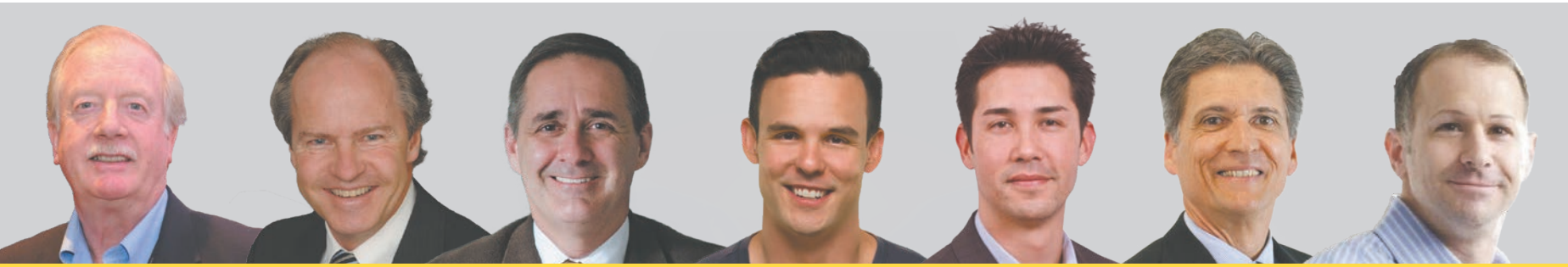
ADVERTISING SUPPLEMENT

The Ultimate Education Guide

Why Options Are Essential to Your Portfolio

LEARN HOW TO TRADE OPTIONS FROM THE WORLD'S MOST SUCCESSFUL TRADERS



McMILLAN BURGOYNE RHOADS GRACE KERKHOFF CONNOR KAUFMAN

SEE INSIDE for Options Strategies from These Experts Including:

Options Strategies for Today's Markets
by Larry McMillan, McMillan Analysis Corp.

Why Trade Options
by Ryan Grace, tastytrade

A Smart Way to Trade the Vix
by Russell Rhoads, CBOE

Versatility, Flexibility: The Continuing Allure of Listed Options
by Scott Connor, TD Ameritrade

Learn How Options Can Help with Investment Goals
by Joe Burgoyne, OIC

How to Use Covered Calls to Generate Income
by Matt Kerkhoff, ModelInvesting.com

How to Use Options to Manage Risk
by Don Kaufman, TheoTrade

The Wall Street Journal and Barron's news organizations were not involved in the creation of this content. Paid for by MoneyShow.

Why Options Are No Longer Optional for Investors

By Kim Githler

Options are no longer optional.

This is the great message the stock market sent investors in the wake of the worst financial crisis since the Great Crash of 1929. The events of 2007 and 2008 harshly reminded investors that ignoring investing risk ultimately leads to calamity.

What we have seen in the ensuing years is a great and growing desire among investors to understand risk. And this had led many to use puts and calls to help define and manage the uncertainty that is always the defining characteristic of financial markets.

In short, investors are increasingly aware of the Good Investor Rule that Steven M. Sears, *Barron's* options columnist, detailed in his book, *The Indomitable Investor*. The rule is simple and hard for many to implement. Bad investors, Sears says, think of ways to make money. Good investors think of ways to not lose money.

We hope the material sparks your interest in how puts and calls can be used to accomplish the Good Investor Rule, to make you a better investor, and to enable you to keep more of your investment returns. After all, unrealized gains are just that.

While some investors mistakenly believe that options are used to speculate on stocks, or to increase leverage, those notions are dated. They characterized options investing more than 20 years ago, but no more.

Now, on any day, the vast majority of the options market's trading volumes are dedicated to achieving the types of objectives that are certain to please even the most conservative investor. Those goals include selling stock at above-market prices, buying stocks below market prices, reducing risk and otherwise enhancing returns.

When done properly, options help define and understand investment risk.

We have brought together some of the nation's top experts to demonstrate how you can use options to more effectively navigate the stock market. We have tried to create a roadmap you can use to learn about a way of acting and thinking that will forever change how you think about your stock portfolio.

If you are already active in the options market, I am confident that you will deepen your understanding of how a well-placed put and call often makes all the difference in the world to achieving successful financial outcomes.

Meet Kim Githler, chair & CEO of MoneyShow at The TradersEXPO!

Barron's is a registered trademark of Dow Jones

Options Strategies for Today's Market

By Lawrence McMillan

Options, once you understand their capabilities, are versatile tools. When puts and calls are used correctly, they can help investors achieve their goals, and that is when options become strategic investments.

Options can help investors reduce market risk and increase returns. Options can lower the volatility of an entire portfolio of stocks, or they can directly hedge investment risk, just like an insurance policy. That this is news to many novice traders only proves how much work remains to be done to educate investors about the many ways options can help them better navigate the stock market.

