WEEKLY OPTIONS TRADING REPORT --- Tuesday, July 27, 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

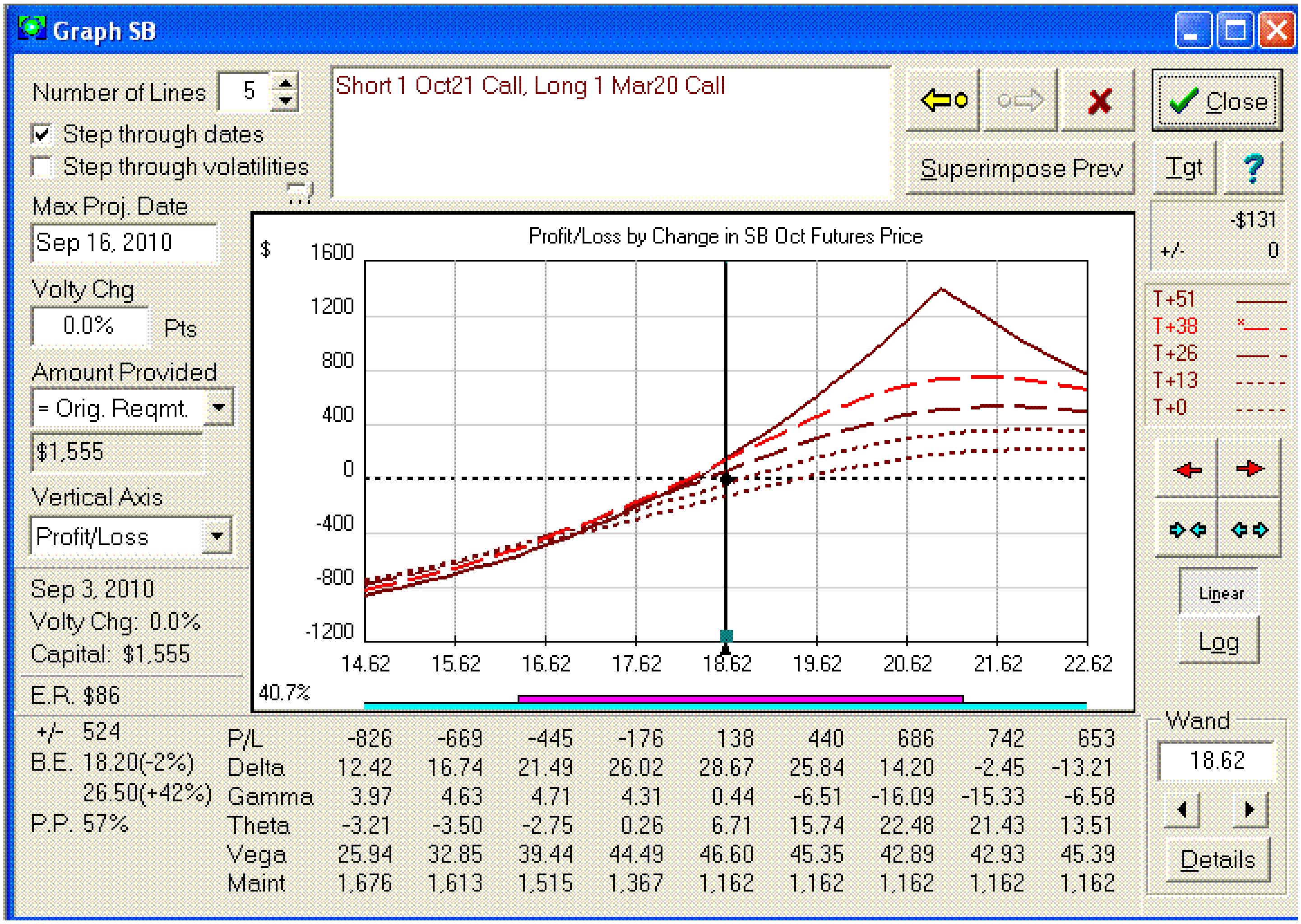
