

# Q Prime<sup>2</sup> Presentation



Professional **R**esearch & **I**nvestment **M**anagement **E**nterprises

Raymond A Rondeau

# Disclaimer

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- ❖ These events should be viewed as informal gatherings of non professional public participants who are congregating in a “Traditional Public Forum” atmosphere, while communicating under the “Freedom of Expression Act”, solely for the purpose of exchanging information and ideas on topics of like interest.
- ❖ Information or materials provided during these events by any individual or entity in any manner or method including written, verbal and presented materials are for general educational and information purposes only. Any and all relayed information should always be considered to be incomplete, with errors, omissions and of non current data.
- ❖ Any communications or transfer of information by any party by any method should never be construed as a recommendation to buy or sell anything of any kind or to be considered a professional endorsement or an indication of the value of any product or security.

*Freedom of Expression – The right to protect any act of seeking, receiving and imparting information or ideas regardless of the medium used.*

*Traditional Public Forum – is open to all expressions and is protected under the First Amendment.*

# Personal Responsibility

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- ❖ Investing and other monetary ventures involves risk and may not be suitable for all people.
- ❖ You and only you are fully responsible for any investment or trading decisions you make, and such decisions should be based solely on your evaluation of your financial circumstances, investment or trading objectives, risk tolerance and liquidity needs.
- ❖ It is important that all attendees realize that investing is not black and white and should never be viewed as an exact science. Approaches to investing and the art of speculation are based upon mathematical probabilities that are derived from your perceptions from a variety of different sources that you self evaluate and rank in order of importance.

# Q-Prime<sup>2</sup> Philosophy

“**Q-Prime<sup>2</sup> Trading Philosophy**” is based on an approach that focuses on the exploration and substantiation of multiple high probability based investing techniques that are practical, executable, and profitable in today's environment.

**Enhancing** performance is then further targeted by applying a synergistic based approach that utilizes various strategically matched investment techniques, with their specific financial markets, while combining appropriate trading execution vehicles and methods.

**This** method specifically utilizes cutting edge technology, to search for and exploit pricing inefficiencies with highly probable setups. While profiting off of the inadequacies of the financial markets derivatives structure and that of the markets participants emotionally based undisciplined financial decisions.



SUCCESS

FAILURE

# Welcome



Benvenuto	-	Italian
Bienvenidos	-	Spanish
Bienvenue	-	French
Bun venit	-	Romanian
Dobro pozhalovat'	-	Russian
Emukela	-	Zulu
Foon ying & Huan yin	-	Chinese
Hwangyong-hamnida	-	Korean
Iiwy	-	Ancient Egypt
Irashaimasu & Yo koso	-	Japanese
Laskavo prosimo	-	Ukrainian
Sosopo mai	-	Samoan
Velkommen'	-	Danish
Vitezte	-	Czech
Willkommen	-	German
Witajcie	-	Polish
Zayt vilkum	-	Yiddish

# Options Complexity or Simplicity ?

TradeStation 8.7 - Untitled Desktop: 1 - Options Grid

File View Format Window Help

Asset Last Close Net %Chg Net Chg \*Optionable # of Series Put-Call Open Int Put Volume Vol Ratio Call Volume Day Activity Put Volty Average Call Volty Relative \$

Asset	Last	Close	Net %Chg	Net Chg	*Optionable	# of Series	Put-Call Open Int	Put Volume	Vol Ratio	Call Volume	Day Activity	Put Volty	Average	Call Volty	Relative \$			
GS	150.14	150.14	0.43%	\$0.64	False	64	290396	60%	463994	Vary Bullish	9202	85%	10868	Bullish Day	55.2%	46.11%	43.3%	Expensive Puts

*Option Bid				*Option Ask				*Option Recommend				*Option Details				*Option Details P				*Option Recommend P				*Option Bid							
\$Dif	%Dif	Bid	Theoretical...	Ask	%Dif	\$Dif	Rec	%RDif	RecDif	OpenInt	Style	Symbol	Strike	Symbol	Style	OpenInt	RecDif	%RDif	Rec	\$Dif	%Dif	Bid	Theoretical...	Ask	%Dif	\$Dif					
-0.22	-0.5%	39.50	\$39.72	41.10	3.5%	1.38	\$40.30	1.5%	0.58	64	Amrcn	100522C1	110	100522P1	Amrcn	3947	0.27	29009.0%	\$0.27	0.25	\$0.00	0.29	\$0.00	0.38	778.2%	0.45	\$0.05	0.50	875.8%	0.45	
0.32	0.9%	35.05	\$34.73	36.00	3.6%	1.27	\$35.53	2.3%	0.79	64	Amrcn	100522C1	115	100522P1	Amrcn	2805	0.35	5570.7%	\$0.36	0.33	\$0.01	0.38	\$0.01	0.38	0.67	302.4%	0.50	\$0.17	0.67	302.4%	0.50

Strike(s)	Bid Ask Spread			Max. Gain/Loss				Pos. Delta\$	Pos. Theta\$	Pos. Gamma\$	Pos. Vega\$	Pos. Rho\$
	\$ Sprd	% Sprd	Gain%	Max Gain	Max Loss	Loss%						
110 / 115	-0.95	-0.28	86%	\$ 430.00	\$ -70.00	-14%	(\$0.26)	(\$0.39)	\$0.05	\$0.24	\$0.21	
115 / 120	-0.65	-0.17	87%	\$ 435.00	\$ -65.00	-13%	(\$0.79)	(\$0.90)	\$0.13	\$0.63	\$0.18	
120 / 125	-0.60	-0.13	90%	\$ 450.00	\$ -50.00	-10%	(\$1.95)	(\$1.77)	\$0.27	\$1.28	\$0.09	
125 / 130	-0.45	-0.11	87%	\$ 435.00	\$ -65.00	-13%	(\$3.93)	(\$2.82)	\$0.44	\$2.09	(\$0.05)	
130 / 135	-0.65	-0.17	84%	\$ 420.00	\$ -80.00	-16%	(\$6.64)	(\$3.62)	\$0.57	\$2.72	(\$0.26)	
135 / 140	-0.85	-0.35	78%	\$ 390.00	\$ -110.00	-22%	(\$9.60)	(\$3.68)	\$0.58	\$2.80	(\$0.48)	
140 / 145	-0.60	-0.24	67%	\$ 335.00	\$ -165.00	-33%	(\$12.02)	(\$2.70)	\$0.44	\$2.13	(\$0.68)	

**TradeStation OptionStati...**

X: Price    Y: Position Value P&L

Add    Del    Plot1    Show    Blue

**(GS) Goldman Sachs Group**  
Theoretical Gross Out P&L

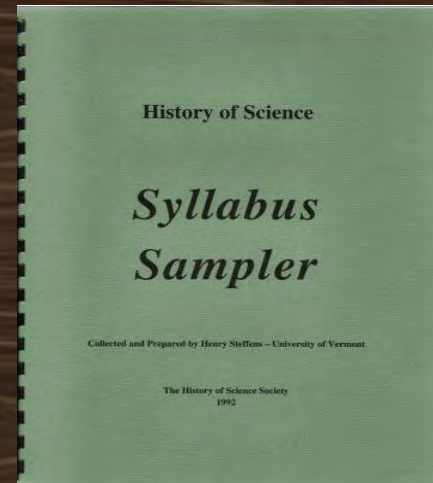
Positions	Symbol	Qty	Exp Date	Strike	Side	Price	Bid Ask Spread		Max. Gain/Loss				Pos. Delta\$	Pos. Theta\$	Pos. Gamma\$	Pos. Vega\$	Pos. Rho\$	Option Pos. Net \$'s							
							\$ Sprd	% Sprd	Gain%	Max Gain	Max Loss	Loss%													
Vertical Call - Sell (17)	GS 100522	1	May 10	145	Call	10.5000	(\$0.35)	-0.10	33%	\$ 165.00	\$ -335.00	-67%	\$13.24	\$0.97	(\$0.18)	(\$0.88)	\$0.80	(\$336.00)	\$2.00	\$289.00	\$2.00	(\$45.00)	\$4.00	(\$49.00)	\$14.6%
Vertical Call - Sell (20)	GS 100522	-1	May 10	150	Call	7.1500	(\$0.25)	-0.05	0%	\$ 715.00	Unlimited	-100%	(\$51.50)	\$18.36	(\$2.68)	(\$12.66)	(\$3.31)	\$714.00	\$1.00	(\$601.00)	\$1.00	\$115.00	\$2.00	\$113.00	15.8%

%CovLoss	\$CovLoss	Par Price	%LossDay	\$LossDay	I/V %	Time Va...	Intrinsic	Mark Va...	%ffCs	X-TM	TrdToExp	Exp Date	Strike	Exp Date	TrdToExp	X-TM	%ffCs	Mark Va...	Intrinsic	Time Va...	I/V %	\$LossDay	%LossDay	Par Price	%CovLoss	%CovL...
5	0.0%	0.02	\$150.11	-0.0%	(\$1.50)	191%	\$21.00	\$4,009.00	\$4,030.00	26.9%	ITM	14	22-May-10	110	22-May-10	14	OTM	0.2%	\$27.00	\$0.00	\$27.00	(\$1.93)	-7.1%	\$121.06	(29.02)	-19.3%
6	0.0%	0.03	\$150.17	-0.1%	(\$2.75)	91%	\$38.50	\$3,514.00	\$3,552.50	23.7%	ITM	14	22-May-10	115	22-May-10	14	OTM	0.2%	\$35.50	\$0.00	\$35.50	(\$2.54)	-7.1%	\$141.34	(8.75)	-5.8%