Currently, options are quite cheap, which is important at a time when stock prices are trading at record highs. We say that options are cheap when the portion of an options contract's price that is determined by the forward projection of volatility (*implied* volatility) is very low. When that is the case, as it is now, several strategies can be used by almost all investors.

One simple strategy is replacing stock with a call option. To implement the stock replacement strategy, an investor sells stock (assuming that it is not a tax problem to do so) and buys a call option on the same stock. In this way, an investor participates in the stock's future rally, should there be one, while limiting investment risk to the call's price.

One would generally want to buy an option with a striking price that is several points below the current stock price, in order to minimize time value expense. Some investors buy longer-term options to replace stock, as that somewhat lessens downside risk since those options *gain* time value premium if the stock were to fall in price.

Another strategy many stock owners use is selling covered calls. The strategy entails selling calls with strike prices that are, say 5% to 10% above the current strike price, and that expire in three months or less. That strategy works best in an environment where implied volatility is higher, and where the stock market is not trending higher. That is not the case with the current market so covered call writing has often been frustrating.

Still, many investors use the covered call strategy to help make the most difficult decision any investor faces: selling. If the stock price is above the call's strike price at expiration, investors are obligated to sell their stock or cover the call.

Given current market conditions, many investors, however, like buying options for protection. This strategy is like buying an insurance policy for your stocks. These protective options would normally be out-of-the-money options — either put options on stocks or broad-based indices or *call* options on volatility. Puts, as many know, increase in value when the associated security price declines.

If an investor wants to hedge a stock, they would buy a put — a practice I call "micro protection." To hedge an entire portfolio, investors would buy put options on a broad-based index, such as the Standard & Poor's 500 Index. I call that "macro protection."

Another approach to macro protection is buying calls on the **CBOE Volatility Index**, or VIX, which rises when the stock market declines. In all of these cases, the cost of insurance is reduced by buying farther out-of-the-money options, but doing so increases one's "deductible"—the amount of money your stock portfolio loses before the insurance becomes effective.

All of those hedges protect investments if the stock market collapses, while only placing a small drag on the upside performance. With volatility currently so low, buying VIX call options is, to me, the preferred form of insurance at this time. If the stock market truly has a broad, violent collapse, VIX will explode to the upside faster than the stock market declines.

Recently, it has been hypothesized that some buyers of protection are going to give up the practice because the stock market has not sharply corrected. That is a fallacious argument. Consider your home and the fire insurance you own. Are you upset you are not collecting on your insurance policy? Absolutely not. Are you planning to stop buying fire insurance because your house hasn't caught on fire recently? Of course not.

Similarly, if one is buying options as insurance protection for his stock portfolio, should the practice be terminated because the stock market keeps rising, and the insurance hasn't been needed? Of course not.

To be sure, in this low-volatility environment, many investors are concluding that buying options is a smart strategy. For a stock owner, those are the "stock replacement" strategy or the "portfolio insurance" strategy. Either one allows a stock owner to continue making profits if stocks keep rising, while reducing downside risk if the stock market suddenly encounters trouble.

Lawrence McMillan is president of McMillan Analysis Corporation www.optionstrategist.com

Join Larry McMillan for the Current Status of Options Oriented Indicators at The TradersEXPO New York

Feb. 26 • 5:45 pm – 6:30 pm

www.**NewYorkTradersEXPO**.com

Why Trade Options: Modernizing Your Portfolio

By Ryan Grace

Options should be in every intelligent investor's tool bag.

Puts and calls provide investors with the flexibility to potentially profit in all market environments, to make investment decisions that are based on probabilities and to more efficiently use capital by employing leverage. Options also let investors express views on the price of market volatility, which is one of the most important, and arguably least understood, attributes of investing.

All of those investment approaches, which are not commonly enjoyed by traditional stock investors, reflect the richness of options trading strategies. They let options traders position for profits in bullish environments where market prices are rising, and also in markets when prices are declining, or barely moving.

In fact, I like to say that there isn't a bull side or a bear side to the market, just the right side. Options help investors define the right side.

While many investors are familiar with buying options, some trading strategies that sell options, such as a strangle, enable profits to be realized when the price of a stock is range bound.

The strangle strategy involves selling a call option above the current price of the stock and selling a put option below the current price of the stock with an identical expiration. The strategy expresses a view that the stock will remain between the put and call strike prices until the options expire. If that happens, investors keep the money for selling the strangle.

If the stock is below the put strike or above the call strike at expiration, investors may be assigned and must buy the associated stock at the put strike or sell the stock at the call price or can close out of the trade at any time during the cycle.

If either side is tested during the expiration cycle, investors can roll their options to a later expiration which provides duration, more time to be right, or to a different strike price if the investor's assumption has changed.