FUTURES AND OPTIONS TRADING CAN INVOLVE SUBSTANTIAL FINANCIAL RISK

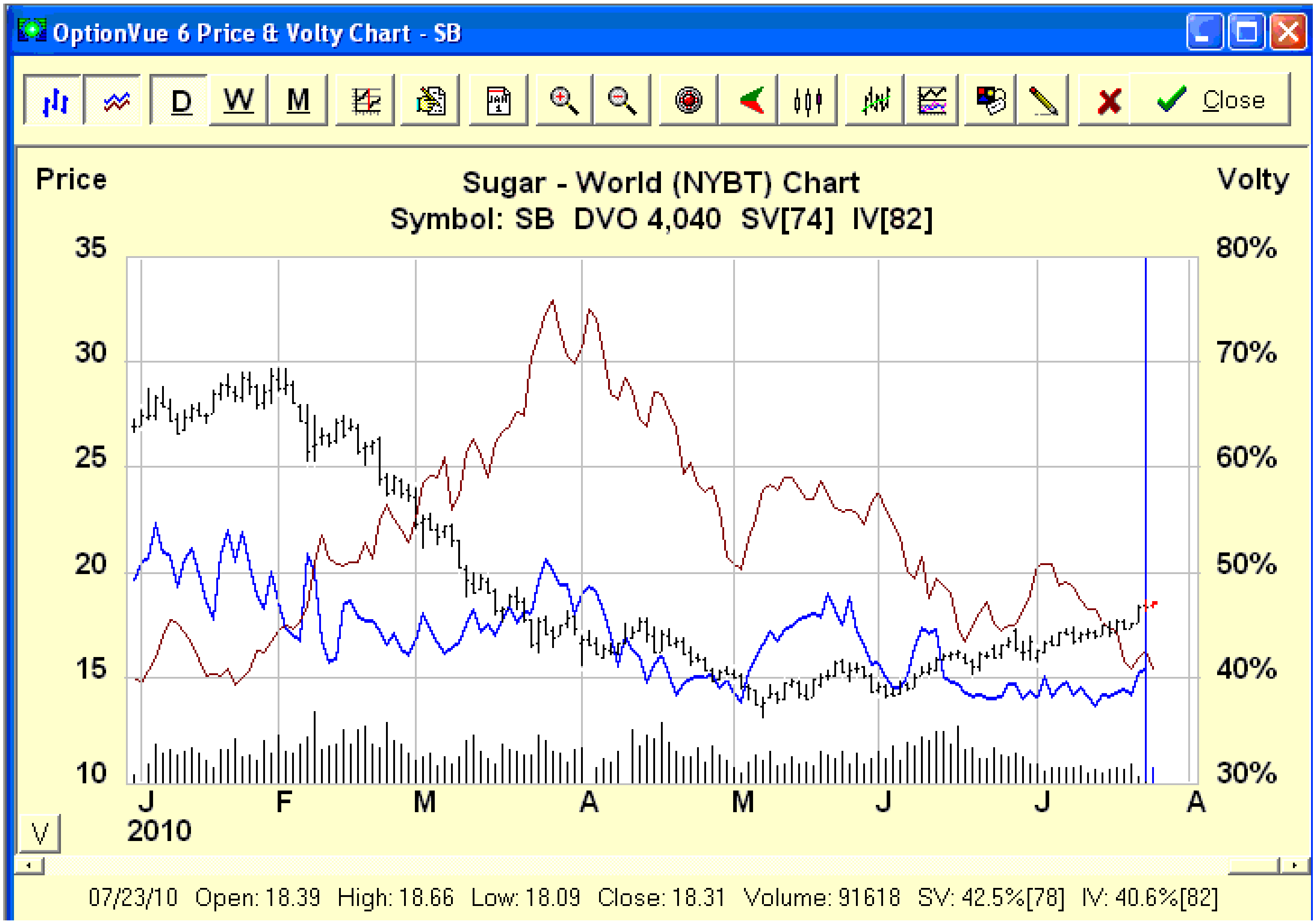
The weekly option implied volatility survey is on the last page

