

# INCOMETRADER

Stocks, Options, Futures

Built by Traders for Traders



Live Stream

WorkBook

**Class Dates:**

**Instructor:**



**Website Login: IncomeTrader.com**

**Username:**

**Password:**

**Coaching Session:**

**Coaches Name:**

**Scheduled Time:**

**Office Phone: 239-437-6034**

This workbook is to be used as a general placeholder as you go through your training. Most of your training will be live on the IncomeTrader website as we look at real time charts and searches to evaluate potential investment strategies.

Page 7: Fundamental Analysis



Page 12: Technical Analysis

Page 18: Introduction to Options

Page 22: Notes for Covered Calls

**Disclaimer:** The securities/options/futures used as examples in this course are used for illustrative purposes only. IncomeTrader is not recommending that you buy or sell these securities/options/futures. Past performance shown in examples may not be indicative of future performance.

## Disclaimer

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Trading securities/option/futures can involve high risk and the loss of any funds invested. Investment information provided may not be appropriate for all investors, and is provided without respect to individual investor financial sophistication, financial situation, investing time horizon, or risk tolerance.

Option and Futures trading is generally considered more complex than stock trading and may not be suitable for some investors. Granting options and futures and their strategies can result in the loss of more than the original amount invested. Before trading options and futures a person should review the document "Characteristics and Risks of Standardized Options", available from your broker or any exchange on which options are traded.

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## Proprietary Information

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## Our Goal for You

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- Teach you to grow your wealth
- Generate monthly personal or business income
- Explain the benefits of the IncomeTrader Market website
- To process information like a...

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## Our Actions

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- How much we study
- Our belief in our ability
- How much we follow through
- Who we hang around, friends, mentors
- Which path we take

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**Notes:**

# Stock Market Training

## Fundamental Analysis

### Stock Analysis

- A good stock is less likely to receive bad news, less volatile
- A good stock has better chances for growth
- Volatile\* stocks will have better premiums
- Bad stocks are difficult to trade covered calls with, and could have sustained selling periods

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## Fundamental Analysis

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- Fundamental analysis is much like evaluating a house for an investment
- You take out all emotion and look strictly at the numbers to make sure it is a sound investment

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## Fundamental Analysis

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- Valuation ratios
- Growth ratios
- Surprises and estimates
- Financial strength
- Management effectiveness and profits

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# Valuation Ratios

- P/E (TTM)

- Price divided by earnings

- Price to Sales (TTM)

- Price divided by revenue

- Price to Free Cash Flow (TTM)

- Price divided by cash flow per share

Valuation Ratios	Company	Industry	Sector	S&P 500	Ideal Scenario
P/E Ratio (TTM)	16.92	40.16	36.31	20.59	As low as possible
Price to Sales (TTM)	3.67	2.91	4.16	2.29	As low as possible
Price to Free Cash Flow (TTM)	20.35	23.57	24.32	14.12	As low as possible

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# Growth Ratios

- Sales (MRQ) vs. QTR 1 Yr. Ago

- Sales TTM vs. TTM 1 Yr. Ago

- Sales 5 YR Growth Rate

- EPS (MRQ) vs. QTR 1 Yr. Ago

- EPS (TTM) vs. TTM 1 Yr. Ago

- EPS 5 Yr. Growth Rate

Growth Rates %					
Sales (MRQ) vs Qtr. 1 Yr. Ago	100.03	34.47	72.01	10.41	As high as possible
Sales (TTM) vs TTM 1 Yr. Ago	129.72	37.01	22.80	10.59	As high as possible
Sales - 5 Yr. Growth Rate	-7.05	0.50	7.11	4.84	As high as possible
EPS (MRQ) vs Qtr. 1 Yr. Ago	331.82	240.51	97.64	41.07	As high as possible
EPS (TTM) vs TTM 1 Yr. Ago	581.82	429.06	186.44	66.96	As high as possible
EPS - 5 Yr. Growth Rate	10.29	-1.89	6.95	2.59	As high as possible

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## Surprises and Estimates

- Last EPS Surprise
- Previous EPS Surprise
- This Year's Growth Estimate %
- Next Year's EPS Growth Estimate %

Surprises and Estimates					
Last EPS Surprise %	9.20	17.97	8.57	6.48	As high as possible
Previous EPS Surprise %	6.76	-10.15	8.77	6.66	As high as possible
This Yrs EPS Growth Estimate %	93.09	56.54	74.48	30.78	As high as possible
Next Yrs EPS Growth Estimate %	20.00	15.37	18.13	11.14	As high as possible

