Hughes Optioneering

Presents

High Accuracy Option Trading

Today We Are Going to Explore

High Accuracy trade selection

The four step trade selection process designed for higher accuracy

High Accuracy Trade Selection

Step 1

Select a stock on a PowerTrend 'Buy' Signal

Step 2

Find a lower risk entry point using the Keltner Channels

High Accuracy Trade Selection

Step 3

Select a stock that is rated as a Barchart "Strong Buy"

Step 4

Use the 1% Rule to select an option strike price

Before we get started let's discuss risk:

Disclaimer

The profits and performance displayed here are not typical and cannot promise future success.

All trading incurs risk of loss. No one can predict the future. There will always be losing trades. It's our mission to give you an EDGE in the markets. But if you can't handle a losing trade then you should not be trading with real money. Only trade money you can afford to lose.

Getting Started

The Barchart 52 week new high list is a good place to start your trade selection process

New 52 Week Highs

The new 52-week high list includes stocks that are trading at a new 52 week high that day

It is a measure used by investors to analyze a stock's current price and help predict its future movements

52 Week Highs

A stock does not just continually hit a series of new 52-Week Highs unless it is in a very strong bullish trend

The Hughes Optioneering team looks for stocks that are making a series of new 52-Week Highs as this is a good indicator that the stock is in a powerful uptrend

52 Week Highs

You see, after a stock makes a series of three or more new 52-Week Highs, the stock typically continues its price uptrend and should be purchased

New 52 Week Highs

We like to use Barchart.com to display the new 52 Week Highs List.

Step 1

The PowerTrend 'Buy Signal'

PowerTrend System

Buy Signal

- A stock is on a 'buy' signal when a stock is **above** the 10-Month Simple Moving Average (SMA)

Sell Signal

- A stock is on a 'sell' signal when the Price of a stock is **below** the 10-Month Simple Moving Average (SMA)

PowerTrend System

A stock will remain on a 'buy' signal as long as the 1-Month Price trades above the 10-Month SMA

PowerTrend 'Buy' Signal Examples

Barchart 10-Month SMA Chart GOOGL

We can see from the Barchart below that GOOGL is trading above its 10-Month SMA and is on a PowerTrend 'Buy Signal' so GOOGL should be considered for a call option trade.
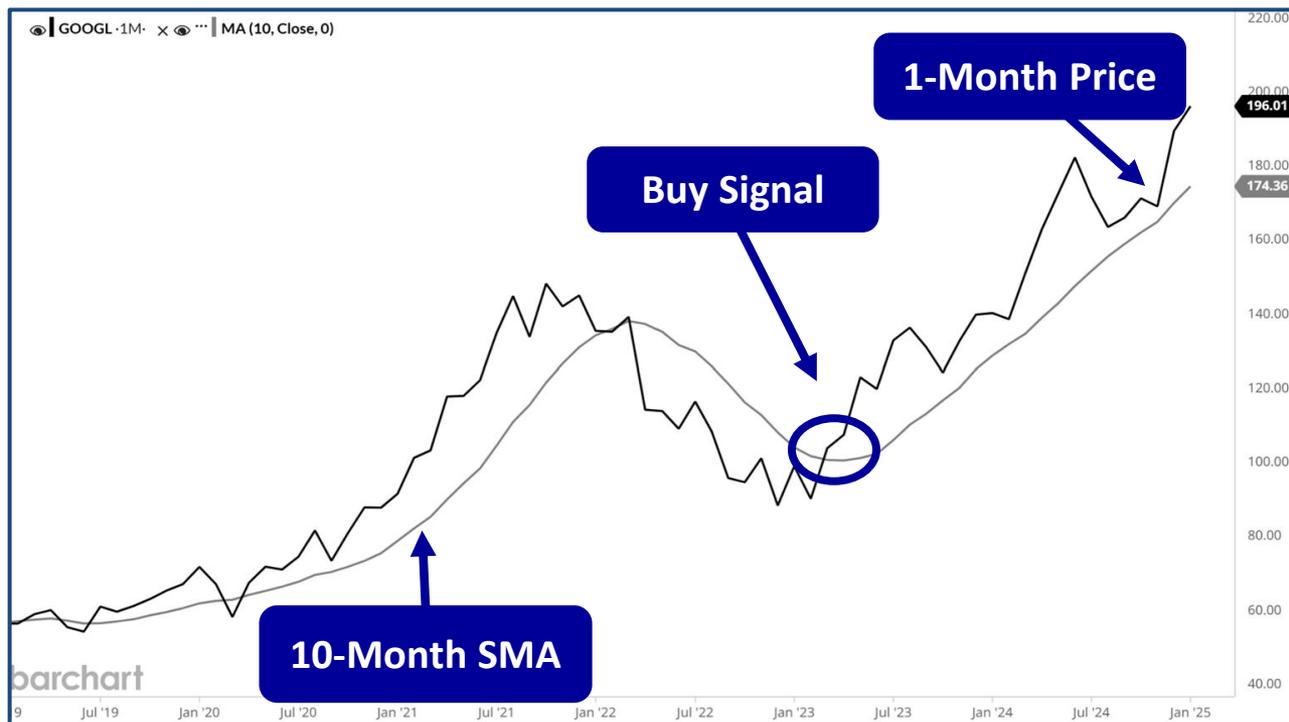
Barchart 10-Month SMA Chart SPOT