There are several ways to manage option positions. For many investors, using options strategies can enhance returns and increase their probability of success.

Sometimes, of course, stock prices come under pressure. This is why many investors buy put options. Puts, which increase in value when stock prices decline, are like owning an insurance policy on stocks. While there's a cost associated with buying a put, the risk, or potential loss associated with the position, is limited to the cost of the option, whereas shorting a stock exposes an investor to potentially unlimited losses.

Options can also offer ways to more effectively use capital. An options contract represents 100 shares of the underlying stock, which allows an investor to take a position in a large number of shares using less capital than required to buy the stock.

Buying 1,000 shares at $100 a share costs $100,000. Buying 10 calls with $100 strikes gives the trader control of the same amount of shares at a fraction of the cost. This feature is used by many investors to control stocks at a fraction of the price.

Yet, out of all the unique characteristics associated with options, expressing a view on volatility is arguably the most unique characteristic of puts and calls.

When the demand for options increases, option prices increase, causing a spike in implied volatility. Elevated implied volatility often creates opportunities to sell options, since prices are relatively high.

Traders might also buy options during periods of low volatility. This adds a multi-dimensional approach to investing, where traders are not only positioning for changes in price, but also for various levels of market volatility.

Options offer investors so much flexiblity that Tom Sosnoff and team created a website and financial media company called tastytrade. The tastytrade network is dedicated to showing how options can completely change how people think about investing, and how they can quantify the risk that underlies all market decisions.

Ryan Grace is co-host of The Ryan & Beef Show on tastytrade.com

tastytrade

tastyworks. APPLES TO APPLES COMMISSION COMPARISON

50 LOT	50 Puts/Calls (100 total contracts)	50 Verticals (200 total contracts)	50 Iron Condors (400 total contracts)
tastyworks.[1]	$20.00	$40.00	$80.00
E*TRADE[2]	$59.90	$109.90	$209.90
Fidelity[2]	$74.90	$139.90	$269.90
Interactive Brokers[2]	$70.00	$140.00	$280.00
Schwab[2]	$74.90	$139.90	$269.90
TD Ameritrade[2]	$88.90	$163.90	$313.90

How about them apples?

1 Regulatory fees still apply. For a complete list of all fees, please visit www.tastyworks.com/commissions-and-fees.html. All futures options and the following index products are excluded from this offer: SPX, RUT, VIX, OEX, XEO, DJX and NDX. Certain complex options strategies carry additional risk.

2 Commission comparison based on opening and closing online U.S. equity option trades at the published website commission schedules for retail accounts, as of 1/3/2018, for E*Trade, Fidelity, Interactive Brokers, Schwab, and TD Ameritrade. For E*Trade, comparison is based on pricing schedule of 30 or more transactions per quarter. For Interactive Brokers, comparison based on customers trading less than 10,000 contracts a month with option premiums equal to or greater than .10 per contract. Supporting documentation for any claims, if applicable, will be furnished upon request.

Please read Characteristics and Risks of Standardized Options before deciding to invest in options at https://www.theocc.com/about/publications/publication listing.jsp

Meet tastytrade founder Tom Sosnoff for Off the Record with an Industry Leader

Feb. 25 • 3:30 pm – 5:00 pm

www.**NewYorkTradersEXPO**.com

A Smart Way to Trade VIX

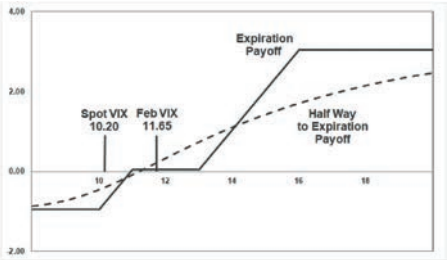
By Russell Rhoads

It has been a while since the last sustained move to the upside for the **CBOE Volatility Index** (VIX). This does not stop investors from continuing to wager with VIX options that VIX will surge higher.

So far, VIX remains at historically low levels, and this is prompting many investors to devise unique ways to minimize the expense of a trade that has been difficult for many.

In recent trading, an investor sold VIX February $11 puts for 70 cents and bought VIX February $10 puts for 25 cents. The trade generated a credit of 45 cents. The investor also bought VIX February $13 calls for 90 cents and sold February $16 calls for 50 cents for a cost of 40 cents. Overall, the investor's two trades created a nickel credit.

Our payoff diagram shows the trade's potential outcome at expiration as well as halfway to expiration. Note we are analyzing the trade as a "stand-alone" because we do not know what positions were in the client's book before the trades executed.



When this trade was executed, VIX was trading at 10.20 and the February VIX future, which determines the price of VIX options, was priced at $11.65. We include both the corresponding VIX future price and spot VIX as VIX options settle into a VIX calculation, but leading up to expiration the best underlying pricing vehicle is the corresponding future.