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## Financial Strength

- Current Ratio (MRQ)
  - Current assets divided by current liabilities
- Total Debt to Equity (MRQ)
  - Debt divided by equity

Financial Strength					
Current Ratio (MRQ)	5.79	4.14	3.43	1.91	As high as possible
Total Debt to Equity (MRQ)	0.00	1.36	0.48	0.70	As low as possible

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## Mgt. Effectiveness and Profits

- Return on Assets (TTM)
  - Net Income divided by total assets
- Net Profit Margin (TTM)
  - Net Profits divided by sales

Management Effectiveness					
Return on Assets (TTM)	23.95	-12.92	-10.77	7.37	As high as possible
Profitability Ratio					
Net Profit Margin (TTM)	22.11	-9.27	-15.34	10.39	As high as possible
Total points		14	15	14	

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## DCF Analysis

- Fair Value (Margin of Safety)
  - $P = E_1Q + E_2Q^2 + \dots + E_NQ^N + E_NQ^N \times Q/(1 - Q)$
- Using Future earnings to help determine a stock's current price

Mylan Inc. (MYL)		\$24.50 <span style="color: green;">▲</span> 0.15	Volume 1,138,280
Fair Value	Analyst's Avg Target Price		Number of Analysts
\$32.85	\$27.50		13

Securities used in examples are for illustrative purposes only and are not a recommendation.

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# Stock Market Training

## Technical Analysis

### Three Things Make a Stock Move

- ❑ Fundamentals
  - what stock to buy
- ❑ Technicals
  - when to buy or sell
- ❑ News
  - overrides all fundamental and technical analysis

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# Technical Analysis

The study of a chart for purposes of determining trends, patterns and projections



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## Technical Analysis

- ❑ Price Chart – Look at chart
- ❑ Overall Trend / Moving Average
- ❑ Current Trend
- ❑ Support and Resistance
- ❑ Coval Indicator
- ❑ MACD's
- ❑ Volume
- ❑ Candlesticks



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## Pay Attention to Trend

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- Trend is the direction of trading
- Trade with the trend
- If the preceding trend has been down, look for any reversal patterns to confirm new uptrend before entering a bullish trade

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## 30-Day Moving Average

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- The moving average represents trend
- If price breaks above the 30 DMA, indicates that the stock is now stronger than it has been on average in the past
- This can be used as an entry point for a bullish intermediate-term trend trade in combination with other technical analysis tools

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## Coval Indicator

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- Shows short term moves in price action
- Measures buying and selling prices
- Above the zero line is stronger
- Below the zero line is weaker
- Can be over overbought or oversold for a while

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## MACD

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**M**oving **A**verage **C**onvergence **D**ivergence

Take 2 moving averages, one short term and one long term

Visually tells us if a stock is overbought or oversold

A Nobel Prize winning calculation invented in 1979

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## Volume

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- Shows overall interest in the stock
- Each bar is that day's total buy/sell volume
- Green is an up day
- Red is a down day
- High volume is 150% of average
- High volume confirms a breakout .vs fake out
- Low volume could signal a reversal

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### Notes:

**Notes:**



# Stock Market Training

## INTRODUCTION TO OPTIONS

### Why Add Options?

- **Leverage** your investment, very little money at risk (how do you buy your house?)



- Can provide Growth
- Can use them for Cash Flow (income)
- Trade any market direction

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## Why Trade Options?

- Less capital
- Limited risk
- Potential higher rate of return
- Multiple strategies
- Great for neutral markets
- Peace of mind



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## What's in an Option Contract?

- Stock symbol
- Buy or sell
- Contract shares
- Strike price
- Expiration date



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## Selling Options

Selling a call option

Someone pays you money

For the right to buy your stock

It is their choice to buy or not

If it moves above the strike price they will buy

If it does not, then they will not buy your stock



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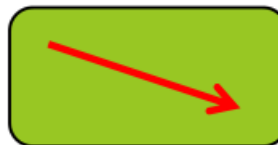


## Basic Options: Call or Put

Buy a Call if you think  
the stock will move higher



Buy a Put if you think  
the stock will head lower



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## Where Can This Be Done?

- Brokerage account
- Retirement account
- Custodial Account
- About 10-20 minutes per day
- Technical analysis and trade discipline are extremely important for option trading

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## Options for Quick Growth

- Start small as little as \$500
- Manage your IRA or Retirement plan
- Build your assets
- Trade any direction
- Put less money at risk
- Leverage can free up time, *years faster*



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**Notes:**

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