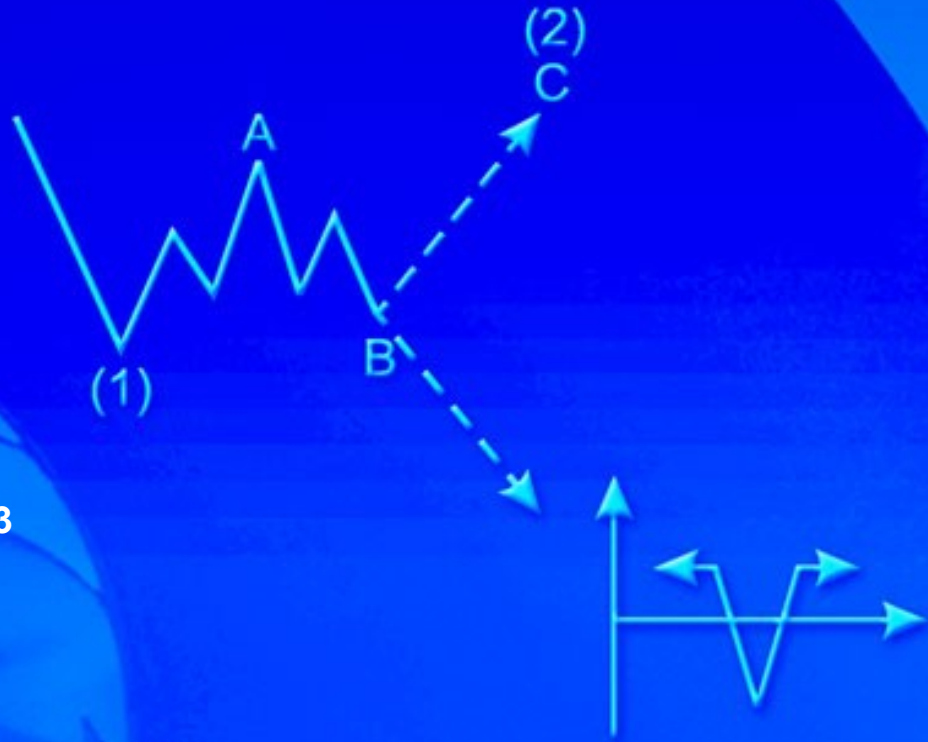


# Five Options Strategies Every Elliott Wave Trader Should Know

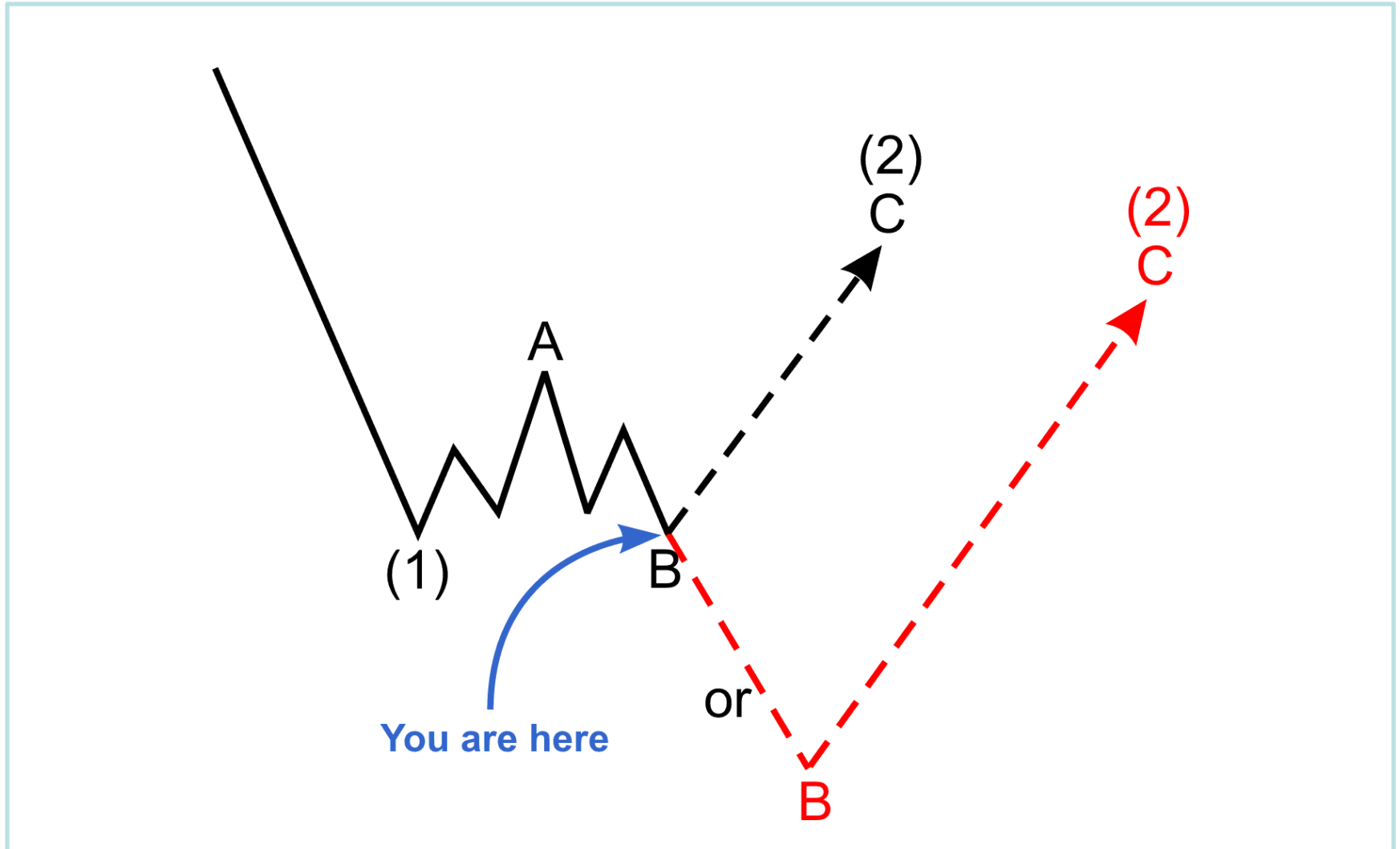
**Wayne Gorman**

Elliott Wave International, Inc.  
P.O. Box 1618, Gainesville, GA 30503  
(800) 336-1618 (770) 536-0309  
Fax (770) 536-2514  
[www.elliottwave.com](http://www.elliottwave.com)



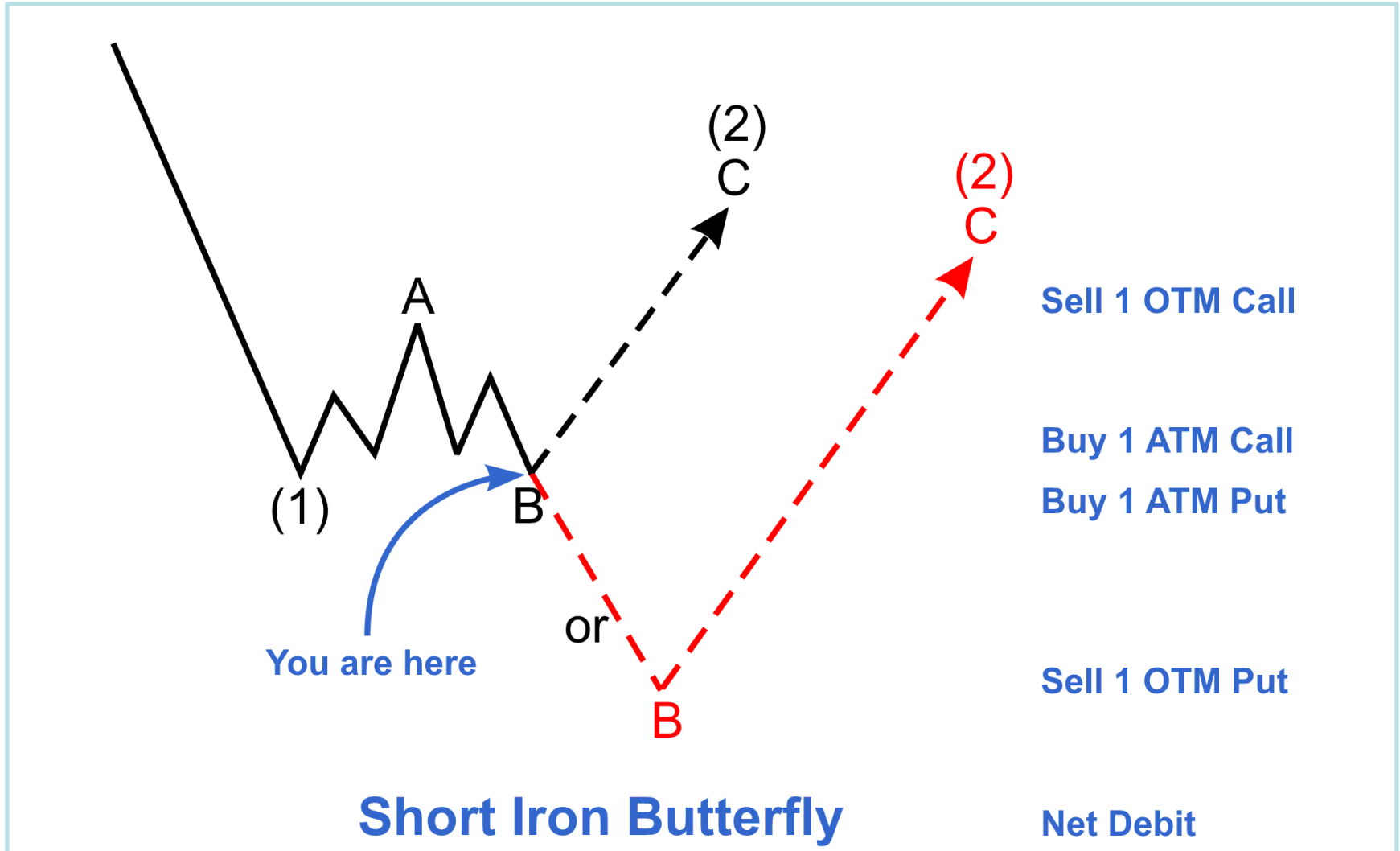
# First Scenario

## Regular Flat or Expanded Flat?



# First Scenario

## Regular Flat or Expanded Flat?



# Short Iron Butterfly

Sell 1 OTM Call

Buy 1 ATM Call

Buy 1 ATM Put

Sell 1 OTM Put

Net Debit

Looking for Sharp but Limited Move in Either Direction

Relatively Longer-Term Strategy, 3 Months

Maximum Risk Capped at Net Debit

Maximum Reward Capped at Difference in Adjacent Put or  
Call Strikes - Net Debit

Upper Breakeven: Long Call Strike + Net Debit

Lower Breakeven: Long Put Strike - Net Debit

# Optimal Elliott Wave Characteristics for Using Short Iron Butterfly

Wave:	Characteristics:
Function	Reactionary / Countertrend Moves
Structure	Expanded Flat, Regular Flat
Position	2 or 4 of Impulse Wave, B of Zigzag or Flat, X, Y, Z
Degree	Relatively Low
Entry Point	Wave (c) of Wave (b) Zigzag <i>Favorable Implied Volatility</i>
Prior to Entry Point at Next Lower Degree	Impulse or Diagonal

**Rely on Elliott wave rules and guidelines.**



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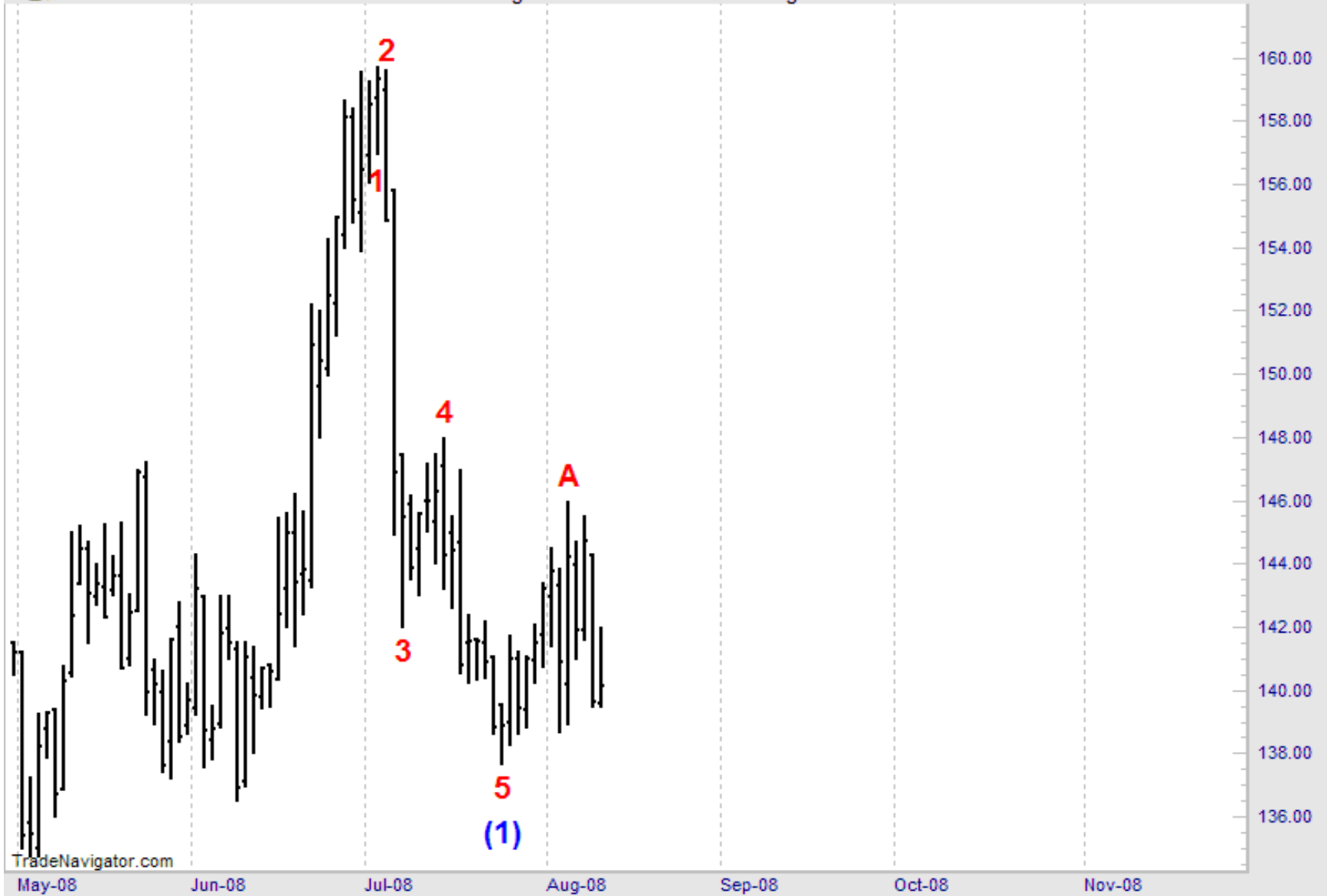


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# KC2-200812: Coffee (Comb) Dec 2008 (Daily bars)

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TradeNavigator.com

May-08

Jun-08

Jul-08

Aug-08

Sep-08

Oct-08

Nov-08





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# KC2-200812: Coffee (Comb) Dec 2008 (Daily bars)