Here is another example for Spotify. We can see below that SPOT is on a PowerTrend 'Buy Signal' so it should be considered a buy for a call option trade
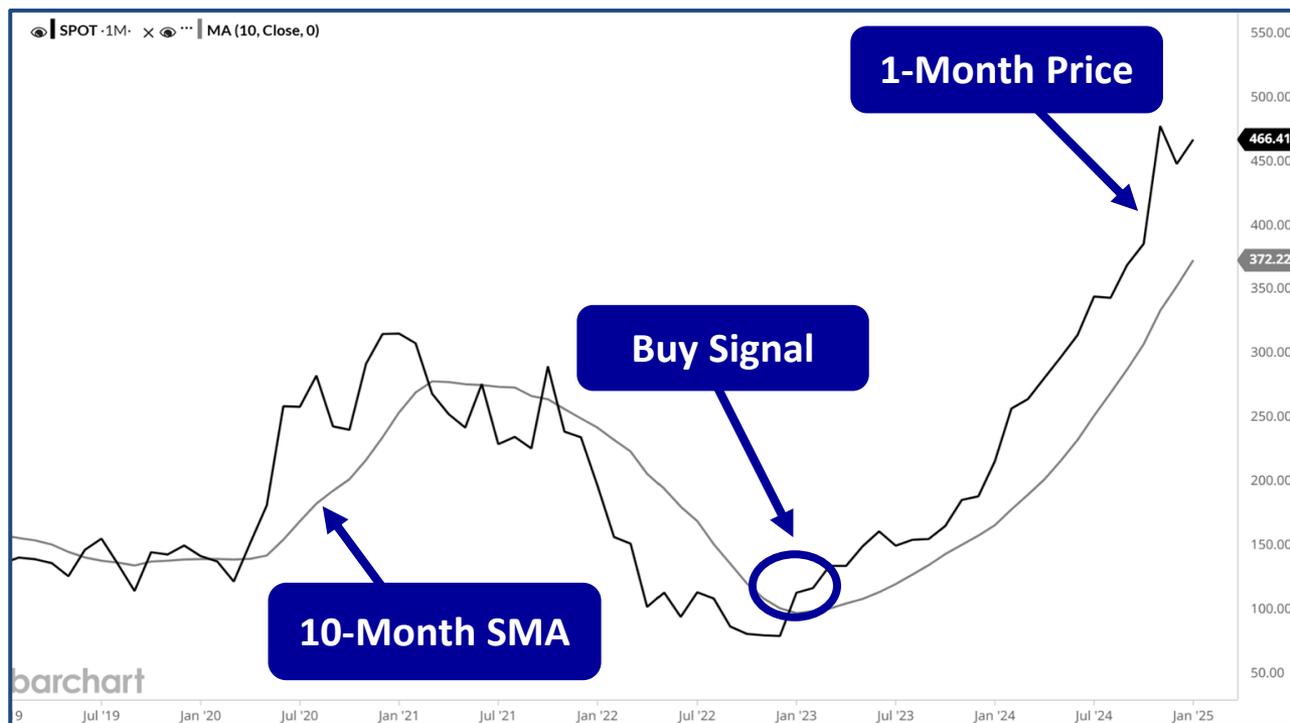
PowerTrend 'Buy Signal'

The most likely future price movement for a stock on a PowerTrend "Buy" signal is up

This increases our odds for a successful trade

PowerTrend 'Sell' Signal

We don't consider purchasing call options on stocks on a PowerTrend "Sell" signal as this requires you to correctly predict when the stock price will bottom and resume its up trend.

PowerTrend 'Sell' Signal

This type of prediction is hard to do on a consistent basis

Step 2

Once we confirm a stock is on a PowerTrend "buy" signal the next step is selecting our entry point

STEP 2: Select a lower risk entry point for our option trade using the Keltner Channels

Keltner Channels

Often, when a stock is on a PowerTrend "buy" signal it can get overbought which makes it a higher risk time to enter a call option position for the stock

Therefore, we want to use the Keltner Channels to help select a lower risk entry point for our trade

Barchart Keltner Channels

We use the Keltner Channels downloaded from Barchart to help us time our call option purchase with a lower risk entry point

Keltner Channels

The Keltner Channels Are An Overbought – Oversold Indicator

Keltner Channels

There are 3 Keltner Channels...Upper red line...Middle blue line... Lower black line... overlayed on top of the daily price bars

Keltner Channels

Stocks normally trade inside of the Channels
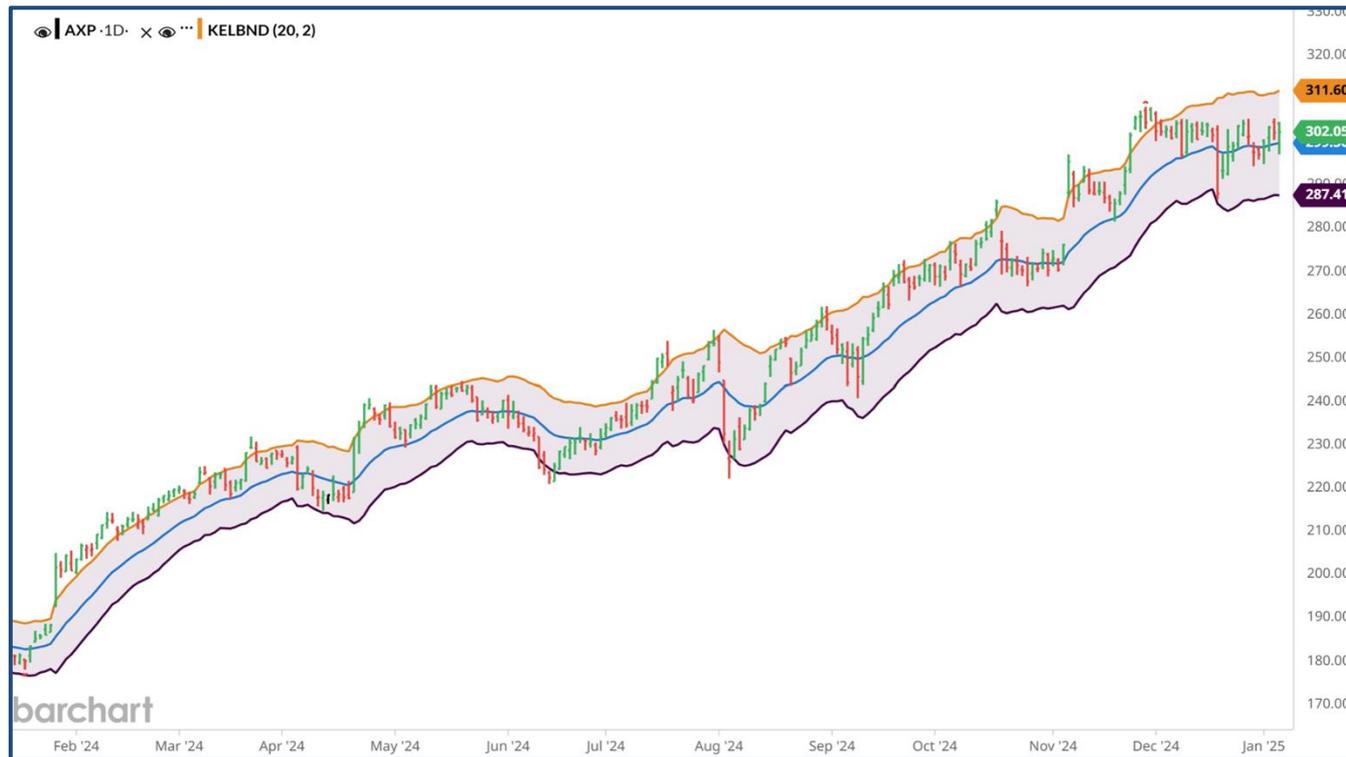
Keltner Channels

