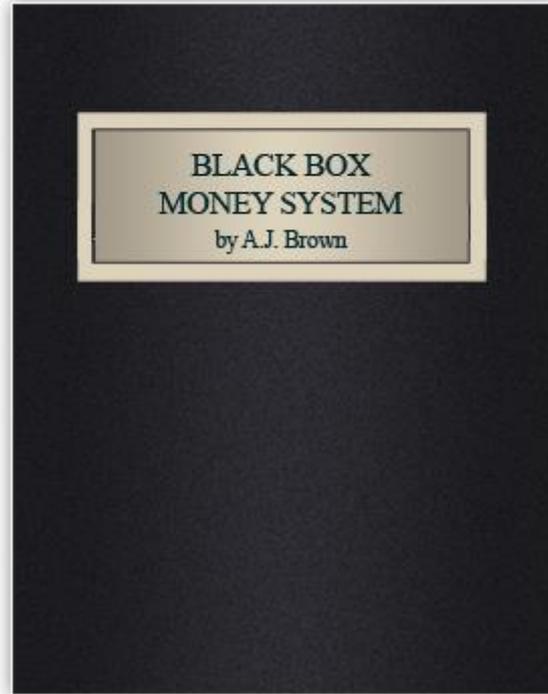


# **BLACK BOX MONEY SYSTEM**



By A.J. Brown

[www.secretoftrading.com](http://www.secretoftrading.com)

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# INTRODUCTION

Welcome to the Black Box Money System.

You might not realize that unlike traditional stock investing, you can pick up lucrative options for much less, and following my straightforward and easy Trading Trainer approach, you could have \$10 million or more in your account within the next decade.

We aren't talking about a get-rich-quick scheme, but rather a steady, consistent, and vastly profitable way to become a multi-millionaire...

And the best part is you could do it in about twenty minutes a day.

I walk you through how to find, and test, potential options, step-by-step, right here.

Let's get started.

## BLACK BOX STRATEGY

This strategy consists of set of very simple tasks in order to make consistent returns of 3%, 5%, 10% or even 15%.

We're going to need a couple of the pieces of the puzzle in order to complete the strategy. One of them is a copy of *Investors Business Daily*.

- You can get it in several places:
- Electronic (online) version
- Local library
- Subscription
- Local newspaper shop or bookstore

The best thing about this technique is that you don't have to do it every day. You can do it once or twice a month and you'll be able to find plenty of picks for yourself in order to make this strategy work.

We will be purchasing the underlying stock and then selling back an option that will expire in 4 weeks or less. That way we'll basically be buying this stock at a discount.

You pay full price for the stock, and you get a portion of it back for selling the option. The option winds up expiring and you either:

- Close your position, or
- The position closes out automatically

That way you basically get the stock that you purchased at a lower cost and that is when you make 3%, 5%, 10% or even 15%.

The procedure is actually very easy and simple, so let's get down to it.

This technique is a two-step process:

1. Look for potential picks
2. Examine the chosen picks

### Step1: Look for potential picks

For this, we'll use *Investors Business Daily* (IBD). First of all, you'll need to go to the section called "Option Tables." Option tables exist in every edition of the IBD, so you will be able to find them easily.

Option Totals				
Exchange	Total Call Volume	Call Open Interest	Total Put Volume	Put Open Interest
Boston	182,700		149,432	
Chicago	2,420,047		1,781,959	
ISEC	1,567,020		1,253,085	
Philadelphia	1,564,427		1,409,804	
Totals	5,734,194	132,728,871	4,594,280	124,975,457