1. Sugar (SB) – Oct / Mar Diagonal Calendar Call spread

Position / Closing Price @ 7/26	Entry Cost	Time	Comments/ Trading Plan
Sell 1 Oct 21 call @ 58 **Buy 1 Mar 20 call @ 151** 1 pt = $11.20 Oct SB @ 18.62 Mar SB @ 18.26 **Greeks:** Delta +15 Gamma (0.70) Theta +$7 Vega +$34 **Margin:** $ 1,555	Approx. 93 or less points debit $ 1,041.60	**Oct options expire on 9/15 in 50 days**	Oct Sugar (SB) has rallied from 13.67 on May 7 to 18.62 on July 26. This is a 36% rally over a two and a half month period and approximately a 54% retracement of the large decline between Feb 17 and May 7. This Oct / Mar diagonal calendar call spread anticipates that Sugar will continue to advance over the next 5 weeks. The long Mar 20 call is partially financed by selling the further out-of-the-money Oct 21 call. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 93 points with the objective of closing the spread when it widens to a debit of 143 points (50 points better). This objective could be potentially achievable in 38 days (by Sep 3) provided the Oct Sugar futures contract rallies at least 1.00 point to 19.62. If the Oct Sugar contract declines 1.00 point to 17.62, then close the spread. In any event, close the spread no later than Sep 3 in 38 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.


Graph SB
Number of Lines 5
Step through dates
Step through volatilities
Max Proj. Date
Sep 16, 2010
Volty Chg
0.0%
Pts
Amount Provided
= Orig. Reqmt.
$1,555
Vertical Axis
Profit/Loss
Sep 3, 2010
Volty Chg: 0.0%
Capital: $1,555
E.R. $86
Short 1 Oct21 Call, Long 1 Mar20 Call
Close
Superimpose Prev
Tgt
-$131
+/- 0
T+51
T+38
T+26
T+13
T+0
Profit/Loss by Change in SB Oct Futures Price
$
1600
1200
800
400
0
-400
-800
-1200
14.62
15.62
16.62
17.62
18.62
19.62
20.62
21.62
22.62
40.7%
Linear
Log
Wand
18.62
Details
+/- 524
B.E. 18.20(-2%)
26.50(+42%)
P.P. 57%
P/L -826 -669 -445 -176 138 440 686 742 653
Delta 12.42 16.74 21.49 26.02 28.67 25.84 14.20 -2.45 -13.21
Gamma 3.97 4.63 4.71 4.31 0.44 -6.51 -16.09 -15.33 -6.58
Theta -3.21 -3.50 -2.75 0.26 6.71 15.74 22.48 21.43 13.51
Vega 25.94 32.85 39.44 44.49 46.60 45.35 42.89 42.93 45.39
Maint 1,676 1,613 1,515 1,367 1,162 1,162 1,162 1,162 1,162


OptionVue 6 Price & Volty Chart - SB
D W M
Close
Price
Sugar - World (NYBT) Chart
Symbol: SB DVO 4,040 SV[74] IV[82]
Volty
35 30 25 20 15 10
80% 70% 60% 50% 40% 30%
J F M A M J J A
2010
V
07/23/10 Open: 18.39 High: 18.66 Low: 18.09 Close: 18.31 Volume: 91618 SV: 42.5%[78] IV: 40.6%[82]

2. Crude Oil (CL) – Oct / Nov Call Calendar Broken Wing Butterfly

Position / Closing Price @ 7/20	Entry Cost	Time	Comments/ Trading Plan
Buy 1 Oct 80 call @ 363 **Sell 2 Oct 85 calls @ 169** **Buy 1 Nov 95 call @ 77** 1 pt = $10 Oct CL @ 79.37 Nov CL @ 79.86 **Greeks:** Delta +2 Gamma (2) Theta +$9 Vega $(14) **Margin:** $ 1,260	Approx 102 or less points debit $ 1,020	**Oct options expire on 9/16 in 51 days**	Crude has moved higher during the month of July. Oct Crude rallied more than 10% from a low at 72.15 to a high at 79.94 during this month. A weakening dollar and an optimistic economic outlook should support a further rally in Crude Oil in the short term. This Oct / Nov butterfly is structured to benefit if Crude continues to rally over the next 6 weeks. It consists of an Oct 80 / 85 bull call spread along with an Oct 85 / Nov 95 diagonal calendar call spread. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 102 points with the objective of closing the spread when it widens to a debit of 206 points (104 points better). This objective could be potentially achievable in 39 days (by Sep 4) provided the Oct CL futures contract rallies above about 82.37 (3.00 pts higher). If the Oct CL contract declines 1.50 pts to 77.87, then close the spread. In any event, close the spread no later than Sep 4 in 39 days.