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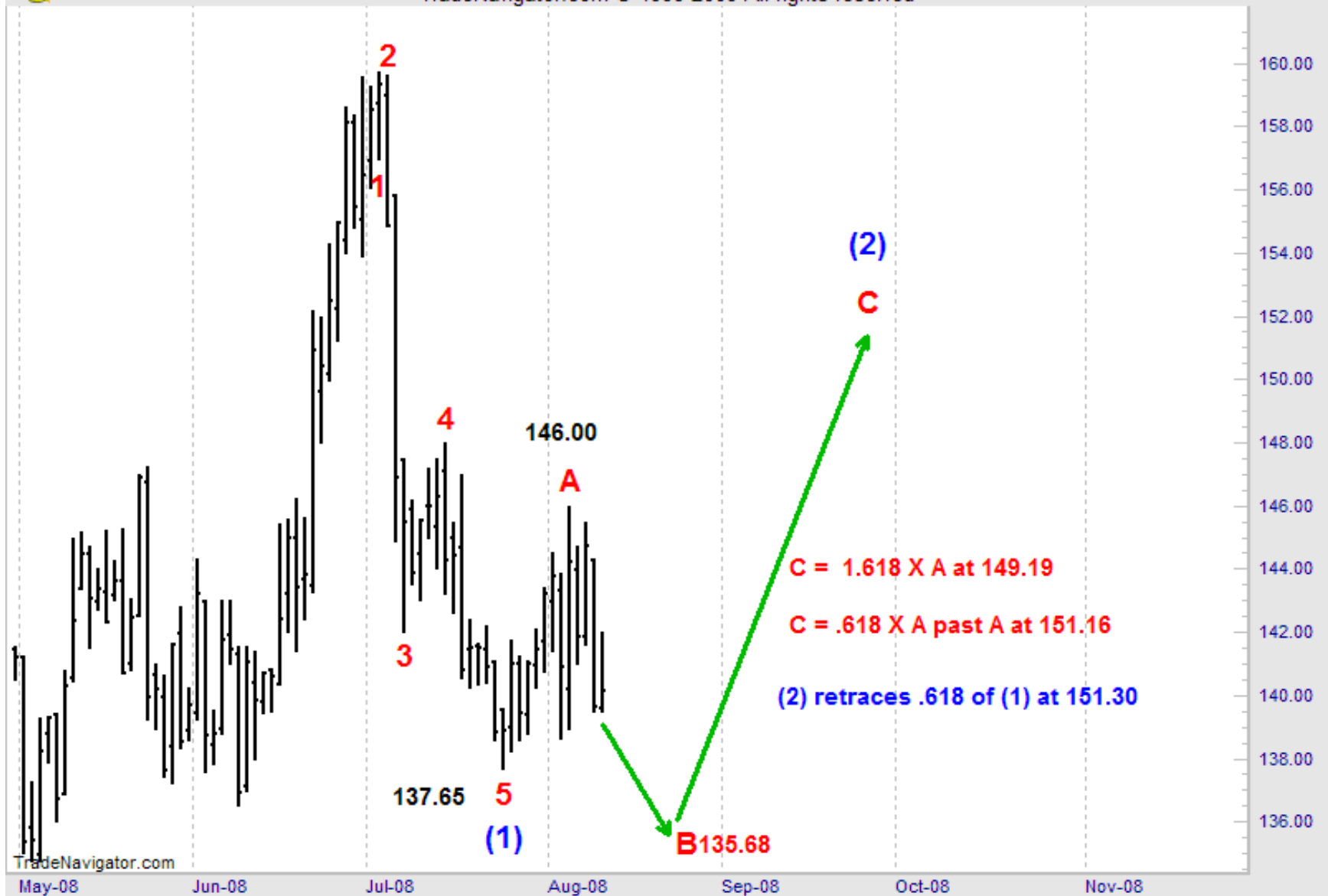


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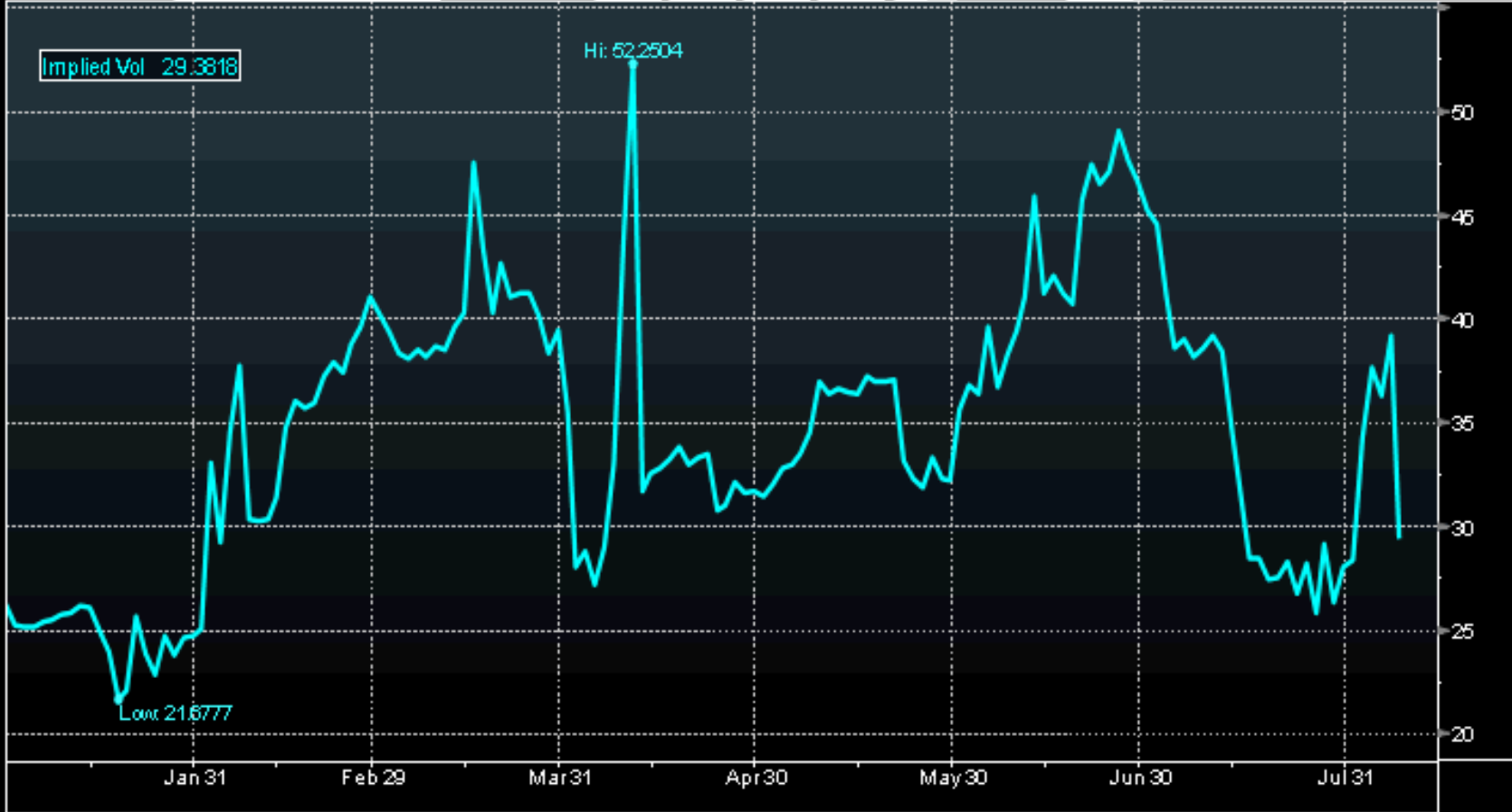


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95) Templates      96) Actions      Page 1/10    Historical Imp Vol

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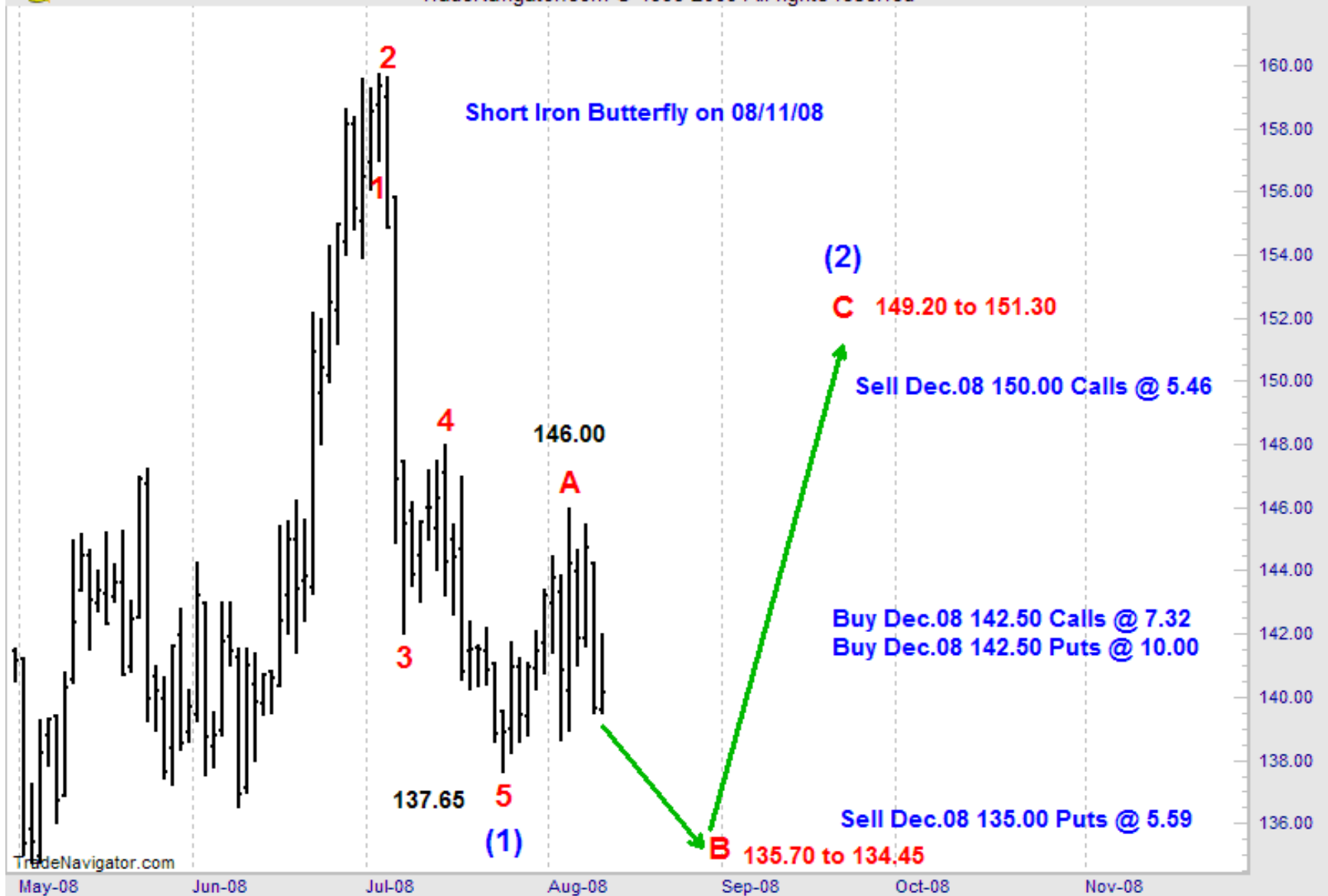


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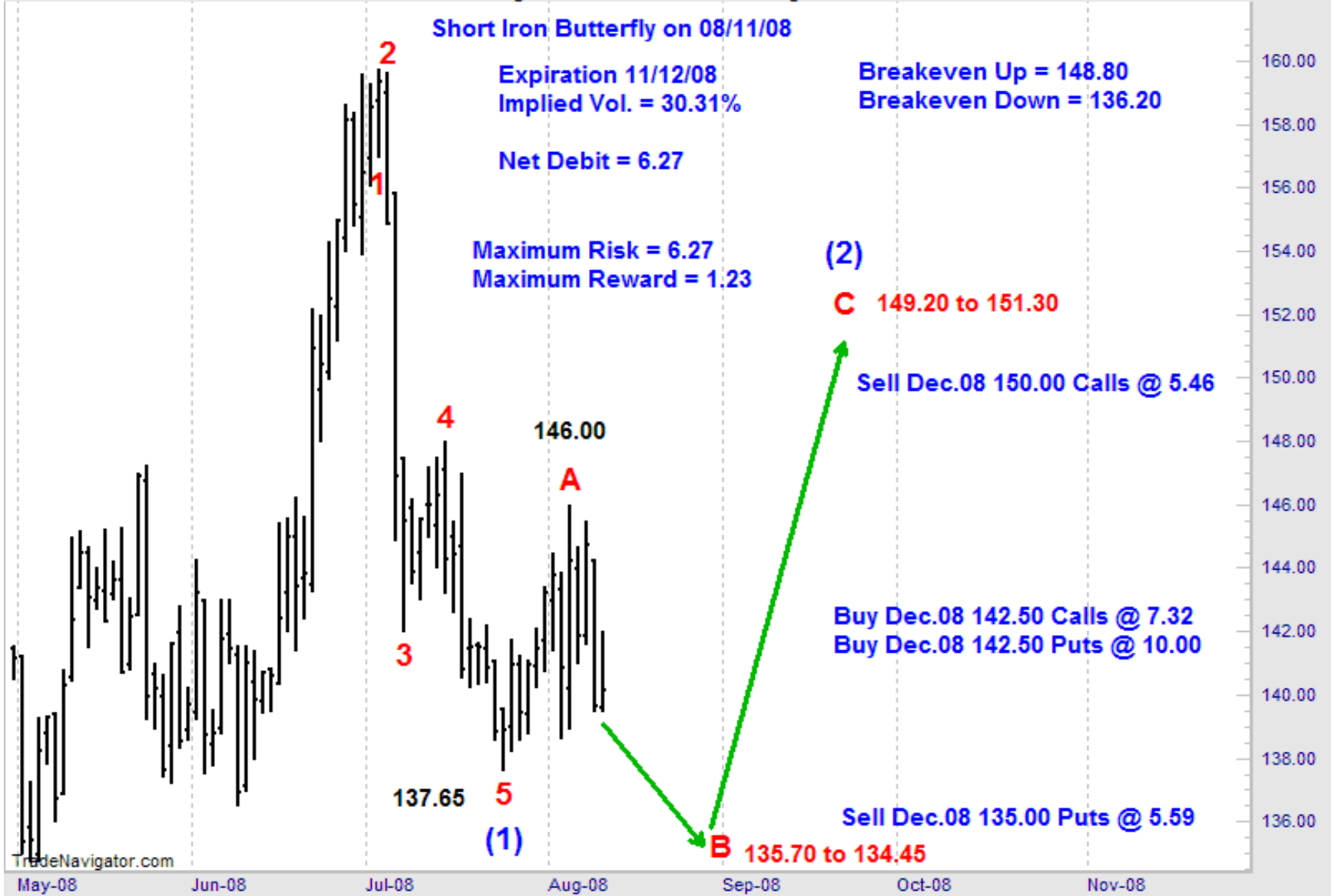
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# KC2-200812: Coffee (Comb) Dec 2008 (Daily bars)

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## Short Iron Butterfly on 08/11/08

