OptionSellers.com A Smarter Way of Investing

AUGUST 2017

The OptionSeller Newsletter

OPTION WRITING NEWS & INSIGHTS FOR HIGH NET WORTH INVESTORS

THE BIG PICTURE

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5 Ways to Protect Your Wealth from a Black Swan Event

By: James Cordier

The fear of financial "bombshells" can rob a high net worth investor from a good night's rest. Here is how YOU can sleep tight.

If you're a stock investor, these are the best of times. The market seems unstoppable. As the S&P spikes to ever higher peaks, media types tout the "sustainable" nature of the rally. A "healthy" trend based on strong earnings, they tell us.

Maybe so.

There is, of course, no reason to believe that stocks will come crashing down anytime soon. But if you have any significant portion of your wealth parked in stocks – you know the risk (at least if you've been in the market for 10 years or more.)

A bomb could go off at any time.
Whether that be a political bomb, an economic bomb or a literal bomb, it could bring fast and furious liquidation to stock assets.

The good news is, there are several pro-active steps you can take to clip its wings, should it fly into your pond.

In the markets, such a bomb is called a "Black Swan," famously coined in Nassim Nicholas Taleb's book featuring the term in its title.

For instance, 9/11 was a Black Swan. The 2008 financial crisis was a Black Swan (even though it happened in slow motion.) Sometimes, overvalued markets can simply collapse for no real reason at all, a cycle of selling that breeds panic, thus feeding on itself. A "reason" is usually assigned later.

One never knows around which corner the swan lurks – often appearing at the most unexpected times. And even if you remain confident in today's market bull, the thought of the dreaded bird is enough to cause a high net worth investor to sleep with one eye open – especially at today's dizzying stock valuations.

Sleep at Night Investing

One of the top things I hear when meeting a new client for the first time is "I like your philosophy of "sleep at night" investing."

While I cannot claim to have coined the term, I certainly do subscribe to the philosophy.

In the seemingly unstoppable bull market in stocks, I choose not to participate. I long ago gave up trying to predict what stocks will do – let alone the "when's" and "why's" of it. To me, trading stocks is more about trying to guess the mood of the general public, rather than applying precise measurements that give me some idea of "fair value."

Buffet may disagree. But Buffet also said invest in what you know. What I always knew was **silver, oil, coffee** and **corn.**

In my opinion, at least those products make sense. There is a **supply**. There is a **demand.** There are seasonal tendencies for prices to move a certain way. These things can be measured.

Will these things always tell you what prices are going to do? Of course *not*. But they can help you garner a pretty good idea of what they're not going to do.

As an option seller, that's most often good enough.

If you want to sleep at night, my first suggestion is to follow Buffet's advice and invest in what you know – **or** – follow

(Continued on Page 2)

401 East Jackson Street, Suite 2310, Tampa, FL 33602.
US:800.346.1949, Intl:813.472.5760

Kiyosaki's advice and invest with somebody who knows it.

But that doesn't address the black swan. Even in commodities, where individual markets can be less or even uncorrelated to equities – or events shaping the direction of equities – a black swan can still happen. In my 33 years of trading commodities and options, I've seen the swan rear its ugly head.

The bad news is, you can never completely eliminate the possibility that you might see one – regardless of your asset class. The good news is, there are several pro-active steps you can take to clip its wings, should it fly into your pond. Below are the **5 safeguards** I've found to be most effective in protecting your investment capital from this most unwelcome fowl.

5 Ways to Protect Your Wealth from a Black Swan Event

1. Diversify – Both in Asset Class AND in Strategy: If you have accumulated any amount of wealth at all, you already know the value of diversification. Yet too few investors, even high net worth investors, are properly diversified. How many asset classes is your wealth spread across? If you answer "tech stocks, oil stocks, healthcare stocks and consumer staples stocks", guess what? You may have a diversified stock portfolio. But it's ALL still in stocks. A Black Swan event could sink the entire index, taking your money with it. Consider **alternative asset classes** such as **precious metals, real estate, collectables** and of course, **commodities.**

But diversification of asset class is not enough. A Black Swan event can be something that effects the entire economy – even the global economy. Simply "buying" other assets may not be enough. **In 2008, the value of everything went down. True diversification also means diversification of *strategy*.** It means

Individual commodities markets can be less, or even uncorrelated to the events shaping stock prices.

investing in strategies that can potentially profit from up, down or sideways markets. For instance, you may have had **oil and gas holdings** in 2008. The values of these holdings collapsed along with everything else when the financial crisis hit. Yet, had you been **short crude oil calls,** it would have been a profitable time indeed – and losses on stock or real estate holdings could have been at least partially offset by holdings in this alternative strategy.