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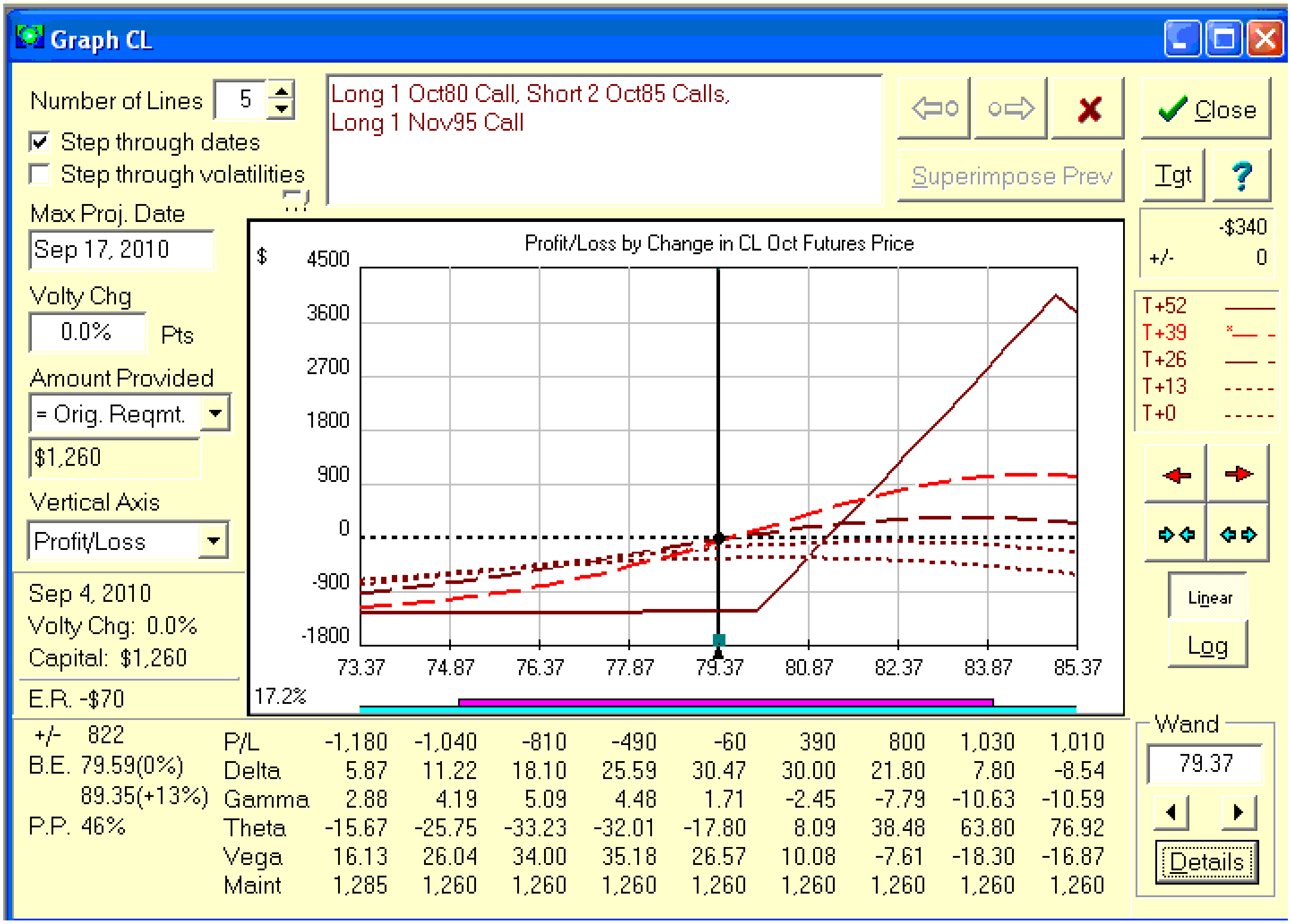
 THERE IS RISK OF LOSS IN ALL TRADING