P	Strike	Last	Last	Last	P	Strike	Last	Last	Last	P	Strike	Last	Last	Last
C	Price	Vol.	Price	Vol.	C	Price	Vol.	Price	Vol.	C	Price	Vol.	Price	Vol.
		May	Jun				May	Jun				May	Jun	
A Hess			Close 65.53	Aug	Analogic			Close 46.44	Jul	c1750		no tr	no tr	8.8k 225
p60	2.2k	050	366 195	no tr	c50	5.0k	025	no tr	no tr	c20		no tr	75 095	8.9k 135
A M D			Close 9.76	Jul	AOL			Close 28.45	Jul	BostSc			Close 7.21	Aug
c11	2.9k	010	no tr	73 037	c32		no tr	2.7k 040		p7	3.4k	021	210 037	142 040
A M R			Close 7.78	Aug	ApplMat			Close 14.47	Jul	c7	2.9k	047	70 040	68 080
p7	162	021	3.8k 037	10 071	c14	4.2k	075	13 085	657 104	BrMySq			Close 24.74	Sep
c8	2.6k	044	899 062	97 092	Apple			Close 270.83	Jul	c25	955	057	2.9k 089	281 132

Let's go through the steps:

1. Inside *Investors Business Daily*, go to the "Option Tables" section (Option Tables are in every edition)
2. You'll find different stocks, the closing prices for the previous day, and the options that followed it.
3. Look for stocks with a closed price **below \$10** (max \$20), since you won't need a fortune just to get into the trade. For every option contract we sell back, we must have 100 shares of stocks.
4. Once you find a stock below \$10, look for options that will expire in 4 weeks or less, since we want to be in and out as fast as possible.
5. Look at the "Last Price" column.
6. We'll be purchasing the stock and selling back the option

For every option contract we sell back, we must have 100 shares of the stock. You're going to buy a hundred of these and then sell back one contract of options. One contract of options has one hundred options and you need to have a 1:1 agreement between stocks and options.

## EXAMPLES

Scrolling through the list of available stocks, the first we find that is below \$10 is AMD.

- AMD Stock:
  - Price: \$9.76
  - Call: \$11
  - Return Value: \$ 0.10
  - Overall Profit: 1%
    - **Profit too small**

Since the potential profit was too small, we continue the search and the next stock is AMR.

- AMR Stock:
  - Price: \$7.78
  - Call: \$8
  - Return Value: \$0.44
  - Overall Profit: 5.6%
    - **Good profit**

To calculate the potential Overall Profit, use this simple formula:

$$\text{Return Value} / \text{Price} \times 100$$

- For Example 1 (AMD), this is how we calculated the Overall Profit:  
 $0.10 / 9.76 = 0.01 \times 100 = 1\%$
- For Example 2 (AMR), this is how we calculated the Overall Profit:  
 $0.44 / 7.78 = 0.056 \times 100 = 5.6\%$