# A Synergetic Approach Extreme Value Investing

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- **Synergetic Reasoning**
- **Calibrated Control**
- **E.V.I Criteria**
- **Market Symbiosis**
- **Stock Selectivity**
- **Fundamental Assessments**
- **Technical Conformation**
- **Limbic Subjugation**
- **The Optionable Complement**
- **Edifying Example**
- **Adaptive Modifications**
- **Diametrical Divergence's**
- **Concluding Contemplations**



Presentation

206 Slides

1 Hr & 40 Min



# Average Insurance Cost

October 21<sup>st</sup>, 2010

- VIX closed: 19.87
- SPY closed: 118.14
- MIV at ATM: 16.8 %
- For 30 days of protection

The 119 Puts Market Price was \$2.72

(\$0.86 Intrinsic : \$1.86 Extrinsic)

Cost \$1.86 on a \$118.14 issue or

**1.6% for 30 days of protection**

# Expensive Insurance

November 20<sup>th</sup> 2008

- VIX closed all time high: 80.86
- SPY Closed: \$75.45
- MIV at ATM: 91.5%
- 30 days

The 76 Puts Market Price was \$6.97

(\$0.55 Intrinsic : \$6.42 Extrinsic)

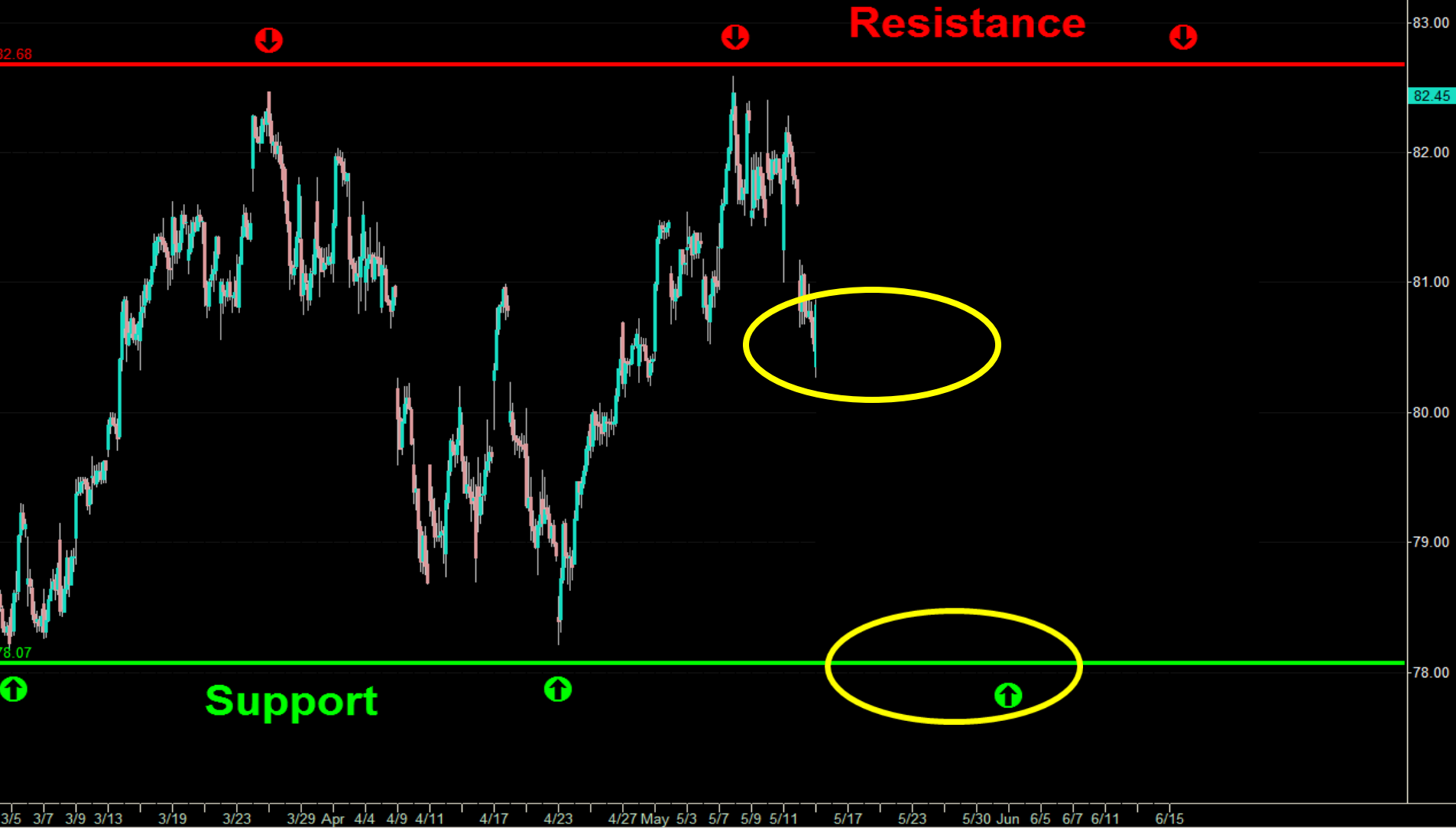
Cost \$6.42 on a \$75.45 issue or

**8.5% for 30 days of protection**

# Limit Order Advantages

BRK.B - 60 min L=88.35 -0.36 -0.41%

Berkshire Hathaway Inc.





# Bracket Orders

# Option Order Guidelines

## Option Orders – Stay The Course

* Option Bid			Theoretical...	* Option Ask			* Option Recommend			* Option Details C				
\$Dif	%Dif	Bid		Ask	%Dif	\$Dif	Rec	%RDif	RecDif	Active %	Volu...	OpenInt	Style	Symbol
-0.20	-0.9%	21.70	\$21.90	22.00	0.5%	0.10	\$21.85	-0.2%	(0.05)	0%	0	233	0.00	AAPL 141220C87.5
-0.15	-0.8%	19.25	\$19.40	19.45	0.3%	0.05	\$19.35	-0.3%	(0.05)	8%	299	3,873	0.00	AAPL 141220C90
-0.15	-0.9%	16.75	\$16.90	16.95	0.3%	0.05	\$16.85	-0.3%	(0.05)	5%	146	2,790	0.00	AAPL 141220C92.5
-0.05	-0.3%	14.35	\$14.40	14.45	0.3%	0.05	\$14.40	-0.0%	0.00	8%	1,091	13,690	0.00	AAPL 141220C95
-0.05	-0.4%	11.85	\$11.90	12.00	0.8%	0.10	\$11.93	0.2%	0.02	7%	568	8,583	0.00	AAPL 141220C97.5
0.10	1.1%	9.50	\$9.40	9.60	2.1%	0.20	\$9.55	1.6%	0.15	12%	4,546	36,975	0.00	AAPL 141220C100
1.10	25.0%	5.50	\$4.40	5.55	26.1%	1.15	\$5.53	25.6%	1.12	28%	16,874	61,134	0.00	AAPL 141220C105

# Option Orders

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□ Ask	\$2.40	-----	Hit	\$2.40
		-----	Shave	\$2.30
		-----	Split	\$2.20
		-----	Improve	\$2.10
□ Bid	\$2.00	-----	Join	\$2.00

# E.V.I Candidates

- Active more hands on investor
- Individual stock selection
- Larger stable companies
- Familiar with products or services
- Acquire shares at low relative prices
- Longer term duration



# “Correlated Relative Efficiency”

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- ❑ ETF's ( Big Factor )
- ❑ Closet Mutual Funds
- ❑ Arbitraging
- ❑ Computer Processing Abilities
- ❑ Fair Value Pricing Models
- ❑ Number of Educated Market Participants
- ❑ Exposure to the Same Information & News
- ❑ Lack of Information Delay



# Key Suggestion



Consider avoiding stocks on the long side of this set-up that have been falling during a recent bull market.

Unless they are in an industry that traditionally tends to run counter to the overall market or are in an industries that is considered a safe haven.



# Value Stock Selection Methods

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- AAI Event Speakers
- Investment - Television shows
- Investment - Periodicals (magazines or newspapers)
- Newsletter recommendations
- Stock screens
- Your own fundamental based analysis

# AAII - STOCK INVESTORS PRO

	YTD	3-Year	5-Year	10-Year	Inception	Risk Index	Category	Alphabetical
<b>Screen Performance Snapshots (click tabs to change sort order)</b>								
<u>Screen</u>	Annual Price Gain (%)					<u>Risk</u>	<u>Category</u>	
	<u>YTD</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Inception</u>	<u>Index</u>		
<b>63. Cash Rich Firms</b> Locating firms with a high proportion of cash to share price.	-0.8%	12.8%	4.8%	3.7%	10.2%	1.38	Value	^
<b>64. Schloss</b> This screen looks for stocks hitting new lows, trading at a price lower than book Value per share, with no debt and high levels of insider ownership.	-14.8%	-3.7%	0.5%	3.2%	9.1%	1.93	Value	
<b>65. Piotroski: High F-Score</b> A study of low price-to-book Value stocks to see if its possible to establish basic financial criteria to help separate the winners from the losers.	-28.3%	27.8%	25.6%	16.5%	25.6%	2.08	Value	
<b>66. Price-to-Free-Cash-Flow</b> An exploration of the basics of cash flow analysis and the implementation of a price to free cash flow	4.9%	34.0%	23.3%	15.9%	20.1%	1.77	Value	v
<b>Benchmark: S&amp;P 500</b>	-4.2%	11.9%	13.5%	4.9%	4.1%	1.00		