P/L	-1,180	-1,040	-810	-490	-60	390	800	1,030	1,010
Delta	5.87	11.22	18.10	25.59	30.47	30.00	21.80	7.80	-8.54
Gamma	2.88	4.19	5.09	4.48	1.71	-2.45	-7.79	-10.63	-10.59
Theta	-15.67	-25.75	-33.23	-32.01	-17.80	8.09	38.48	63.80	76.92
Vega	16.13	26.04	34.00	35.18	26.57	10.08	-7.61	-18.30	-16.87
Maint	1,285	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260

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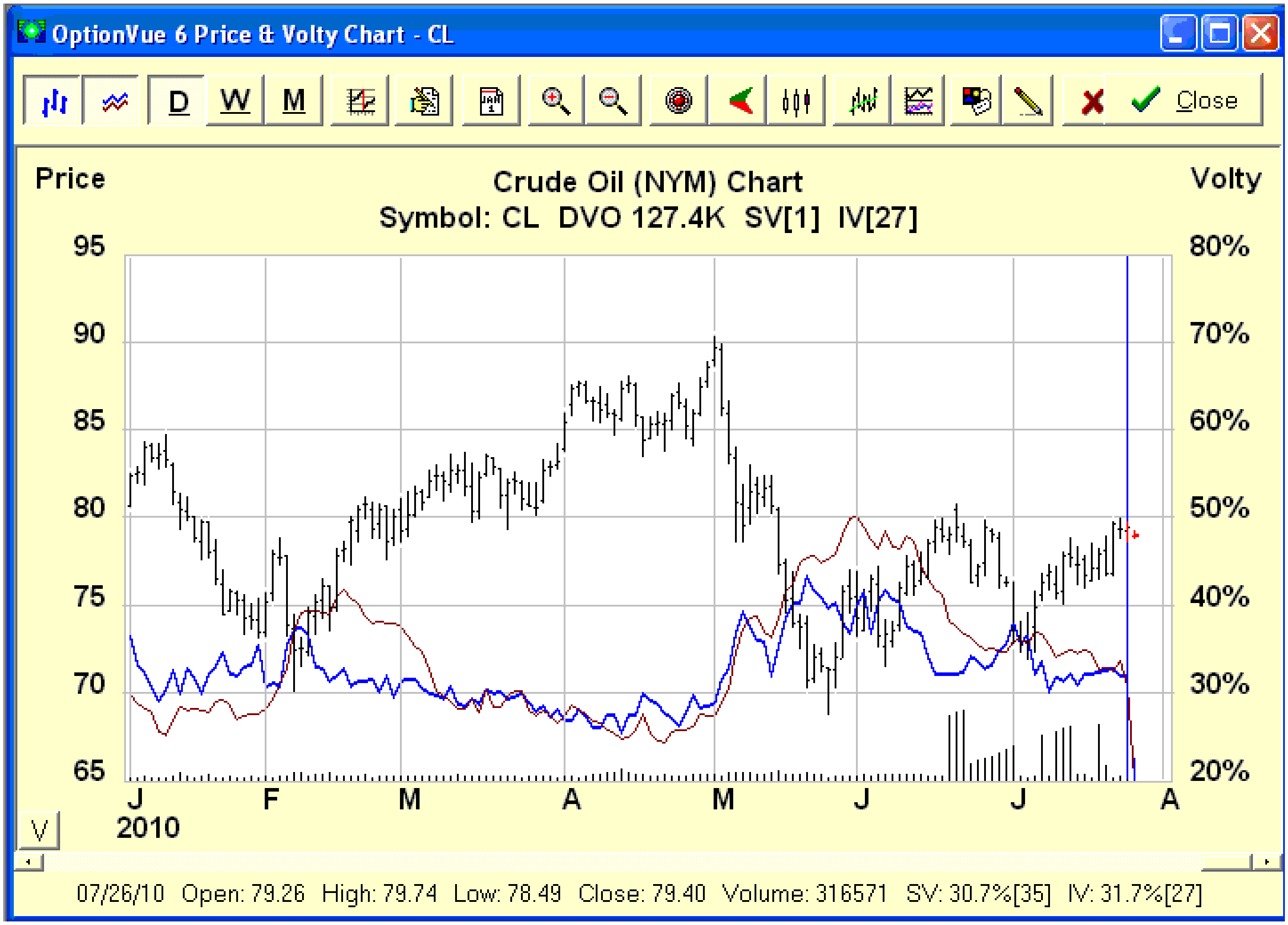