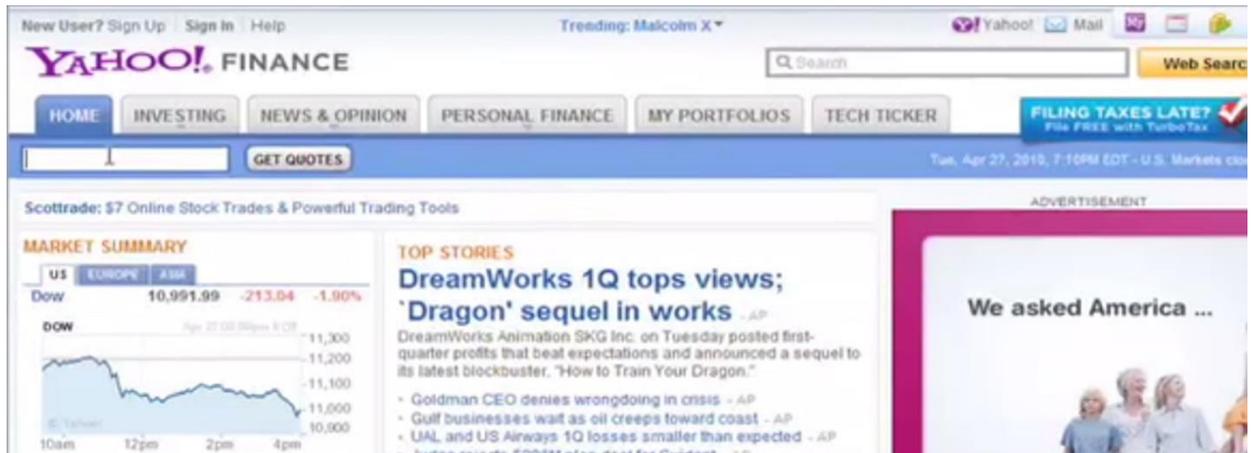
## Step 2: Examining the stocks

After picking your stock, the next step is to examine it. There are a few steps you need to follow in order for this strategy to work, and here is the list of things you need to keep in mind when examining your stock and a list of tools that will help you to do so.

Firstly then, here are six necessary steps in order to make a good call on the selected stock:

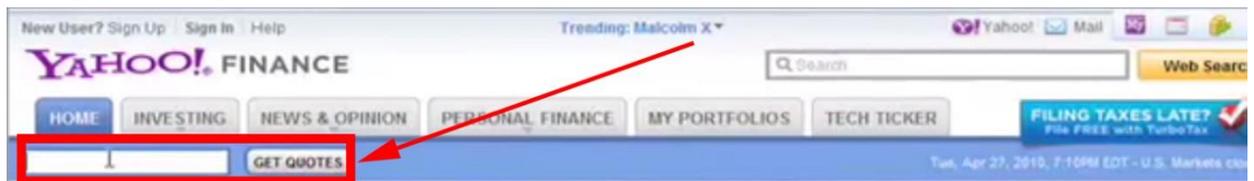
### 1. [www.finance.yahoo.com](http://www.finance.yahoo.com)

This is a free web site that does all the testing you need.



### 2. Get quotes

Find your stock under "Get Quotes" search box. Simply type in the ticker or the name of your stock in the search box and click "Get Quotes."



### 3. Interactive Charts Section

Go to the "Interactive Charts" section, where you'll be able to see the trend for your stock. Just as you can tell whether someone is happy or sad by looking at their face, you can tell a lot about the stock by looking at the chart. Live charts are displayed under the "Interactive Charts" section on the website.



### 4. Examine the chart

For this particular strategy to work, we want the stock to be moving sideways, to have a flat trend. We don't want it to be going up or down. It can have small fluctuations, but overall we need it to go sideways. We will be examining the one-month (1M), three-month (3M) and six-month (6M) charts.



### 5. Events Section

Under "Events," you can turn on all events to help you get a good idea about how your stock responds to key developments that have been occurring in the market.

## 6. Headlines Section

Next in line is the "headlines" section, which will allow us to see if there is any pending news for our stock. We will look for anything that can change the chart trend of our stock, anything that will affect the price. For example:

- Technology company is releasing a new product
- Pharmaceutical company is releasing a new drug
- Court date scheduled

If we see any major news pending for our stock, we will disregard that stock and start to look for another one, since this strategy only works with a flat, sideways trend.

We will look for the news before the third Friday of the month, when that option expires, because once that option expires – you are out of the trade anyway.

## Step 3: Buying the stocks

After you've done your research and ascertained that the stock has potential, during the next day's trading session, it's easy to buy that stock in increments of 100 shares and sell back the option for the same ration (remember 100 shares/option contract) of contracts.

That way you basically bought the stock at a discount.

Wait until the third Friday of the month, and you'll either get called-out of that option or you'll buy that option and sell the stock.

## SUMMARY

This is the process I use every single month, sometimes a few times a month.

It will take you one afternoon a month to research the stock, find the ones you're interested in and make the trade.

Hopefully you'll like this strategy and be successful with it.

It is a simple, effective technique that uses free tools and generates consistent returns of 3%, 10% or even 15% per month.

Sincerely,

A.J. Brown