Easy Money Options

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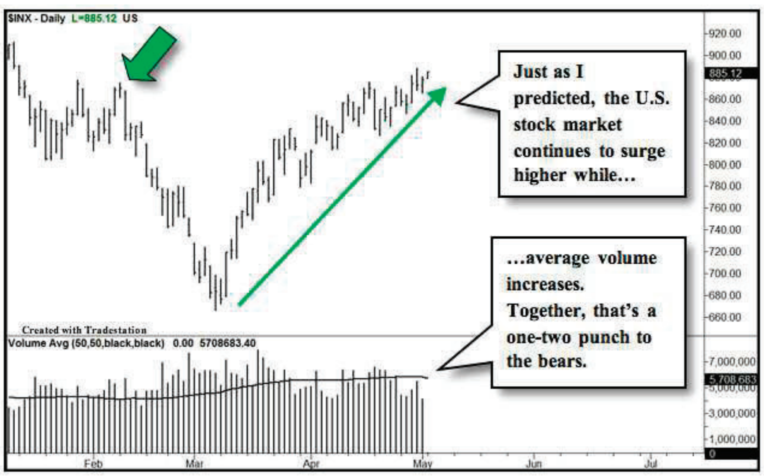
Run-up Continues!

Plus, a hot new reco on a leading cable operator…

I have my sights set on an option play that's loaded with profit potential. I'll give you the details behind this trade in a moment. But first, let's take a look at the positive action driving the markets and your option positions…

Markets Surging Higher!

Just as I predicted, the broader U.S. stock market continues to surge higher. Take a look at this daily chart of the S&P 500.



The S&P 500 is a good proxy for the broader U.S. stock market. And as you can see, stocks continue to march higher. In fact, from a low of 667 on March 9 to last Thursday's high of 889, U.S. stocks have shot up a mind-boggling 33%.

But that's not all. Take a gander at the large arrow on the left of the chart. It marks the summit of the market's last upside run. Because the market reversed course to the downside that day (Feb. 9) and at that level (875), that peak is called — in technical parlance — a "resistance" level.

The market also failed to penetrate this resistance level just a few trading days earlier, on Jan. 28. All told, that means 875 is a pretty tough point for the market to get above.

That's why the market's most recent action is more significant than most investors and traders are thinking: It smashed above key resistance at 875 like a walk in the park. No doubt about it, that shows uncommon technical upside strength.

Here's the best part: When the market breaks through resistance — especially after failing to do so in previous attempts — that resistance level has an excellent chance of becoming a stopping point when the market decides to turn down again.

In other words, strong resistance — once defeated — becomes solid *support* for future price action. So when the market pulls back — and it surely will — it's very likely to *not* fall too much below 875. And I don't have to tell you that that can be very reassuring.

There's more good news. Just as I thought, the most recent run continues to be backed by higher average volume. And on the chart, that's marked by the upward sloping average volume line near the bottom of the pane.

Significant? Certainly. When strong upside runs — especially when they include breaks above strong resistance levels — are powered by increasing average volume, it's a clear sign that higher prices are attracting more investors and traders. And they're buying more and more shares to prove it. That means lots of upside pricing pressure in the days and weeks ahead.

We'll Remain Cautiously Optimistic

OK, we've had some positive technical news. And there's no doubt that the run-up in stocks is a step in the right direction.

But before we start the big celebration, take another look at the chart. Notice that while the market has surged higher, it's done so with very few significant pullbacks.

In other words, the market's most recent run since the beginning of March — including a staggering 33% pop in prices — has been *practically straight up*.

I don't have to tell you that's a ton of upside action in a short amount of time. And for someone who's been around the block a time or two like me, that's a red flag.

Why? Because like many things in life, markets don't go straight up for very long. And if they do for a while, it only makes sense that they're going to pull back and take a breather.

Plus, big run-ups mean some traders are likely sitting on some juicy profits. So when they take some of that money off the table, that selling pressure will cause prices to drop.

Here's what I'm looking for: Over the course of the next few months, we'll likely see a significant pullback in the 10–15% range. On the S&P 500, that means a drop of 90 to134 points.

Now, it probably won't happen violently and quickly. I think there's just too much investor optimism for that. But it could easily happen over a few weeks, with downdrafts in the 1–3% range.

And don't forget, while the market's run has been solid, the economy is still filled with weakness, including jobs, real estate and overall growth. And even though the market tends to lead us out of downturns, our mantra at ***Easy Money Options*** is that we are "cautiously optimistic."

As you'll see, that attitude permeates this month's option recommendation. So let's get right to it.

Our Next Call Option Target: Time Warner Cable!

I love the outlook for cable giant Time Warner Cable (TWC). In fact, strong fundamental and technical factors points to loads of upside for the shares. Together with attractive volatility metrics, Time Warner Cable makes an excellent call option play.