Source : AAI

# AII - Stock Investors Pro

Source : AII

View	Overview	Multiples	Growth	Ratios	Valuations	Estimates	Fin - Qtr	Fin - Annl	Custom	Charts
Company name	Company name	Ticker	Exchange	Sector	Industry	ADR/ADS Stock	Dow stock	Standard and Poor stock		
1-800-Flowers.Com Inc	1-800-Flowers.Com Inc	FLYS	Nasdaq	Services	Retail (Specialty Non-Apparel)	No	None	None		
1347 Capital Corp	1347 Capital Corp	TFSCU	Nasdaq	Financial	Misc. Financial Services	No	None	None		
1347 Property Insurance Holdin	1347 Property Insurance Holdin	PHI	Nasdaq	Financial	Insurance (Property & Casualty)	No	None	None		
1PM Industries Inc	1PM Industries Inc	OPUZ	Over the counter	Financial	Misc. Financial Services	No	None	None		
1st Century Bancshares, Inc.	1st Century Bancshares, Inc.	PCTY	Nasdaq	Financial	Regional Banks	No	None	None		
1st Constitution Bancorp	1st Constitution Bancorp	FCCY	Nasdaq	Financial	Regional Banks	No	None	None		
1st Source Corporation	1st Source Corporation	SRCE	Nasdaq	Financial	Regional Banks	No	None	None		
2050 Motors Inc	2050 Motors Inc	ETFM	Over the counter	Consumer Cyclical	Auto & Truck Manufacturers	No	None	None		
21Vianet Group Inc	21Vianet Group Inc	VNET	Nasdaq	Technology	Computer Services	Yes	None	None		
22nd Century Group Inc	22nd Century Group Inc	XOJ	American	Consumer Non-Cyclical	Tobacco	No	None	None		
24Holdings Inc.	24Holdings Inc.	TWPH	Over the counter	Financial	Misc. Financial Services	No	None	None		
2U Inc.	2U Inc.	YWOU	Nasdaq	Technology	Software & Programming	No	None	None		
3 Shine Technologies Inc	3 Shine Technologies Inc	TSHM	Over the counter	Financial	Misc. Financial Services	No	None	None		
3Dc Inc	3Dc Inc	TDCH	Over the counter	Technology	Computer Services	No	None	None		
3D Systems Corporation	3D Systems Corporation	DDD	New York	Technology	Computer Peripherals	No	None	MidCap 400		
3iicon Corp	3iicon Corp	YOCP	Over the counter	Technology	Communications Equipment	No	None	None		
3DX Industries Inc.	3DX Industries Inc	DOOX	Over the counter	Technology	Scientific & Technical Instruments	No	None	None		
3M Co	3M	MMM	New York	Capital Goods	Construction - Supplies and Fixtures	No	Industrial	500		
3Power Energy Group Inc	3Power Energy Group Inc	PSRY	Over the counter	Utilities	Electric Utilities	No	None	None		
4Cable TV International Inc.	4Cable TV International Inc.	CATV	Over the counter	Basic Materials	Misc. Fabricated Products	No	None	None		
4net Software Inc.	4net Software Inc.	FNSI	Over the counter	Financial	Misc. Financial Services	No	None	None		
500.com Ltd	500.com Ltd	WBAI	New York	Technology	Computer Services	Yes	None	None		
51job, Inc. (ADR)	51job, Inc. (ADR)	JOB5	Nasdaq	Services	Business Services	Yes	None	None		
58.com Inc. (ADR)	58.com Inc. (ADR)	WUBA	New York	Technology	Computer Services	Yes	None	None		
5Barz International Inc.	5Barz International Inc.	BARZ	Over the counter	Technology	Communications Equipment	No	None	None		
60 Global Technologies Inc	60 Global Technologies Inc	SGD	Nasdaq	Capital Goods	Misc. Capital Goods	No	None	None		
600 Commerce Inc	600 Commerce Inc	ETHG	Over the counter	Financial	Consumer Financial Services	No	None	None		
8Point3 Energy Partners LP	8Point3 Energy Partners LP	CAFD	Nasdaq	Utilities	Electric Utilities	No	None	None		
8x8, Inc.	8x8, Inc.	EGHT	Nasdaq	Services	Communications Services	No	None	SmallCap 600		
A. Schulman Inc	A. Schulman Inc	SHLM	Nasdaq	Basic Materials	Chemicals - Plastics and Rubbers	No	None	SmallCap 600		
A. Mark Precious Metals Inc	A. Mark Precious Metals Inc	AMRK	Nasdaq	Financial	Investment Services	No	None	None		
A. H. Belo Corporation	A. H. Belo Corporation	AHC	New York	Services	Printing & Publishing	No	None	None		
A. M. Castle & Co	A. M. Castle & Co	CAS	New York	Basic Materials	Misc. Fabricated Products	No	None	None		
A. O. Smith Corp	A. O. Smith Corp	AOS	New York	Technology	Electronic Instruments & Controls	No	None	MidCap 400		
A10 Networks Inc	A10 Networks Inc	ATEN	New York	Technology	Software & Programming	No	None	None		
AAC Holdings Inc.	AAC Holdings Inc.	AAO	New York	Health Care	Healthcare Facilities	No	None	None		
AAON, Inc.	AAON, Inc.	AAON	Nasdaq	Capital Goods	Misc. Capital Goods	No	None	SmallCap 600		
AAR Corp	AAR Corp.	AIR	New York	Capital Goods	Aerospace and Defense	No	None	SmallCap 600		
Aaron's, Inc.	Aaron's, Inc.	AAN	New York	Services	Rental & Leasing	No	None	MidCap 400		
AB SKF (ADR)	AB SKF (ADR)	SKFRY	Over the counter	Capital Goods	Construction & Agricultural Machinery	Yes	None	None		
Abakan Inc.	Abakan Inc.	ABKI	Over the counter	Services	Business Services	No	None	None		
Abaxis Inc	Abaxis Inc	ABAX	Nasdaq	Health Care	Medical Equipment & Supplies	No	None	SmallCap 600		
ABB Ltd (ADR)	ABB Ltd (ADR)	ABB	New York	Technology	Electronic Instruments & Controls	Yes	None	None		
Abbott Laboratories	Abbott Laboratories	ABT	New York	Health Care	Biotechnology & Drugs	No	None	500		
AbbVie Inc	AbbVie Inc	ABBV	New York	Health Care	Biotechnology & Drugs	No	None	500		

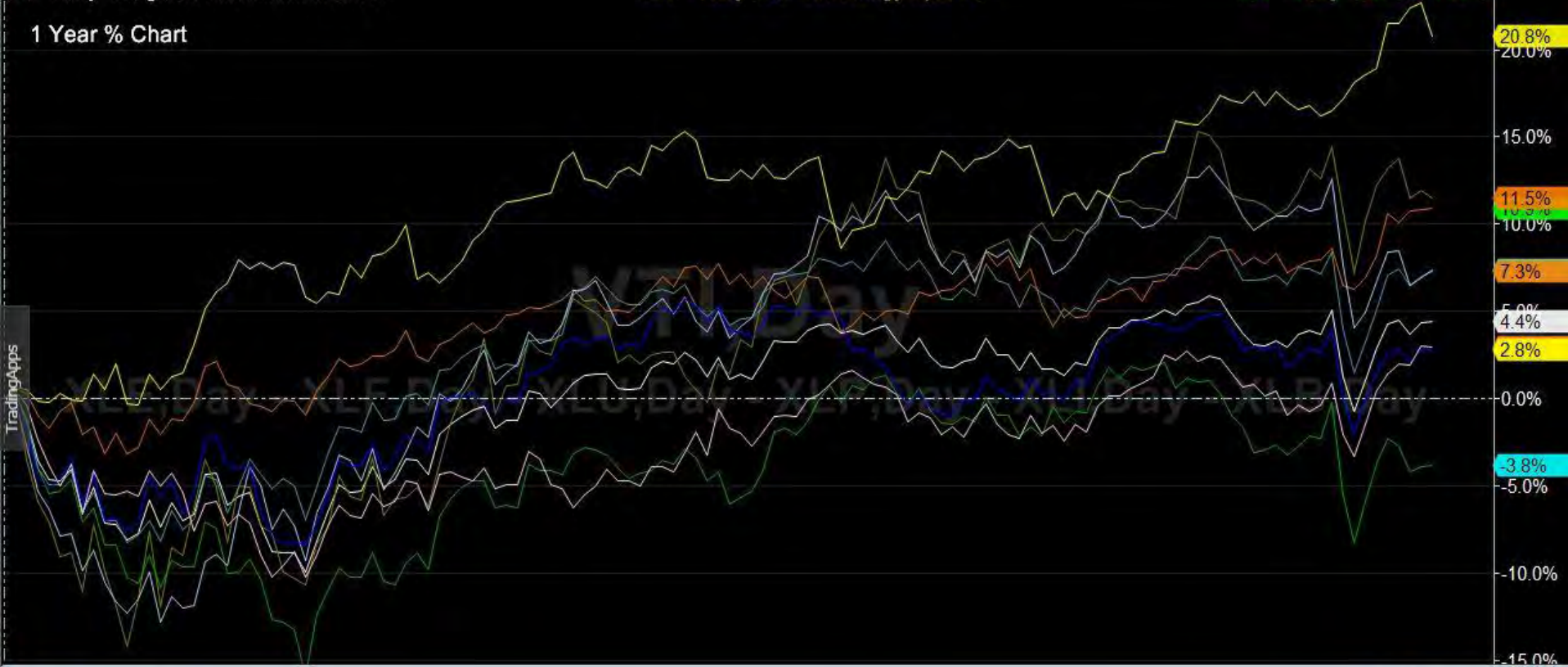
# Sector Percentage Charts

VTI - Daily Vanguard Total Stock Mrkt ETF

XLE - Daily S&P Sel Energy Spdr Fd

XLF - Daily S&P Sel Finl ...