If you want to learn more about these two concepts, I recommend watching Michael Gross's excellent video on the topic at www.OptionSellers.com/Diversify.

Option credit spreads are about as close to "swan-proof" as you can get.

2. Sell Options Out of the Money – Deep Out of the Money: Think you're covered because you have an equity option selling portfolio? Think again. **A black swan event can gut even a properly managed equity option portfolio**. One of the main reasons for this is that stock options must be sold painfully close to the money to collect any kind of premium. Commodities have leverage, yes. But that leverage allows you to sell options at strikes deep, deep out of the money. That means selling 30, 50 even 100% out of the money in some cases. This can allow you both time and space to maneuver should a black swan event occur – a luxury not afforded to the stock option seller. If you want to be prepared for a black swan, use this advantage to sell **deep out of the money options.**

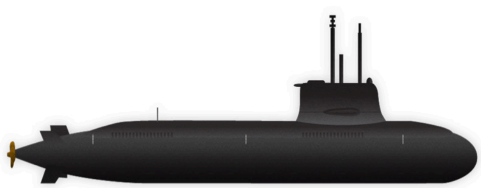
How to sell deep out of the money options is a main topic covered in our free publication The Option Selling Solution, available at www.OptionSellers.com/Solution.

3.Consider Credit Spreads: Option credit spreads are about as close to "swan-proof" as you can get. You can still take a loss, of course. But credit spreads give you a pre-defined, absolutely limited loss potential on your short option position. There are dozens of different option credit spreads to choose from. However, we highlight the top few strategies that are most practical for the individual investors in our book, *The Complete Guide to Option Selling, 3rd Edition* (www.OptionSellers.com/book.)

4. Exit First – Ask Questions Later: Option Selling can be a forgiving strategy, even in the worst of times. That doesn't mean the swan can't hurt you if it pierces the option selling veil. Fast moving markets can bring losses – even to the most prepared option seller. **But selling options at 30-100% out of the money means that your position will rarely go in the money as a result of a 1 or 2 day move.** The 2008 financial crisis took months to play out, and slowly dragged those who "held on" down with the ship. Had they exited when the iceberg was first struck, damage would have been minimal. There may be virtue in holding stocks for the "long term." But it's not a virtue for option writers. If there is an "event" in your market and your underlying contract is reacting, stick to your pre-defined risk parameters and exit when triggered. For instance, if your option has doubled in premium at the point from which you sold it, there is something going on in that market you did not anticipate. Prudence means exiting first and then reassessing with a clear head. You can always re-enter the position later and maybe even take a higher premium. This concept of premium based risk management is covered in our e-seminar at www.OptionSellers.com/Risk.

Black Swans don't necessarily happen over night. Selling deep out of the money strikes gives you time to exit, even when they do.

5. Small Positions/Many Markets/ Large Cash Cushion: As you know, I did not invent the concepts of black swans or asset diversification. I DID invent the concept of the Submarine method of risk management in an option selling portfolio. The Submarine method means holding a large net cash position (up to 50% or more) with the remaining capital allocated to **small positions spread across many uncorrelated markets**. Hard to do in stocks. Easier in commodities. The price of silver has little to do with the price of natural gas, which has little to do with the price of coffee. This concept was invented to address the possibility of black swans. For instance, an event that causes panic selling in stocks may be bullish for gold, but bearish for oil. How will it affect sugar prices? Will it help our hurt soybeans? It's hard to say. The point is, by having small positions, a healthy mix of puts and calls in a variety of markets, and a large cash cushion – a black swan's effect on the portfolio is theoretically minimized. If it does have an outsized effect on one or two markets, the small position size means they can be relatively contained.



The submarine portfolio model: An effective counter-measure to the black swan.

The cash cushion absorbs any subsequent increases in margin requirement. **In short, a submarine is designed so that a single hit (ie: a black swan) won't sink the whole portfolio.** (The "submarine" structure was named after the individual sealed compartments of a nuclear submarine – each capable of being sealed off from the rest of the ship.) To learn more about the submarine portfolio structure in option selling, watch our video at www.OptionSellers.com/submarine.

As mentioned earlier, there is no way to 100% bulletproof your portfolio, short of going to all cash, from a black swan.

However, if you practice the concepts discussed here, you'll have effectively taken substantial and proven measures to mitigate, if not counter the effects of the dreaded bird – and target a solid return even if she never appears.

It's what I call sleep at night investing.

Here's to sleeping tight.

Have a great month of premium collection!