We can see AXP is in a powerful uptrend with price going from lower left to upper right
The question is when do we jump in to participate in this rally?
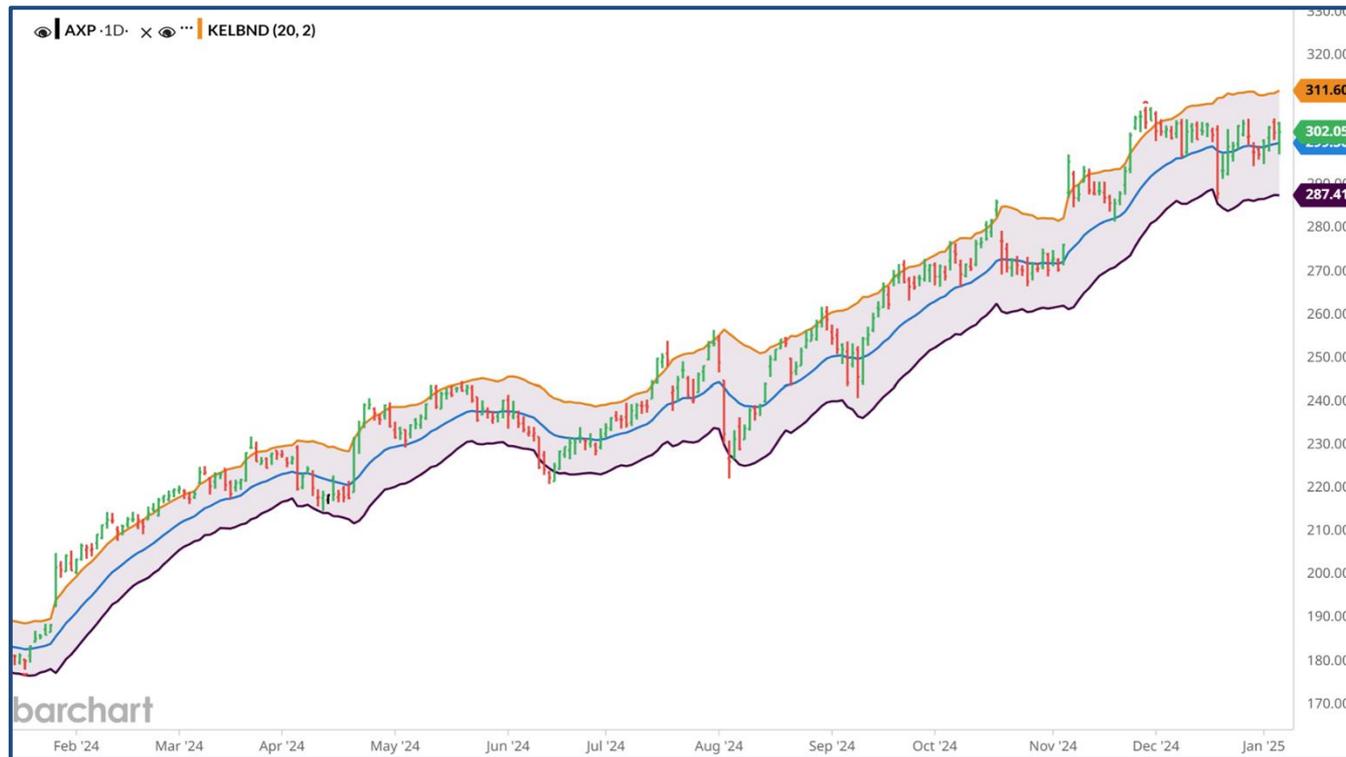
Keltner Channels

When a stock is trading **above** the Upper Channel it is overbought and normally trades lower (circled)

Notice the subsequent price declines when AXP stock trades above Upper Channel

Keltner Channels

When a stock trades **below** the Upper Channel it is no longer overbought and normally rallies higher (circled)