Expiration 11/12/08  
Implied Vol. = 30.31%

Net Debit = 6.27

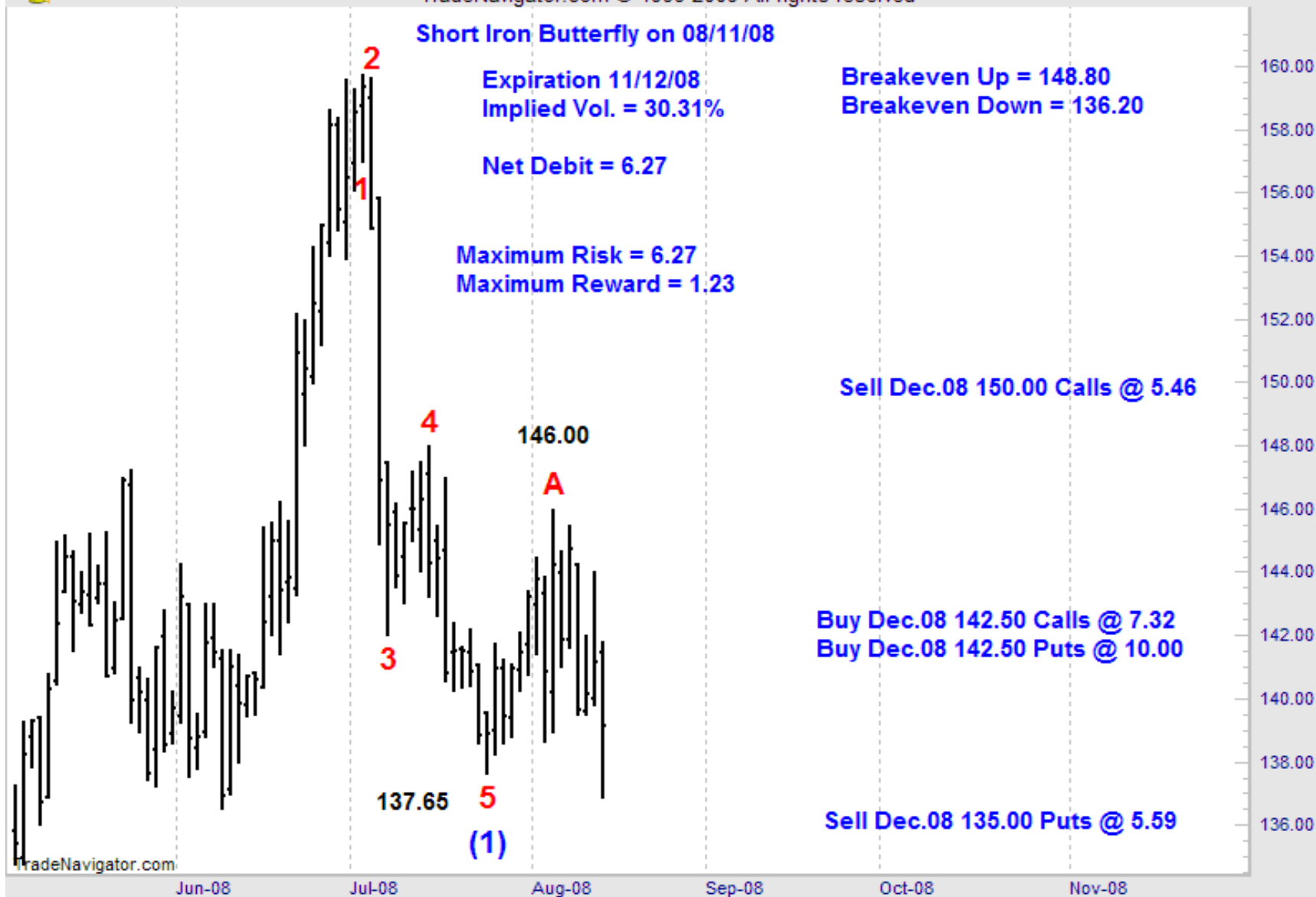
Maximum Risk = 6.27  
Maximum Reward = 1.23

Breakeven Up = 148.80  
Breakeven Down = 136.20

Sell Dec.08 150.00 Calls @ 5.46

Buy Dec.08 142.50 Calls @ 7.32  
Buy Dec.08 142.50 Puts @ 10.00

Sell Dec.08 135.00 Puts @ 5.59





# KC2-200812: Coffee (Comb) Dec 2008 (Daily bars)

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## Short Iron Butterfly on 08/11/08

Expiration 11/12/08  
Implied Vol. = 30.31%

Net Debit = 6.27

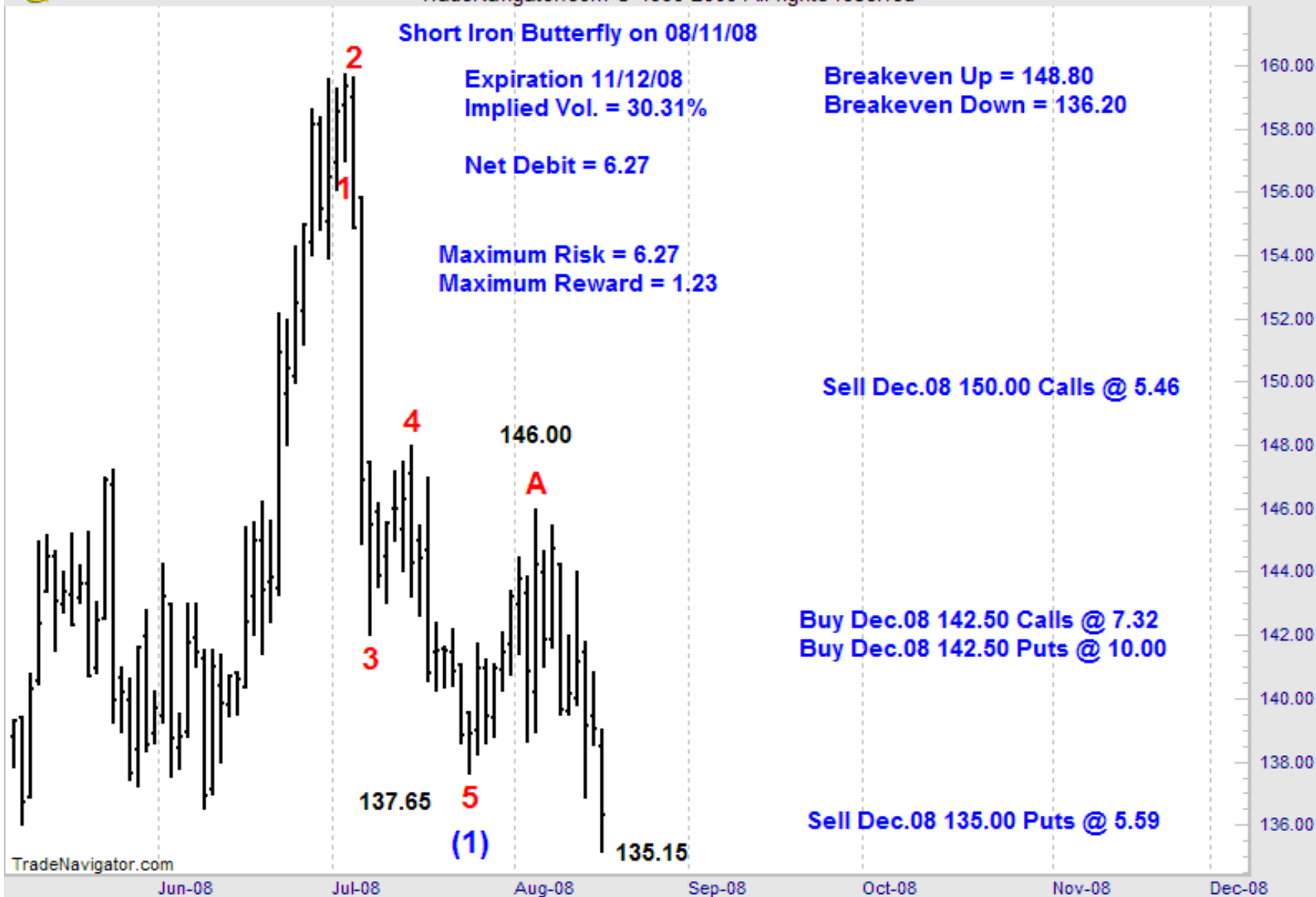
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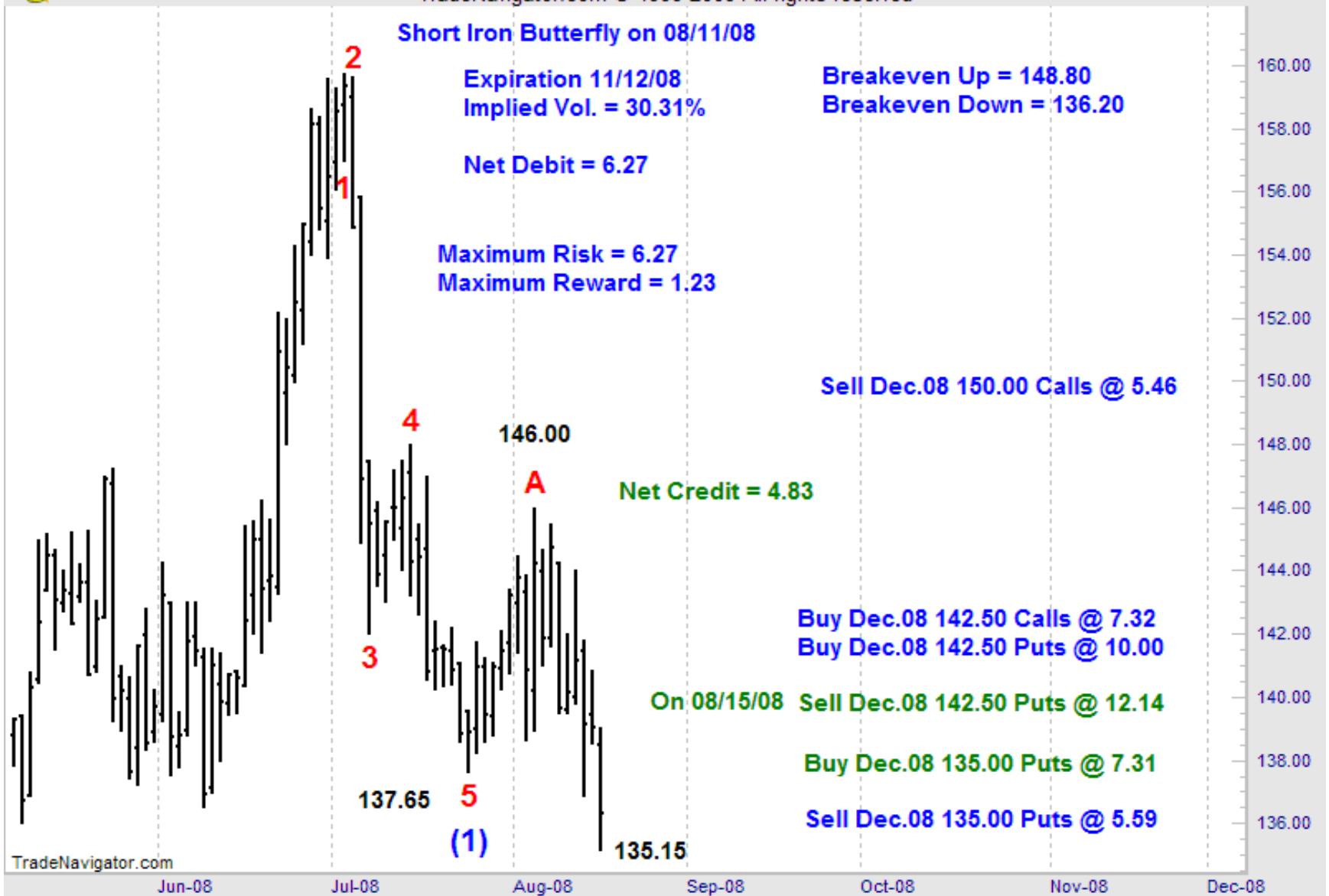


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# KC2-200812: Coffee (Comb) Dec 2008 (Daily bars)

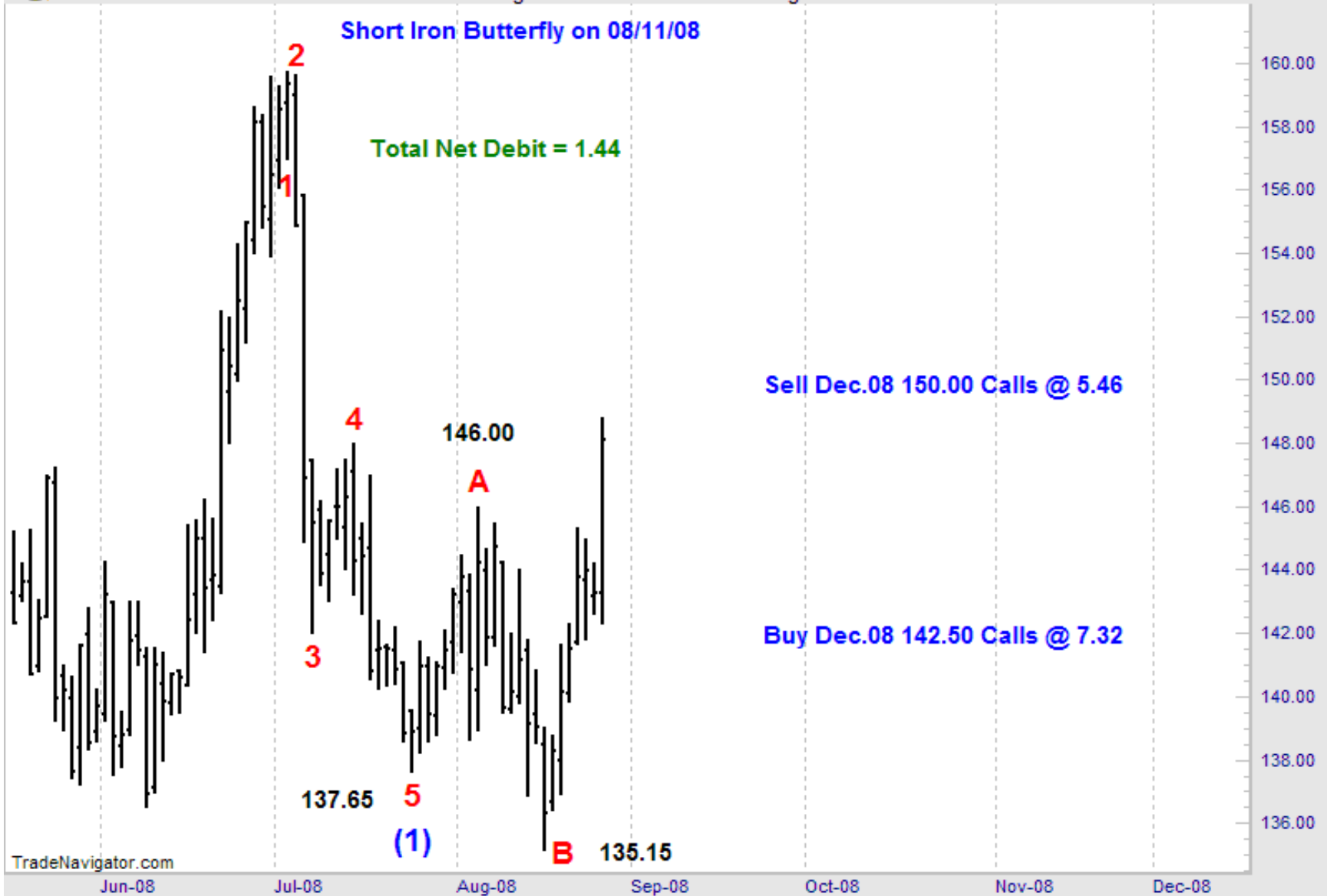
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Short Iron Butterfly on 08/11/08

