



Steve Sarnoff's
OPTIONS
HOTLINE

**The Lazy Way to Pick
Profitable Options Trades**

A Shortcut to Options Profits
By Options Expert Steve Sarnoff

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For speedy and significant profit, nothing beats options.

As my father, options legend Paul Sarnoff, once said, options are: **“The best, perhaps the only, way to get rich very quickly.”** This is because when you trade an options contract, you are harnessing the profit potential of “*Super-Leverage*” — *limited risk with unlimited reward*.

(If you’re not familiar with exactly how “*Super-Leverage*” works, you can read all about it by [clicking here](#).)

But in this report, I don’t want to tell you how great options are. Instead, I want to show you how to pick winning options trades. Even if you’re a novice trader, you can use this simple shortcut secret again and again.

Right now you’re probably thinking there’s some kind of catch... that all you’re going to get is tease and hype. Let me assure you — what I’m about to reveal is valuable information you can use right away.

Why am I sharing this secret with you?

Well, I spend countless hours each day analyzing dozens of companies and staring at computer screens with mind-numbing charts and numbers. With this shortcut you won’t have to do any of that. And, truth be told, while you can use the information I’m about to share to rack up some nice wins, you still won’t match my stellar success.

I’m talking about winners like [these](#).

So it’s not like I’ll need to start looking for a new job when I give away this secret. People will still pay for my research, and my research will continue to pay off for them.

That said, if you read every word of this report and put in the little work required, there’s no reason you can’t consistently pick winning options trades.

So without further ado, let me reveal the lazy way to pick profitable options trades...

Picking Options, The Lazy Way...

When looking for trade recommendations to send my [readers](#), I have to filter through more than 5,000 companies!

And each company could have hundreds of different options contracts to buy. Needless to say, what I do is

not for the fainthearted. And it's definitely not for folks short on time, either.

But what if there were a way you could quickly filter those 5,000 companies down to just a small but still lucrative handful of choices?

Well there is, and it will save you countless hours of research. Instead of looking at specific companies, look at **index funds and exchange-traded funds (ETFs)**.

I'm sure you've heard of index funds and ETFs. Index funds are securities that represent an entire index, giving you an easy but inexpensive way to cash in on that index's move. For instance, the SPIDERS (SPY) index fund covers the S&P 500 index. DIAMONDS (DIA) covers the Dow Jones Industrial Average.

ETFs are pretty similar, offering a basket of stocks in one convenient investment. But instead of an index, they're designed to focus on specific sectors, industries, geographic regions, countries, even commodities. For instance, you can invest in a basket of banking stocks with the SPDR's Financial Select fund (XLF)... the price of gold with the with iShares COMEX Gold Trust (IAU)... in Japan with MSCI's Japan Index Fund (EWJ)... and many more .

Now, keep in mind, these are NOT mutual funds. When you buy a mutual fund, the fund manager uses your money to buy more shares of the stocks that the fund holds. Index funds, on the other hand, are closed-end funds.

That means each share represents a fixed amount of stock on the index — and that's why they are as easy to buy and sell as stocks.

But more importantly, since index funds and ETFs behave like stocks, you can buy options on almost all of them most.

So with one single low-cost investment, you can bet on the rise or fall of specific indexes, industries, commodities, even entire countries.

How This Shortcut Makes It Easier to Take Profit

When I'm looking for options to recommend, I'm trying to predict movement on a specific company. It's not easy, even with my years of experience.

But that's also why the potential upside is greater (You can see some of my readers results by [clicking here](#)).

With index and ETF options, you don't have to work nearly as hard.

For example, let's look at the DIAMONDS (DIA) index fund, covering the Dow Jones Industrial Average. As you probably know, the Dow represents the 30 largest and most widely held public companies in the United States. That makes it a good measuring stick for the economy as a whole.

Let's say investors' optimism is high and it looks like it's going to stay that way for the next few months. So, overall, you expect the Dow Jones to go up, too, during the same time period. Now, you could just buy the DIA shares and sit tight. Or you can use Superleverage by buying call options on the DIA shares.

You'll be able to profit from a rising Dow — but for a fraction of the price of the shares... and with a chance at much bigger returns!