1 Year % Chart



TradeStation RadarScreen - Day Price Data

Symbol	Desc
1	
2	US Sector Market Indexes
3 VTI	Vanguard Total Stock Mrkt ETF
4 XLB	S&P Sel Materials Spdr Fd
5 XLE	S&P Sel Energy Spdr Fd
6 XLF	S&P Sel Finl Spdr Fd
7 XLI	S&P Sel Industrial Spdr Fd
8 XLK	S&P Sel Tech Spdr Fd
9 XLP	S&P Sel Consum Staples Spdr Fu

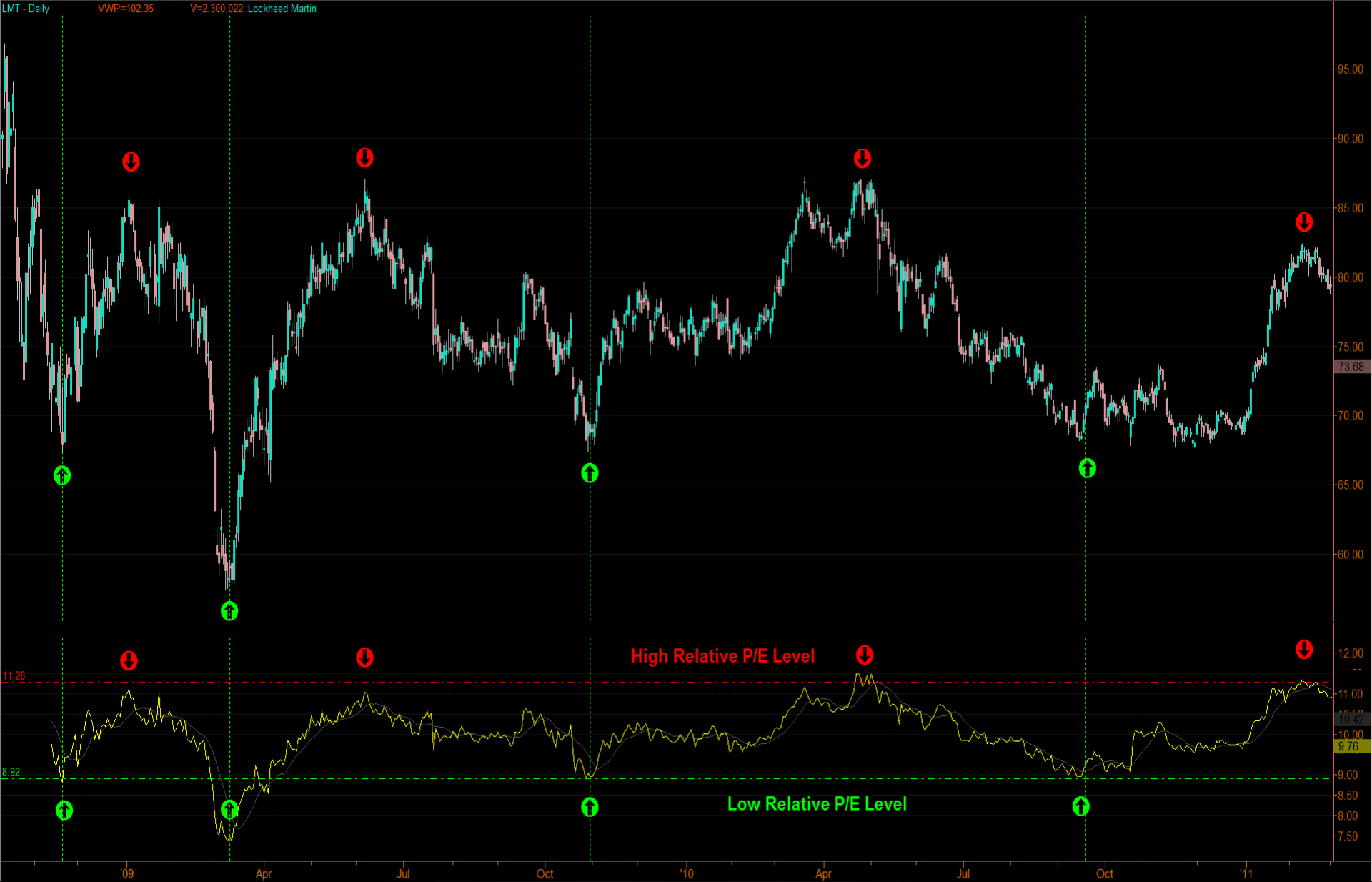


# Relative P/E

Compares the current absolute P/E to a benchmark or its own range over a previous time period.

Criteria	Value
Period	5 yrs
High P/E	30
Low P/E	18
Current P/E	22
Relative P/E	33%

*Our % calculation are from the low P/E*



# FUNDAMENTAL SUPPORT & RESISTANCE

	Symbol	P/E Bands					Volatility						*RS Industry
		PE Dif	PE %Dif	PE Range	UpperBand	LowerBand	Cur. IV	O/I Avg	30IVAvg	LowIV	YrRange	HighIV	
144	UNTD	0.15	1%	55	17.63	14.0	44.6	0.0	44.6	36%	34%	61%	Retail (Catalog & Mail Order)
145	CME	0.21	1%	55	25.30	20.7	16.1	(4.0)	20.0	16%	1%	38%	Investment Services
146	QCOM	0.16	1%	55	19.60	16.0	17.5	(3.8)	21.3	17%	4%	40%	Semiconductors
147	ROST	0.16	1%	54	20.13	16.4	25.2	0.5	24.7	21%	31%	34%	Retail (Apparel)
148	ACGL	0.09	1%	54	12.26	10.0	17.6	2.1	15.5	13%	12%	55%	Insurance (Prop. & Casualty)
149	PETM	0.18	1%	54	22.95	18.7	23.5	2.1	21.4	17%	18%	55%	Retail (Specialty)
150	ATVI	0.16	1%	54	20.82	17.0	28.9	(1.4)	30.3	23%	49%	35%	Software & Programming
151	SRCL	0.26	1%	54	37.44	30.6	13.3	(3.9)	17.2	13%	0%	30%	Waste Management Services
152	DISH	0.18	1%	54	26.49	21.6	40.7	3.9	36.8	27%	68%	47%	Broadcasting & Cable TV
153	NPBC	0.19	1%	54	28.89	23.6	52.7	25.7	27.0	21%	34%	115%	Regional Banks
154	ZOLT	0.20	1%	54	30.18	24.6	68.2	13.8	54.4	42%	55%	90%	Electronic Instr. & Controls
155	MLHR	0.18	1%	54	27.88	22.8	29.9	(0.3)	30.3	28%	6%	59%	Furniture & Fixtures
156	CTAS	0.13	1%	53	20.26	16.5	15.7	(1.4)	17.1	14%	11%	32%	Personal Services
157	PETS	0.10	1%	53	17.12	14.0	40.7	4.6	36.0	25%	47%	58%	Retail (Drugs)
158	MXIM	0.13	1%	53	23.37	19.1	24.3	(0.4)	24.7	19%	35%	34%	Semiconductors
159	ZBRA	0.12	1%	53	23.62	19.3	20.8	(1.3)	22.1	16%	14%	51%	Misc. Capital Goods
160	CSCO	0.07	1%	53	13.10	10.7	23.9	(0.7)	24.6	20%	17%	45%	Communications Equipment
161	CSGS	0.07	1%	53	14.46	11.8	31.6	2.1	29.5	22%	14%	86%	Computer Services
162	CELG	0.18	1%	53	37.02	30.2	28.3	1.0	27.3	22%	49%	34%	Biotechnology & Drugs
163	BIIB	0.17	1%	53	37.50	30.6	28.8	1.1	27.8	19%	55%	37%	Biotechnology & Drugs
164	RGLD	0.20	0%	52	46.19	37.8	37.8	0.4	37.4	25%	54%	48%	Gold & Silver
165	GOLD	0.08	0%	52	18.52	15.1	36.4	0.7	35.7	25%	48%	49%	Gold & Silver
166	EQIX	0.33	0%	52	87.07	71.2	22.3	(4.3)	26.6	20%	4%	86%	Computer Services
167	TROW	0.08	0%	52	22.82	18.6	17.9	(0.8)	18.6	14%	18%	36%	Investment Services
168	PTEN	0.04	0%	52	12.45	10.1	33.4	(2.0)	35.4	27%	26%	52%	Oil Well Services & Equipment
169	SLAB	0.06	0%	51	27.28	22.3	27.4	(1.7)	29.2	22%	27%	44%	Semiconductors
170	TEVA	0.03	0%	51	18.78	15.3	18.3	(0.7)	19.0	15%	12%	38%	Biotechnology & Drugs
171	PENN	0.04	0%	51	26.43	21.6	22.1	(0.3)	22.5	18%	21%	37%	Casinos & Gaming
172	DISCA	0.04	0%	51	31.50	25.7	25.2	1.1	24.1	19%	36%	37%	Motion Pictures
173	HOTT	0.02	0%	50	33.36	27.2	41.3	0.0	41.3	35%	9%	101%	Retail (Catalog & Mail Order)
174	KLAC	0.00	0%	50	15.39	12.5	25.3	(3.7)	29.0	21%	25%	39%	Semiconductors
175	JBLU	-0.01	-0%	50	17.51	14.3	31.7	(0.1)	31.8	29%	10%	55%	Airline
176	DELL	-0.01	-0%	49	9.94	8.1	17.6	(0.3)	17.8	13%	12%	47%	Computer Hardware
177	LSTR	-0.07	-0%	48	22.75	18.6	24.0	0.9	23.1	20%	25%	37%	Trucking
178	INTU	-0.11	-0%	48	28.25	23.1	21.7	0.3	21.5	15%	32%	35%	Software & Programming
179	HAIN	-0.27	-1%	45	29.43	24.0	28.9	(4.7)	33.6	27%	4%	82%	Food Processing
180	IDXX	-0.36	-1%	43	29.82	24.4	26.0	4.2	21.8	17%	34%	43%	Medical Equipment & Supplies
181	TWTC	-0.86	-2%	42	59.07	48.3	23.0	(0.6)	23.6	21%	7%	51%	Communications Services
182	FAST	-0.60	-2%	41	36.88	30.1	23.5	(1.8)	25.3	19%	16%	47%	Constr. & Agric. Machinery
183	FISV	-0.45	-2%	39	22.81	18.6	17.0	(0.8)	17.8	13%	31%	25%	Software & Programming
184	ITRI	-0.50	-3%	36	19.18	15.6	25.5	(6.1)	31.6	24%	3%	65%	Electronic Instr. & Controls
185	ANSS	-1.22	-3%	33	40.44	33.0	22.7	(4.6)	27.2	18%	14%	48%	Software & Programming
186	DECK	-2.85	-4%	28	70.54	57.7	36.2	(11.8)	48.0	36%	0%	101%	Footwear
187	QLGC	-0.80	-6%	21	15.20	12.4	37.5	1.3	36.1	29%	47%	47%	Computer Storage Devices
188	NUAN	-2.55	-7%	17	42.16	34.9	38.7	(4.1)	42.7	29%	24%	70%	Software & Programming
189	ACOR	-1.05	-10%	0	11.68	8.55	40.1	(11.9)	52.1	33%	15%	81%	Biotechnology & Drugs