Total Net Debit = 1.44

Sell Dec.08 150.00 Calls @ 5.46

Buy Dec.08 142.50 Calls @ 7.32

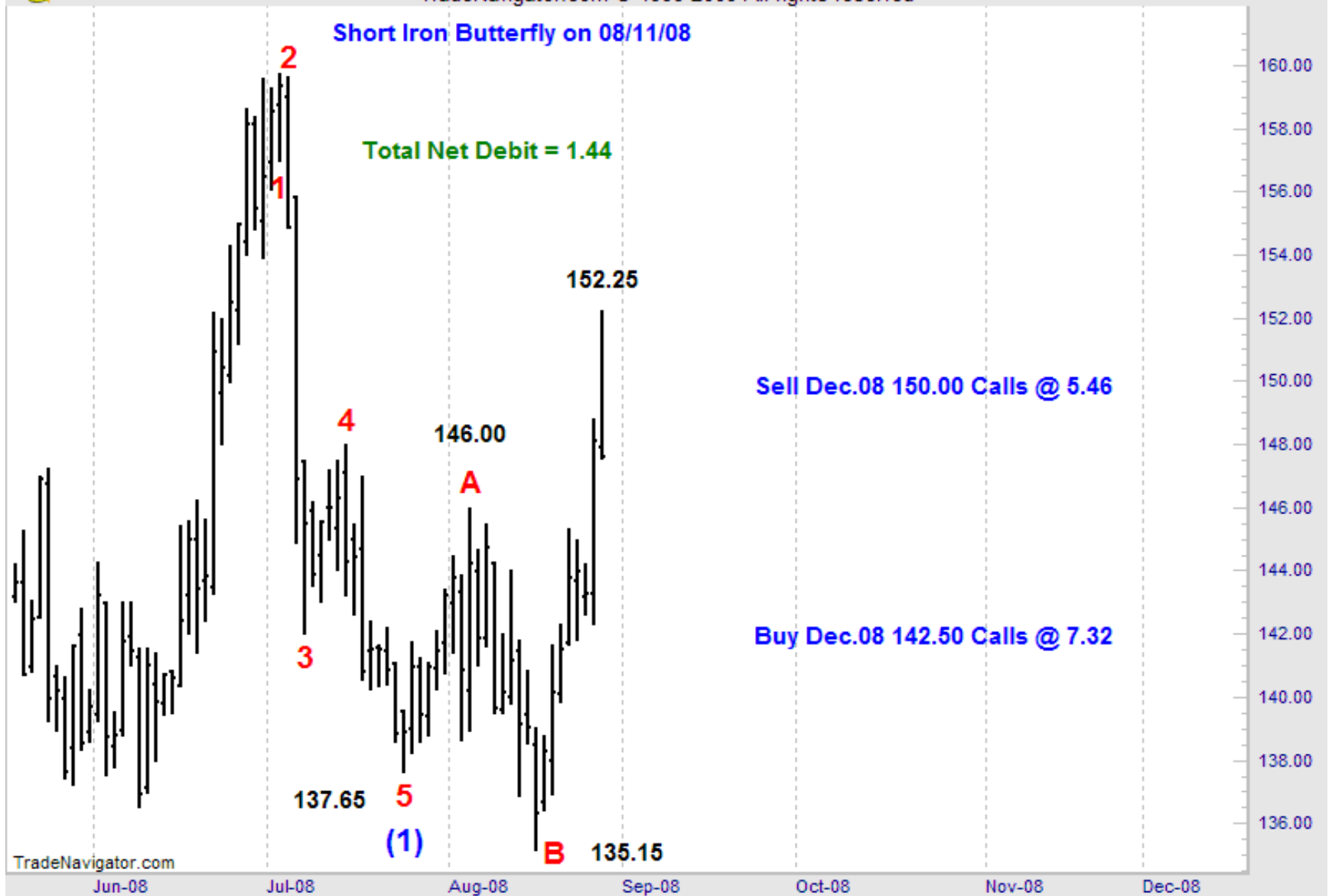


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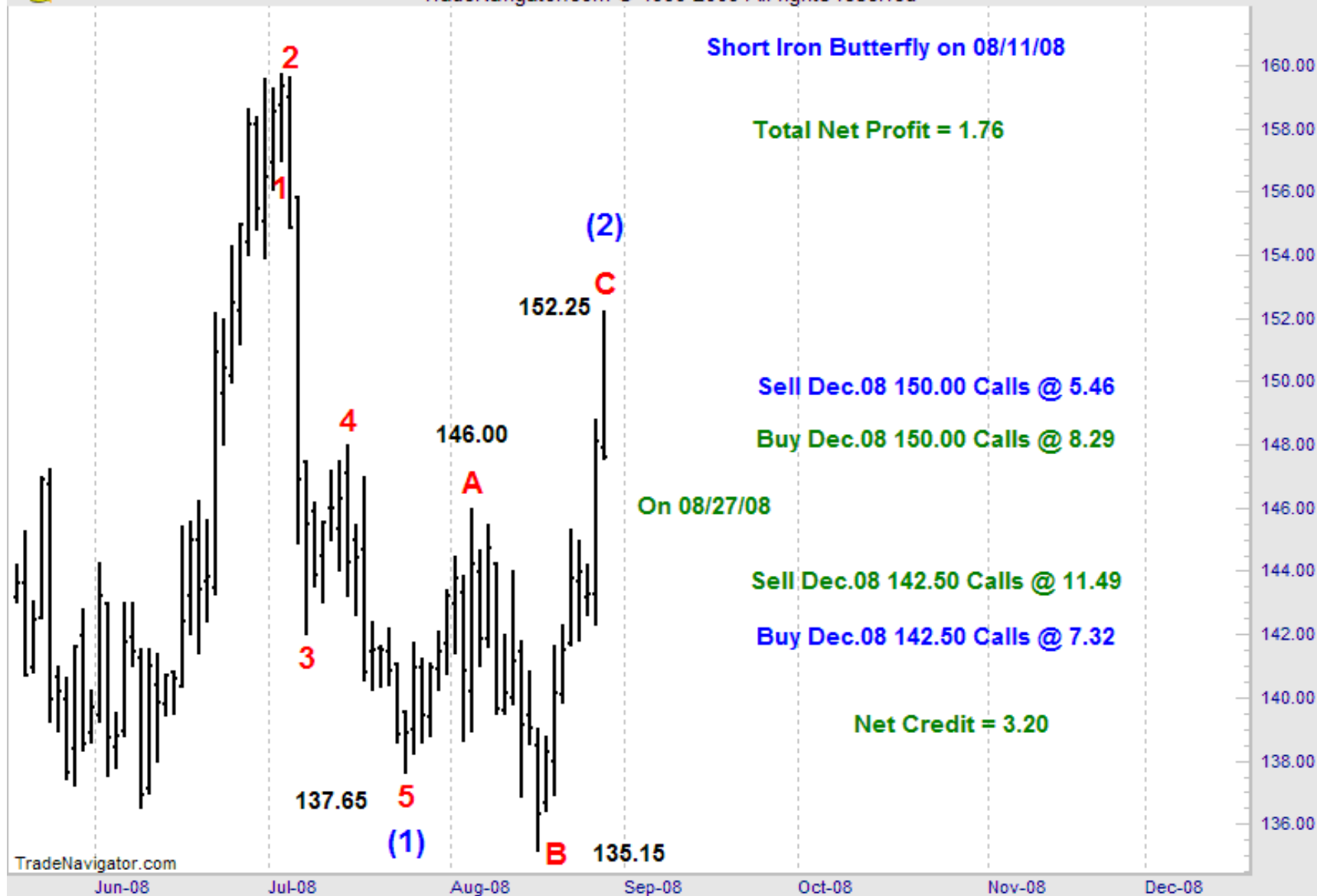
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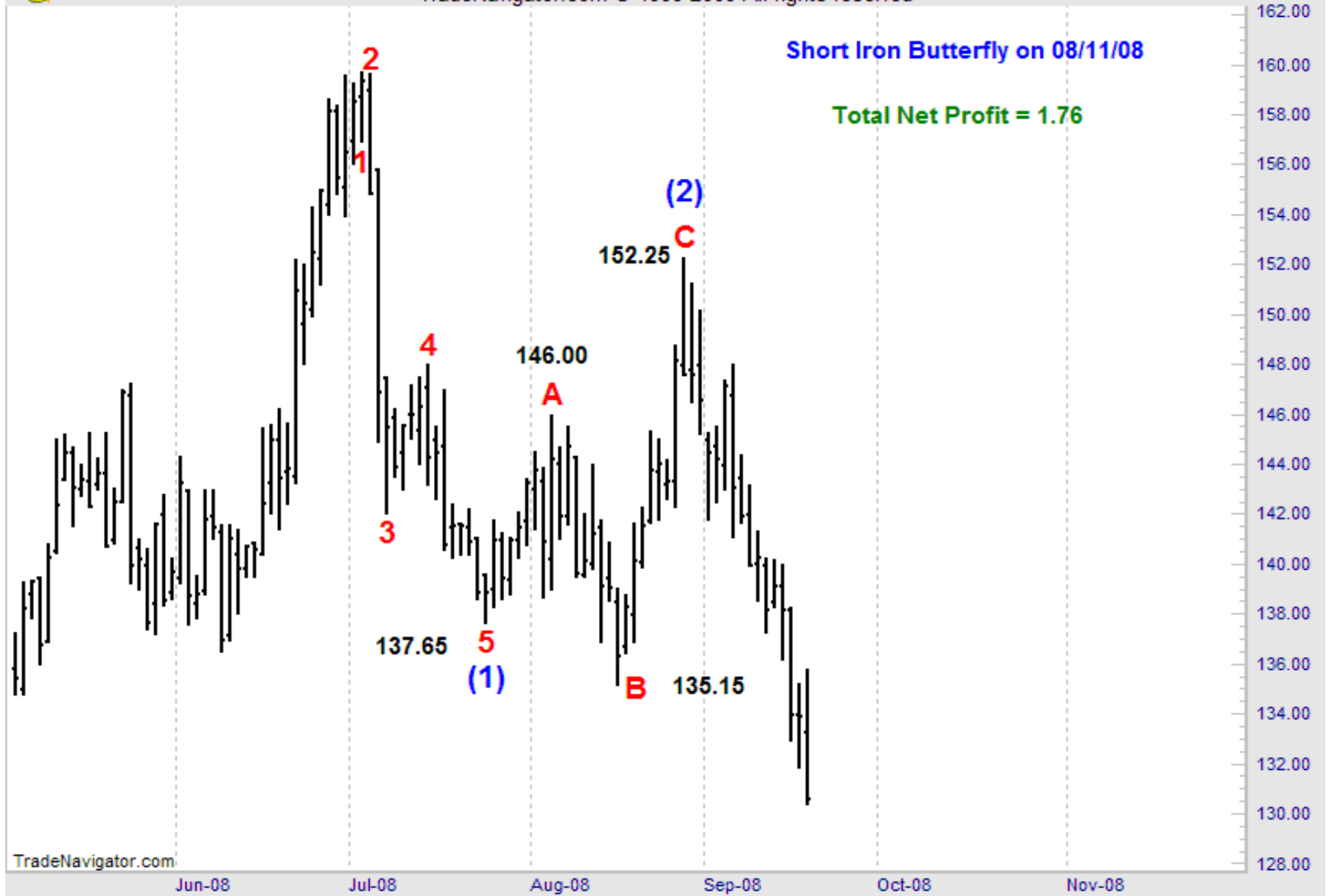


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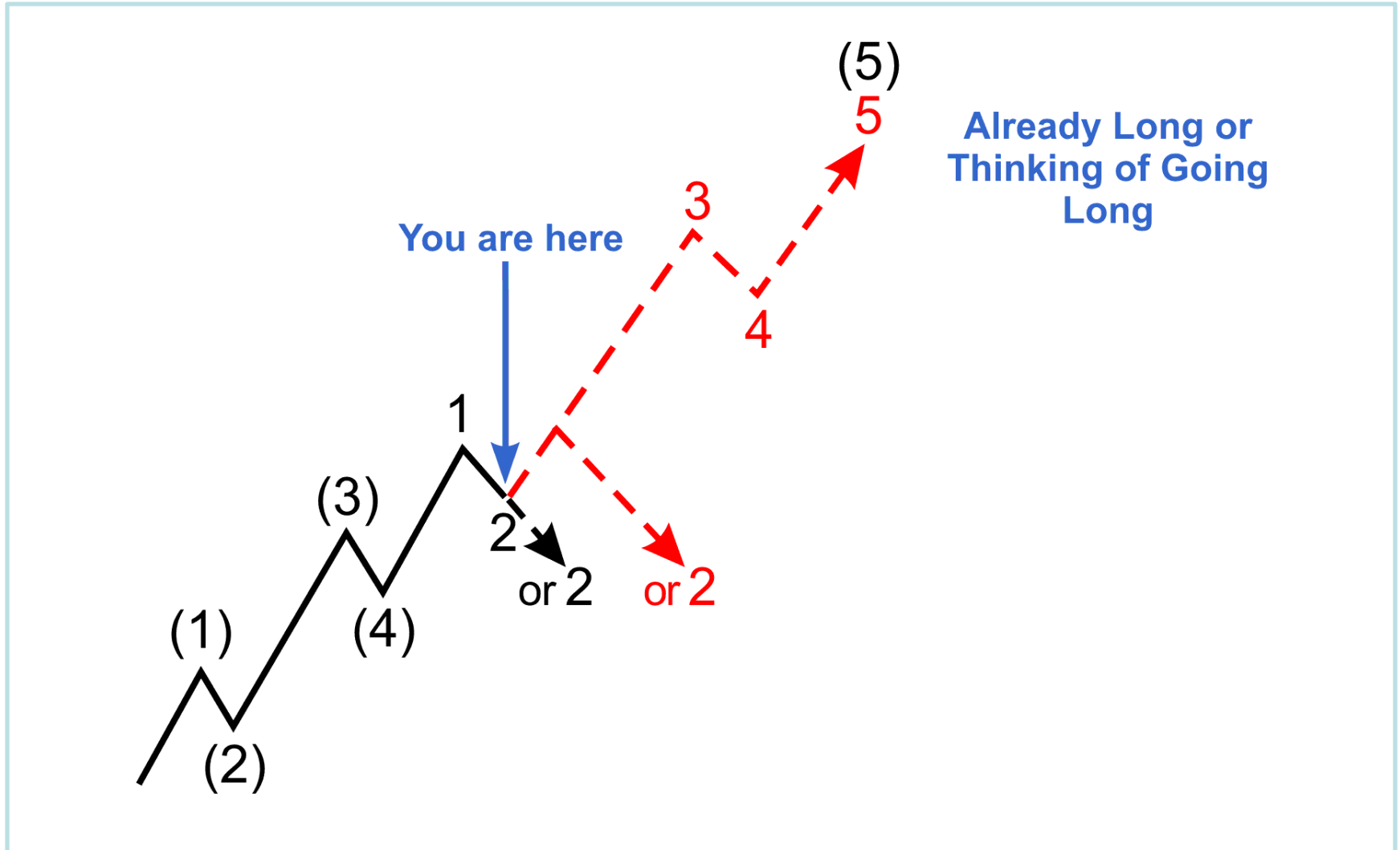
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# Second Scenario

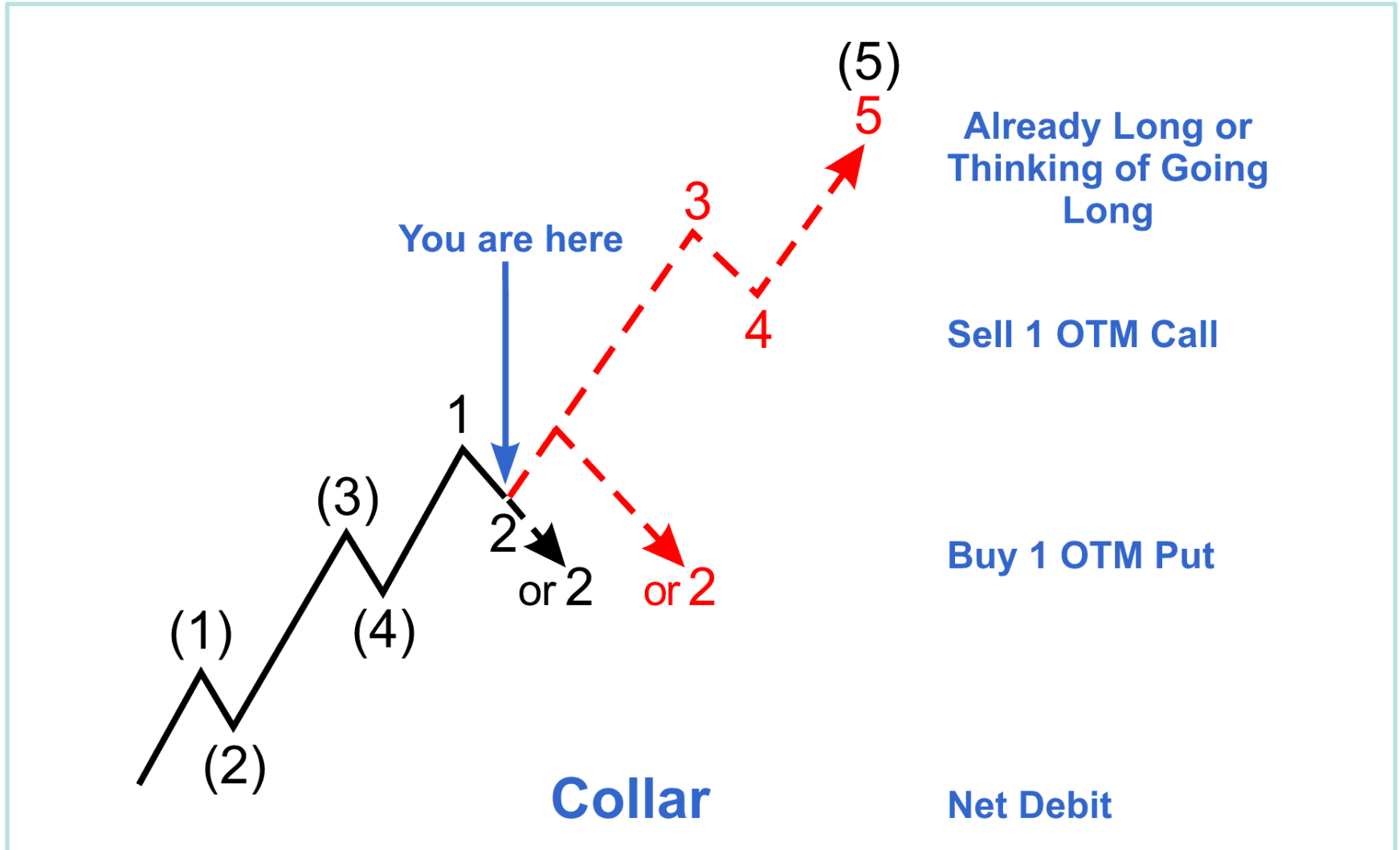
Steady Continuation of the Main Trend or Choppy?