 THERE IS RISK OF LOSS IN ALL TRADING

3. Crude Oil (CL) – Oct / Dec Put Calendar spread

Position / Closing Price @ 7/20	Entry Cost	Time	Comments/ Trading Plan
Sell 1 Oct 79 put @ 378 **Buy 1 Dec 79 put @ 545** 1 pt =$10 Oct CL @ 79.37 Dec CL @ 80.35 **Greeks:** Delta +4 Gamma (1.50) Theta +$11 Vega +$56 **Margin:** $ 1,790	Approx 167 or less points debit $ 1,670	**Oct options expire on 9/16 in 51 days**	Traders who are willing to commit more margin than Position # 2 to a bullish Crude spread can consider this Oct / Dec 79 put calendar spread. As compared to Position # 2, this spread earns positive time decay over a wider range of possible prices and it benefits even if Crude declines, provided the decline is modest over the next 5 to 6 weeks. **Trading Plan/Suggested Risk:** Establish the spread for a debit of approximately 167 points with the objective of closing the spread when it widens to a debit of 247 points (80 points better). This objective could be potentially achievable in 39 days (by Sep 4) provided the Oct CL futures contract doesn't decline below about 77.87 (1.50 pts lower) and doesn't rally above about 82.80 (3.43 pts higher). If the Oct CL contract rallies 6.00 points to 85.37 or declines 3.00 pts to 76.37, then close the spread. In any event, close the spread no later than Sep 4 in 39 days.