Notice the subsequent price rallies after AXP stock trades below the Upper Channel
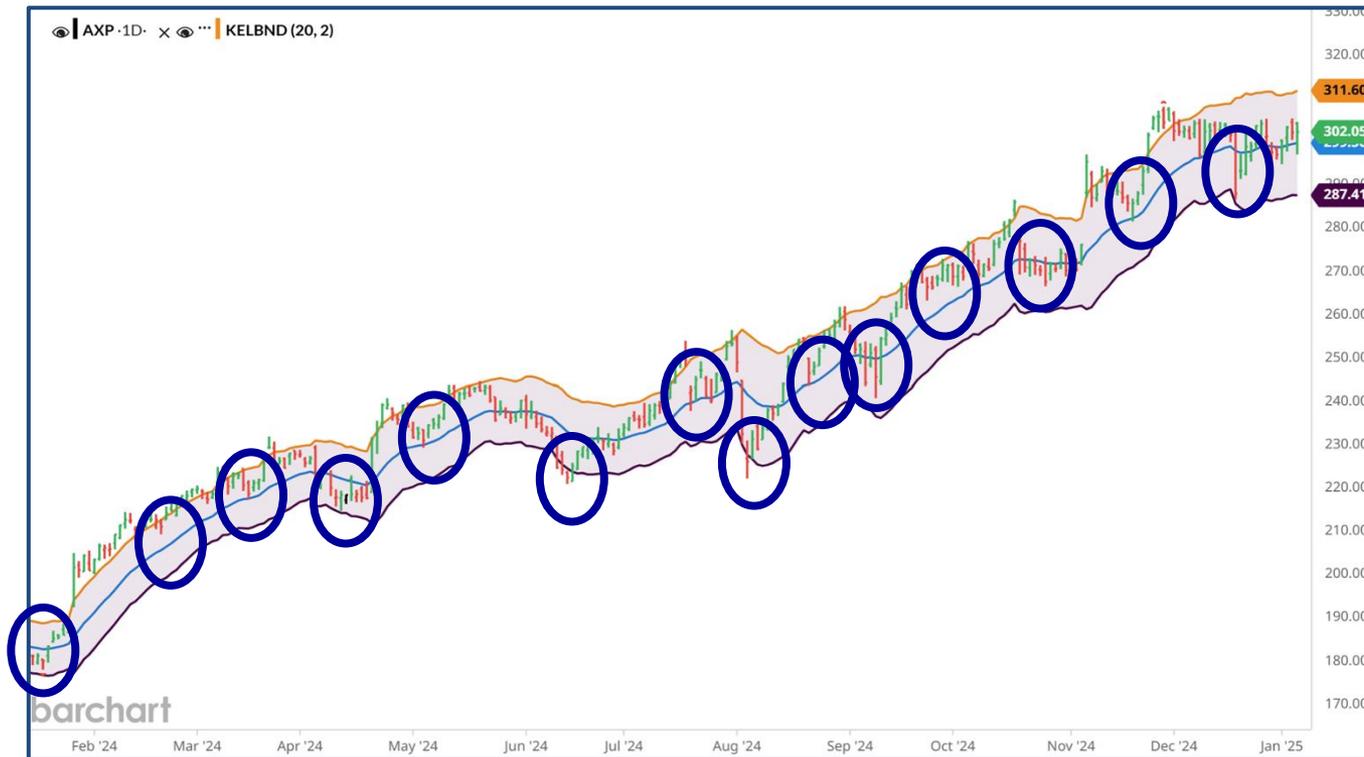
Keltner Channels

When a stock trades below the Upper Channel it is in a Keltner Channel **'Buy Zone'** and a call option can be purchased

The most likely future price movement for a stock in the Keltner Channel 'Buy Zone' is up
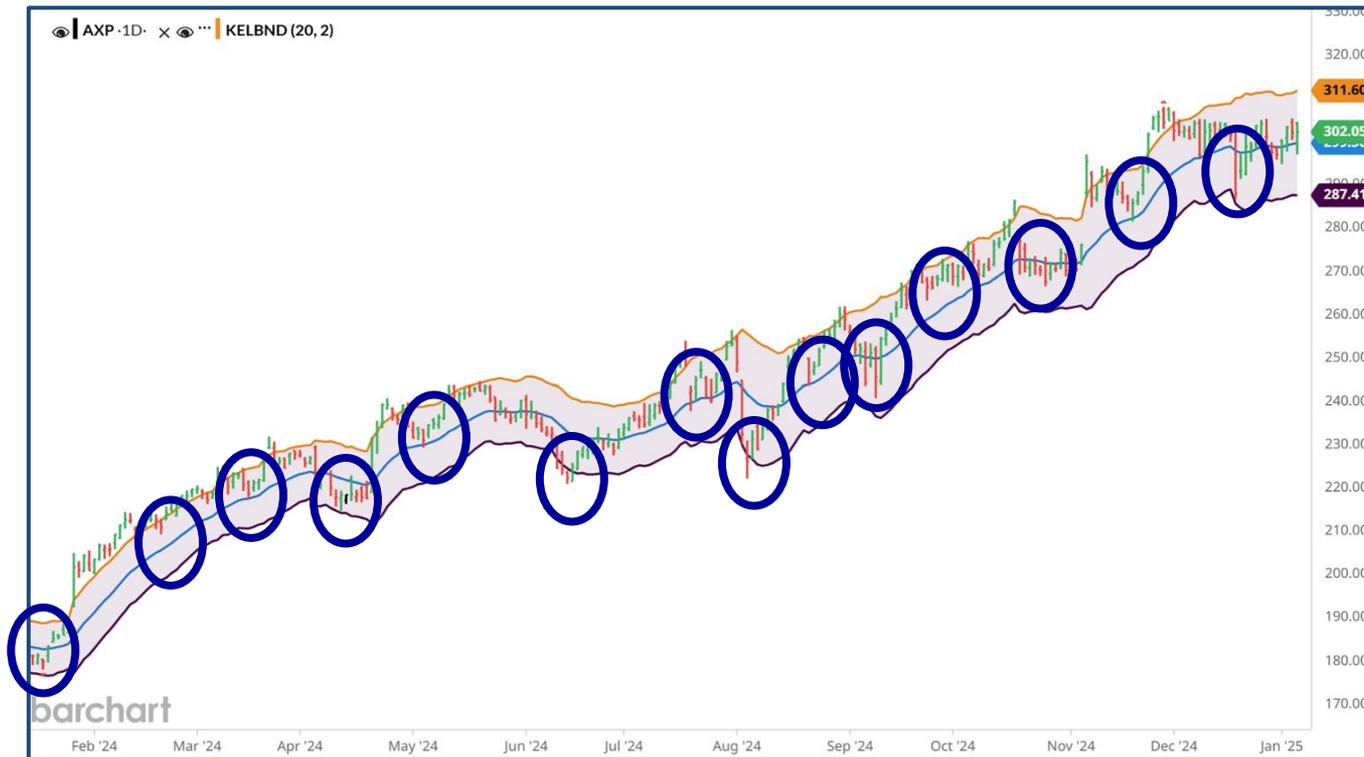
Keltner Channels