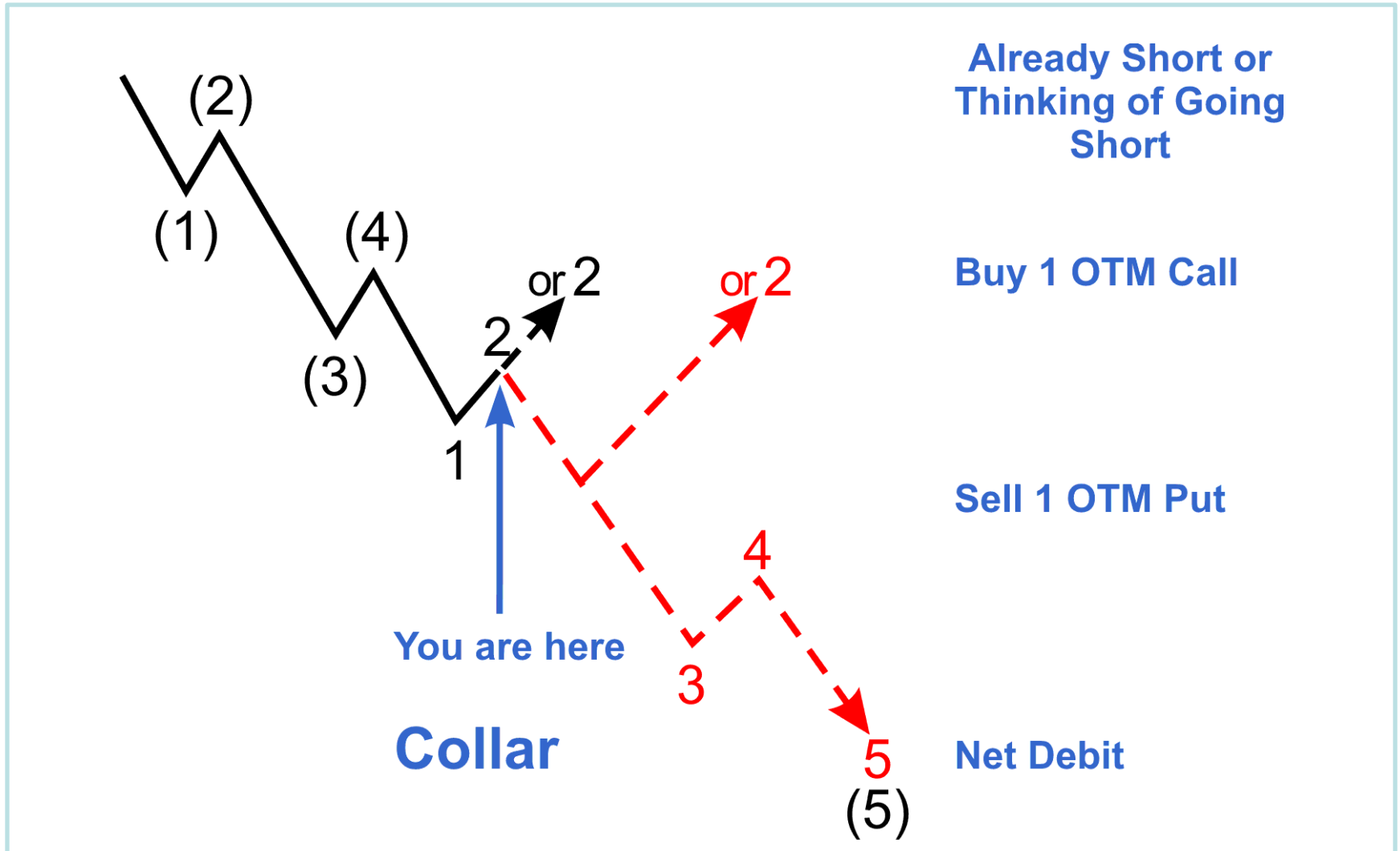
# Second Scenario

## Steady Continuation of the Main Trend or Choppy?



# Second Scenario

## Steady Continuation of the Main Trend or Choppy?



# Collar with Short Position

Buy 1 OTM Call

Short Asset

Sell 1 OTM Put

Net Debit

Cautiously Bearish

Relatively Longer-Term Strategy, 6 Months to 1 Year

Maximum Risk Capped at Difference Between Asset Price Received  
and Long Call Strike + Net Debit

Maximum Reward Capped at Difference Between Short Put Strike  
and Asset Price Received - Net Debit

Breakeven: Asset Price Received - Net Debit

# Collar with Long Position

Sell 1 OTM Call

Long Asset

Buy 1 OTM Put

Net Debit

Cautiously Bullish

Relatively Longer-Term Strategy, 6 Months to 1 Year

Maximum Risk Capped at Difference Between Asset Price Paid  
and Long Put Strike + Net Debit

Maximum Reward Capped at Difference Between Short Call Strike  
and Asset Price Paid - Net Debit

Breakeven: Asset Price Paid + Net Debit

# Optimal Elliott Wave Characteristics for Using Collar

Wave:	Characteristics:
Function	Actionary / Main Trend
Structure	Impulse or Ending Diagonal
Position	5
Degree	Relatively High
Entry Point	Wave ② of Wave 5 <i>Favorable Implied Volatility</i>
Prior to Entry Point at Next Lower Degree	Impulse or Diagonal [(c) of ②]

**Rely on Elliott wave rules and guidelines.**



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2006

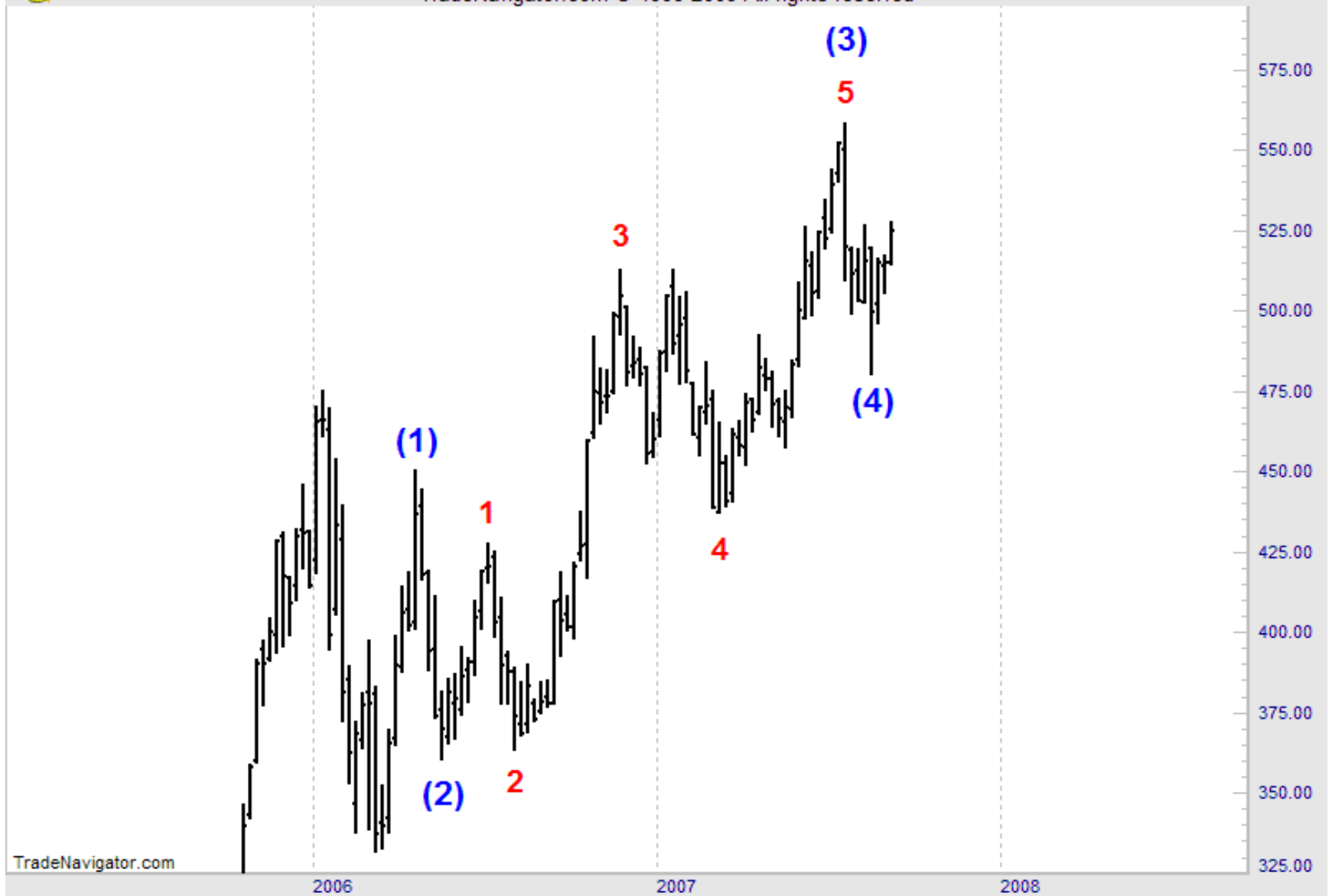
2007

2008



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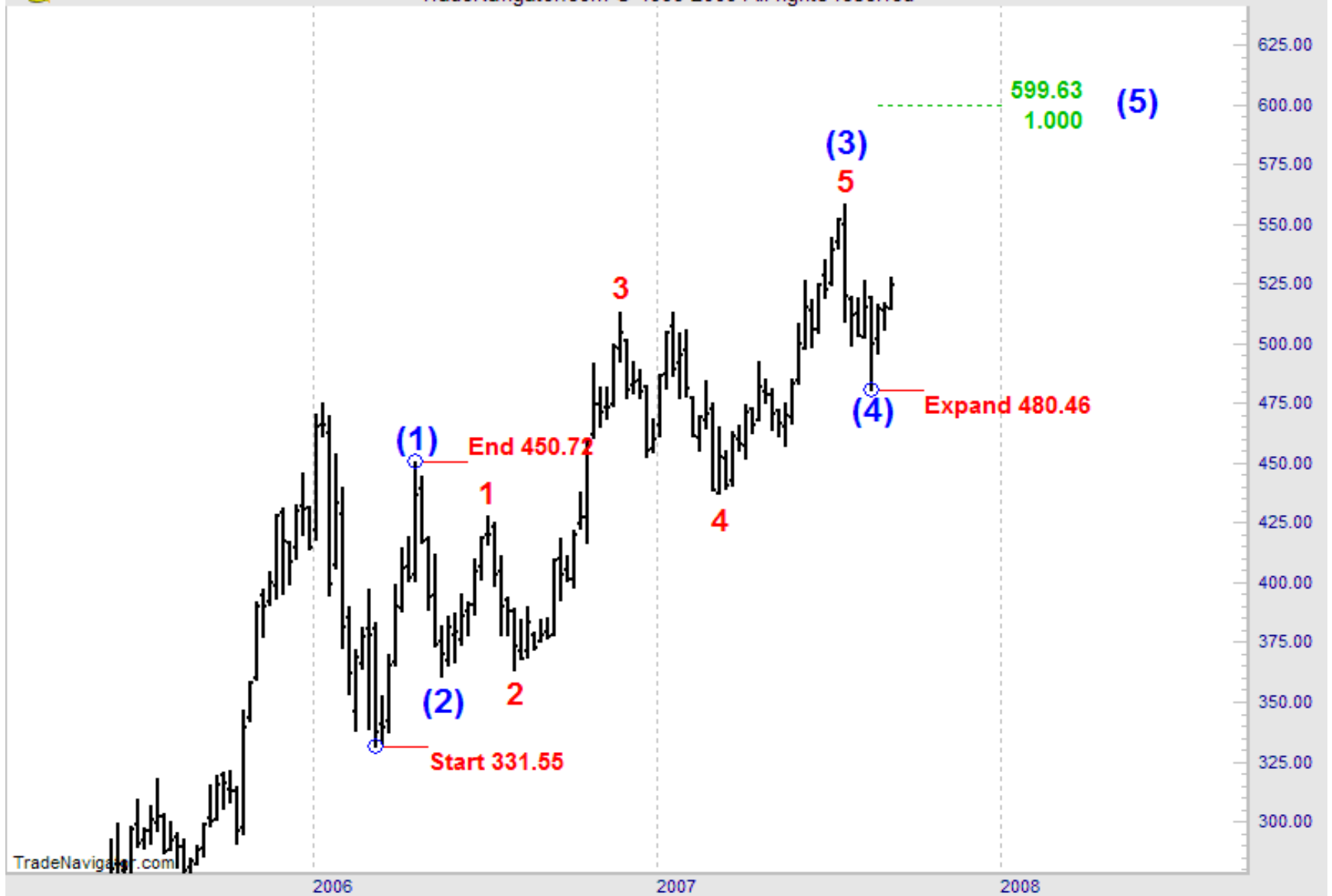