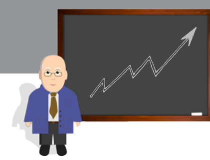
-James

MONEY IN$IGHTS

"If investing is entertaining, if you're having fun, you're probably not making any money. Good investing is boring."

— George Soros

James Cordier *is founder and head trader at OptionSellers.com where he manages option writing portfolios for high net worth investors. With over 30 years of option trading experience, James has co-authored* ***McGraw-Hill's The Complete Guide to Option Selling*** *1st , 2nd and 3rd Editions. He is a featured guest analyst on* ***CNBC, Bloomberg TV*** *and* ***Fox Business****. His market commentary has been featured by* ***The Wall Street Journal, Forbes, MarketWatch*** *and* ***Barron's Weekly.***



Option Selling with Limited Risk

Discover Peace of Mind and Potentially Higher ROI with the Vertical Credit Spread

By: Michael Gross, OptionSellers.com

Unlike novices, professional traders often design their trading model with risk management as their number one priority. Professionals know that capital preservation is the first objective of any trading plan and generally build the rest of the model around it. Novice traders often get caught up in the favorable success percentages or profit potentials of selling options and may consider risk management as a secondary matter.

If you want to trade your portfolio like a professional option seller, consider the **vertical credit spread** as one of the first tools in your arsenal.

The Vertical Credit Spread Defined

While naked option selling has its place, credit spreads (also known as "covered" options) are powerful option strategies that can help build equity while curbing risk and smoothing out the equity curve of the overall portfolio.

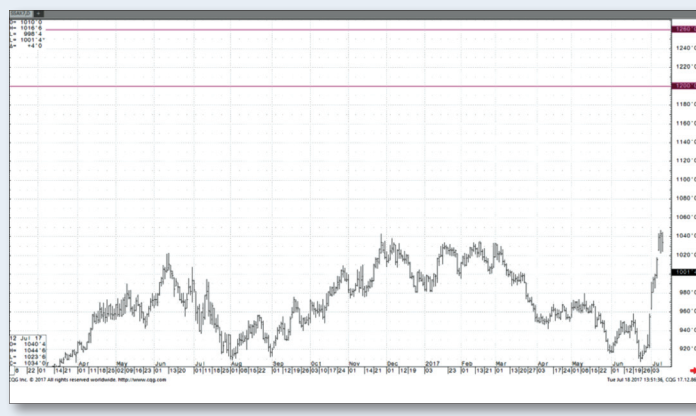
As we teach in *The Complete Guide to Option Selling*, the best option strategies are most often the simplest. And there is no more simple or basic credit spread than the vertical option credit spread.

A vertical spread simply refers to options of the same contract and same month, but placed in the vertical order of strikes. For instance, a typical vertical call spread is selling a call above the market and then taking part of the collected premium and buying a more distant call in the same market. This puts an upside cap on potential losses and can make for a more "stable" trade. If both options expire worthless, the trader keeps the difference in the premiums of the two (known as the "credit").

A vertical credit spread written with calls is called a Bear Call Spread (because the trader is bearish the underlying). A vertical credit spread written with puts is called a Bull Put Spread (because the trader is bullish the underlying).

An example of a vertical credit spread follows:

Example: Vertical Call Credit Spread (Bear Call Spread) in March Soybeans



Bear Call Spread in Soybeans: Selling the 12.00 call and Buying the 12.60 call.

Scenario: With the July 2017 Rally in Soybeans, Trader Mark wishes to capitalize on the higher call option premiums without having to pick a top in the market. While Mark knows not when the rally will end, he feels it unlikely that prices will reach the 12.00 level. However, he wants to cover his downside, just in case. He elects to sell a March Soybean 12.00/12.60 bear call spread.

Trade: Mark **sells** **a March 12.00 soybean call option and collects a premium of $1100**. He then takes part of the collected premium and **buys** a **March 12.60 call option for $500.** The net credit of $600 ($1100-$500) would be his **profit** if the options expire with March Soybeans **anywhere below 12.00** per bushel at the Chicago Board of Trade. This is Mark's desired outcome.

Profit Potential: $600 net credit per spread (minus any applicable fees). Note: Mark could increase his profit potential by selling off his protective call early – a subject for another lesson).

Estimated Margin Requirement: $1,400

(Continued on Page 4)

Estimated Net ROI: $600/$1400 = 42.8%

Risk: The maximum loss on this trade would be $2,400. That is, the dollar difference between the two strikes **(.60 cents x 5000 bushel contract =$3000 - $600 (net credit collected) = $2,400.)** This maximum loss would only be realized if March Soybean futures were **above 12.60** at option expiration. The profits from the purchase of the 12.60 call would cover any losses above that level. While it does provide limited risk, one would not necessarily have to hold this spread to its maximum loss capacity (nor would any reasonable trader want to). The spread can be bought back at any time prior to expiration. Recommended risk on this trade would be to double credit ($600 loss).

