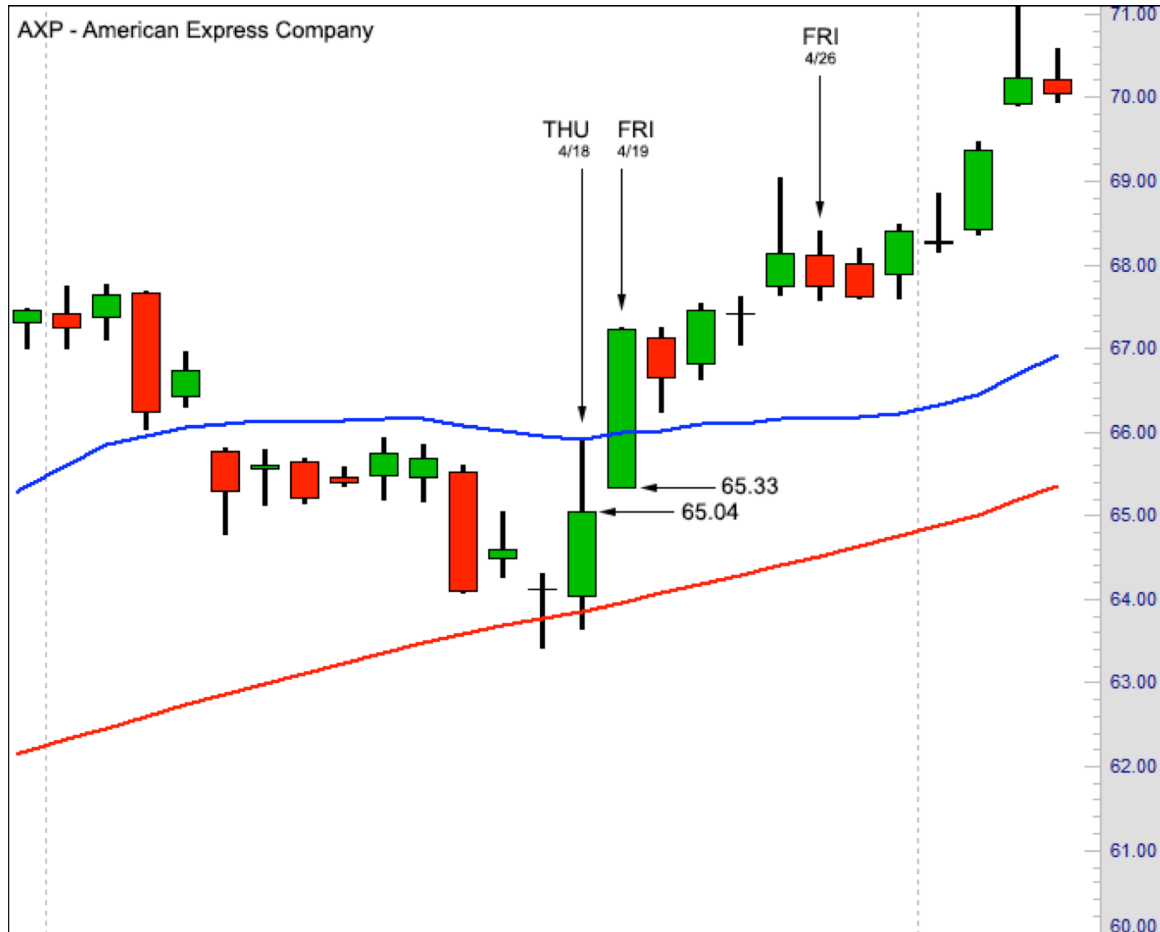


INSTANT OPTIONS INCOME

The “Credit Spread” Strategy



Bull Credit Spread on AXP - American Express

- New weekly options begin trading on Thursday, April 18, and expire the following week on Friday, April 26.
- AXP closes at \$65.04 on Thursday & opens at \$65.33 on Friday.

After Thursday's close and prior to Friday's open, enter an order to sell the one strike out-of-the-money and buy the two strike out-of-the-money weekly options as follows:

- Sell to Open 10 April wk 4 62.50 put @ 0.67 Credit.
- Buy to Open 10 April wk 4 60.00 put @ 0.08 Debit for a net Credit of 0.59 LIMIT order.

When this order is filled, \$590 is deposited into your account, literally creating Instant Options Income.

This is a credit that you get for selling the weekly option.

Depending on what happens over the next 8 days determines how much of the \$590 you get to keep.

Outcomes

1. The AXP stock closes higher on Friday of the following week (4/26). If this happens, both options expire worthless and you keep the credit of \$590. Action required: None.

2. The AXP stock closes sideways to down on Friday of the following week, as low as \$62.50 (a drop of 4.3% in one week). If this happens, both options expire worthless and you keep the credit of \$590. Action required: None.

3. The AXP stock closes down on Friday of the following week to \$61.91 (a drop of 5.3% in one week): you break even on the spread and the \$60.00 put expires worthless. Action required: Buy to close the \$62.50 put.

4. The AXP stock closes down on Friday of the following week to \$60.00 or lower (a drop of 8.2% or more): You lose \$2,500 (the difference in the strikes) – the credit of \$590 for a net loss of \$1,910. Action required: Buy to close the \$62.50 put and sell to close the \$60.00 put at breakeven or a profit (offsetting any further loss on the \$62.50 put).

5. So in in this example, in order to lose money with this strategy, the underlying stock would have to fall at least more than 5.3% in only one week with the maximum possible loss occurring if the stock dropped by 8.2% or more in one week.