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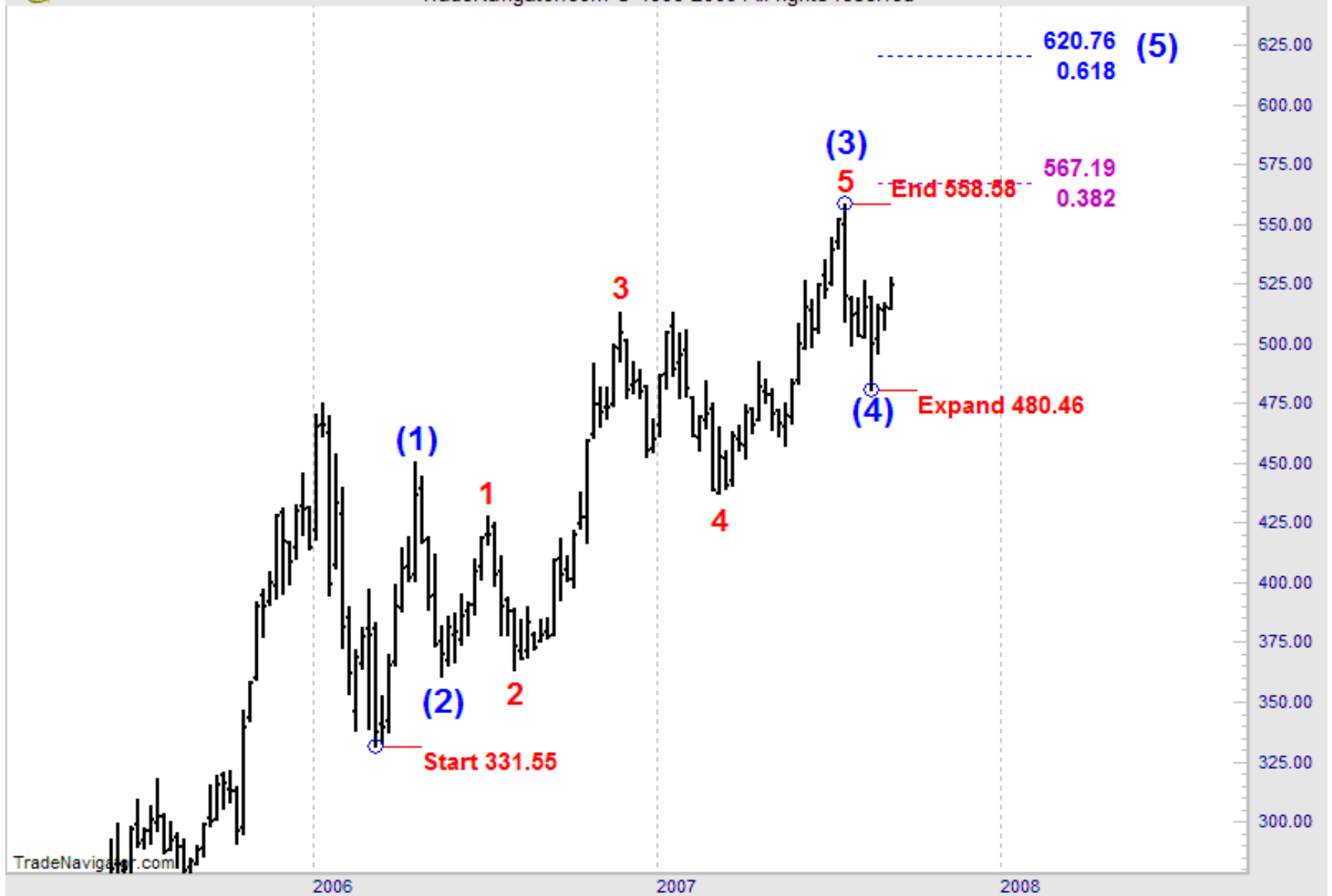
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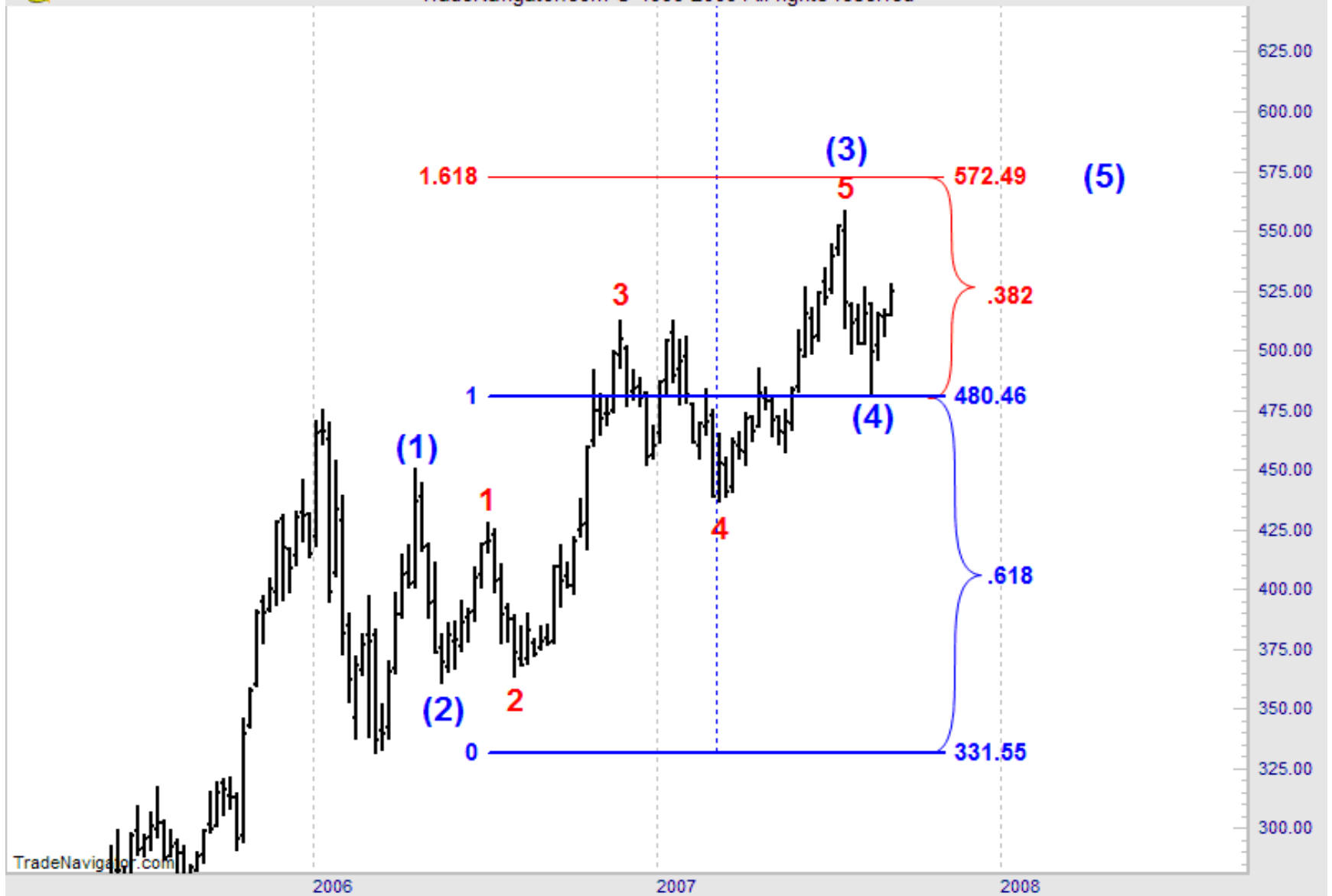
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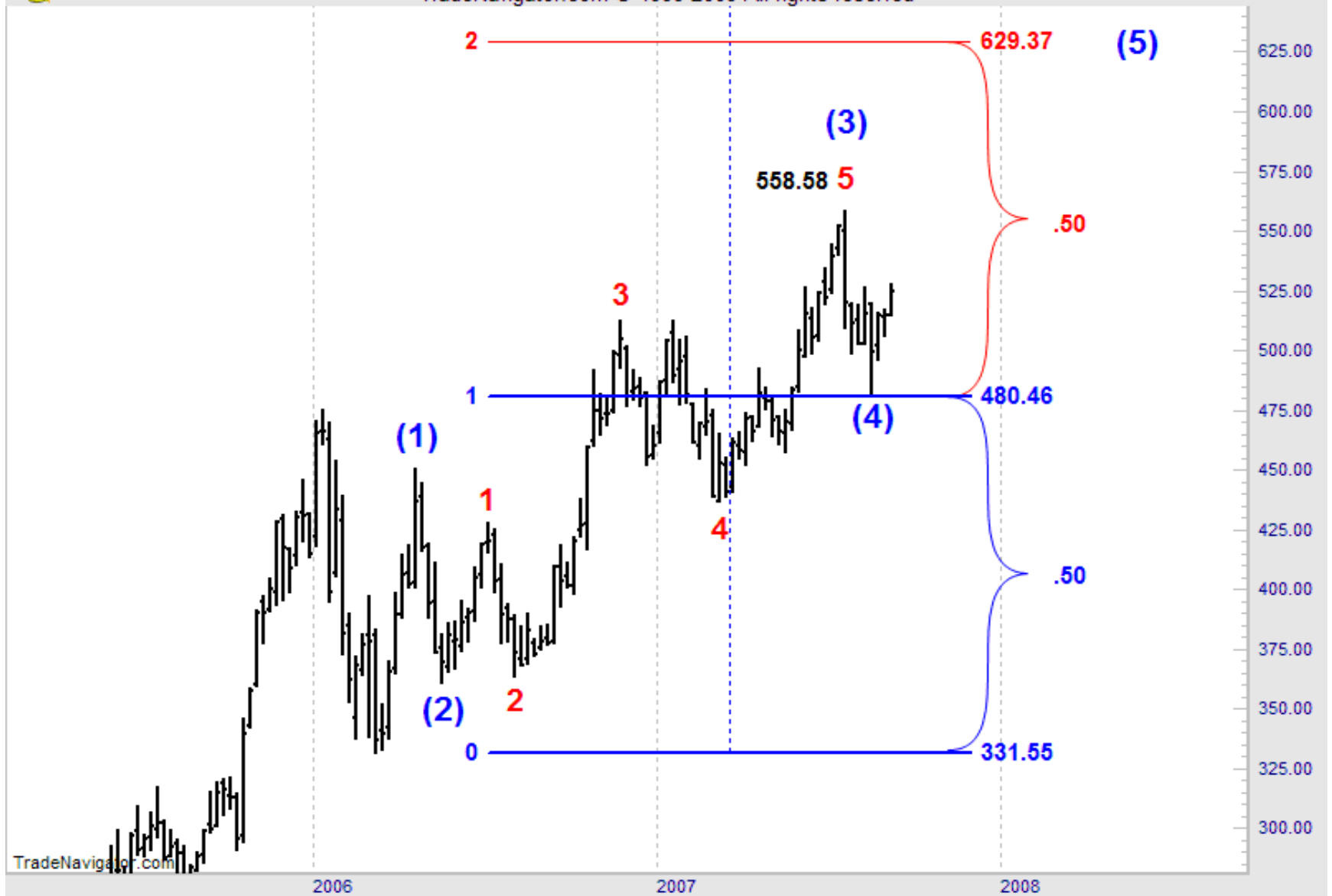
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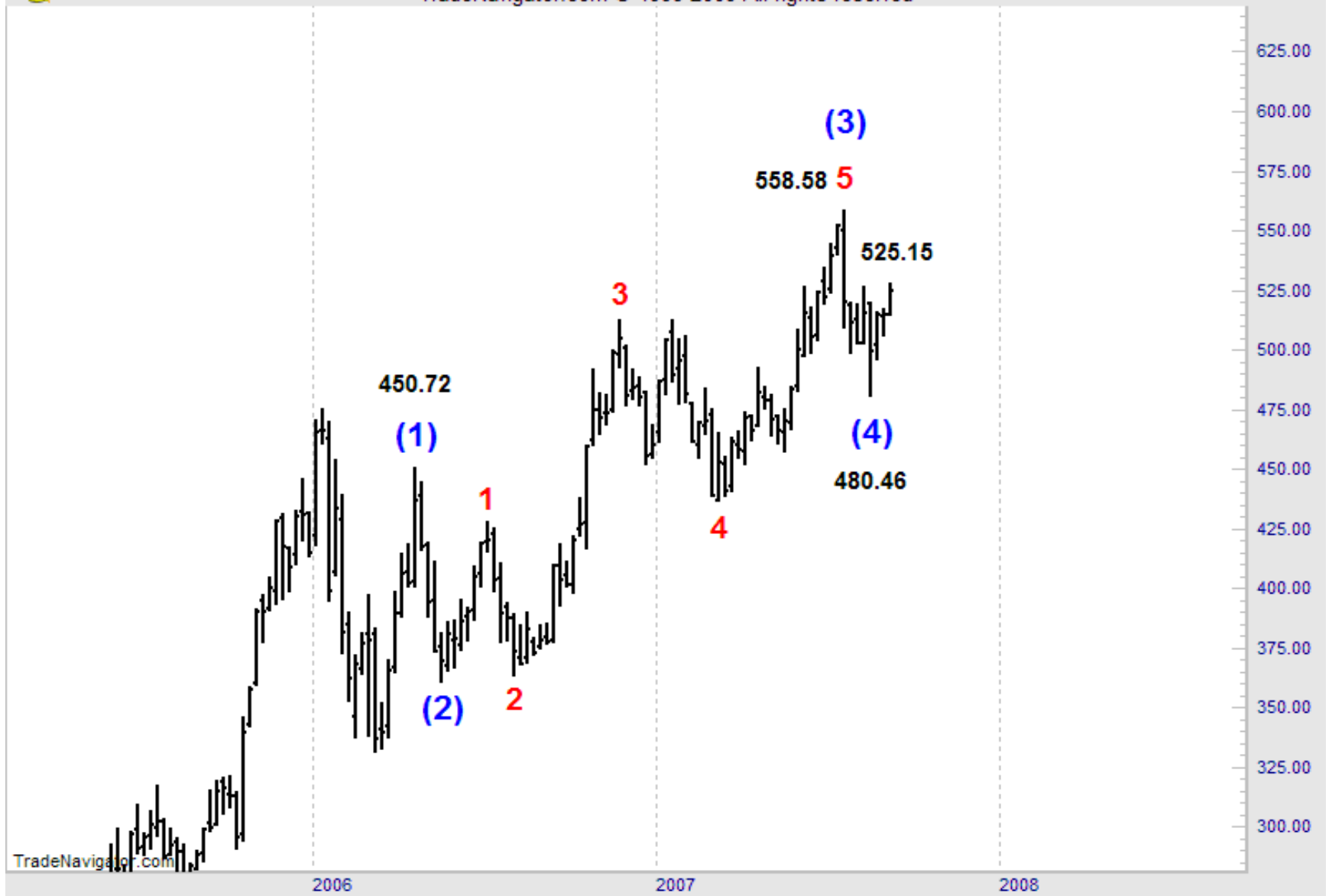


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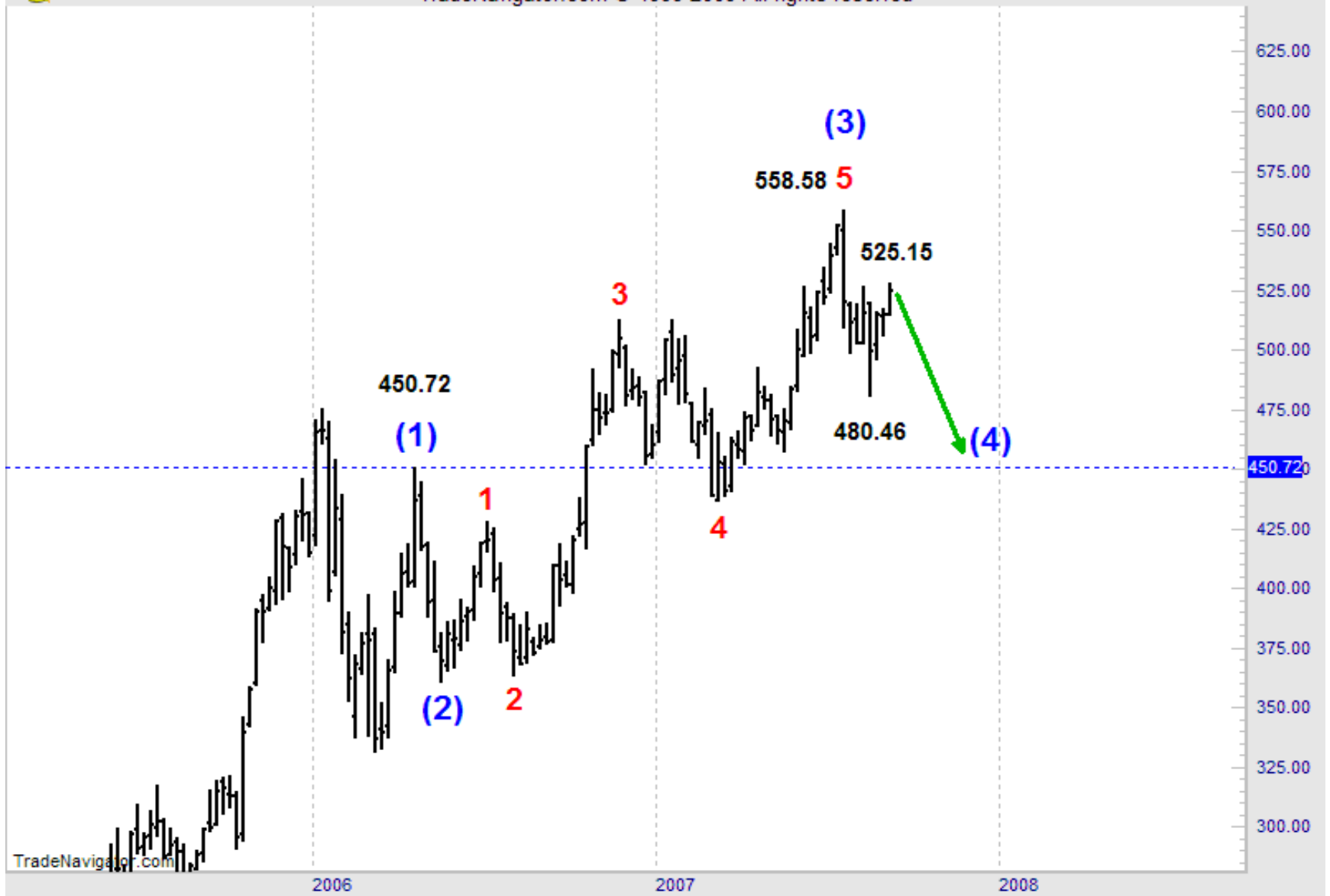
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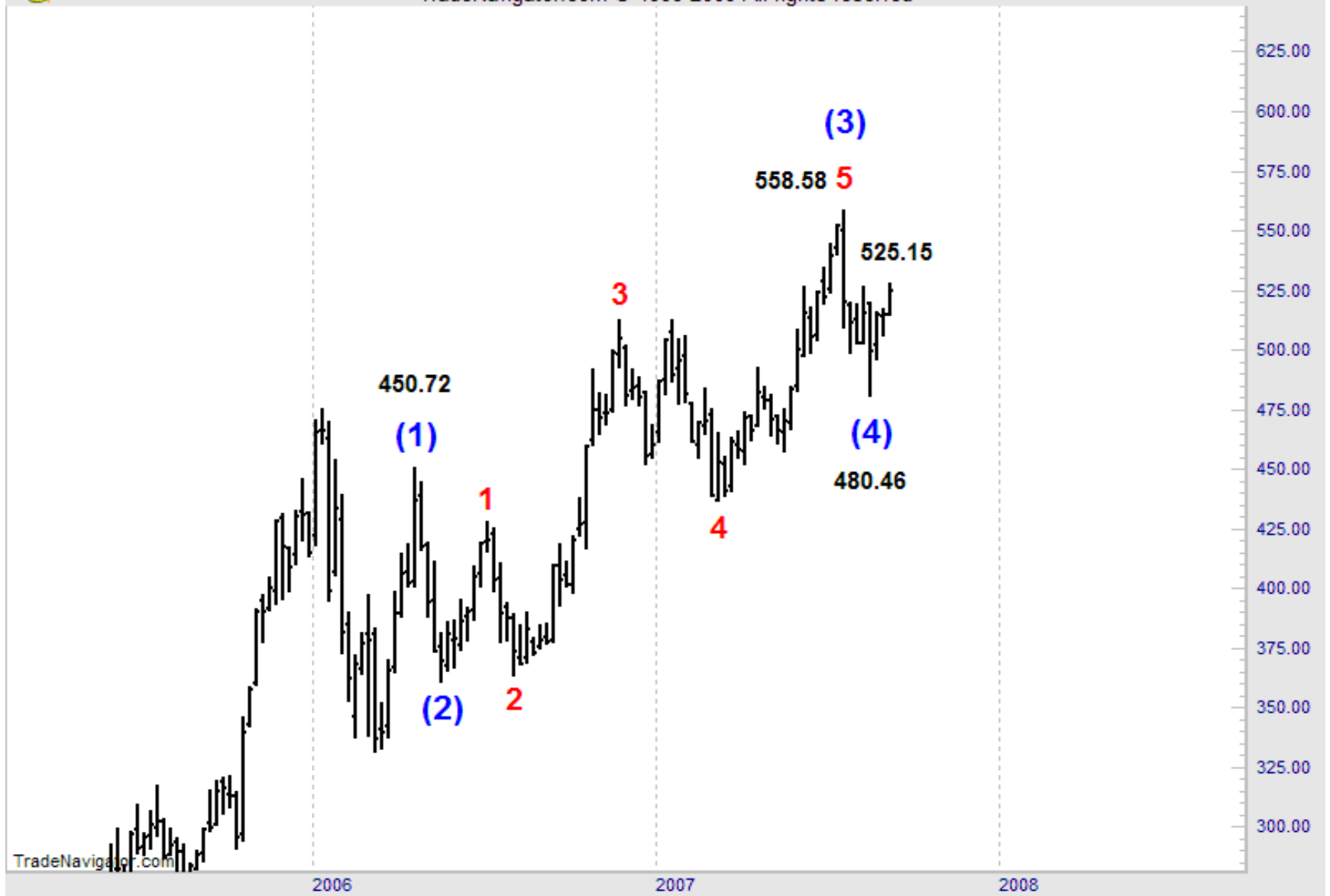