The best-case scenario for this trade at expiration is a VIX settlement above $16 resulting in a profit of $3.05. Settlement between $13 and $16 would result in a profit equal to how much value there is for the $13 call. For example, if settlement were to come in at $14.50, the $13 call would be worth $1.50 and the trade profit would be $1.55. Between $11 and $13, all options in this spread expire with no value. The profit would be a nickel.

Finally, the downside to this trade occurs below $11 and the maximum loss is 95 cents if VIX is at or below 10.

Those familiar with VIX know that the recent price action often involves a quick move to the upside that is followed by a move to the downside.

When a volatility event occurs, traders with long VIX exposure are expected to monetize their positions.

This trade was executed with 33 days to expiration so the "halfway to expiration" payoff represents 16 days left to expiration. As an arbitrary outcome a move to $13, which is the long call strike of the spread, may result in a profit of about 75 cents. Trading out of the position before expiration is common for this type of trade and an exit plan should be determined when the entry trade is executed.

This information is provided solely for general education and information purposes and therefore should not be considered complete, precise, or current. No statement within this article should be construed as a recommendation to buy or sell a security or to provide investment advice.

Russell Rhoads, CFA, is director, Product Advancement, Global Derivatives at CBOE www.CBOE.com

Versatility, Flexibility: The Continuing Allure of Listed Options

By Scott Connor

In 2018, the exchange-traded equity options market will celebrate its 45th anniversary in the U.S. Though 2017 marked another year of historically low volatility, with an average daily volume of 16.7 million contracts, the year still ranked among the top three ever, according to data from the Options Clearing Corp.

Why has options volume been so resilient despite the lack of volatility? It's due in part to a growing appreciation for the versatility of listed options. Whether you're a small, self-directed options trader or a large institutional investor, there are a number of option strategies that may help you pursue your investment objectives while staying within your risk parameters.

Here Come the Millennials

Though TD Ameritrade has seen volume growth in options trading in all client groups, including millennials, millennials are the first generation to grow up immersed in technology, and they're also known for being value-driven. So, as today's young adults become investors, trading options on a robust online platform seems only natural.

Of course, options trading isn't suitable for everyone, but if you think they might be right for you, there are some basic option strategies that can be used to accumulate shares, help protect an existing investment or even to enhance the yield of a stock position you hold. Here are a few strategies popular among TD Ameritrade clients who trade options.

Basic Option Strategies for the New Investor Set

Buying calls as an alternative to buying stock. A call option gives the owner the right, but not the obligation, to buy the underlying security at a specific price (the "strike" or "exercise" price) on or before a specific date (the "expiration"). Since the premium paid for a call option is usually a fraction of the stock price, and since call option prices typically rise/fall when the price of the underlying stock rises/falls, many consider this a lower-cost alternative to buying a stock outright. But beware of the risks. Stocks don't expire, but options do, and if a call expires out-of-the-money, the entire investment in the option will be lost. Plus, owning a call option doesn't give you voting rights that owning the underlying stock would, nor will it pay a dividend. Once you exercise an in-the-money call option, however, you become the buyer of 100 shares of stock.

Selling calls as a potential yield-enhancement. Investors who own a stock and wish to potentially earn income can sell a call and receive a premium. In this "covered call" strategy, if the call expires out-of-the money, the seller keeps the premium they received, less transaction costs. The risk, of course, is if the stock price rises above the strike price any time on or before expiration, the call owner may exercise the option, and the seller will be required to deliver the stock at the strike price, effectively limiting the ability to benefit from any additional appreciation of the stock price.

Buying puts for protection. While the covered call can potentially enhance the yield of a long stock position, buying a put option can limit possible losses if the stock price were to fall. A put option gives the owner the right but not the obligation to sell the underlying stock at the strike price, so owning a put option essentially provides a temporary price floor, below which losses are limited. Of course, like the long call option, if the long put expires out-of-the-money, the entire investment in the option will be lost. Many option traders consider puts during times of elevated market risk, such as before the release of an earnings report or other company announcement.

Selling cash-secured puts to build or add to a portfolio. If you want to use options to potentially buy stock, but you would rather collect premium than pay it, selling a put might be the answer. Why is it called "cash-secured?" Because you set aside enough cash in your account to buy the stock in case the owner exercises the option. Make sure you choose a strike at which you're comfortable buying the stock and understand that you're taking on the risk of purchasing the corresponding stock at that strike price when the market price of the stock will likely be below that strike price.

Many TD Ameritrade clients, once they become comfortable with the basics, move up the sophistication scale.

They use the advanced thinkorswim platform to assess relative values, consider risks and probabilities, initiate multi-legged option spreads and monitor positions in real-time.