If Mark was bullish soybeans, he could have utilized this same strategy using **put options**. Thus a bull put spread.

Benefits to Writing the Vertical Credit Spread

1. Peace of Mind

It allows a trader to know his maximum potential loss prior to entering the trade. This brings manageable risk control as well as peace of mind.

2. Staying Power

The vertical credit spread allows a trader tremendous staying power in the market. For instance, in the previous example, if March soybeans began rapidly increasing in price and began to approach the 12.00 price level, chances are the 12.00 call would begin increasing rapidly in value. If one were naked a put at this strike price, odds are good that one of the risk parameters for exiting naked options would be triggered. However, with the covered position, the 12.60 call would be increasing in value almost as rapidly as the 12.00 call. Therefore, profits from the long 12.60 call are making up much of the loss on the 12.00 call. For this reason, in most cases, a trader can hold the options in adverse market conditions, up until the time the underlying contract approaches or even slightly exceeds the short strike and still exit the position at that time with a controlled or even minimal loss.

3. High ROI

The third and possibly most enticing benefit of writing bull put (or bear call) spreads is the **attractive margin treatment it gets from the exchanges.** By writing this kind of spread, you may initially believe you are sacrificing premium or somehow accepting less in order to "buy protection." Yet, by buying the protective put, the trader converts his position from one of "unlimited" risk to finite risk. Therefore, the exchange lowers the margin substantially for these types of positions. If you would have entered the call spread illustrated above at the premiums listed, the margin on the spread was approximately **$1,400.** That's a **42.8%** return on capital in about 6 months. That doesn't sound like a sacrifice to me.

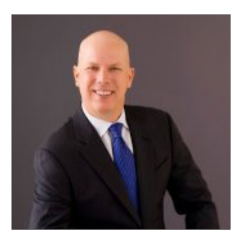
Conclusion

The vertical spread, like any strategy, has its drawbacks. The vertical's primary disadvantage is that it most often must be held through or close to expiration before full profit can be realized. In addition, spreads between options can vary based on volatility, meaning that this kind of credit spread is not always a practical alternative. Another factor a trader may want to consider is that a bear call or bull put spread must often be sold **slightly closer to the money** than a naked option in order to collect a similar premium.

However, on the whole, a vertical credit spread can be a superior method of collecting premium, especially in volatile markets.

While selling naked can be advantageous in some circumstances, credit spreads offer an alternative tool an investor can use to build a solid, risk conscious portfolio that will enable him to **take advantage of the high percentage of options that expire worthless each and every month.**

Michael Gross is co-author of McGraw Hill's *The Complete Guide to Option Selling 3rd Edition*. He serves as Director of Research at OptionSellers.com with published works on options trading featured by ***Forbes, Businessweek*** and ***Yahoo Finance.***



The Problem with Wheat

Traders and Farm Reporters are Frothing at the Mouth over the Dry Weather in the Northern Plains. As usual, they're missing the bigger picture. Here is how to capitalize.

By: James Cordier

Some decades ago, as I began my career as a "wet behind the ears" neophyte trader, I got ravenously excited about buying wheat on a weather scare. Daily news stories flashed across my screen. The crop was in "danger." Reports were flowing in that we could "run out of wheat." Wheat prices seemed to climb higher each day.

"We'll make a fortune," I thought as we took long positions heartily and happily.

Somewhere around this time, I found myself sharing this brilliant strategy with an older fellow that worked in my office at the time. He didn't trade accounts anymore and spent his time in the back office. But he'd seen his share of commodities trading. He listened politely, shook his head and said "You know the problem with wheat?"

"No." I stated flatly.

"It's a weed," he quipped. "It grows anywhere."

And so he was right. While US production was indeed cut that year, Russia and Australia picked up the slack with bumper crops. The rally couldn't hold. Prices came back down.

And so as news reporters and commodities brokers in the heartland froth at the mouth over the latest bout of dry weather in the Dakotas, I look back on this nugget of wisdom from decades past.

It *is* a weed. Wheat is one of the only commodities that is grown on 6 continents. We've been eating it for 5,000 years.

It's heartier than its more persnickety cousins, soybeans and corn. It is less picky when it comes to its growing environment. If you have dirt and sun, you can grow wheat. This is especially true given the new "drought resistant" and "pest resistant" varieties now provided by modern science.

