In this week’s Optioneering Newsletter we are going to start by reviewing the recent price performance of the S&P 500 Index and then look at several new profit opportunities.

The long-term trend is up and the bulls currently have the momentum. With the trend and momentum in sync, we will review four bullish trades this week.
The first profit opportunity we will review this week is a stock purchase in MDLZ, or Mondelez International, Inc. MDLZ is a food and beverage company. Mondelez manufactures and markets packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. The MDLZ brands include Oreo, Nabisco and LU biscuits; Milka and Cadbury chocolates; Trident gum; Jacobs and Maxwell House coffees; Philadelphia cream cheeses; Kraft cheeses, dinners and dressings; Oscar Mayer meats, and Tang powdered beverage.

The monthly chart shows that MDLZ has been in a strong bull trend since 2009. Earlier this year MDLZ posted an upside breakout from a 3-year sideways trading range. A breakout like that can result in a significant advance.
The daily chart shows that the MDLZ stock price has been rising steadily since the December low. The recent period of sideways trading gives us a buying opportunity.

We recommend buying MDLZ stock at current price levels. The dividend yield for MDLZ is 2.95%.
The next profit opportunity we will review this week is an Option Purchase in ETR, or Entergy Corporation. Entergy Corporation is a Fortune 500 integrated energy company engaged primarily in electric power production and retail distribution operations in the Deep South of the United States.

The monthly chart shows that ETR has been in an overall bull trend since the chart started in 2015.
The daily chart shows that ETR has been in a steady uptrend since the December low. There are no signs of a peak in the move up.

We are going to review a call option purchase for ETR.

We will first look at selecting a call option strike for purchasing a ETR call option. ETR is currently trading at 104.34. Let's look at buying the August 16th 95 strike call. August 16th options have 40 days to expiration. We will analyze this option using the Optioneering Call Option Purchase Calculator.

The Call Option Purchase Calculator will calculate the profit potential for a call option purchase trade based on the price change in the underlying stock/ETF at option expiration. In this example the price changes the calculator shows will be from a 12.5% increase in the stock price to remaining flat at expiration.
We developed what we call the 1% Rule to help us select an option strike price. The 1% rule says to limit the time value portion of the option to less than 1% of the stock or ETF price.

If you limit the time value portion of an option to 1%, the stock price only must move up 1% for the option to breakeven and start profiting.

The calculator will also calculate the time value portion of an option. With this option purchase, the time value is 0.26 points (boxed in red). The time value of 0.26 is less than 1% of the 104.34 stock price, so this strike price qualifies under the 1% Rule.

### Buy to Open the ETR August 16 95–Strike Call

<table>
<thead>
<tr>
<th>Stock Symbol</th>
<th>Current Stock Price</th>
<th>Option Strike</th>
<th>Option Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETR</td>
<td>104.34</td>
<td>95</td>
<td>9.60</td>
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</table>

#### Time Value

<table>
<thead>
<tr>
<th>% Change</th>
<th>Stock Price</th>
<th>Option Value</th>
<th>Profit/Loss</th>
<th>% Profit/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0%</td>
<td>$104.34</td>
<td>$9.34</td>
<td>$-0.26</td>
<td>-2.7%</td>
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<tr>
<td>1.0%</td>
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<td>2.5%</td>
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<td>$11.95</td>
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<tr>
<td>7.5%</td>
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<tr>
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<td>12.5%</td>
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<td>$22.38</td>
<td>$12.75</td>
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</tr>
</tbody>
</table>

The second row from bottom of the calculator lists the dollar profit potential. The bottom row lists the percent return profit potential. We can see that if the ETR stock price increases by 1% (boxed in green) at option expiration, an 8.2% profit will be realized. This confirms the 1% Rule of profiting with only a 1% increase in the stock price.
Buy to Open the ETR August 16 95–Strike Call

There is no limit on the profit potential of call option purchases if the underlying stock continues to increase in price. If the ETR stock price increases by 10% between now and option expiration, the Call Option Purchase Calculator shows that the 95-Strike Call will realize a 106% or $1017 profit (boxed in green).