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Security GOOG US Equity Hist Vol     T Model CLA  Price  Implied Vol



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000  
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Google Collar on 09/04/07

Long Google @ 525.15

Sell March08 600 Calls @ 17.10

Buy March08 520 Puts @ 32.70

Implied Vol. = 25.56%

Expiration 03/22/08

Net Debit = 15.60

450.72

(1)

1

(2)

2

3

4

(3)

558.58 5

525.15

(4)

480.46

Maximum Risk = 20.75

Maximum Reward = 59.25

Breakeven = 540.75

Price Target = 600/629

TradeNavigator.com

2006

2007

2008

625.00

600.00

575.00

550.00

525.00

500.00

475.00

450.00

425.00

400.00

375.00

350.00

325.00

300.00





# GOOG: Google Inc. (Weekly bars)

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Google Collar on 09/04/07

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(1)

1

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2

3

558.58 5

525.15

480.46

(4)

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Price Target = 600/629

TradeNavigator.com

2006

2007

2008

625.00

600.00

575.00

550.00

525.00

500.00

475.00

450.00

425.00

400.00

375.00

350.00

325.00

300.00



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Google Collar on 09/04/07

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Buy March08 520 Puts @ 32.70

Implied Vol. = 25.56%

Expiration 03/22/08

Net Debit = 15.60

450.72

(1)

1

(2)

2

3

4

480.46

(4)

558.58

5

(3)

610.26

525.15

Maximum Risk = 20.75

Maximum Reward = 59.25

Breakeven = 540.75

Price Target = 600/629

TradeNavigator.com

2006

2007

2008

625.00  
600.00  
575.00  
550.00  
525.00  
500.00  
475.00  
450.00  
425.00  
400.00  
375.00  
350.00  
325.00  
300.00



# GOOG: Google Inc. (Weekly bars)

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Google Collar on 09/04/07

Long Google @ 525.15

Sell March08 600 Calls @ 17.10

Buy March08 520 Puts @ 32.70

Implied Vol. = 25.56%

Expiration 03/22/08

Net Debit = 15.60





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Google Collar on 09/04/07 2.618

Long Google @ 525.15

Sell March08 600 Calls @ 17.10

Buy March08 520 Puts @ 32.70

Implied Vol. = 25.56%

Expiration 03/22/08

Net Debit = 15.60

Maximum Risk = 20.75  
Maximum Reward = 59.25

Breakeven = 540.75

Price Target = 600/629





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Google Collar on 09/04/07

Long Google @ 525.15

Sell March08 600 Calls @ 17.10

Buy March08 520 Puts @ 32.70

Implied Vol. = 25.56%

Expiration 03/22/08

Net Debit = 15.60

450.72

(1)

1

(2)

2

3

4

(3)

558.58

5

(4)

480.46

610.26

678.97

747.24

•----- 721.40

Breakeven = 540.75

Price Target = 600/629

Maximum Risk = 20.75

Maximum Reward = 59.25

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2006

2007

2008



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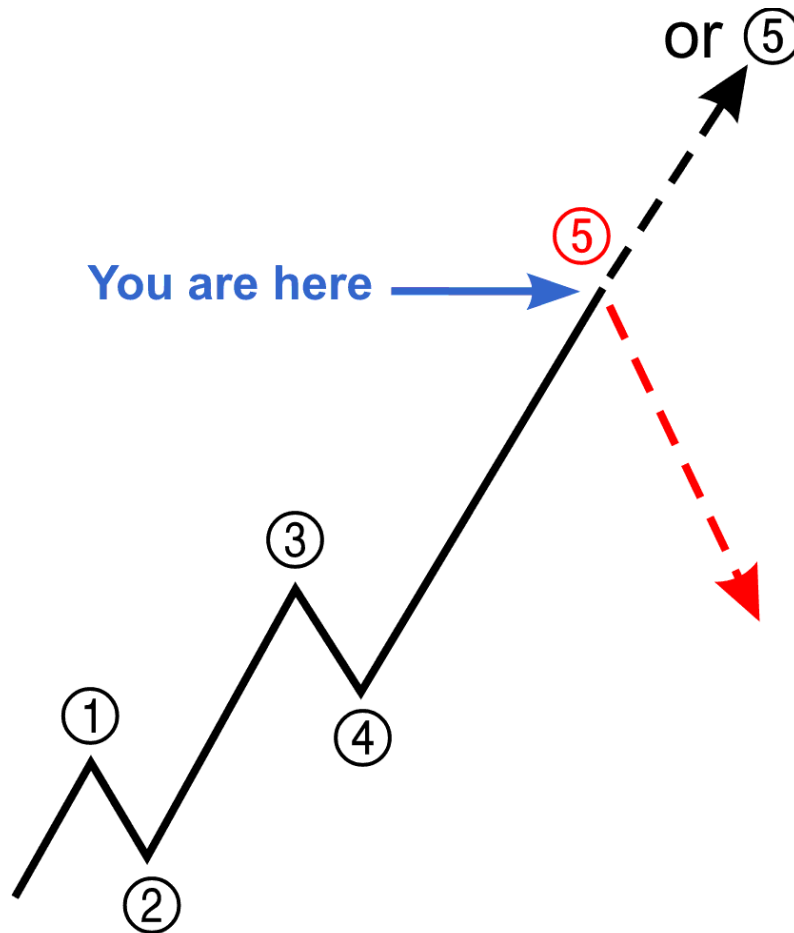
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# Third Scenario

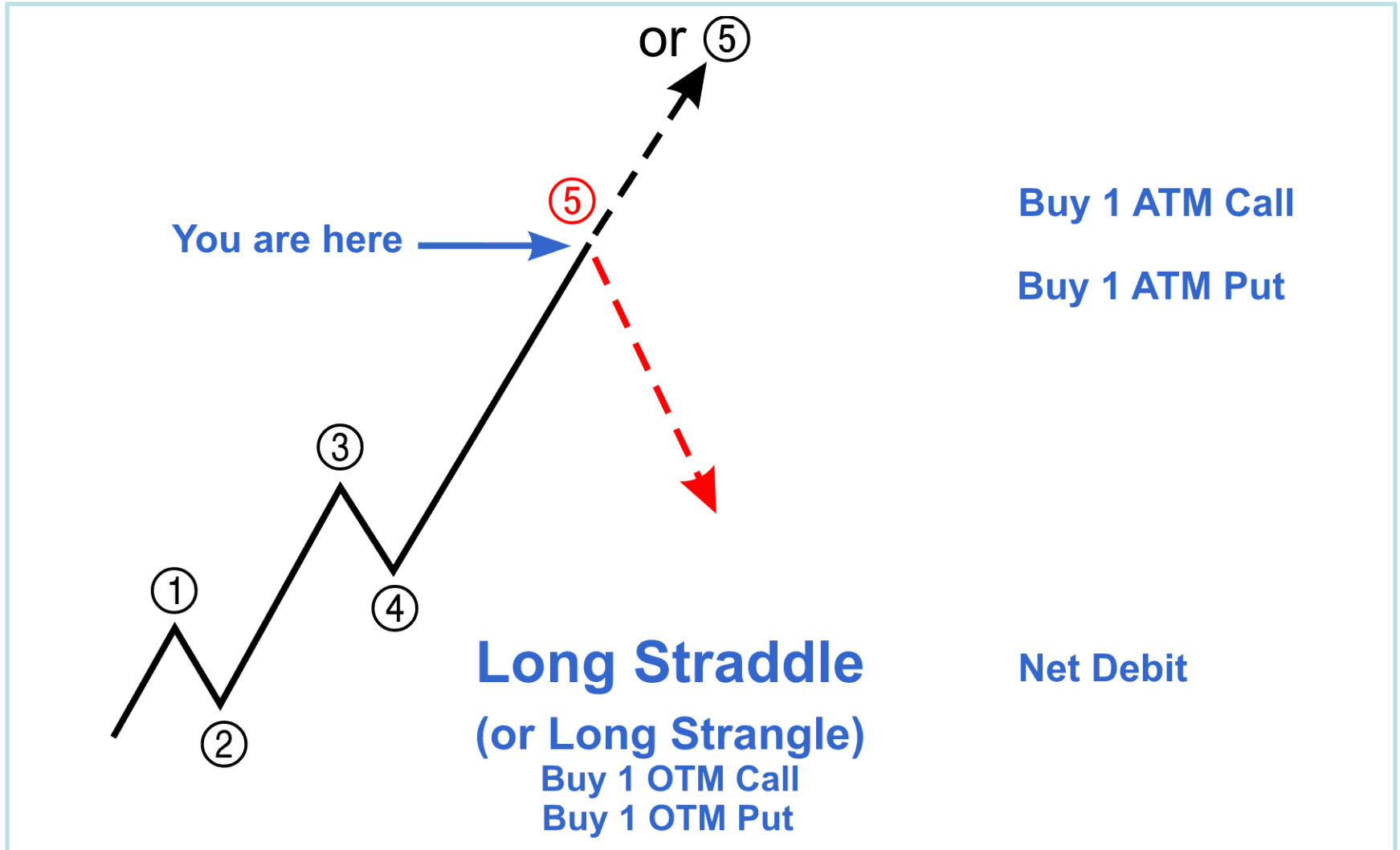
Continuation of Long-Term Trend or Swift and Major Reversal?





# Third Scenario

## Continuation of Long-Term Trend or Swift and Major Reversal?



# Long Straddle

Buy 1 ATM Call

Buy 1 ATM Put

Net Debit

Looking for Significant Move in Either Direction

Relatively Longer-Term Strategy, 3 Months

Maximum Risk Capped at Net Debit

Maximum Reward Uncapped

Upper Breakeven:  $\text{Strike Price} + \text{Net Debit}$

Lower Breakeven:  $\text{Strike Price} - \text{Net Debit}$

# Optimal Elliott Wave Characteristics for Using Long Straddle

Wave:	Characteristics:
Function	Actionary / Main Trend (Continuation or Major Reversal)
Structure	Impulse
Position	1 (Major Turning Point)
Degree	Relatively High
Entry Point	End of Wave 5
Prior to Entry Point at Next Lower Degree	Impulse
Checklist	Satisfy Elliott Wave Rules and Guidelines Fibonacci Price Target or Cluster Fibonacci Time Target or Cluster Favorable Implied Volatility at Entry Point

**Rely on Elliott wave rules and guidelines.**



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## S2-200805: Soybeans CBT (Comb) May 2008 (Daily bars)

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# S2-200805: Soybeans CBT (Comb) May 2008 (Daily bars)

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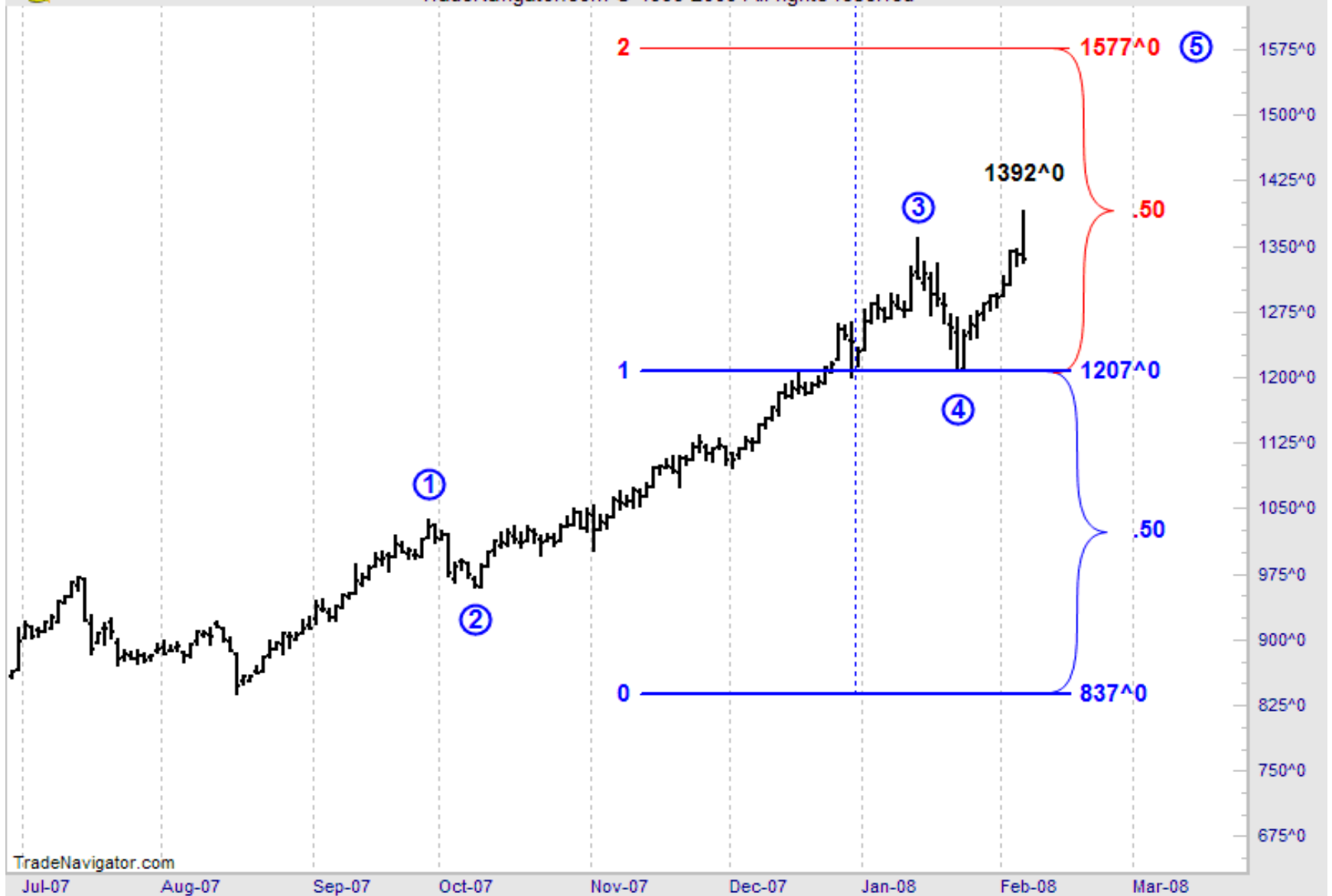
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# S2-200805: Soybeans CBT (Comb) May 2008 (Daily bars)

