

You Can Now Access More Trading Options with Predictive Alpha

Our analysts and developers spent the last six years developing the foundations of Predictive Alpha – a real breakthrough forecasting tool for short-term stock moves. And I’m pleased to tell you that our software development team just released some key upgrades to *Predictive Alpha Options*, one of the tools that uses this suite of artificial intelligence-driven algorithms we call “An-E,” short for “analytical engine.”

I’ll jump into the details for you in a moment, but first let’s recap what Predictive Alpha does: Our team fed this A.I. mountains of information, including economic data like interest rates and inflation; fundamental data like profits and valuation ratios; and technical indicators like relative price strength and moving averages.

Now, our A.I.-powered algorithm crunches all these numbers on more than 4,000 tickers (mostly stocks, plus a few dozen major ETFs). And in a split second, it ranks each one based on two key predictive metrics:

- The **direction** a security is expected to move over the next 21 trading days
- And the **magnitude**, or the percentage change it’s expected to make in that time.

In this way, Predictive Alpha can show you, at a glance, where your stock is projected to be over roughly the next month, and it gives you an estimated price-target forecast right down to the penny.

We launched Predictive Alpha early last year... then we followed up with *Predictive Alpha Options*. This tool takes the same stock-price forecasts from our powerful algorithms, then selects option trades based on these forecasts – for even bigger potential profits.

Best of all, the tool can tell you *which* options trade on that stock will give you the highest probability of success at this time.

See, options are an exciting way to trade because, as their name suggests, they provide a ton of flexibility.

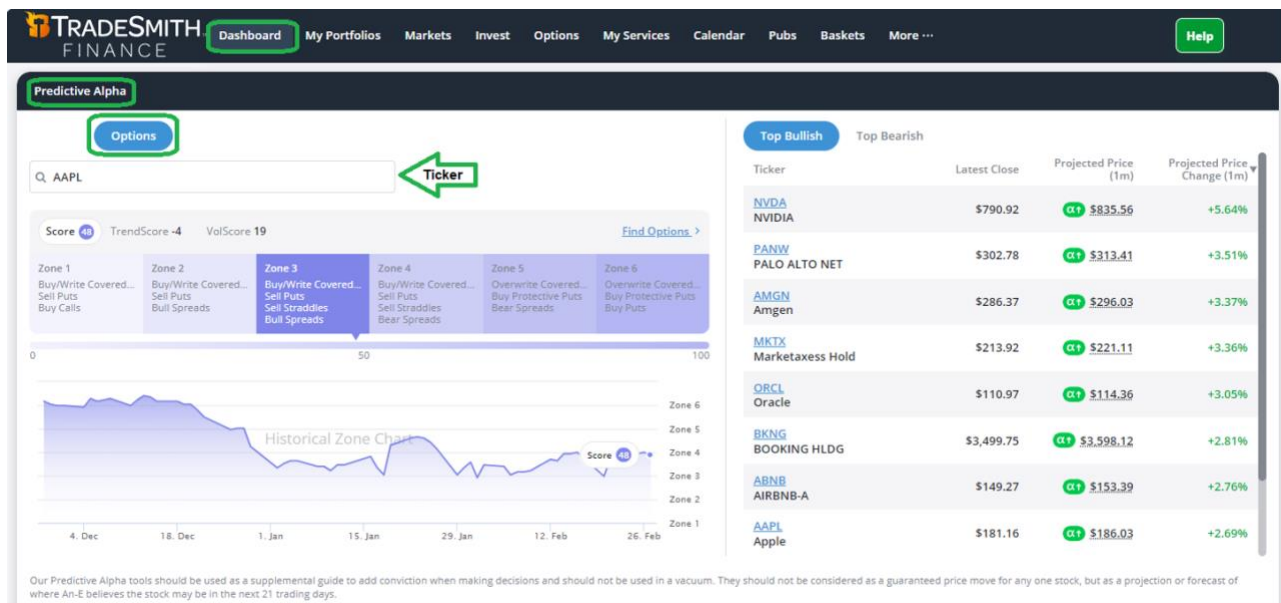
For example, when you see a bullish trading opportunity, you can take advantage of it multiple ways: You can buy the stock, or you can buy a call option. You could do a “buy write” instead, where you sell a covered call at the same time you buy shares. Or you could sell a put option, sell a vertical put spread, and so on.

But sometimes, having so much variety can be overwhelming.

Our *Predictive Alpha Options* Zones tool narrows that variety by pointing you to the options strategies with the highest likelihood of being successful based on current market conditions.

If you're subscribed to *Predictive Alpha Options*, *Predictive Alpha All Access*, *TradeSmith Essentials*, or *TradeSmith Platinum*, you can access it by simply logging into *TradeSmith Finance*. (And if you don't see these tools in your dashboard — and would like to — call 888-623-0858 to discuss.)

Click on **Dashboard**, scroll down to the **Predictive Alpha** widget as shown below, and search nearly any ticker to find its options zone and An-E-recommended strategies.



