 50.2	52	26
WHEAT	W	33.7	31.4	28.6	31.2	28.6	31.5	31.9	20.1 - 61.1	27.2 - 61.1	58	36
SOYBEANS	S	26.1	23.7	22.0	22.0	22.3	22.4	22.8	16.4 - 50.0	20.0 - 50.0	49	33
SOYBEAN MEAL	SM	24.5	25.2	24.5	26.8	26.2	25.1	24.2	17.0 - 46.3	22.6 - 46.3	26	12
SOYBEAN OIL	BO	22.7	20.8	18.8	21.0	21.4	20.1	20.3	16.9 - 47.8	17.3 - 47.8	27	23
OATS	O	27.8	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	22.0	12.7 - 47.0	12.7 - 47.0	33	6
FOODS, FIBER												
COFFEE	KC	34.1	36.1	39.5	39.5	28.6	28.3	25.4	23.2 - 62.5	23.2 - 62.5	45	56
COCOA	CO/CC	30.1	30.2	30.4	30.1	30.8	32.0	33.5	20.6 - 53.5	20.6 - 53.5	42	1
SUGAR	SB	38.1	38.6	38.7	38.3	44.2	39.7	48.5	18.6 - 52.0	18.6 - 52.0	71	13
ORANGE JUICE	OJ/JO	36.2	36.4	35.4	34.8	27.7	27.4	27.8	17.7 - 55.8	18.7 - 55.8	66	42
COTTON	CT	24.9	24.4	23.9	23.6	24.0	25.4	26.3	16.4 - 47.2	16.4 - 47.2	34	14
LUMBER	LB	37.3	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	36.4	36.6	37.3	40.2	39.6	28.8	37.7	17.1 - 349	25.1 - 349	63	28
GOLD	GC	17.4	18.6	20.4	19.3	21.3	16.8	17.3	10.8 - 48.7	16.1 - 48.7	36	10
SILVER	SI	27.6	31.7	32.1	29.5	33.4	25.7	26.3	16.9 - 75.2	19.0 - 75.2	22	9
ENERGY												
CRUDE OIL	CL	31.7	32.8	35.3	33.0	39.0	28.0	29.0	24.8 - 99.9	24.8 - 99.9	36	15
GASOLINE	RB	32.8	34.6	32.5	23.4	38.1	28.8	n/a	23.4 - 69.9	23.4 - 62.6	23	19
HEATING OIL	HO	31.1	33.8	33.2	27.9	37.2	28.3	29.5	25.9 - 73.6	25.9 - 73.6	28	15
NATURAL GAS	NG	47.3	48.6	50.9	50.5	43.3	45.6	41.2	30.0 - 98.1	33.6 - 91.4	33	21
MEATS												
LIVE CATTLE	LC	13.8	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	12.6	13.0	13.8	13.4	15.5	14.9	12.7	9.0 - 35.0	11.9 - 35.0	28	21
LEAN HOGS	LH	20.7	21.3	20.5	21.9	22.1	21.6	20.9	17.5 - 48.5	17.5 - 48.5	14	6

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