Does that mean we can't see crop loss? No. Does that mean wheat can't have an historic rally in prices? No. The price of wheat will at the end of the day, like any commodity, be determined by its own supply and demand. But it does mean that most of the time, weather scares are overplayed – as shortages in one place can often be made up by surging production in another. When you live in the heartland, it's easy to forget that the world wheat crop extends out further than the fields you can see to your north, south, east and west.

I say this not as a cut to my trading brethren in Chicago or Milwaukee. I say it as a trader formerly living in Chicago and Milwaukee.

Weather scares are almost always local. Taking a global view can give you an advantage – especially if you sell options. This month's Premium Sniper will explore such an opportunity in wheat.

Local vs. Global Fundamentals

Make no mistake, the US Spring Wheat crop ran into some trouble this year

Those are the headline numbers and they are for real.

But to figure out what that means for long term price, you have to take those numbers in context.

Consider first that while the issue for US **Spring Wheat cannot be discounted, Spring Wheat accounts for only about ¼ of overall US wheat production** (the remainder being the higher volume, albeit lower quality winter wheat.)

Therefore, while the USDA cut Spring Wheat yields from **47.2 bushels per acre down to 40.3 bushels per acre in its July report,** its net effect on overall US wheat yield was a mere **1.1 bushel per acre.**

Consider also that the **USDA pegged winter wheat production estimates at 1.279 million bushels** – above the average estimate of 1.256 million bushels. Combined with a decrease in exports of **25 million bushel,** the net effect of the July USDA supply/demand report was **<u>2017/18 ending stocks actually increasing to 938 million bushels, up 14 million bushel over last month</u>** and substantially over average estimates. 2017/18 **stocks to usage also increased by 1.5%** - a considerable margin given the handwringing over supply.

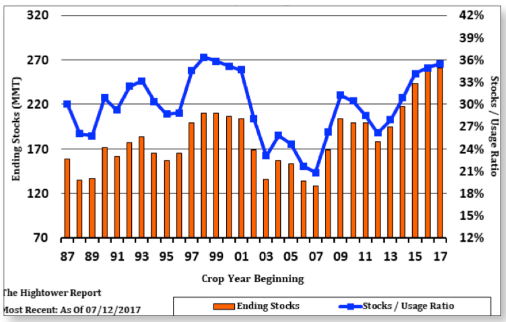
To widen the picture more, let's go to global supply. **2017/18 Global Ending Stocks and Stocks to Usage for wheat will hit an all time record.** Why? Largely the result of large carry over stocks from last year, combined with bumper crops in top producers such as Russia and China.

(To learn more about the importance of ending stocks and stocks to usage figures on agricultural prices, be sure to watch our feature video on the subject at www.OptionSellers.com/agriculture.)

(CONTINUED FROM PAGE 5)

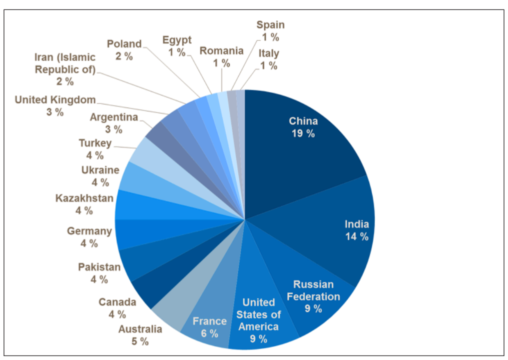
In the global picture, the US is a small piece of the pie. While it remains the second largest exporter, **the US accounts for just over 9% of total global wheat production.**

World Wheat - Ending Stocks vs Stocks/Usage Ratio



No shortage here: World wheat ending stocks and stocks to usage will both hit a new record high for the 2017/18 crop year.

World Wheat Production by Country



The US accounts for only about 9% of global wheat.

The takeaway is this. **It is likely that the last USDA report reflected the lion's share of damage to the 2017/18 US Spring Wheat crop.** By the time you read this, the US "crop tour" will have taken place, likely clarifying the picture further. Could the USDA lower yields again in their August report? Of course they could. Could we see another leg up in prices in the wheat market before then? Of course we could. That is the nature of weather markets.

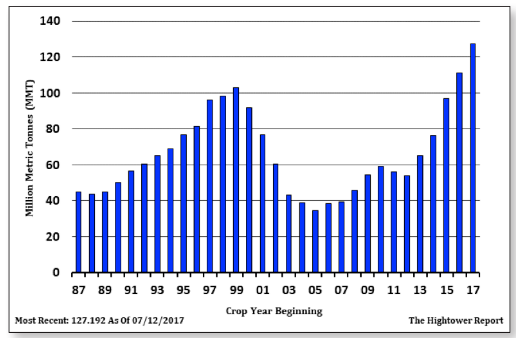
But **weather markets tend to price worst case scenarios first and adjust to reality later.** Thus, the pullback off the USDA report in July.