BANDING IT TOGETHER



# As Easy As 1 ... 2... 3



- The markets tell us **WHEN** we would look to invest.
- The fundamentals tell us **WHAT** we would look to invest in.
- The technicals tell us **WHERE** and at what prices we would look to transact at.

# DISTRIBUTION - ACCUMULATION



# HIGHER HIGHS & HIGHER LOWS

CXO - Daily Concho Resources Inc



# MAJOR SUPPORT

EBAY - Daily Ebay Inc





# The Golden Flow to Technical Analysis

# Determining Trend Line Significance / Methodology

BA - Daily Boeing Co



# DOUBLE BOTTOM



# TRIPLE BOTTOM

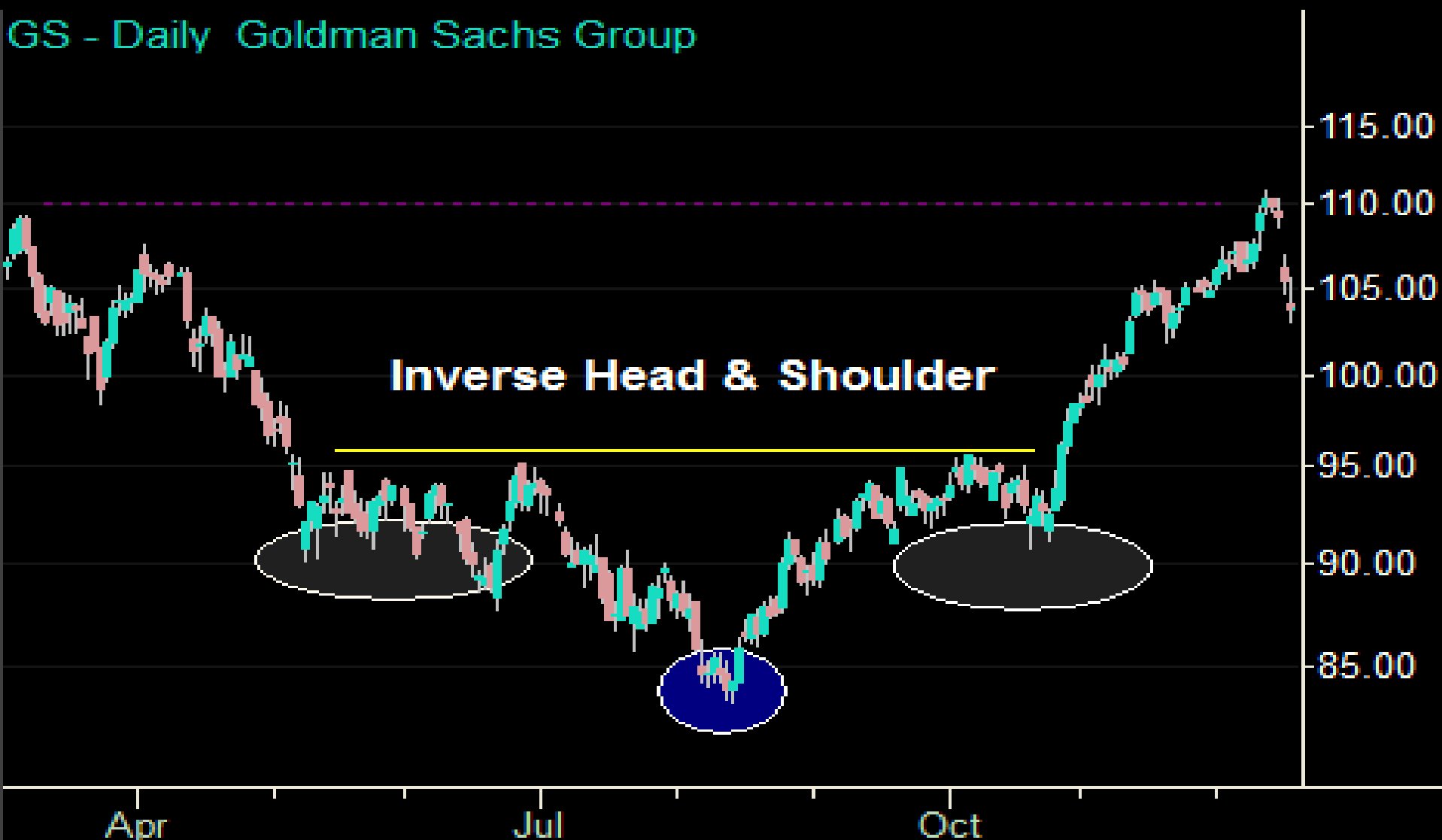
SPY - Daily S&P Dep Receipts





# INVERSE HEAD & SHOULDER

GS - Daily Goldman Sachs Group



# ROUNDED BOTTOM

GLD - Daily SPDR Gold Trust



# CANDLE PATTERNS

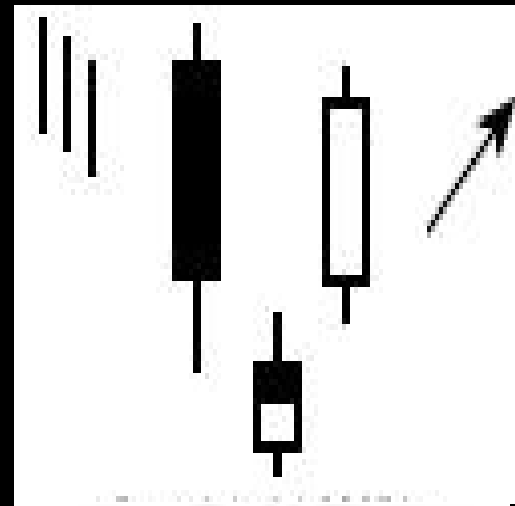
*Abandoned Baby*

*Bullish Engulfing*

*Hammers*

*Morning Star*

*Bullish Kicker*





# Back Testing

\$INX - Weekly S&P 500 Index



# Back Testing Concerns

- Back testing on to few symbols: To judge if an indicator in itself is truly effective, we would like to measure its performance over a multitude of symbols covering various sectors and industries.
- Back testing over a time period that is too short: Here we want to see a good consistent long-term track record. As related to in basic Probability Theory (*Law of Large Numbers*), results from a greater number of trials should approach more accurate or expected results.
- Back testing over a biased time period: Here we want to eliminate a market directional bias by back testing over (*long*) time periods, where the market has shown a zero or neutral return. *Note: We will be calculating and posting results on indicator performance in both bullish and bearish market environments for comparative analysis.*

# Back Testing - Beneficial Assumptions

- Not factoring in Inflation
- Not factoring in Commissions
- Not factoring in Slippage
- Index Reallocation / Turnover

# Back Testing - Negative Assumptions

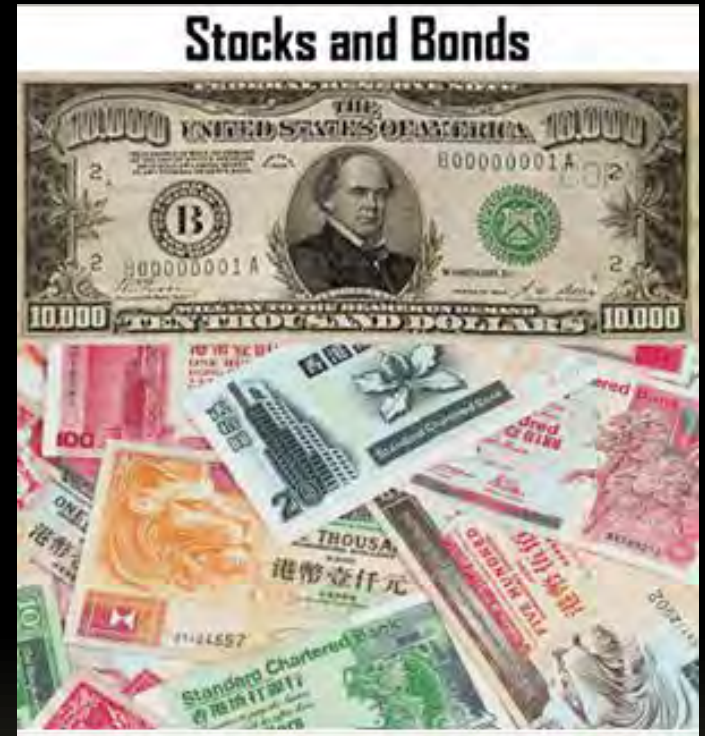
- Not counting Dividends
- No Interest included
- Single Indicator Analysis