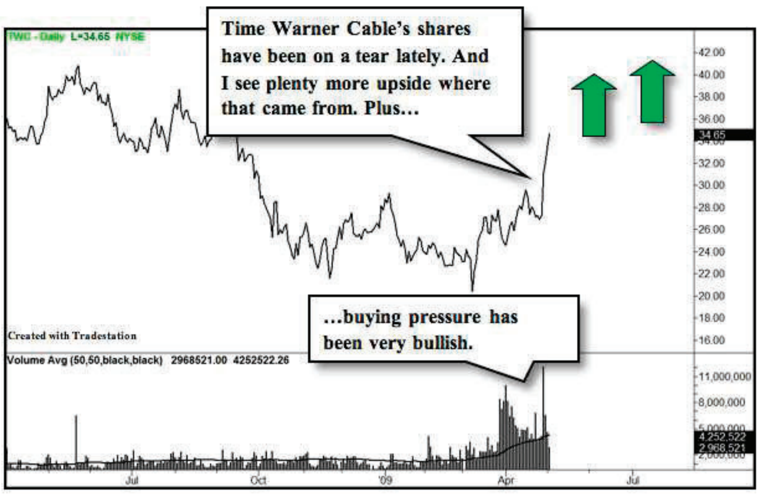
- Time Warner Cable is the second-largest cable operator around — behind Comcast — and serves more than 14 million customers. The company offers a broad array of video, high-speed data and voice products to both consumers and businesses. The company's advertising arm — Time Warner Cable Media Sales — also offers advertising services on local, regional and national levels.
- For the first quarter ended March 31, the company brought home 48 cents a share. While that's off the 74 cents earned a year earlier, it shows uncommon profit resilience in a super-hostile economic environment. And that tells me that this company can hack it even in the toughest times. Plus, the company is on track to meet its full-year outlook of $3 a share, which is above the average estimate of $2.88.
- Even though profits took a hit, the company managed to drive top-line sales a solid 4.9%, to $4.4 billion, during the first quarter. And all subscription revenue drivers — including video, high-speed data and voice — showed increases. In fact, high-speed Internet revenue jumped an impressive 11%.

  If you think the recession is driving customers to cut cable, think again. While many estimates were calling for Time Warner Cable to shed 77,000 basic cable TV customers, the company actually added 36,000. That's a staggering 113,000 swing to the positive.

  And the way I see it, that cable TV party is far from over: The federally mandated switch to the all-digital spectrum is likely to keep driving customers right into the arms of Time Warner Cable.
- Time Warner Cable isn't just growing its cable TV business: As of the end of March,

the company also added 225,000 high-speed Internet customers and 166,000 new phone customers. Those numbers simply blew away forecasts of 147,000 and 143,000, respectively.

Plus, the company is on track to roll out an *ultra*-high speed Internet service. And I'm not talking chump change, either. The company plans to offer speeds of 101 megabits per second (Mbps) by the end



of this month and has already tested mind-blowing speeds of *138 Mbps downstream*. That simply blows away the 6 Mbps more typical of cable providers.

Now take a look at this daily chart of Time Warner Cable …

As you can see, the shares have been on absolute fire lately. And with a strong fundamental outlook going forward, I think there's plenty more upside.

But mark my words: The company's most recent run has been fast and furious. So there's little doubt natural pullbacks will be in the cards in the weeks and months ahead. But given the company's solid track record — especially in difficult times — those should be in only the 1–3% range.

The Time Warner Cable call options I've selected pack an implied-to-statistical volatility ratio of just 0.67. In other words, for every 1% in historical volatility, these options have priced in just 67% of that. That means we're getting lower-priced options compared with what they should be. And that bodes well for our call prices down the road.

Also, keeping in line with our "cautiously optimistic" outlook here at ***Easy Money Options***, I've selected Time Warner Cable call options that don't expire until October 2009. Those are the longest-dated call options available and will give us plenty of time for this trade to work out.

Action to take: Buy to open Time Warner Cable October call options with a strike price of $35 (TWC JG) at the market.

Get this order in as quickly soon as you can. And stay tuned for more updates and recos!

Best wishes,

Wayne Burritt
Editor, ***Easy Money Options***

Easy Money Options Portfolio

Recommendation	Symbol	Buy Date	Buy Price	Current Date	Current Price	Gain/Loss%
General Mills January 2011 55 Calls	VGI AK	3/5/09	$5.80	5/5/09	$5.20	-10.34%
Hewlett-Packard January 2010 35 Calls	WPW AG	3/31/09	$4.26	5/5/09	$5.90	38.50%

Easy Money Options Closed Positions

Recommendation	Symbol	Buy Date	Buy Price	Sell Date	Sell Price	Gain/Loss%
Proctor and Gamble January 2009 Calls	PG AN	8/4/08	$1.90	8/12/08	$3.60	89.47%
S&P 500 Depository Receipts September 2008 Puts	SPYUP	7/1/08	$2.79	9/2/08	$0.46	-83.51%
S&P 500 Depository Receipts November 2008 Puts	SPYWR	9/2/08	$3.10	9/16/08	$7.75	150.00%
Exxon Mobil January 2009 Calls	XOMAQ	4/1/08	$9.80	9/30/08	$2.55	-73.98%
Goldman Sachs January 2009 Calls	GPYAP	5/6/08	$33.60	9/30/08	$2.36	-92.98%
CSX Corp January 2009 Calls	CSXAL	6/3/08	$11.70	9/30/08	$4.10	-64.96%
S&P 500 SPDR Depository Receipts December Puts	SWG XQ	9/30/08	$1.60	10/6/08	$4.30	168.75%
Financial Select Sector SPDR Depository Receipts December Puts	XLF XR	9/30/08	$1.70	10/6/08	$2.33	37.06%
S&P 500 SPDR Depository Receipts December 105 Calls	SWGLA	10/14/08	$6.35	11/13/08	$0.38	-94.02%
Financial Select Sector SPDR Depository Receipts December 17 Calls	XJZ LQ	10/14/08	$2.06	11/13/08	$0.13	-93.69%
S&P 500 SPDR Depository Receipts January 81 Puts	SZC MC	11/13/08	$6.35	12/22/08	$1.57	-75.28%
Retail HOLDRs January 65 Puts	RTH MM	11/13/08	$5.80	12/22/08	$0.70	-87.93%

Note: Returns are based on recommended entry and exit prices as mentioned in the EMO e-mail alerts. Brokers' fees are not taken into consideration when calculating returns. If you are not receiving the EMO e-mail alerts, please send us an e-mail at customerservice@agorafinancial.com. All numbers are believed to be correct.