It is likely that the last USDA report accounted for the lion's share of damage to the 2017/18 US Spring Wheat crop.

Given the large overhanging global supply of wheat, we don't see another 5 bushel cut to US Spring wheat yields (resulting in a roughly 1 bushel cut to overall yields – as the bulls are currently predicting) bringing in the next wild bull market in wheat. **Prices would likely adjust above July highs on such an event, yes. But global supply would almost certainly cap the gains** and would likely hinder prices in the fall when US producers have to take their crop and sell it on the world market.

And that all assumes it doesn't (or hasn't) started raining in the Dakotas – which would without a doubt, improve yields.

China Wheat - Ending Stocks



Global wheat stocks will hit a record in 2018, primarily because of bumper crops in top producers such as China.

The Seasonal

Regardless of weather, supply, or crop estimates, **seasonal tendencies should *never* be underestimated.**

And wheat bulls have another strike against them with the seasonal tendency. As the following chart illustrates, **wheat prices have historically began to decline into the fall harvest, when supplies will be at their highest levels,** and US producers will have to compete with global competitors to sell their wheat (as previously discussed.)

March Wheat (CBOT)-5Year Seasonal (13-17)

Wheat prices have historically begun to decline into the fall harvest.

Conclusion and Strategy

While trading media and commodities types are ablaze with speculation over the 2017/18 US Spring Wheat crop, it is likely the market has already priced in the lion's share of yield reductions. From June 1 – July 5, the wheat market rallied over 31%. After a rally is typically the time you want to take advantage of the high volatility in deep out of the money options – placed well above current highs.

(Continued on Page 8)

CLIENT FOCUS

A PERIODIC FEATURE BRINGING YOU INSIGHTS AND OPINIONS FROM OPTIONSELLERS.COM CLIENTS

Mr. and Mrs. Agnello

Name: Jim Agnello

Residence: **Novi, MI**

Business/Occupation: **Plumbing Wholesale**

OptionSellers.com Client Since: **2015**

"...It was like getting a big dividend every month from the market. It reduced my stress level and it allowed me more free time."

1. What is your general philosophy on Investing?

I'm a short-term cash investor, meaning I love selling options. *My whole portfolio has been geared to doing covered, naked, spreads, strangles and iron condor options. Not being able to buy and sell stocks profitably opened my eyes to new ideas. That's when I learned about options. Learning to sell options was a great way to get cash out of the market with less risk. The odds are in your favor by 80%.*

2. What is your Current outlook on the Markets?

I think the current short term outlook is stable*. That being said, I really don't think of the markets as good or bad...it is just what it is. As an option seller, I tend to think only about 120 days out.*

3. What is your outlook on the Economy at present?

As a supplier of plumbing in the Detroit area, things are great. *There is a lot of construction going on everywhere. It's been a long time since that has been the case here in Detroit. I believe the economy will be good for at least another 2 years.*

4. How and Why did you Start Selling Options?

Buying stocks was not hard but selling stocks at the right time was. *I could never figure out the timing. So about 20 years ago, I came across selling call options and a light bulb went off. I didn't have to own stocks to make money. It was like getting a big dividend every month from the market. It reduced my stress level and it allowed me more free time.*

5. If you could give some advice to a New Option Seller, what would it be?

Start slow and read a lot of different books. *My favorite option book is Option Profits, The Naked Truth. Get comfortable with the different option strategies and find what you like doing. Make sure the strategies you pick, match your goals and risk tolerances. It's important to sleep at night!!*

6. Additional Comments

James and Michael's book opened up the world of selling options on commodities. *I became an OptionSellers.com client because it enabled me to continue to diversify my portfolio and still adhere to my investing philosophy with professional help.*

(Wheat: Continued from Page 7)

Remember, as an option seller, you don't have to pick the top in prices (a futile pursuit.) You only have to pick <u>where prices won't go</u> based on current supply and demand.

Global Wheat Ending stocks and stocks to usage will hit a record high in 2017/18.

While another leg up is still possible, we believe it would be short lived for the previously mentioned reasons.

Of course, all of that will not stop the wheat bulls from talking up the next weather report or crop condition survey. If you see prices screaming again, get ready to sell calls.

OptionSellers.com will be watching wheat prices closely for opportunities for positioning our clients in a variety of strikes and balanced strategies.

For self-directed traders, the Sniper suggests considering selling **March wheat 7.00 calls** on an August weather rally or a surprise in the USDA report. Weather and/or volatility could push premiums in this option to **$400-$500 +**.