Better still, you can bet on a falling Dow, too. If you expect the Dow to fall, you could take the risky and expensive route by shorting DIA shares. Or you can buy put options on DIA.

Once again, you'll pay a lower price for a chance at bigger gains!

Pretty simple, right?

Now, there is a risk here. If the index or ETF doesn't go the way you predicted, your option could expire

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worthless. But since index and ETF options tend to be cheap, you won't be out a lot of money. And if you sell the option before it expires, you can reclaim some of your capital to try again.

There are a staggering number of options possibilities for you to explore. In addition to the ones I've already shared, here are a few more ETF and Index options available to you:

MSCI BRIC INDEX Fund (BKF): a way to play the world's four-biggest emerging markets

PowerShares DB Silver Fund (DBS): This one is 100% in actual silver, giving you a direct and affordable opportunity to make money on shifts in the silver market

Dow Jones U.S. Home Construction Index (ITB): You can bet on future growth — or more trouble — in the housing market

PowerShares QQQ (QQQQ): This ETF tracks the Nasdaq 100, made up of the top 100 non-financial Nasdaq companies

Market Vectors Nuclear Energy ETF (NLR): This one holds a basket of nuclear energy stocks from around the globe, so you're betting on worldwide nuclear power

And those are just a few examples — but don't take them as recommendations. I just want to give you an idea of the wide range they cover. A complete list can be found on the CBOE Web site.

No matter what your investment philosophy is, there's an index or ETF option to match it. And with the right option, you can profit whether you think the market is going up or down.

But here's the reason I call this strategy the "Lazy Way to Pick Profitable Options."

Investing With a Broadsword vs. a Scalpel

Think back to the DIAMONDS, the index fund on the Dow Jones Industrial Average. It's based on the value of 30 of the largest and most widely held public companies in the United States. But a rising Dow doesn't mean all the individual stocks are rising — it just means **more** stocks are rising than falling.

In other words, with ETF and index options, you don't have to be completely right — just mostly right.

It's a lot harder if you're trying to predict the movement of a single company. Even with my 30 years of experience, it takes me several days to find companies on the verge of breakout moves — the kind that can make option investors very, very rich.

It's also easier to come up with target strike prices and expirations for index and ETF options. Just reading the paper or turning on the financial news channels can tell you which way certain sectors, indexes or even countries are expected to go in the weeks ahead. Just pick a strike price and expiration that fits those forecasts.

So you can "cheat" by trading on the economy, public sentiment and so on.

My method of picking the best option plays is a bit more involved. I really dig into the fundamentals and look at the technicals — which involves a lot more "*nuts and bolts*" analysis.

And if you're doing all that work, you better make sure it's worth it. So I'm really honing in on the numbers, looking for options contracts with maximum potential profit. In fact, unless I can see the opportunity for a triple-digit gain, I won't recommend a play to my readers.

So you see why I call index and ETF options the lazy way to profits?

Alright, here's the payoff...

How Much Money YOU Could Make

Investing in the right index and ETF options can be very lucrative. In the past, I've picked index fund options contract recommendations that have closed at 300% (SPY) and 439.2% (QQQQ) for readers of my [Options Hotline newsletter](#).

But again, I've been doing this for 20 years.

Realistically, with index funds you can make money without the hours of research because — as I said — with an index option, you don't have to be completely right — just mostly right.

Of course, that may also mean taking more conservative profits. But you might still beat the pants of boring buy and hold stocks!

So my advice to you, if you want to do it yourself, is paper trade first. It's not as exciting as making money, but then it beats losing money too.

Only when you're confident you've got the hang of picking profitable options on index funds, then with the help of your broker, start trading for real. But never risk more than you can afford to lose.

Be happy with slow, steady and safe gains to start.

Then when you're ready to take a move up another gear, I urge you to consider my [Options Hotline newsletter](#).



About The Author

Steve Sarnoff has been picking winning options plays for *Options Hotline* subscribers since 1995. He is a seasoned professional with years of experience in the markets researching trends. His concise recommendations each week prove his experience and demonstrate his exceptional capabilities to predict great option plays.

***** To get Steve's next 24 recommendations ***
absolutely FREE, [click here](#) BEFORE midnight Thursday, Oct. 22.**