Sure, some option strategies can be quite complex, and as complexity increases, the knowledge and sophistication of the investor must keep up. But we believe the next generation is well-positioned to embrace options for their flexibility and versatility and can use the power of today's innovative trading platforms and free educational offerings to become those sophisticated investors.

Scott Connor is director of Trader Education, TD Ameritrade www.TDAmeritrade.com

TD Ameritrade

Join Scott Connor for Volatility Strategies in the Year Ahead

Feb. 26 • 6:45 pm – 8:15 pm

www.**NewYorkTradersEXPO**.com

Learn How Options Can Help with Investment Goals

By Joe Burgoyne

Options are versatile financial instruments that can help investors achieve various investment goals. Investors typically use options strategies to gain market exposure, generate income and protect their investments.

The Options Industry Council (OIC) is celebrating its 25th anniversary as the leading educational resource for investors who use or want to learn how to trade U.S. exchange-listed options. Founded in 1992 by the Options Clearing Corp., the world's largest equity derivatives clearinghouse, and the U.S. options exchanges, OIC works to increase the awareness, knowledge and responsible use of exchange-listed options globally among individual investors, financial advisors and institutional asset managers.

Every five years since 1995, OIC has commissioned a national survey designed to create a profile of the current retail options investor to better understand how and why they use options, and to compare options investors to non-options investors.

The 2015 OIC Study of Investors found that options users are significantly more likely than non-options users to consider themselves extremely knowledgeable investors; to be more passionate about investing; to consider themselves "investors" and not "savers" and to be more willing to take risks in order to achieve financial rewards.

The study also found that a lack of understanding or knowledge is the major stumbling block preventing non-users from currently trading options.

The survey results help OIC better develop and direct its unbiased options education efforts with retail investors on behalf of the listed options industry.

Due in large part to OIC's educational programs and outreach in coordination with industry partners, investors' use of options has grown dramatically since 1992. In 1992, 202 million options contracts were traded. In 2017, options contract volume reached the third highest total volume ever with more than 4.3 billion options contracts traded – an increase of more than 21 times.

OIC offers something for every investor, no matter their level of market knowledge. One way to get started is through the MyPath online education program, where individual investors take a self-assessment that evaluates their knowledge level and suggests a starting point for beginning their curriculum. Investors can take a basic class online, as well as more advanced courses, or listen to a webinar and a podcast or watch a strategy video. More experienced investors can also check out OIC's research area, which includes academic studies on the performance of various trading strategies.

OIC works to help financial advisors understand how options can be a differentiator for their practice. A 2017 study sponsored by the OIC, *How Financial Advisors Use and Think About Exchange-Listed Options* sheds light on what financial advisors think about exchange-listed options and how they use them to help meet their clients' financial goals.

The study found that approximately one-third of financial advisors currently use options in 20% of client portfolios, and that usage is expected to increase by 30% in the next three years. It also helps to identify target audiences and educational tactics that may lead to increased adoption of exchange-listed options strategies among financial advisors.

With growing interest in digital education, OIC offers a video series to help investors better understand some of the more popular option strategies such as the Long Put, Covered Combo and Cash-Secured Put. The Options Strategy Builders tool was also added to the OIC website where users can simulate the popular covered call, collar, cash-secured put and covered combination strategies.

The Options Strategy Builders tool is as easy to use because all you have to do is select the strategy, choose the stock or ETF symbol and then select the expiration date. The tool builds the strategy and displays the potential results. Additionally, OIC continues to offer live seminars and participate in investor conferences with live presentations that will also be simulcast in order to reach investors interested in learning about options online. Some of the topics include options fundamentals and popular options trading strategies. Most importantly, all of these educational offerings are available for free on the website, www.OptionsEducation.org.

At OIC, we believe that providing unbiased education to market participants will continue to be a key factor in increasing the adoption of options strategies. Education on these flexible and complex financial instruments is important now more than ever as investors and financial advisors seek diverse solutions that generate income and protect their portfolios as they continue to navigate through uncertain economic environments.

Disclaimer: This article discusses exchange-traded options issued by The Options Clearing Corporation. No statement in this article is to be construed as a recommendation to purchase or sell a security, or to provide investment advice. Options involve risk and are not suitable for all investors. Prior to buying or selling an option, a person must receive a copy of Characteristics and Risks of Standardized Options. Copies of this document may be obtained from your broker, from any exchange on which options are traded or by contacting The Options Clearing Corporation, One North Wacker Dr., Suite 500 Chicago, IL 60606 (investorservices@theocc.com).