Another round of buying would also open up vertical credit spreads in this market (discussed on page 5.)

Rain, of course, will almost certainly bring about lower wheat prices.

It is, after all, a weed.

To learn more about managed option selling accounts with James Cordier and OptionSellers.com, visit <u>www.OptionSellers.com/Discovery</u> for a Free Information Package.

**Fundamental charts courtesy of The Hightower Report*
***Seasonal charts courtesy of MRCI.com*
**** Pie chart courtesy of FAOSTATS 2011*

MONEY IN$IGHTS

"Money is like manure. You have to spread it around or it smells."

— J. Paul Getty

Option Selling Q&A

WITH JAMES CORDIER

YOU'VE GOT QUESTIONS. WE'VE GOT ANSWERS.

Q: Dear James,

I watched with great interest your video show where you discussed selling a strangle in gold. I thought your assessment was spot on. However, when I went to check the strikes you recommended, I found the premiums nowhere near the levels you discussed. The 950 put and the 1800 calls were both below the levels you mentioned. Am I missing something? I can't even see how there is a market for these.

Thanks,
David Merkel
Alexandria, VA

A: *Dear David,*

Thank you for your question and I'm glad you asked. This is a question I get occasionally and this will be a good venue in which to address it.

The answer is, yes you are missing something. This is not an advisory service were people come to get the next trade recommendation. When you hear us talk about selling the 1800 calls or the 950 puts, I am talking about examples and I'm addressing trades we may have done 2,3, 6 months ago. The premiums and deltas are unlikely to be the same now. I'm giving viewers examples of things to look for, and of how to position when it happens. We're not here to give away the trades we're currently doing in accounts. That is what our clients pay us for.

What we WILL do is give examples of past trades, how we've positioned and how we may position in the future should certain circumstances play out. These videos are meant to be educational, so that an investor can take the knowledge discussed and decide if this is an investment they want to make – or - apply it in their own way. It's not meant to give away specific trade recommendations you can do right now (although we come pretty close to that in our bi-monthly market articles).

Secondly, there must be a market in the options discussed because we sell them by the hundreds, if not thousands. As we addressed in the latter part of the video, sometimes it's easier to sell 1,000 than it is to sell 2-3. As our floor trader guest explained, there are times where what is showing on the screen is not necessarily what is possible on the floor.

In our privately managed accounts, we may sell a series of months and strikes that are layered over time. You can

(Continued on Page 10)

NEWS AND REVIEWS

Best City to Start a Business

Are taxes killing you in California or New York City? Consider moving your business to a friendlier business climate. A recent CNBC survey ranked the top 15 US cities in which to start a business. The top pick? **Oklahoma City.** The survey cited low cost of living, low energy costs and reasonable state and local taxes as top reasons for the choice. Rounding out the top 3 were Salt Lake City, UT and Charlotte, NC.

Source: CNBC.com

A Real Alternative Investment

Looking for a real alternative investment? How about OJ Simpson's white Ford Bronco? TMZ reports Mike Gilbert, who once served as Simpson's agent, was willing to sell the Bronco if he received an offer in the **"$750K to $1 million range."** Gilbert is reportedly willing to sell the vehicle to anyone but one person: OJ himself.

Source: Fox Business

Highest Paid Athletes

Think highest paid athletes and you probably think NFL, Major League Baseball, or at least the US. But you'd be wrong – at least partially. In Forbes list of the 50 highest paid athletes in the world – **2 of the top 3 were in soccer.** #1 on the list was Cristiano Ronaldo, a soccer player from Portugal with annual earnings of $93 million. #3 was another soccer player, Lionel Messi of Argentina at $80 million. But the US wasn't out of the mix entirely. LeBron James clocked in at #2 with his **$86.2 million annual income.**

Source: Forbes

Option Selling Q&A

(CONTINUED FROM PAGE 9)

sell closer than the strikes discussed. You can sell different months. If you liked the book, you can often "read between the lines" of what we're discussing on the videos.

I am not being dismissive and am glad you asked the question. I hope that helps clarify a bit.

Thank you and good luck in your trading!

Regards,
James

Q: Dear James,

…I watched the last video on Inter-commodity strangles and had a question. When you sell the strangle with put and call in different markets, do you still get a break on the margin requirement (like in a traditional strangle?) – or do you pay the individual margin requirement for the put and the call?

Thank you for your and Michael's excellent videos!