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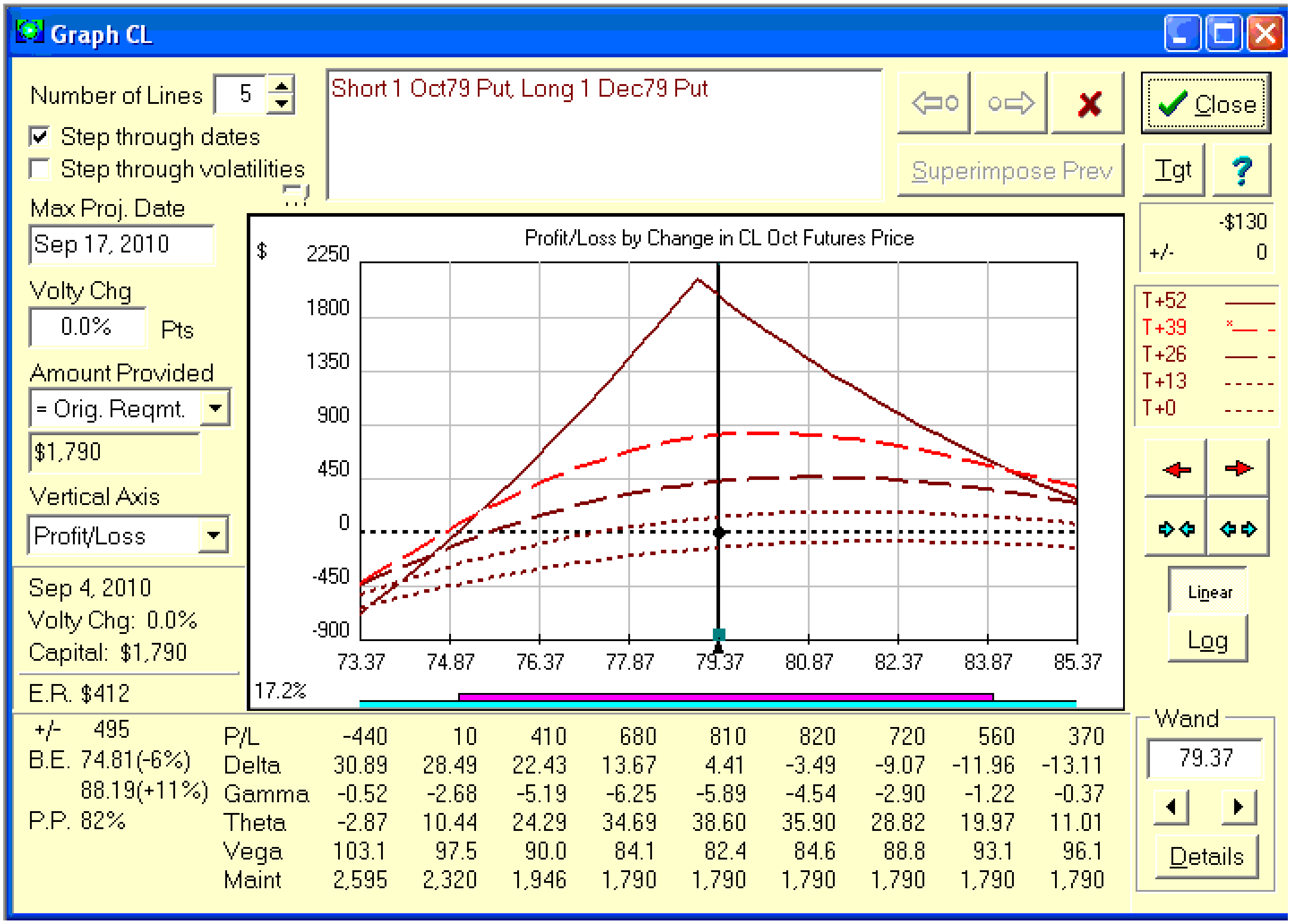
Graph CL
Number of Lines 5
Step through dates
Step through volatilities
Short 1 Oct79 Put, Long 1 Dec79 Put
Superimpose Prev
Close
Tgt
Max Proj. Date
Sep 17, 2010
Volty Chg
0.0%
Pts
Amount Provided
= Orig. Reqmt.
$1,790
Vertical Axis
Profit/Loss
Sep 4, 2010
Volty Chg: 0.0%
Capital: $1,790
E.R. $412
Profit/Loss by Change in CL Oct Futures Price
$
2250
1800
1350
900
450
0
-450
-900
73.37
74.87
76.37
77.87
79.37
80.87
82.37
83.87
85.37
17.2%
-$130
+/- 0
T+52
T+39
T+26
T+13
T+0
Linear
Log
Wand
79.37
Details
+/- 495
B.E. 74.81(-6%)
88.19(+11%)
P.P. 82%
P/L -440 10 410 680 810 820 720 560 370
Delta 30.89 28.49 22.43 13.67 4.41 -3.49 -9.07 -11.96 -13.11
Gamma -0.52 -2.68 -5.19 -6.25 -5.89 -4.54 -2.90 -1.22 -0.37
Theta -2.87 10.44 24.29 34.69 38.60 35.90 28.82 19.97 11.01
Vega 103.1 97.5 90.0 84.1 82.4 84.6 88.8 93.1 96.1
Maint 2,595 2,320 1,946 1,790 1,790 1,790 1,790 1,790 1,790