In this example the Keltner Channels have given us numerous opportunities for a lower risk entry point for purchasing AXP call options and allows us to participate in the AXP rally
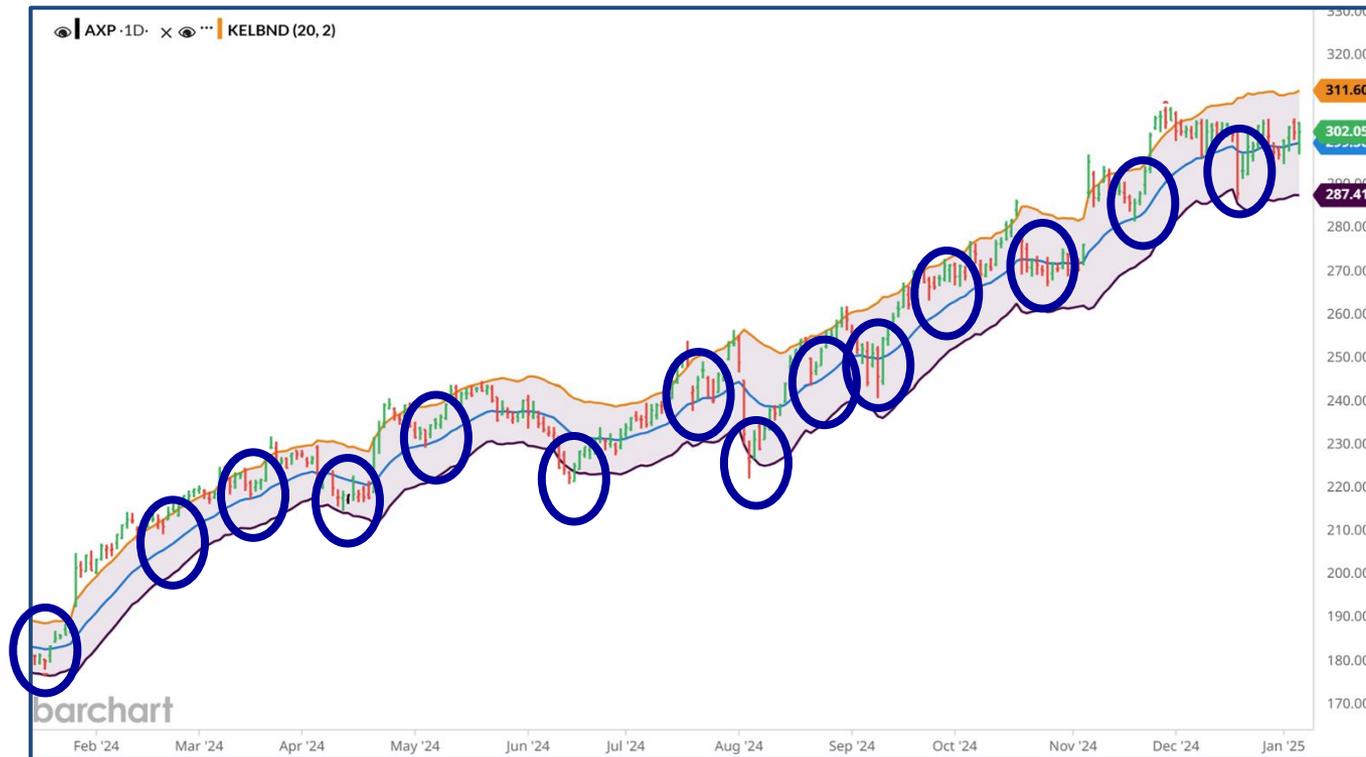
Keltner Channels

Timing our entry using the Keltner Channels can increase our percentage of winning trades
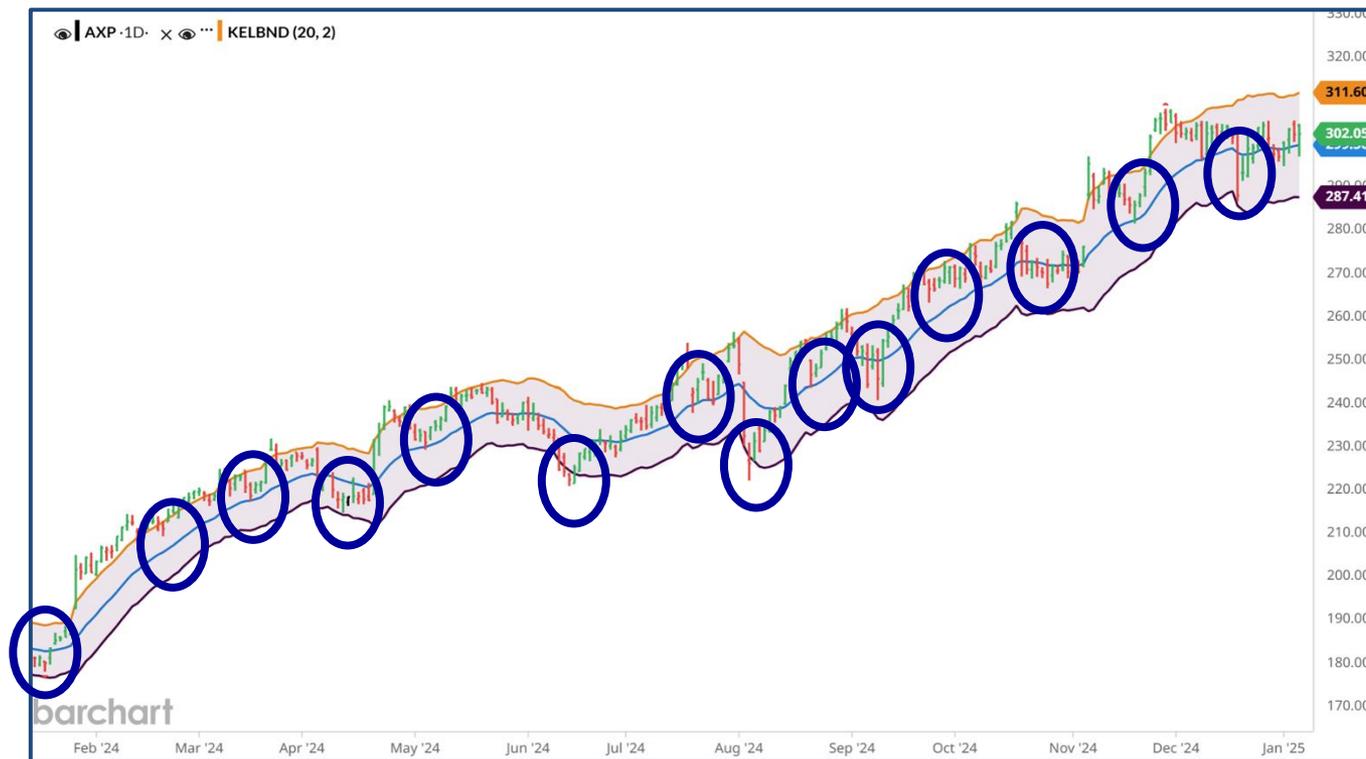
'Buy Zone' Examples