Date	Yield
May 3, 2016	2.13% <small>estimate</small>
Dec 31, 2015	2.11%
Dec 31, 2014	1.92%
Dec 31, 2013	1.94%
Dec 31, 2012	2.20%
Dec 31, 2011	2.13%
Dec 31, 2010	1.83%
Dec 31, 2009	2.02%
Dec 31, 2008	3.23%
Dec 31, 2007	1.87%
Dec 31, 2006	1.76%
Dec 31, 2005	1.76%
Dec 31, 2004	1.62%
Dec 31, 2003	1.61%
Dec 31, 2002	1.79%
Dec 31, 2001	1.37%
Dec 31, 2000	1.22%



Summary	Value	Variables	Portfolio Total
Total Return	\$255,798.23	Strategy Analysis	
Total Realized Return	\$253,866.25	Total Return	\$255,798.23
Gross Profit	\$398,642.76	Total Realized Return	\$253,866.25
Gross Loss	(\$144,776.51)	Gross Profit	\$398,642.76
Open Trade P/L	\$1,931.98	Gross Loss	(\$144,776.51)
Number of Trades	1009	Open Trade P/L	\$1,931.98
Number of Winning Trades	766	Number of Trades	1009
Number of Losing Trades	242	Number of Symbols Traded	393 out of 393
% Profitable	75.92 %	Average Trade	\$251.60
Average Trade	\$251.60	Standard Deviation	\$744.38
Average Trade (%)	10.34 %	Average Trade (%)	10.34 %
Standard Deviation	\$744.38	Standard Deviation	28.96 %
Standard Deviation Trade %	28.96 %	Average Trade Length	185.99 days
Largest Winning Trade	\$11,494.24	Winning Trades	\$398,642.76
Largest Losing Trade	(\$2,294.50)	Number of Winning Trades	766
Profit Factor	2.75	Average Win	\$520.42
Average Win/Average Loss	0.87	Percent of Winning Trades	75.92 %
Sharpe Ratio	0.1467	Maximum Consecutive Wins	43
K-Ratio	0.1300	Largest Winning Trade	\$11,494.24
Return Retracement Ratio	0.5308	Largest Winning Trade (%)	373.71 %
Compounded Annual Return	10.46 %	Average Winning Trade Length	151.49 days
Compounded Monthly Return	0.82 %	Losing Trades	(\$144,776.51)
Average Annual Return	\$18,271.30	Number of Losing Trades	242
Average Annual Return (%)	11.26 %	Average Loss	(\$598.25)
Average Monthly Return	\$1,661.03	Percent of Losing Trades	23.98 %
Average Monthly Return (%)	0.97 %	Maximum Consecutive Losses	10
Percent Days Profitable	53.54 %	Largest Losing Trade	(\$2,294.50)
Percent Months Profitable	64.94 %	Largest Losing Trade (%)	-93.25 %
Percent Years Profitable	85.71 %	Average Losing Trade Length	295.97 days
		Commissions on Futures	\$0.00

# A Familiar Put Option





# *A Familiar Put Option*



Stock / Option		Home Insurance	
Stock Value	\$23	Home Value	\$230,000
Strike	\$20	Coverage Limit (Deductible)	\$200,000
Expiration Date	6/20/2014	Policy End Date	6/20/2014
Premium	\$200	Premium	\$1,000

# *The Option Perspectives*

<b>Buyer</b>	<b>Seller ( You )</b>
<b>Option to <i>Sell</i> you stock ABC for \$20 / share</b>	<b>Obligation to <i>Buy</i> stock ABC for \$20 / share</b>
<b>For the Option <i>Pays</i> \$200</b>	<b>Accepting Obligation <i>Receive</i> \$200</b>
<b><i>Bearish</i> looking to profit on a downward price move</b>	<b><i>Mildly bullish or neutral</i> looking to profit from the premium (theta decay)</b>
<b><i>Looking to purchase some temporary insurance to protect an established long position</i></b>	<b><i>Looking to acquire the stock at a cheaper price</i> <i>* Our Primary Motivation *</i></b>

# Cash Secured Puts - A Good Deal ?



Instead of buying the stock outright in the markets today at \$23.

We would sell a Put (contract) and agree to purchase  
(at any time up to the expiration date)  
the stock at a gross cost of \$20.

The fee for getting to purchase the stock at \$20 as opposed to \$23?

**We actually collect \$200**

**The risk is ? .....**

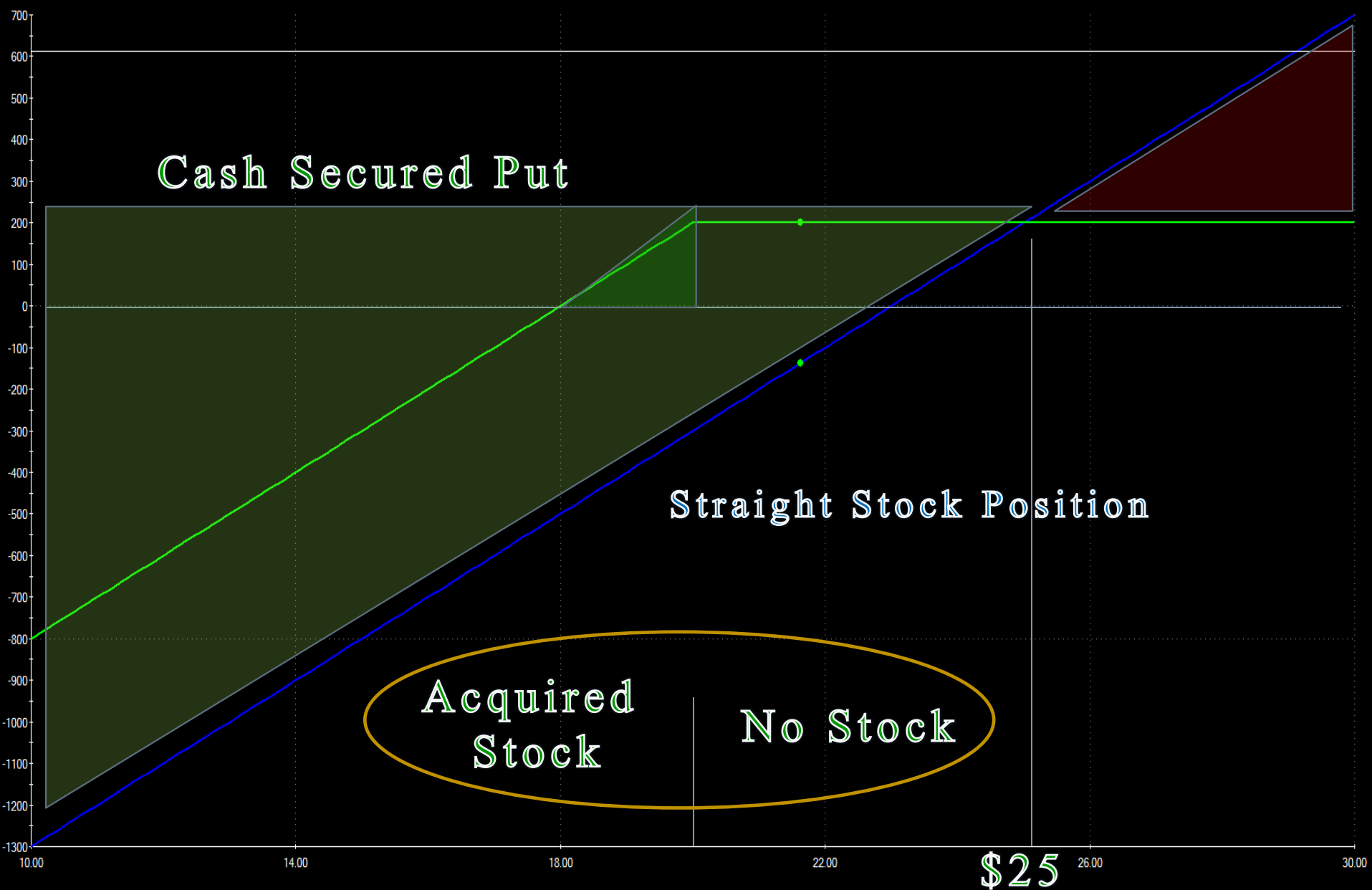
**That we only make \$200 profit and don't get to acquire  
the stock at the \$20 price level - \$18 net.**

# PROFIT / LOSS ON STRAIGHT STOCK POSITION

Price	Purchase Stock \$23	Write The Put	Difference	Stock Cost
\$10	- \$ 1300	- \$ 800	+ \$ 500	\$ 1800
\$15	- \$ 800	- \$ 300	+ \$ 500	\$ 1800
\$18	- \$ 500	\$ 0	+ \$ 500	\$ 1800
\$20	- \$ 300	+ \$ 200	+ \$ 500	N / A
\$21	- \$ 200	+ \$ 200	+ \$ 400	N / A
\$22	- \$ 100	+ \$ 200	+ \$ 300	N / A
\$23	\$ 0	+ \$ 200	+ \$ 200	N / A
\$24	+ \$ 100	+ \$ 200	+ \$ 100	N / A
\$25	+ \$ 200	+ \$ 200	\$ 0	N / A
\$30	+ \$ 700	+ \$ 200	- \$ 500	N / A