Sincerely,
Martin Brinkle
Marietta, GA

A: *Dear Martin,*

Thank you for your letter and excellent question. Typically, an inter-commodity strangle will require paying individual margin requirement for each side. However, the exchanges do grant a break for related "products" of the same commodity. For instance, you'd get a margin break on writing a soybean meal vs. soybean oil option strangle. The same holds true for energy products such as heating oil vs. reformulated gasoline.

I hope that helps.

Regards,
James

HAVE A QUESTION FOR JAMES CORDIER?

Send yours to office@OptionSellers.com. Be sure to include your name, city and state. You'll get an answer either way – and a lucky few will even appear in the Option Seller (with permission of course.)

ANNOUNCEMENTS

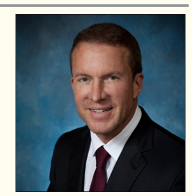
ACCOUNT WAITING LIST UPDATE

The waiting list for new accounts with James Cordier and OptionSellers.com currently extends through September. Please note that new accounts in 2017 are granted by **invitation only** and require an application and interview process. To be considered for a remaining September opening, you may call our offices to request an interview application and **schedule a pre-qualification interview for remaining openings. Note:** You must possess at least a **$2 Million** net worth to be considered for James Cordier's private client group. Recommended account size is **US $1MM.** To request an interview application, contact Rosemary Veasey at **800-346-1949** (813-472-5760 from outside the US). Email inquiries can be sent to Office@OptionSellers.com.

OptionSellers.com Corroborates with CNBC

OptionSellers.com was proud to collaborate with CNBC's Jeff Daniels on his July 7th article on the Wheat rally. Jeff is a great reporter and James was happy to contribute his insights for the piece. Thank you Jeff and friends and CNBC!

Reuters World News features Cordier in July



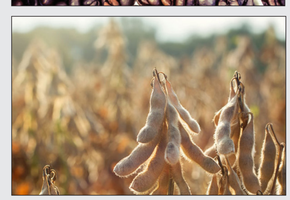
Reuters World News featured OptionSellers.com's James Cordier in their July 18th report on the coffee and sugar markets. Thank you friends at Reuters!

August Top 3

Don't miss these exciting new resources on OptionSellers.com this Month!

1. **NEW Option Seller Radio: How to take Big Premiums from Weather Rallies NOW:** From corn to coffee, weather rallies have pumped up premiums in a variety of otherwise fundamentally bearish markets. Listen in and James and Michael cover their favorite markets for taking over-inflated premium this month!

Watch or Listen Now at www.OptionSellers.com/Radio



2. **Feature Article of the Month: Collecting Call Premiums Ahead of Soybean "Podding" Season:** While dryness in northern growing regions brought some excitement to soybean prices in July, the market will soon begin its focus on harvest. This can be a great time for investors to pluck premium from high yielding call options.

Read it Now at www.OptionSellers.com/Soycalls

3. **Featured Video Lesson: "Bump Your Odds of Success with the Inter-Commodity Strangle"** Selling options is all about putting the greatest odds in your favor. Tune in as OptionSellers.com's Director of Research Michael Gross reveals a strategy for improving your odds of success using a common option strategy – with a special twist.

See it NOW at www.OptionSellers.com/InterCom

AUGUST ISSUE ENCLOSED

The OptionSeller Newsletter

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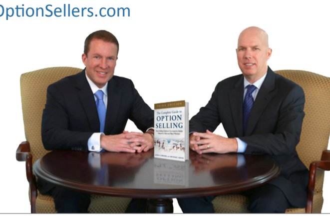
401 East Jackson Street, Suite 2310
Tampa, FL 33602

ABOUT THE PUBLISHERS

James Cordier and Michael Gross of OptionSellers.com



Learn and Invest with America's Option Selling Specialists

OptionSellers.com is a private wealth management firm **specializing exclusively in selling options in the commodities markets.** Serving the high net worth investor class since 1999, the company's mission has been to give investors access to high-quality, uncorrelated, alternative investments that target both real diversification and outsized return.

With over 50 years of combined option trading experience, founder **James Cordier** and director of research **Michael Gross** have had their work featured by *CNBC, Bloomberg Television, FOX Business, The Wall Street Journal, Forbes, Barrons, Businessweek.com, MarketWatch* and *Morningstar Advisors.* Their latest book, ***The Complete Guide to Option Selling 3rd Edition***, was released by McGraw-Hill in 2015.

For more information on OptionSellers.com, their books, videos or managed option selling accounts, **visit www.OptionSellers.com or call 1-800-346-1949, (**813-472-5760 for investors outside of the US) to schedule a free consultation.

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OptionSellers.com
401 East Jackson Street, Suite 2310, Tampa, FL 33602
813-472-5760, 800-346-1949
Office@OptionSellers.com
www.OptionSellers.com
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