Now let's look at some Keltner Channel 'Buy Zone' examples

Keltner Channel 'Buy Zone' Example: LULU

Looking at the Barchart Keltner Channel chart below for Lululemon Athletica, Inc. we can see that LULU is currently trading in the Keltner Channel 'Buy Zone'

LULU stock and call options can be purchased

Keltner Channel 'Buy Zone' Example: ISRG

Looking at the chart below for Intuitive Surgical, Inc. we can see that ISRG is currently trading in the Keltner Channel 'Buy Zone'

ISRG stock and call options can be purchased

Step 3
Look at the Barchart Technical Opinion

Barchart Technical Opinion

We like to enter call options on stocks that are on "Strong Buy" signals according to the Barchart Technical Opinion

By going to Barchart and searching a stock's symbol you can quickly figure out a stock's Barchart Technical Opinion

Barchart Technical Opinion Example: BSX

Looking at Boston Scientific Corp. we can see that BSX is on a "Strong Buy" and a call option purchase should be considered

Barchart Technical Opinion Example: SBUX

Looking at Starbucks Corp. we can see that SBUX is on a "Weak Buy" and should **not** be considered for a call option purchase.

Barchart Technical Opinion

The Barchart Technical Opinion is a great way to narrow down our list of buy candidates and can lead to higher probability trades.

Step 4

Use the 1% Rule to Select an Option Strike Price

Choosing Your Option

Once you select a stock on a *PowerTrend* 'Buy' signal that retraces into the Keltner Channel 'Buy Zone' and has a Barchart "Strong Buy" rating, you must then select an option strike price

Depending on the stock, there could be hundreds or even thousands of strike prices available

How do you determine which strike price to use?

Option Pricing

Option premiums consist of Time Value and Intrinsic Value

Option Premium = Time Value + Intrinsic Value

Time Decay Characteristics of Options

Each day before option expiration, the Time Value portion of an option, decays whether the stock goes up or down

At option expiration options lose all Time Value and consist of only Intrinsic Value

Choosing Your Option

Due to the time decay characteristics of options, when we buy an option, we want to minimize time value which decays to zero and maximize intrinsic value.

Choosing Your Option

Options lose all Time Value at expiration and consist of only Intrinsic Value

So when you buy an option you are buying a decaying asset

'True' Cost of Option

Because the Time Value portion of an option decays to zero whether the stock goes up or down, it is the 'true' cost we pay the market maker for purchasing an option

Choosing Your Option

Our goal when buying an option is to...

Minimize Time Value and

Maximize Intrinsic Value

Choosing Your Option

The best way to minimize Time Value and Maximize Intrinsic Value is to purchase In-the-Money Options.

- *In-the-money options have more Intrinsic Value and less Time Value than At-the-Money or Out-of-the-Money options*

Use the '1% Rule' for Selecting an Option Strike Price

We developed a simple technique called the '1% Rule' for selecting an In-the-Money strike price when purchasing options.

The 1% Rule utilizes a Strike price that limits the Time Value portion of an option premium, to less than 1% of the stock price, in order to help minimize time value and maximize intrinsic value.

A 1% Stock Move = Option Profit

If you limit the Time Value portion of a call option to less than 1% of the stock price, the stock price only needs to increase 1% in order for the option trade to profit!

A 1% Stock Move = Option Profit

A 1% price increase to profit, has a much higher probability of being profitable than an At-the-Money or Out-of-the-Money strike price that can require up to a 5% to 10% or greater, price increase in the underlying stock at option expiration to profit.

Many times the expected stock price move will not occur before option expiration which can result in a 100% loss for your option trade.

A 1% Stock Move = Option Profit

When you use the 1% Rule, the option intrinsic value will increase $100 for each 1 point increase in the stock price.

A 10 point move in the stock = $1,000 profit for the option.

Flat or Down Stock Move = 100% Loss
For an At-the-Money or Out-of-the Money option

Remember, If you purchase an At-the-Money or Out-of-the-Money strike call option and the stock is flat or down at option expiration, it will result a 100% loss for your option trade.

Higher Percentage of Winning Trades

Using the 1% Rule to select an option strike price can increase your percentage of winning trades compared to trading At-the-Money or Out-of-the-Money strike calls.

And help avoid the 100% loser trades.

Higher Percentage of Winning Trades

This higher accuracy can give you the edge needed to become a successful option trader.

Calculating Time Value and Intrinsic Value

Calculating Time Value and Intrinsic Value

We are now going to look at how the Time Value and Intrinsic Value of an option, can be manually calculated to help you understand option pricing.

We can also use the Optioneering Option Calculator which will calculate the Time Value and Intrinsic Value of an option and the profit potential of an option trade before we take the trade.