# OPTION VS. STOCK POSITION P / L GRAPH

Theoretical Gross Out P&L

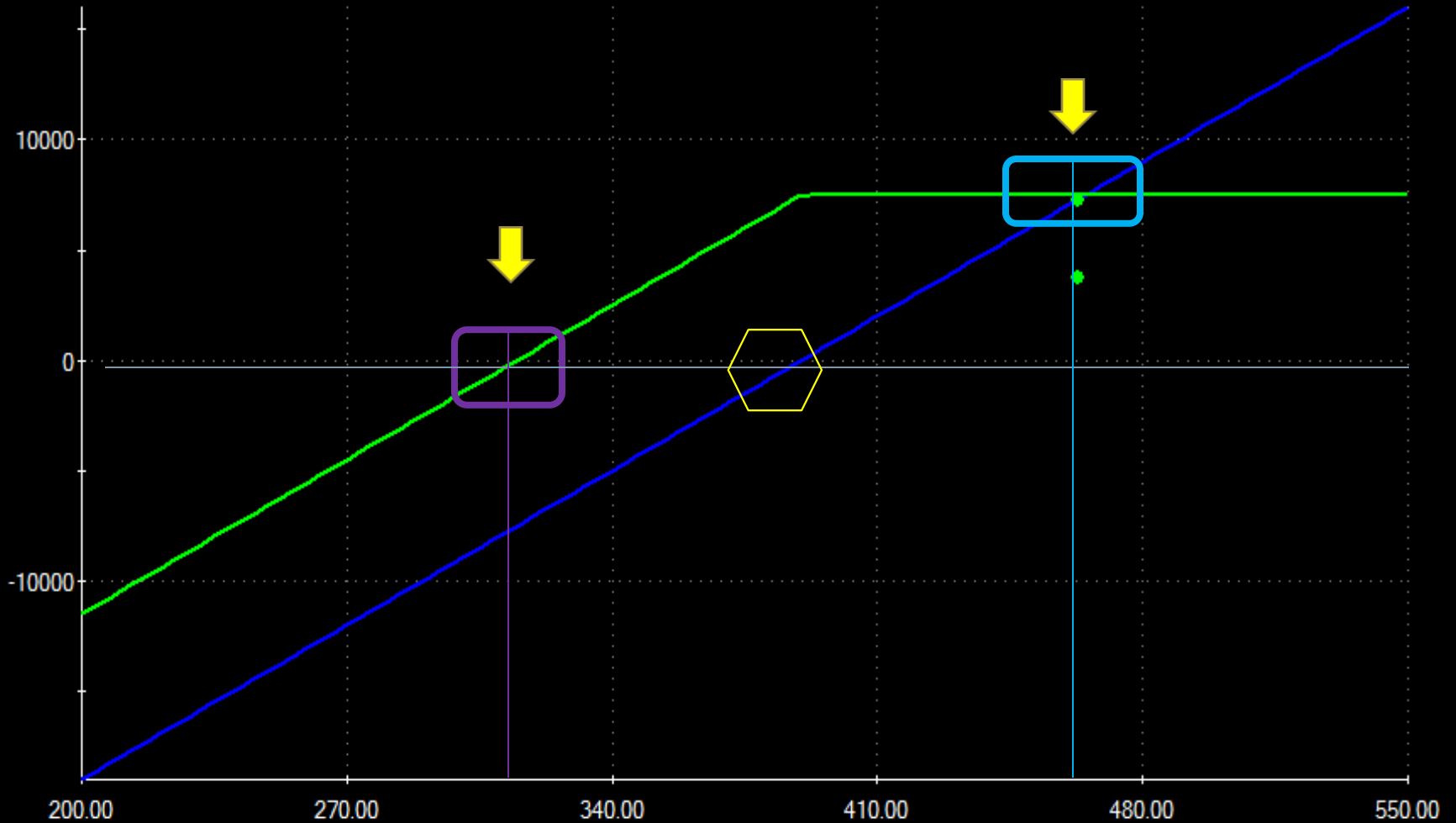


# THE APPLE SHORT PUT (EXPIRATION)

Price	Purchase Stock \$390	Write The Put	Difference	Stock Cost
\$200	- \$ 19,000	- \$ 11,500	+ \$ 7,500	\$ 31,500
\$300	- \$ 9,000	- \$ 1,500	+ \$ 7,500	\$ 31,500
\$315	- \$ 7,500	\$ 0	+ \$ 7,500	\$ 31,500
\$ 350	- \$ 4,000	+ \$ 3,500	+ \$ 7,500	\$ 31,500
\$ 375	- \$ 1,500	+ \$ 6,000	+ \$ 7,500	\$ 31,500
\$ 390	- \$ 0	+ \$ 7,500	+ \$ 7,500	N / A
\$ 400	+ \$ 1,000	+ \$ 7,500	+ \$ 6,500	N / A
\$ 450	+ \$ 6,000	+ \$ 7,500	+ \$ 1,500	N / A
\$ 500	+ \$ 11,000	+ \$ 7,500	- \$ 3,500	N / A
\$ 600	+ \$ 21,000	+ \$ 7,500	- \$ 13,500	N / A

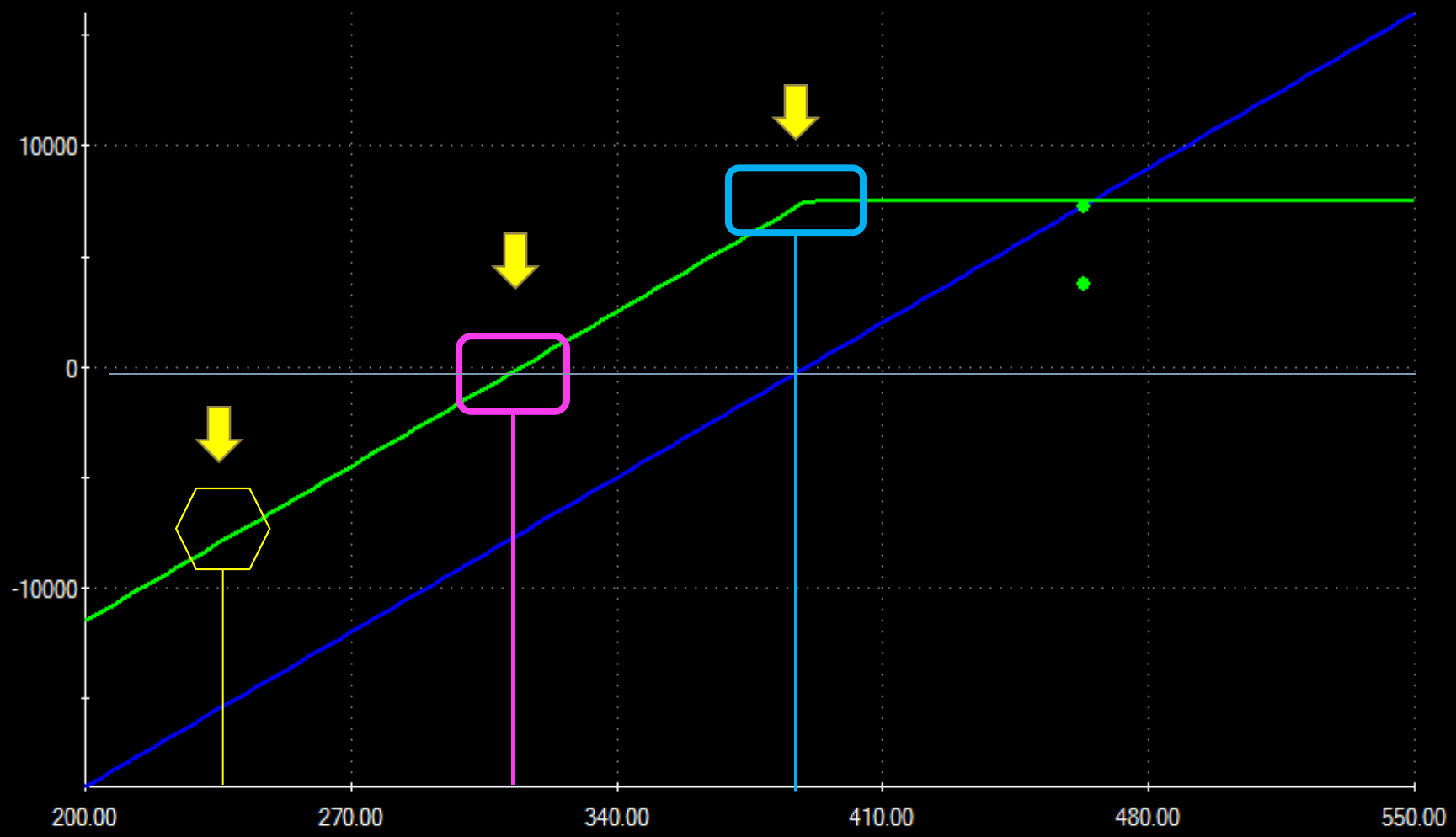


# (AAPL) Apple Inc Theoretical Gross Out P&L



HOW DO YOU LIKE THOSE APPLES ?