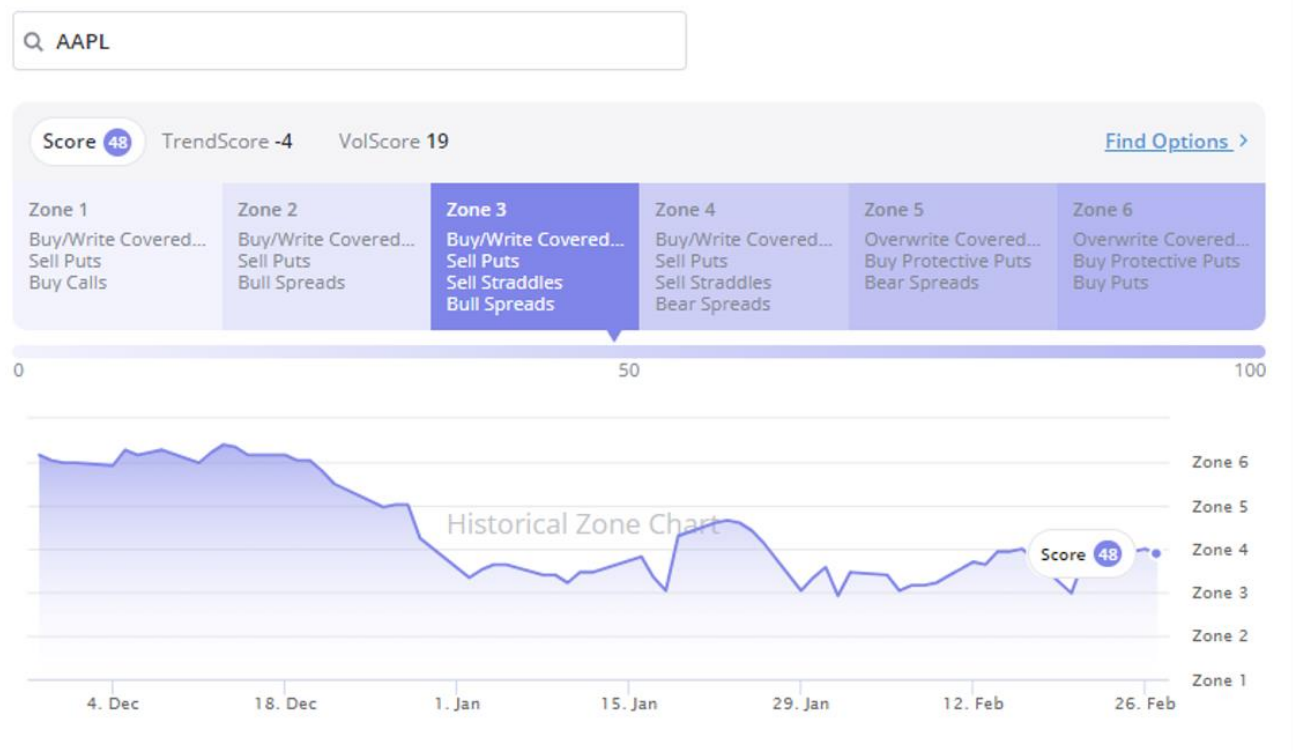
Shown above is what I got when I entered the ticker for Apple (AAPL). You can see the **Predictive Alpha Options Zone** chart displayed below the ticker symbol. At right is a list of our top bullish and bearish stock-price projections.

You'll notice the tool displays six distinct zones and which options strategy is best suited for each one, based on the price movement of the underlying stock and the stock's expected volatility:

- **Zone 1:** Buy/Write Covered Calls, Sell Puts, and Buy Calls
- **Zone 2:** Buy/Write Covered Calls, Sell Puts, and Bull Spreads
- **Zone 3:** Buy/Write Covered Calls, Sell Puts, Sell Straddles, and Bull Spreads
- **Zone 4:** Buy/Write Covered Calls, Sell Puts, Sell Straddles, and Bear Spreads
- **Zone 5:** Overwrite Covered Calls, Buy Puts, and Bear Spreads

- **Zone 6:** Overwrite Covered Calls, and Buy Puts

Below is a closer look at AAPL's options zones:



So how does this tool decide which zone our stock is in? It uses two primary factors:

- The stock's **VolScore**...
- And the stock's **TrendScore**.

The VolScore is based on the stock's current implied volatility. While historical volatility looks at how volatile a stock *has been* in the past, implied volatility is a measurement of how volatile a stock *will be* in the future. That gives us a huge advantage as options traders.

The TrendScore is based on the stock's current price compared to where it has been trading in the past. A positive TrendScore indicates the stock is more bullish than it has been recently. A negative TrendScore indicates the stock is more bearish than it has been.

Based on VolScore and TrendScore, the **Options Volatility Spectrum** calculates an overall score between zero and 100, and that determines which zone the stock is in.

Think of the Options Volatility Zones as a rubber band: 50 is the midpoint, and scores between 0 and 50 will put the stock into Zones 1 through 3. As the rubber band gets stretched above 50

and on to 100, though, the score will move the stock to Zones 4, then 5, then 6. Eventually, the score will snap back to 50 in the middle.

Zones 2 through 5 are typically the best times to approach selling options because the stock isn't forecast to make dramatic moves.

However, every once in a while, the rubber band will stretch to Zone 6 to the upside – or Zone 1 to the downside – before snapping back.

These are likely to be larger, faster moves because the rubber band has been stretched so far. That's when buying calls and buying puts can really pay off.

Mike Burnick's Bottom Line: When you find a stock that you'd like to trade options on, the *Predictive Alpha Options Volatility Zone* for that stock will help you identify which strategy you may want to implement to boost your odds of success. And with this new enhancement, buying calls and buying puts can be quite lucrative if your timing is right.

Good investing,

Mike Burnick

Senior Analyst, *TradeSmith*