



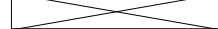
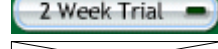
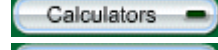
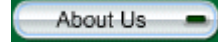
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Homework

June 1

Friday 05-19-2006

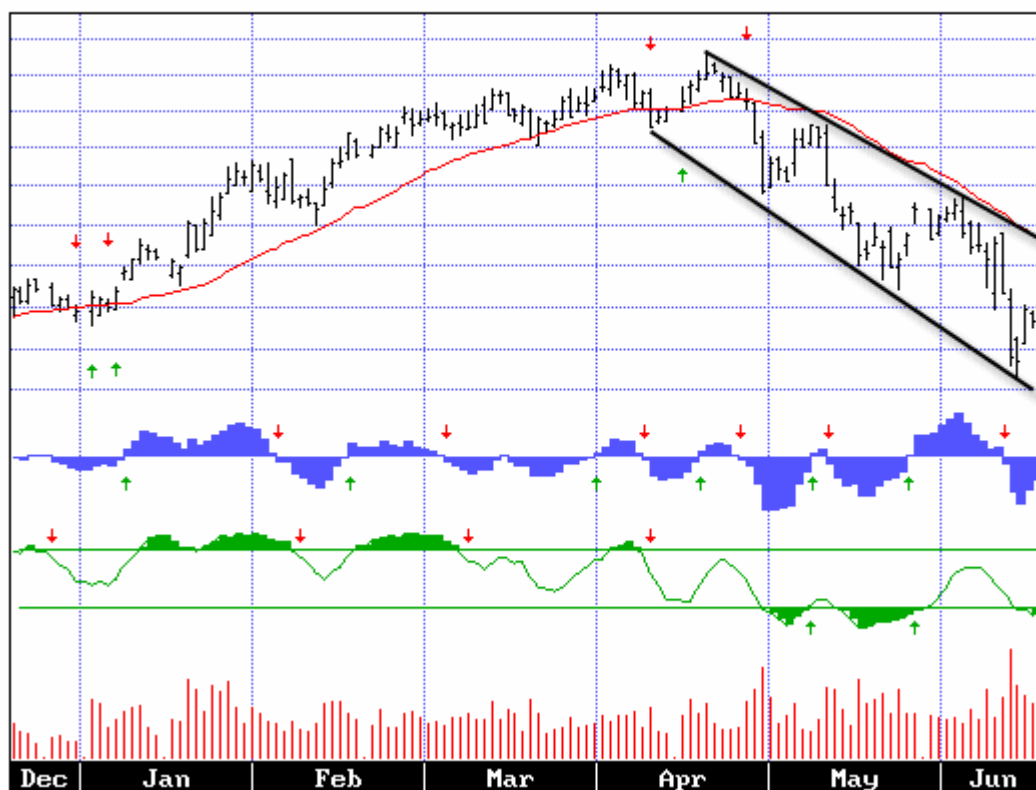
MER Bear Call Spread

The stock within the industry we will pick for this investment is Merrill Lynch. TI currently trending lower and has recently broken down through the \$70.00 support resistance. The stock could easily bounce back up to this level as the MACD's are up but barring any positive news with in the industry the stock should stop at \$70. again.

Aside from the technicals of MER the stock is also the industry leader so it should trending .FIS industry extremely closely.

MERRILL LYNCH & CO INC (NYSE: MER) Last Trade: 66.720 Change: -0.53 [Options](#)

Bid: N/A Ask: N/A Today's High: 68.080 Today's Low: 66.260 Volume: 4,564,700 Average Vol:



With the stock heading lower and resistance at \$70.00 a bear call spread should fit investor might also consider a longer term put option on the trade. I have picked a just in case we do see an oversold bounce on the stock. Currently the stock/industry because of its relationship to the overall market. If the markets do surprise and the stock could also head higher with the markets. In this case we will be able to buy the \$70.00 calls and leave open the July \$72.50 calls to increase in value as the stock

MERRILL LYNCH & CO INC (MER)											66.720
Symbol	Open	Bid	Asked	Volume	High	Low	Close				
MER	67.570			4,564,700	68.080	66.260	66.720				
Calls							Jul 2006	Puts			
Ticker	Last	Intrinsic Value	Bid	Ask	Vol	Open Interest	Strike	Ticker	Last	Intrinsic Value	Bid
MER GM	3.35	1.72	3.30	3.40	175	2458	65.00	MER SM	1.40	0.00	1.35
MER GA	1.90	0.00	1.85	1.95	701	1801	67.50	MER SA	2.45	0.78	2.40
MER GN	0.95	0.00	0.90	1.00	752	6654	70.00	MER SN	4.00	3.28	3.90
MER GB	0.45	0.00	0.40	0.50	123	3453	72.50	MER SB	6.05	5.78	6.00
MER GO	0.17	0.00	0.15	0.20	286	15056	75.00	MER SO	8.35	8.28	8.30
MER GP	0.07	0.00	0.05	0.10	50	8325	80.00	MER SP	13.30	13.28	13.20

Spread

Option Symbol	Action	Quantity
<input type="text" value=".MERGB"/>	Buy To Open <input type="button" value="v"/>	<input type="text" value="20"/>
Find Chain MER JUL 72.5 C		
Option Symbol	Action	Quantity
<input type="text" value=".MERN"/>	Sell To Open <input type="button" value="v"/>	<input type="text" value="20"/>
Find Chain MER JUL 70 C		
Price	<input type="radio"/> Market <input checked="" type="radio"/> Limit/Credit \$ <input type="text" value="0.45"/> <input type="radio"/> Limit/Debit \$ <input type="text"/>	
Duration	Good Until Cancelled <input type="button" value="v"/>	
<input type="button" value="Preview Order"/>		

Our goal here is to let the options both expire as the stock closes under \$70.00 on expiration. [We will now follow this trade with Wednesday and Sunday updates on Incometrader newsletter.](#)

Bullish Stocks to Watch: EXPD, BRLI,
Bearish Stocks to Watch: SNPS, WPI, **IPCR**, STE, JBSS, TRGL, SM, **THO, IT**
 Cheers,
 Mike

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