Joe Burgoyne is director of Individual Investor Education, The Options Industry Council

Join Joe Burgoyne for Portfolio Risk Management Strategies
Feb. 26 • 1:30 pm – 2:15 pm

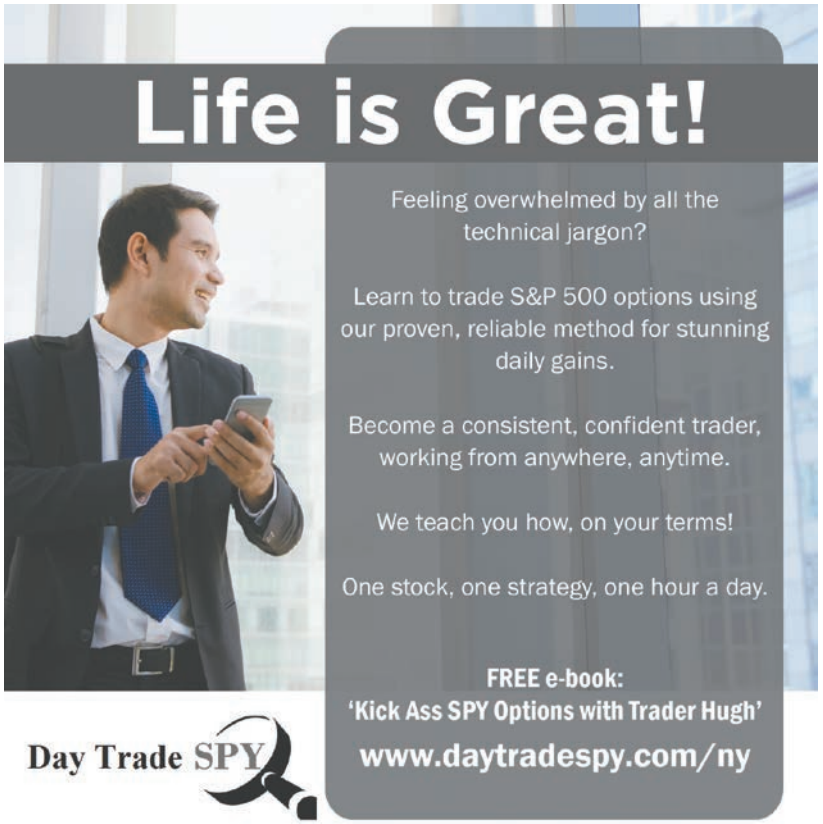
www.**NewYorkTradersEXPO**.com

PURSUE PROFITABLE OUTCOMES TRADING EARNINGS VOLATILITY.

We provide never-ending option trades surrounding earnings announcements on America's biggest companies like Apple, Google, Microsoft, Amazon and Facebook.

Take advantage of our proprietary trading method.

Visit **www.optionknight.com** to Learn More!



How to Use Covered Calls to Generate Income

By Matt Kerkhoff

What if you could use your existing stock and exchange-traded fund portfolio to generate extra income, which you would receive in the form of a monthly credit to your brokerage account? In this article, I'm going to walk you through how to do just that.

If you have spent any time investing in the markets, chances are you have heard of covered calls, which entails selling a call option against stock that you already own.

This strategy is one of the easiest to learn, and is often the best way for investors to begin trading options. Covered calls are also one of the safest options strategies you can use, as they actually *reduce* the risk of owning stock, while generating a stable monthly income stream from your existing portfolio.

When you sell a covered call, you're effectively renting out a stock or ETF that you own to someone else.

They will pay you a small fee (premium) to "control" that security for a short time. You receive this premium as an immediate credit to your account in exchange for agreeing to "sell" the potential upside on the underlying security.

In other words, you are giving another investor the right to buy your stock at a higher price within a certain time. If the stock is below the call strike price at expiration, you get to keep your stock, and the premium received for selling the call. If the stock is higher than the strike price at expiration, you must sell your stock, or cover the call.

Here's an example trade that can be repeated on a monthly basis. Let's say you own 100 shares of **SPDR S&P 500 ETF Trust** (SPY), an ETF that tracks the **Standard & Poor's 500 index** (SPX). After the remarkable rally that we've had, some investors are reasoning that the rally may soon cool. They can do that – and collect income – by selling calls against their SPY position.

With SPY around $276, for example, an investor could sell the March $280 call. At the time of writing, that option would allow you to collect roughly $246. In exchange for receiving this premium, you will be selling away any profits in SPY *above $280*.

The great part about this trade is that you receive immediate income of $246 but you also get to participate in future gains in SPY up to $280 per share. It's only after SPY has risen above $280 per share that the profits accrue to the call buyer.

Also, selling covered calls reduces your risk in the underlying position by exchanging upside volatility for a guaranteed payment.