Downloading Option Quotes

Log on to Barchart.com and type in stock symbol and click option prices

Citigroup Inc (C)

81.48 **-0.50 (-0.61%)** 01/24/25 [NYSE]

80.75 x 2   81.65 x 10   POST-MARKET **81.26** **-0.22 (-0.27%)** 19:37 ET

OPTIONS PRICES for Fri, Jan 24th, 2025

Expiration:	2025-02-21 (m)	▼	Near the Money ▼	Stacked	▼

Expiration: **2025-02-21** (27 DTE) | Latest Earnings: **01/15/25** | Ex Dividend: **02/**

Calls

Strike	Moneyness	Bid	Mid	Ask	Last	Change
73.00	+10.41%	8.15	8.40	8.65	0.00	unch
74.00	+9.18%	7.20	7.53	7.85	8.17	unch
75.00	+7.95%	6.50	6.60	6.70	6.70	-0.40
76.00	+6.73%	5.25	5.58	5.90	5.99	unch
77.00	+5.50%	4.45	4.68	4.90	4.86	-0.89
77.50	+4.88%	4.25	4.45	4.65	4.40	-0.70
78.00	+4.27%	3.85	4.38	4.90	3.87	-0.83
79.00	+3.04%	3.10	3.15	3.20	3.20	-0.40
80.00	+1.82%	2.42	2.54	2.65	2.52	-0.35

Downloading Option Quotes

Citigroup Feb 21 78-Strike call, midpoint price 4.68

Citigroup Inc (C)
81.48 **-0.50 (-0.61%)** 0 /24/25 [NYSE]
80.73 x 2   81.05 x 10   POST-MARKET **81.26** **-0.22 (-0.27%)** 19:37 ET
OPTIONS PRICES for Fri, Jan 24th, 2025

Expiration: | 2025-02-21 (m) ⌄ | Near the Money ⌄ | Stacked ⌄

Expiration: **2025-02-21 (27 DTE)** | Latest Earnings: **01/15/25** | Ex Dividend: **02/**

Calls

Strike	Moneyness	Bid	Mid	Ask	Last	Change
73.00	+10.41%	8.15	8.40	8.65	0.00	unch
74.00	+9.18%	7.20	7.53	7.85	8.17	unch
75.00	+7.95%	6.50	6.60	6.70	6.70	-0.40
76.00	+6.73%	5.25	5.58	5.90	5.99	unch
77.00	+5.50%	4.45	4.68	4.90	4.86	-0.89
77.50	+4.88%	4.25	4.45	4.65	4.40	-0.70
78.00	+4.27%	3.85	4.38	4.90	3.87	-0.83
79.00	+3.04%	3.10	3.15	3.20	3.20	-0.40
80.00	+1.82%	2.42	2.54	2.65	2.52	-0.35

Calculating Time Value and Intrinsic Value

In-the-Money Strike Price Example

Option strikes are In-the-Money when the stock is trading above the strike price

Calculating Intrinsic Value for the Citigroup 77-Strike Call

Current stock price

  <u> - strike price</u>

= Intrinsic Value

Calculating Intrinsic Value

81.48   current Citigroup price

-77.00   strike price

4.48   Intrinsic Value

Calculating Time Value

Total Option Premium

- Intrinsic Value

= Time Value

Calculating Time Value

$$4.68 \quad \text{Total Option Premium}$$
$$-\ 4.48 \quad \text{Intrinsic Value}$$
$$=\quad .20 \quad \text{Time Value}$$

The C Feb 77-Strike call currently has .20 cents of Time Premium

1% Rule

1% of the Citigroup 81.48 stock price is .81 cents

The 77-Strike call has .20 cents of time premium which is less than 1% of the stock price so this strike price meets our 1% Rule

1% Rule

In this example, Citigroup stock only needs to increase 20 cents for the option to start profiting!

Optioneering Calculators

The Hughes Optioneering Team developed a series of option calculators that will calculate the profit potential for an option trade before you take the trade.

Optioneering Calculators

The option calculator assumes various price changes in the underlying stock at option expiration to calculate the profit potential for a trade.

Call Option Calculator

The Call Option calculator will calculate the Time Value and Intrinsic Value portion of a call option

Type in stock symbol: C
Type in current price of stock: 81.48
Type in Strike Price: 77
Type in Option Premium: 4.68
Click 'Calculate'

Call Option Purchase

Stock Symbol	Current Stock Price	Option Strike	Option Premium
C	81.48	77	4.68

Calculate   New Analysis   Print

Time Value: $0.20

Intrinsic Value: $4.48

Call Option Calculator

In this example, the Time Value is .20 and the intrinsic value is 4.48 (circled)

C only needs to move up .20 cents for the 77-Strike call option to start profiting!

Let's now look at calculating the profit potential of the Citigroup 77-Strike call (all results do not include commission)

Call Option Calculator

We will assume the C price changes at option expiration from a flat stock price to a +12.5% increase in price

Call Option Purchase

Stock Symbol	Current Stock Price	Option Strike	Option Premium
C	81.48	77	4.68

Calculate | New Analysis | Print

Time Value: $0.20   Intrinsic Value: $4.48

% Change	0 %	1 %	2.5 %	5 %	7.5 %	10 %	12.5 %
Stock Price	$81.48	$82.29	$83.52	$85.55	$87.59	$89.63	$91.67
Option Value	$4.48	$5.29	$6.52	$8.55	$10.59	$12.63	$14.67
Profit/Loss	$-0.20	$0.61	$1.84	$3.87	$5.91	$7.95	$9.99
% Profit/Loss	-4.3%	13.1%	39.3%	82.8%	126.3%	169.8%	213.4%

Call Option Calculator

The bottom row lists the percent profit/loss potential for the corresponding change in C at option expiration

Call Option Purchase

Stock Symbol	Current Stock Price	Option Strike	Option Premium
C	81.48	77	4.68

Calculate | New Analysis | Print

Time Value: **$0.20**

Intrinsic Value: **$4.48**

% Change	0 %	1 %	2.5 %	5 %	7.5 %	10 %	12.5 %
Stock Price	$81.48	$82.29	$83.52	$85.55	$87.59	$89.63	$91.67
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Call Option Calculator
A flat stock price = 4.3% loss
A 1% price increase = 13.1% option profit and confirms
this trade uses the 1% Rule