# (AAPL) Apple Inc Theoretical Gross Out P&L



ALTERNATE PERSPECTIVE

# SYNTHETIC INTEREST ?

<i>Short Put Position:</i>	<i>\$7,500</i>
<i>Cash Required:</i>	<i>\$39,000</i>
<i>Your'' Cash Required:</i>	<i>\$ 31,500</i>

$$\frac{\$7,500 \text{ on } \$31,500}{21 \text{ months}} = 23.8\%$$

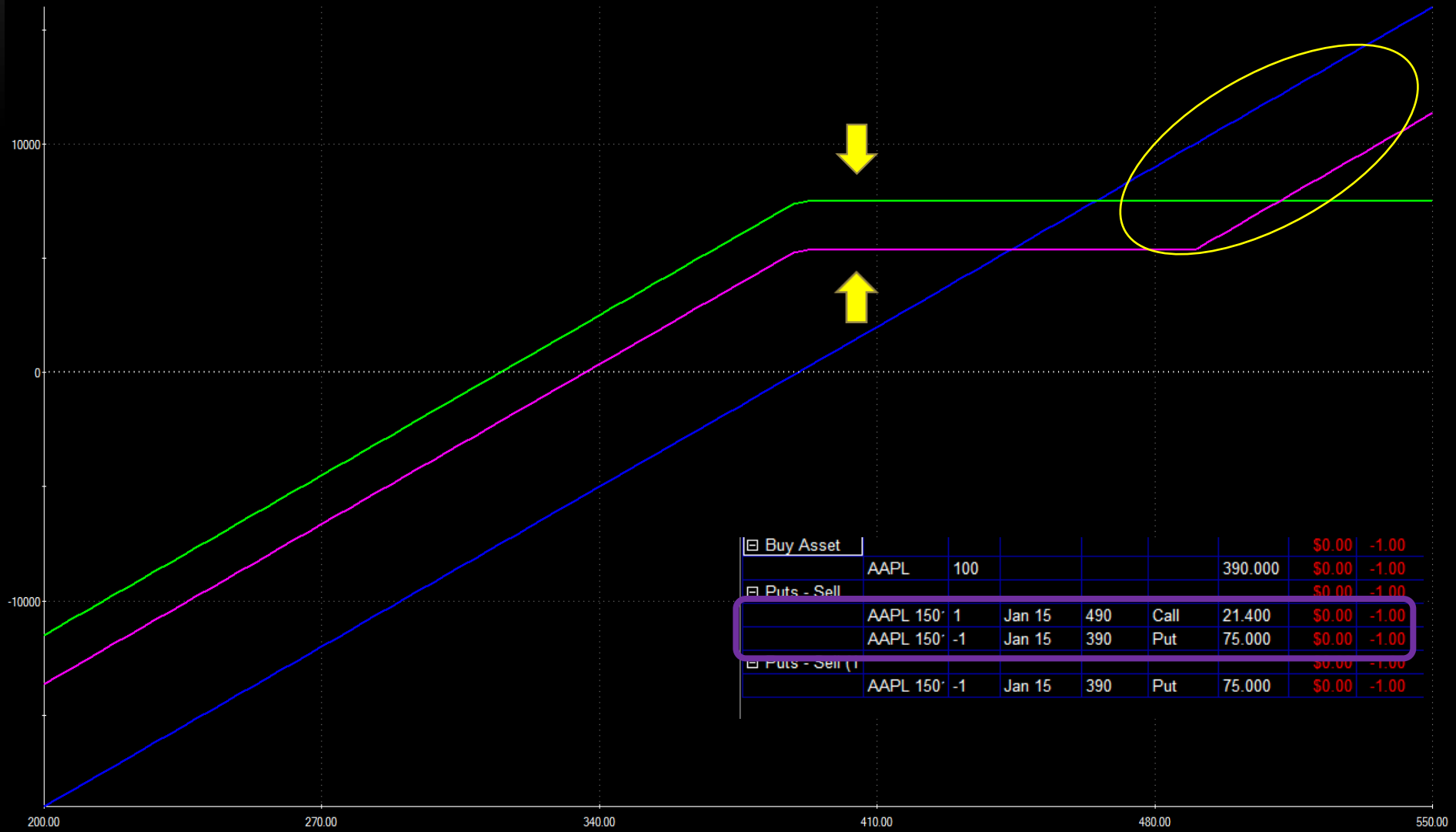
*\* Also get money market interest on both  
your original \$31,500 and the \$7,500 premium \**

# RECAPTURING SACRIFICED GAINS (EXPIRATION)

Price	Purchase Stock \$23	Write The Put	Difference	Stock Cost
\$10	- \$ 1300	- \$ 800	+ \$ 500	\$ 1800
\$15	- \$ 800	- \$ 300	+ \$ 500	\$ 1800
\$18	- \$ 500	\$ 0	+ \$ 500	\$ 1800
\$20	- \$ 300	+ \$ 200	+ \$ 500	N / A
\$21	- \$ 200	+ \$ 200	+ \$ 400	N / A
\$22	- \$ 100	+ \$ 200	+ \$ 300	N / A
\$23	\$ 0	+ \$ 200	+ \$ 200	N / A
\$24	+ \$ 100	+ \$ 200	+ \$ 100	N / A
\$25	+ \$ 200	+ \$ 200	\$ 0	N / A
\$30	+ \$ 700	+ \$ 200	- \$ 500	N / A

# RECAPTURING SACRIFICED GAINS (EXPIRATION)

(AAPL) Apple Inc  
Theoretical Gross Out P&L



<input type="checkbox"/> Buy Asset							\$0.00	-1.00
	AAPL	100				390.000	\$0.00	-1.00
<input type="checkbox"/> Puts - Sell							\$0.00	-1.00
	AAPL 150	1	Jan 15	490	Call	21.400	\$0.00	-1.00
	AAPL 150	-1	Jan 15	390	Put	75.000	\$0.00	-1.00
<input type="checkbox"/> Puts - Sell (1							\$0.00	-1.00
	AAPL 150	-1	Jan 15	390	Put	75.000	\$0.00	-1.00

# DECREASING ACQUISITION COST (EXPIRATION)

Price	Purchase Stock \$23	Write The Put	Difference	Stock Cost
\$10	- \$ 1300	- \$ 800	+ \$ 500	\$ 1800
\$15	- \$ 800	- \$ 300	+ \$ 500	\$ 1800
\$18	- \$ 500	\$ 0	+ \$ 500	\$ 1800
\$20	- \$ 300	+ \$ 200	+ \$ 500	N / A
\$21	- \$ 200	+ \$ 200	+ \$ 400	N / A
\$22	- \$ 100	+ \$ 200	+ \$ 300	N / A
\$23	\$ 0	+ \$ 200	+ \$ 200	N / A
\$24	+ \$ 100	+ \$ 200	+ \$ 100	N / A
\$25	+ \$ 200	+ \$ 200	\$ 0	N / A
\$30	+ \$ 700	+ \$ 200	- \$ 500	N / A

# DECREASING ACQUISITION COST (EXPIRATION)

(AAPL) Apple Inc  
Theoretical Gross Out P&L



Positions	Symbol	Qty	Exp Date	Strike	Side	Price	Bid Ask Spread	
							\$ Sprd	% Sprd
<input type="checkbox"/> Buy Asset	AAPL	100				390.000	\$0.00	-1.00
<input type="checkbox"/> Puts - Sell	AAPL 150	-1	Jan 15	410	Call	72.000	\$0.00	-1.00
	AAPL 150	1	Jan 15	500	Call	37.000	\$0.00	-1.00
	AAPL 150	-1	Jan 15	390	Put	75.000	\$0.00	-1.00
<input type="checkbox"/> Puts - Sell (1)	AAPL 150	-1	Jan 15	390	Put	75.000	\$0.00	-1.00

# RISK CONTROL METHODS (EXPIRATION)

Price	Purchase Stock \$23	Write The Put	Difference	Stock Cost
\$10	- \$ 1300	- \$ 800	+ \$ 500	\$ 1800
\$15	- \$ 800	- \$ 300	+ \$ 500	\$ 1800
\$18	- \$ 500	\$ 0	+ \$ 500	\$ 1800
\$20	- \$ 300	+ \$ 200	+ \$ 500	N / A
\$21	- \$ 200	+ \$ 200	+ \$ 400	N / A
\$22	- \$ 100	+ \$ 200	+ \$ 300	N / A
\$23	\$ 0	+ \$ 200	+ \$ 200	N / A
\$24	+ \$ 100	+ \$ 200	+ \$ 100	N / A
\$25	+ \$ 200	+ \$ 200	\$ 0	N / A
\$30	+ \$ 700	+ \$ 200	- \$ 500	N / A



# RISK CONTROL METHODS (EXPIRATION)

(AAPL) Apple Inc  
Theoretical Gross Out P&L



# RISK CONTROL METHODS (EXPIRATION)

(AAPL) Apple Inc  
Theoretical Gross Out P&L



Positions	Symbol	Qty	Exp Date	Strike	Side	Price	Bid Ask Spread	
							\$ Sprd	% Sprd
Buy Asset							\$0.00	-1.00
	AAPL	100				300.000	\$0.00	-1.00
Puts - Sell							\$0.00	-1.00
	AAPL	-50				315.000	\$0.00	-1.00
	AAPL 150*	-1	Jan 15	390	Put	75.000	\$0.00	-1.00
Puts - Sell (1)							\$0.00	-1.00
	AAPL 150*	-1	Jan 15	390	Put	75.000	\$0.00	-1.00

# The Plan of Attack

- I. Observe the market environment
- II. Create a watch list of bullish candidates
- III. Confirm attractive fundamental values
- IV. Choose a strategic price target area (TA)
  
- V. Evaluate implied volatility levels
- VI. Research specific option opportunities
- VII. Create P/L charts and graphs
- VIII. Evaluate your fundamental buffer
- IX. Evaluate your technical buffer
- X. Sell an (ATM / OTM) cash secured put

# The Silver Rule

**ALWAYS TRADE IN A MANNER  
NOT TO LOSE MONEY**





*Buddha*

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Thank You For Attending !