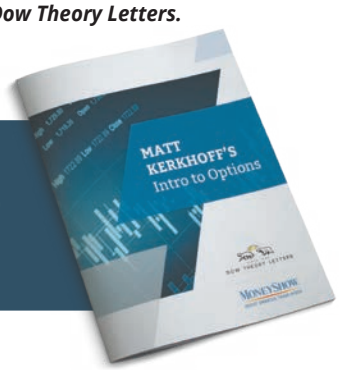
This strategy is used by many investors to consistently earn around 1% per month, a return that depends on a variety of factors, including market volatility and the underlying stock or ETF that you're using.

If you decide to use this strategy, many investors focus on selling options that expire roughly one month out. That will allow you to capitalize on the erosion of time value, which is really what this strategy is all about.

Whether you're looking for a way to earn additional income from your portfolio, hedge some risk, or just get your feet wet with options, covered calls have got you covered! Happy investing!

Matthew Kerkhoff is chief investment strategist for ModelInvesting.com and editor of Dow Theory Letters.

REGISTER NOW to Attend the TradersEXPO New York and get a FREE Intro to Options Report by Matt Kerkhoff



www.**NewYorkTradersEXPO**.com

The Most Accurate Forcaster of the Past Quarter Century? I'll give you a hint. You won't see him on TV!

Stephen Briese
https://InsiderCapital.com

COMMODITIES

In the Fall of 1998 Stephen Briese toured North America presenting a series of seminars he called the *Turning Point Tour*, advising investors that a major bull market was about to develop in oil and other commodities. This view was controversial, contrarian, and correct. These 3 C's describe the majority of his major market timing calls.

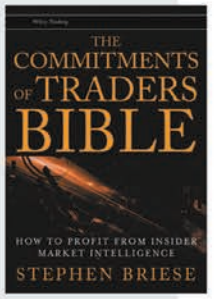
Ten years later, on March 31, 2008, as the dollar collapsed while crude oil and other commodity booms were widely forecast to "go to the moon," Briese correctly forecast (in a *Barron's* front-page article https://goo.gl/p83Req) that commodity prices would plummet 50%, triggered in part by a major upturn in the dollar. He was proved right by year-end.

CRUDE OIL

On June 19, 2008, as West Texas crude prices approached their all-time high of $147 per bbl and analysts forecasting $200-$300 oil, Briese called for a plunge to $30.00 (https://goo.gl/Uovuj8). Within days oil prices began to collapse and six months later bottomed at $33.

After Briese predicted a $20 low, On Dec. 2, 2014, in a segment called *Oil Plunge: Who on Wall Street Got it Right?*, Fox Business News found only 3. One big bank analyst, and two academics, and: "Steve Briese, publisher and writer of the *Bullish Review of Commodity Insiders* newsletter, was also one of the few to currently predict an imminent plunge in oil prices..." (https://goo.gl/oipraV)

GOLD



At the 2011 gold market top, 148 analysts forecasted much higher gold prices, with targets ranging from $2500 to $20,000! Check the list at https://goo.gl/AXxuLS

Only 1 analyst correctly predicted an imminent and dramatic downturn: Stephen Briese. His forecast appeared in *Barron's* August 27, 2011, days before the market top: https://goo.gl/dA2vwt

Briese, author of *The Commitments of Traders Bible* (Wiley, 2008) has a reputation as a commodities expert. His calls in currencies, financials, and stock indexes are no less impressive. As one subscriber, who has been a reader for 30 years, put it: "Steve is sometimes early, often very timely, rarely wrong."

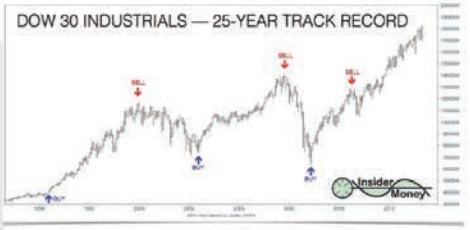
ECONOMY

While a handful of market analysts made themselves famous for identifying one aspect of the 2008 financial crisis, Briese's readers were warned of every major facet (in time to prepare).

- 2007: *World-wide financial system is at risk.*
- 2007: *Triple-digit annual bank failures coming.*
- 2007: *US recession already here. (November 2007 issue)*
- 2006: *Stock and real estate bubbles threaten long and hard recession.*
- 2004: *Credit default swaps are a game of musical chairs.*
- 2004: *Unprecedented housing bubble growing.*
- 2004: *Fannie Mae & Freddie Mac gone wild.*
- 2004: *We will regret the Glass-Steagall repeal.*
- 2003: *Debt bubble hangs over economy.*
- 2003: *Derivatives threaten financial system.*

STOCK INDEXES

Briese's major stock market calls over the past quarter century have been impressive.



BITCOIN

Finally forced to cover Bitcoin once it became a futures contract, Briese spent 3 pages of his December 17, 2017 *Insider Money* market letter warning his subscribers away from cryptocurrencies, summarizing (the day of the market peak): "Bitcoin has risen 1700%, breaking all modern speculative bubble records. It is, therefore, likely to set a new modern record for post bubble plunges." You don't get much better timing than this.