Call Option Purchase

Stock Symbol	Current Stock Price	Option Strike	Option Premium
C	81.48	77	4.68

Calculate | New Analysis | Print

Time Value: $0.20

Intrinsic Value: $4.48

% Change	0 %	1 %	2.5 %	5 %	7.5 %	10 %	12.5 %
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% Profit/Loss	-4.3%	13.1%	39.3%	82.8%	126.3%	169.8%	213.4%

Call Option Calculator

There is no limit on the profit potential of a call option purchase if the underlying stock continues to move up in price

Call Option Calculator

A 5% stock increase = 82.8% option profit
A 10% stock increase = 169.8% option profit

Call Option Purchase

Stock Symbol	Current Stock Price	Option Strike	Option Premium
C	81.48	77	4.68

Calculate New Analysis Print

Time Value: $0.20

Intrinsic Value: $4.48

% Change	0 %	1 %	2.5 %	5 %	7.5 %	10 %	12.5 %
Stock Price	$81.48	$82.29	$83.52	$85.55	$87.59	$89.63	$91.67
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Profit/Loss	$-0.20	$0.61	$1.84	$3.87	$5.91	$7.95	$9.99
% Profit/Loss	-4.3%	13.1%	39.3%	82.8%	126.3%	169.8%	213.4%

Recent Trade Examples

Now, let's look at some option trades I took recently using our 4-step option trade selection process.

My brokerage confirmations show entry price, exit price, entry date, exit date and profit.

Our profit target rules were used to exit these trades.

Recent Trade Examples

Step 1
Stock is on a PowerTrend 'Buy' Signal

Step 2
Stock is trading in the Keltner Channel "Buy Zone"

Step 3
Stock is rated as a Barchart "Strong Buy"

Step 4
Use the "1% Rule" to select an option strike price

Recent Trade Examples

CRM $843 Profit and 41.8% Return 2 Days

	Symbol	Qty #	Date Added ▾	Cost / Share	Total Cost	Date	Price / Share	Proceeds	Gain $
˅	CRM ⓘ Dec 20 '24 $290 Call	1	--	--	2,015.52	--	--	2,859.40	843.88
	Sell to Close	1	11/05/2024	20.155	2,015.52	11/07/2024	28.594	2,859.40	843.88

Recent Trade Examples

WFC $648 Profit and 129% Return 1 Day

	Symbol	Qty #	Date Added ▾	Cost / Share	Total Cost	Date	Price / Share	Proceeds	Gain $
⌄	**WFC** ⓘ Dec 20 '24 $60 Call	1	--	--	500.52	--	--	1,149.44	648.92
	Sell to Close	1	11/05/2024	5.005	500.52	11/06/2024	11.494	1,149.44	648.92

Recent Trade Examples

CSCO $174 Profit and 56.5% Return 6 Days

	Symbol	Qty #	Date Added ▾	Cost / Share	Total Cost	Date	Price / Share	Proceeds	Gain $
⌄	CSCO ⓘ Dec 20 '24 $55 Call	1	--	--	309.52	--	--	484.47	174.95
	Sell to Close	1	11/05/2024	3.095	309.52	11/11/2024	4.845	484.47	174.95

Recent Trade Examples

SYF $1417 Profit and 177% Return 1 Day

	Symbol	Qty #	Date Added ▾	Cost / Share	Total Cost	Date	Price / Share	Proceeds	Gain $
⌄	**SYF** ⓘ Dec 20 '24 $55 Call	2	--	--	801.03	--	--	2,218.89	1,417.86
	Sell to Close	2	11/05/2024	4.005	801.03	11/06/2024	11.094	2,218.89	1,417.86

$3.5 Million in Profits

My High Accuracy Option trade program has a long history of success. My brokerage account statements show $3,525,328.87 in profits with 96.6% accuracy.

Click here to see brokerage confirmations

And live trading signals sent to my members over the past 24 years gave members the opportunity to pocket $17,803.529 in profits !

HUGHES OPTIONEERING®
TRADING SERVICES
YEARLY PROFIT OPPORTUNITIES*

Conditions	Year	Profit
Dot-Com Crash	2000	166,822.09
	2001	246,018.00
	2002	401,423.50
	2003	298,393.26
	2004	289,526.03
	2005	513,318.95
	2006	637,399.54
Market Melt-Down	2007	419,410.77
	2008	839,990.72
	2009	603,362.80
	2010	473,210.05
18.3% Correction	2011	497,738.33
	2012	771,013.04
	2013	635,329.40
	2014	826,208.72
Wicked Sideways Chop	2015	819,360.32
	2016	997,549.85
	2017	1,180,824.75
2 Major Corrections	2018	1,374,381.61
	2019	1,114,560.19
Covid-19 Pandemic	2020	1,036,090.78
	2021	1,754,331.41
	2022	606,859.03
High Inflation	2023	795,881.80
Total		**$17,803,529.56***

10 TIME INTERNATIONAL TRADING CHAMPION

With no losing years!

... in all different types of market conditions.

Of course, these trade signal results and real time results can't promise future success due to the risk of loss when trading, but they give you an idea of what is possible with the High Accuracy Option Strategy

HUGHES OPTIONEERING® TRADING SERVICES
YEARLY PROFIT OPPORTUNITIES*

Conditions	Year	Profit
Dot-Com Crash	2000	166,822.09
	2001	246,018.00
	2002	401,423.50
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	2004	289,526.03
	2005	513,318.95
	2006	637,399.54
Market Melt-Down	2007	419,410.77
	2008	839,990.72
	2009	603,362.80
	2010	473,210.05
18.3% Correction	2011	497,738.33
	2012	771,013.04
	2013	635,329.40
	2014	826,208.72
Wicked Sideways Chop	2015	819,360.32
	2016	997,549.85
	2017	1,180,824.75
2 Major Corrections	2018	1,374,381.61
	2019	1,114,560.19
Covid-19 Pandemic	2020	1,036,090.78
	2021	1,754,331.41
	2022	606,859.03
High Inflation	2023	795,881.80
	Total	$17,803,529.56*

10 TIME INTERNATIONAL TRADING CHAMPION