On the other hand, if ETR is flat at 104.34 at option expiration, the 95-Strike Call will only lose -2.7% or -$26. If we bought an at the money or out of the money option and the stock price was flat at option expiration it could result in a 100% loss.

Remember, if you purchase an at the money or out of the money strike call option and the underlying stock/ETF is flat or down at option expiration, it could result in a 100% loss for your option trade!

Using the 1% Rule to select an option strike price will increase your percentage of winning trades compared to trading at the money or out of the money strike calls. This higher accuracy can make you a more successful trader.

We recommend buying the ETR August 16 expiration 95-Strike Call at current prices.
The next profit opportunity we will review is in ROKU, or Roku, Inc. Roku is the company that pioneered streaming for the TV.

ROKU Weekly Chart

We’re looking at a weekly chart for ROKU instead of a monthly chart because ROKU just started trading in late 2017. The weekly chart shows that ROKU has been going almost straight up since the December low.
The daily chart for ROKU gives us a clearer picture of the strong bull move since the December low. Last week’s bullish trading is a sign that the pullback from last month’s high is over and the uptrend is resuming.

We are going to review a call option debit spread for ROKU.

Traders who want to use a more leveraged approach can buy ROKU calls.
We can see from this call option spread analysis that if the ROKU stock price declines by -2.5%, stays where it is, or increases in price when the options expire, the spread will make 51.5% or $510. If ROKU is down -5% when the options expire, the profit will be 33.4% or $330. If ROKU is down -7.5% when the options expire, we will make an 8.6% or $85 profit.
The last profit opportunity we will consider this week is in TREE, or LendingTree, Inc. LendingTree is an online lending exchange that connects consumers with multiple lenders, banks, and credit partners who compete for business.

The monthly chart shows that TREE has been in a strong bull trend since last year's low.
The daily chart shows that the TREE stock price has been moving steadily higher since the December low. The little pullback from this month’s high gives us a new buying opportunity.

We are going to review a Call Debit Spread trade for TREE.

Traders who want a more leveraged approach can buy TREE calls.
Buy to Open TREE August 16 360-Strike Call
Sell to Open NOW August 16 390-Strike Call

We can see from this call option spread analysis that if the TREE stock price declines by -5%, stays where it is, or increases in price when the options expire, the spread will make a 38.2% or $830 profit. If TREE is down -7.5% when the options expire, the profit potential is 11.3% or $245 profit.

Newsletter Summary

This week we recommended the following:

Buy MDLZ Stock
Buy to Open the ETR August 16 95-Strike Call
Buy to Open ROKU August 16 80-Strike Call
Sell to Open ROKU August 16 95 Strike Call
Buy to Open TREE August 16 360-Strike Call
Sell to Open TREE August 16 390-Strike Call
Regarding Earnings Season: Most major stocks issue earnings reports during earnings season. There are four earnings seasons a year. The seasons begin in January, April, July, and October and they each last about two months. The reports can make an impact on the stock price. We don’t know if the impact is going to be positive or negative (or nothing at all). It’s up to you to decide if you want to be in a trade when the earnings report is announced. Here’s a link that can help you keep track of the report dates:

https://www.earningswhispers.com/calendar

Note: Profit performance displayed in this newsletter does not include commission costs.

This newsletter includes some trading ideas following Chuck Hughes’ trading strategies along with educational information. For a listing of Chuck’s trades, including specific entries and exits, email alerts and real time Portfolio Tracking, please call Brad at 1- 866-661-5664 or 310-647-5664 for special pricing for subscribers of this newsletter. For a limited time, we are offering a $3,000 Scholarship to join Chuck’s Inner Circle Trading Service to newsletter subscribers. Use the code NEWSLETTER to obtain this special pricing.

Thank you for reading! Come back next week for new profit opportunities!