Introduce yourself and he will send you a free copy of his special report, "*2018, The Year The World Turns.*" Just email him at Steve@InsiderCapital.com."

Barron's is a registered trademark of Dow Jones

Join 4,000 Other Traders in New York! REGISTER FREE at www.**NewYorkTradersExpo**.com or call **800-970-4355.**

How to Use Options to Manage Risk

By Don Kaufman

Traders and investors typically recognize market risk in hindsight. It usually takes some major shock before anyone realizes that the market, or a stock or a sector, that seemed so perfectly balanced was wildly out of synchronicity with reality.

The current bull market runs ever higher, and the Federal Reserve is preparing to end the extraordinary measures it took to support the economy after the worst financial crisis in almost a century. Now is the time to start thinking about how to balance risk and reward.

In this environment, investors are well advised to consider using "vertical spreads" to control exposure via not owning outright stock.

A vertical spread—which entails buying an option and selling another with a higher strike price and similar expiration—enables investors to maintain bullish or bearish positions in index and equity products. In short, the strategy helps control overall market risk.

How to use vertical spread options to identify and trade the trend

A vertical spread is an options strategy to use when you are confident a stock will move in a certain direction, or if you're following a trend.

Options cost less than associated securities and that makes this strategy a relatively inexpensive method for benefiting from stock movement.

With vertical spreads, you pay a premium to buy one option, while at the same time collecting a premium by selling another option.

With a vertical call spread, you buy a call at one strike price and sell another call at a different strike price.

With a vertical put spread, you buy a put at one strike price and sell another put at a different strike price.

Vertical spread formula:

- Buy one strike option
- Sell another strike option
- Same series (calls with calls or puts with puts)
- Same expiration month
- Same underlying asset (stock, index, etc.)

Although risk and profit potential are limited with vertical spreads, the profit potential can remain relatively high while risk is dramatically reduced.

The right approach can be the defining element in success or failure

While vertical spreads can be used to reduce market risk, our approach at TheoTrade is to evaluate markets from the perspective of trade logic, allocation, and bias. The following are key components of our principles and should be strongly considered prior to entering into a trade or investment.

Trade Logic. The vast majority of people involved in markets are infatuated with market direction, attempting to predict the next move a stock is going to make. The reality, what you "think" a stock is going to do does not always translate into profits. Many investors and traders place too much emphasis on being right or picking the next move a stock might make. Our veteran traders dictate the right strategy, coupled with established entry and exit criteria, means you do not need to be "right" in picking a direction in a stock or the markets in order to be profitable.

Capital Allocation. How and where you allocate capital should be strongly considered as a viable portion of your trading methodology. Have you ever been stopped out of a trade or bailed out of a position only to see the markets turn around shortly thereafter? How and where you allocate capital can define not only losses but it can be the defining factor in your overall success or failure in the markets. Our war cry is "duration over direction." You need to be capable of sustaining trades long enough to be profitable.

Directional Bias. We are not anti-charts. Rather, we recognize that where you "think" a stock might go does not always mean the markets will agree. Being right directionally cannot define us as investors or traders for we may not be "right" often enough. At TheoTrade, we are market realists and we must place our capital at risk *only* with the correct trade logic and a comfortable allocation.

Don Kaufman is co-founder of TheoTrade www.TheoTrade.com

Hear Don Kaufman's Presentation What Really Drives Markets

Feb. 27 • 1:25 pm – 1:55 pm

www.**NewYorkTradersEXPO**.com

» TradersEXPO℠ «

NEW YORK

FEBRUARY 25–27, 2018

MARRIOTT MARQUIS TIMES SQUARE

ATTEND FREE AND RECEIVE

» KNOWLEDGE:

Over 100 of the country's top traders and trading educators will share their wisdom and experience with you. You'll be exposed to new ways of looking at the markets you may not have considered or discover new ways to read charts or find new indicators for trading, or best of all learn about new products to trade.

» DIALOGUE:

There are several interactive events available such as panel discussions and Q&A opportunities with renowned market experts that could help you become a more consistently profitable trader. In these sessions, you'll have the chance to "pick the brains" of these wizard-caliber traders and ask them your own questions.

» EDUCATION:

Attend three days of in-depth, classroom training sessions by trading masters designed to enhance your trading skills. Over 50 hours of focused, non-commercial classroom training sessions dedicated to helping you unleash the power of current trading tools and improving your own trading skills and strategies are available—FREE.

» TRAINING:

See over 100 of the latest products and services in the Interactive Exhibit Hall, technological developments and innovations that can make your trading both more profitable and efficient.

REGISTER FREE www.NewYorkTradersEXPO.com or call 800-970-4355!