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

UNDERLYING MARKET	Symbol	Jul 23	Jul 16	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	**23.2**	**22.8**	**22.9**	**29.4**	**17.0**	**15.0**	8.5 - 69.3	8.8 – 69.3	76	51
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	**80.9**	**74.7**	**78.9**	**104.6**	**93.2**	**80.0**	7.7 - 168.7	7.7 – 168.7	82	35
TEN-YEAR Notes	TY	**6.0**	**6.3**	**7.0**	**7.7**	**6.0**	**6.2**	3.5 – 9.4	3.5 – 9.4	50	6
US 30-YR Bonds	US	**10.3**	**10.6**	**12.0**	**13.0**	**9.1**	**9.4**	5.2 - 21.7	5.2 - 21.7	64	13
CURRENCIES											
AUSTRALIAN $	AD	**15.1**	**15.0**	**14.8**	**19.7**	**10.8**	**10.8**	6.2 – 46.7	6.2 – 46.7	76	40
BRITISH POUND	BP	**11.0**	**10.5**	**12.1**	**15.3**	**12.8**	**12.5**	4.9 - 29.5	4.9 - 29.5	70	6
CANADIAN $	CD	**12.4**	**12.0**	**12.3**	**16.0**	**10.6**	**9.6**	5.8 - 26.9	5.8 – 26.9	71	28
EURO Currency	EC	**12.7**	**11.9**	**13.1**	**16.4**	**11.7**	**10.5**	4.7 - 28.7	4.7 - 28.7	83	58
JAPANESE YEN	JY	**11.3**	**11.0**	**11.3**	**13.9**	**10.3**	**10.8**	6.3 - 34.4	6.3 – 34.4	60	13
SWISS FRANC	SF	**11.2**	**10.6**	**10.6**	**12.6**	**10.5**	**10.3**	5.6 - 24.3	5.6 - 24.3	70	46
GRAINS											
CORN	C	**29.2**	**31.0**	**29.5**	**31.0**	**30.7**	**30.6**	15.6 - 50.2	25.3 – 50.2	42	8
WHEAT	W	**34.7**	**33.7**	**31.2**	**28.6**	**31.5**	**31.9**	20.1 – 61.1	27.2 - 61.1	60	42
SOYBEANS	S	**24.2**	**26.1**	**22.0**	**22.3**	**22.4**	**22.8**	16.4 - 50.0	20.0 - 50.0	35	24
SOYBEAN MEAL	SM	**25.0**	**24.5**	**26.8**	**26.2**	**25.1**	**24.2**	17.0 - 46.3	22.6 - 46.3	28	17
SOYBEAN OIL	BO	**21.3**	**22.7**	**21.0**	**21.4**	**20.1**	**20.3**	16.9 - 47.8	17.3 - 47.8	13	17
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	**31.7**	**34.1**	**39.5**	**28.6**	**28.3**	**25.4**	23.2 - 62.5	23.2 - 62.5	33	37
COCOA	CO/CC	**30.2**	**30.1**	**30.1**	**30.8**	**32.0**	**33.5**	20.6 - 53.5	20.6 - 53.5	42	3
SUGAR	SB	**39.3**	**38.1**	**38.3**	**44.2**	**39.7**	**48.5**	18.6 - 52.0	18.6 – 52.0	76	29
ORANGE JUICE	OJ/JO	**36.7**	**36.2**	**34.8**	**27.7**	**27.4**	**27.8**	17.7- 55.8	18.7 – 55.8	69	47
COTTON	CT	**24.6**	**24.9**	**23.6**	**24.0**	**25.4**	**26.3**	16.4 - 47.2	16.4 – 47.2	32	12
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	**36.2**	**36.4**	**40.2**	**39.6**	**28.8**	**37.7**	17.1 – 349	25.1 – 349	61	27
GOLD	GC	**19.0**	**17.4**	**19.3**	**21.3**	**16.8**	**17.3**	10.8 - 48.7	16.1 – 48.7	45	21
SILVER	SI	**27.5**	**27.6**	**29.5**	**33.4**	**25.7**	**26.3**	16.9 - 75.2	19.0 – 75.2	22	9
ENERGY											
CRUDE OIL	CL	**32.2**	**31.7**	**33.0**	**39.0**	**28.0**	**29.0**	24.8 - 99.9	24.8 - 99.9	39	19
GASOLINE	RB	**32.0**	**32.8**	**23.4**	**38.1**	**28.8**	**n/a**	23.4 - 69.9	23.4 - 62.6	18	15
HEATING OIL	HO	**29.7**	**31.1**	**27.9**	**37.2**	**28.3**	**29.5**	25.9 - 73.6	25.9 - 73.6	17	9
NATURAL GAS	NG	**48.1**	**47.3**	**50.5**	**43.3**	**45.6**	**41.2**	30.0 - 98.1	33.6 – 91.4	35	28
MEATS											
LIVE CATTLE	LC	**13.3**	**13.8**	**15.2**	**17.5**	**15.8**	**15.9**	11.6 - 37.9	11.6 - 37.9	10	5
FEEDER CATTLE	FC	**12.0**	**12.6**	**13.4**	**15.5**	**14.9**	**12.7**	9.0 - 35.0	11.9 - 35.0	19	6
LEAN HOGS	LH	**20.4**	**20.7**	**21.9**	**22.1**	**21.6**	**20.9**	17.5 - 48.5	17.5 - 48.5	13	4

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, TY, BP, C, RR, CO, SI, HO, LC, FC and LH	None	