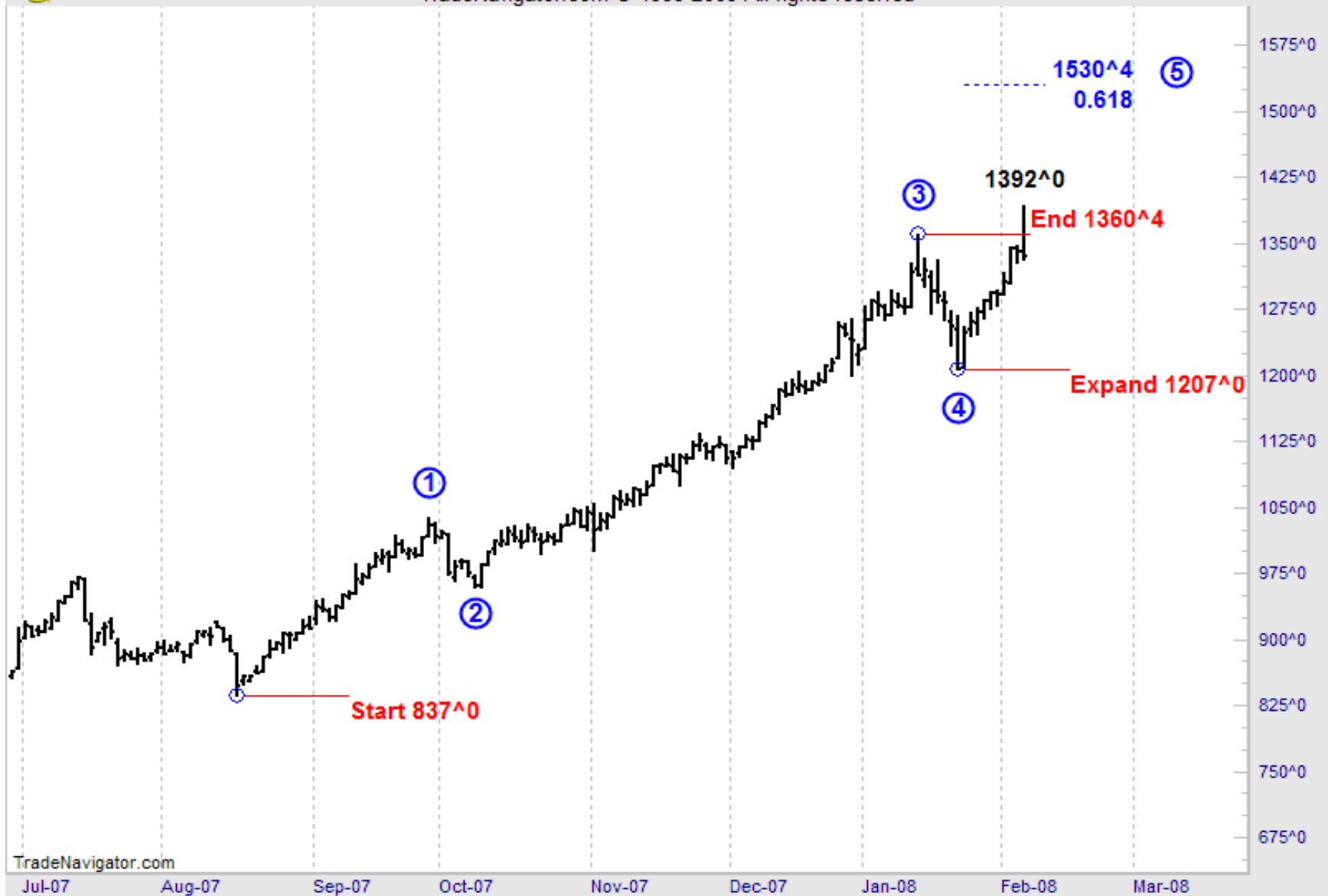
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## S2-200805: Soybeans CBT (Comb) May 2008 (Daily bars)

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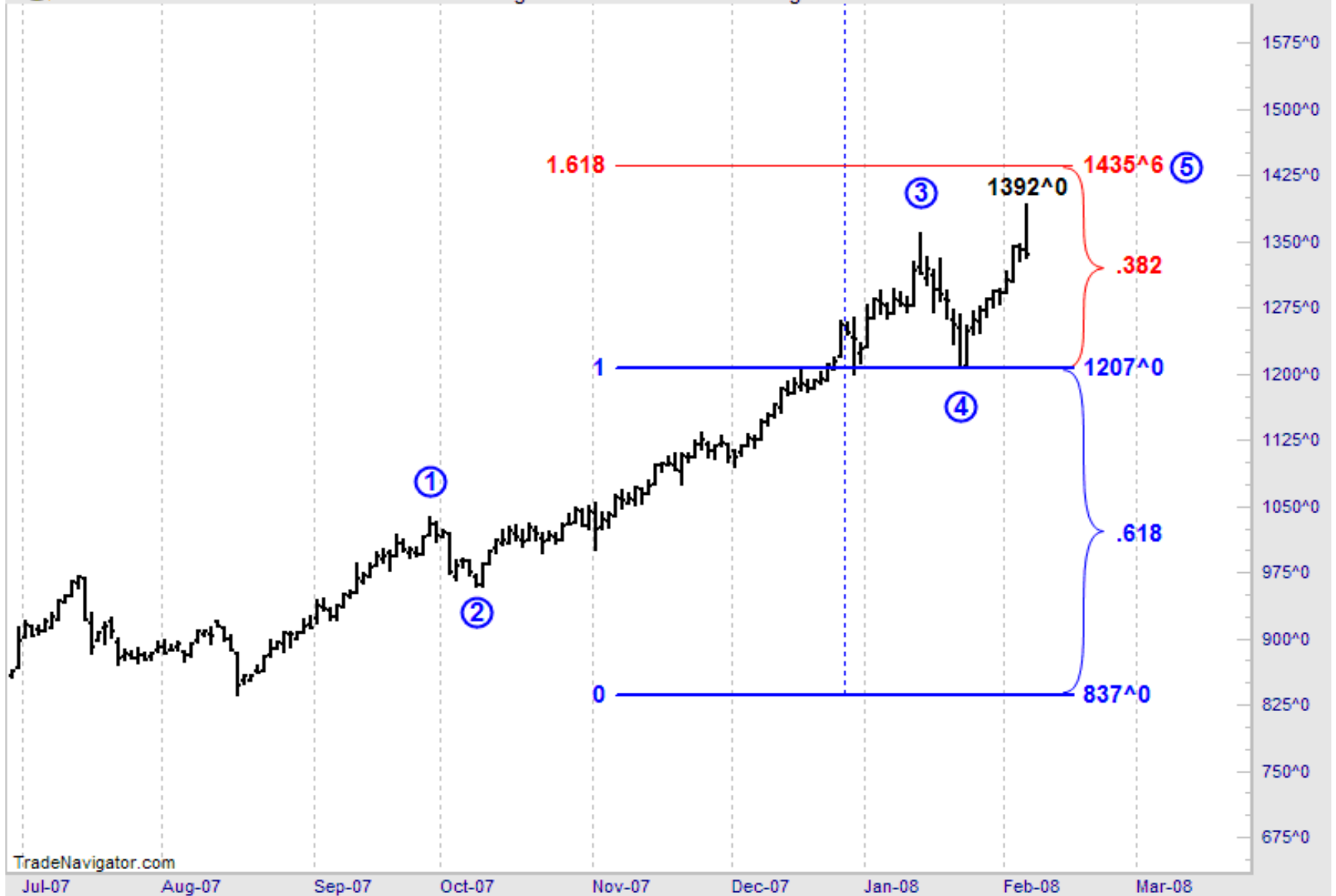
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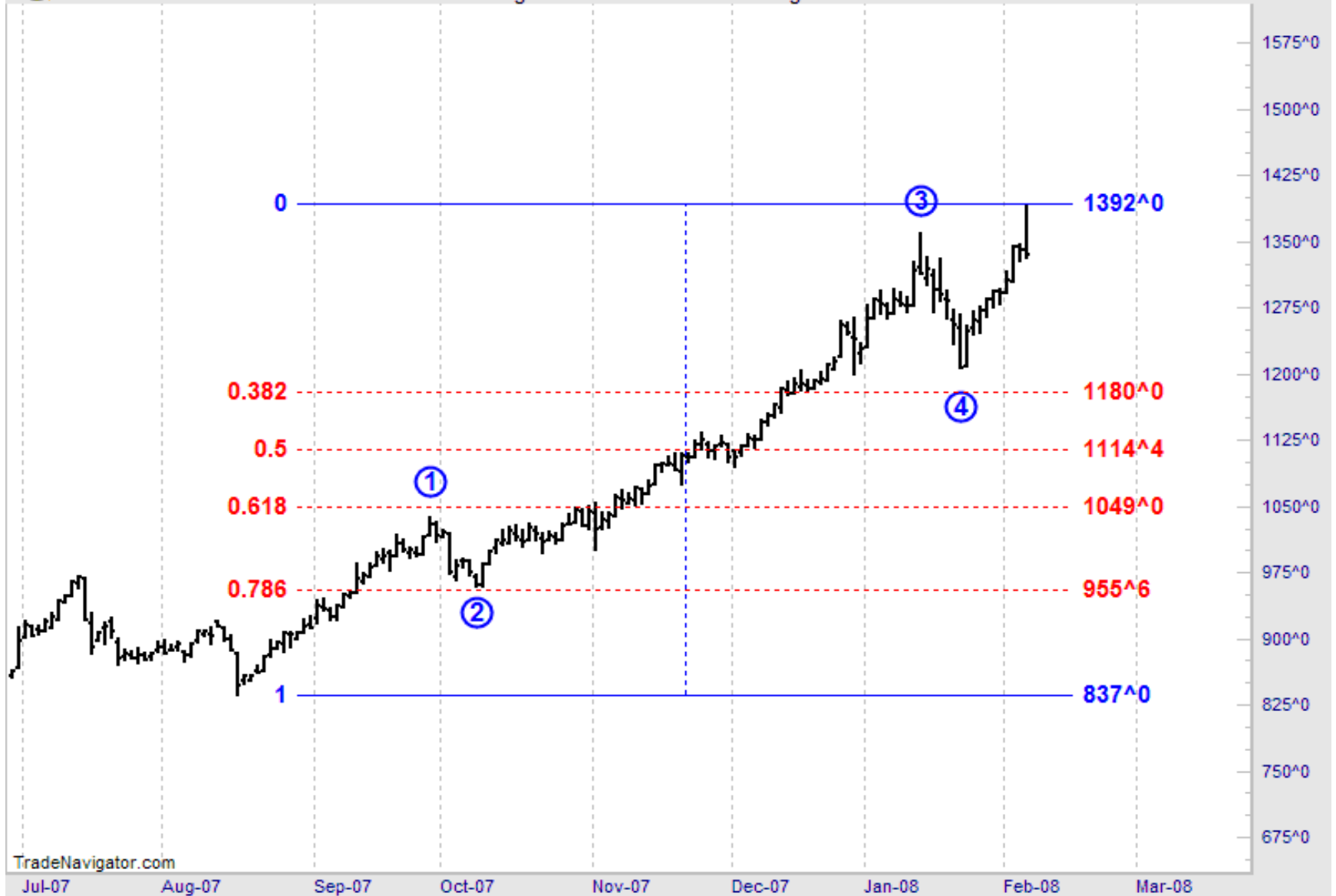


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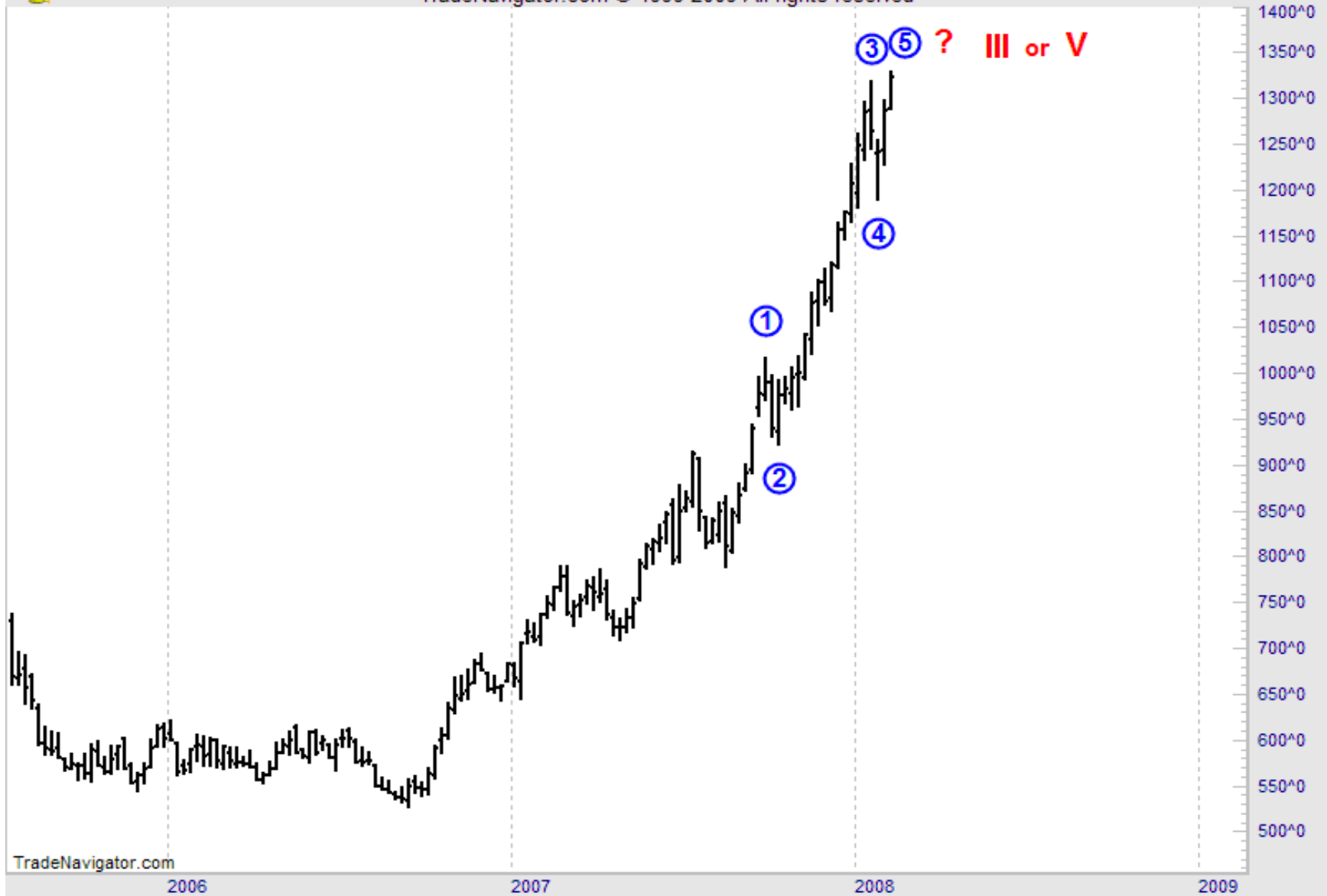


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## S2-056: Soybeans CBT (Comb) Cont Exp (Weekly bars)

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## S2-056: Soybeans CBT (Comb) Cont Exp (Weekly bars)

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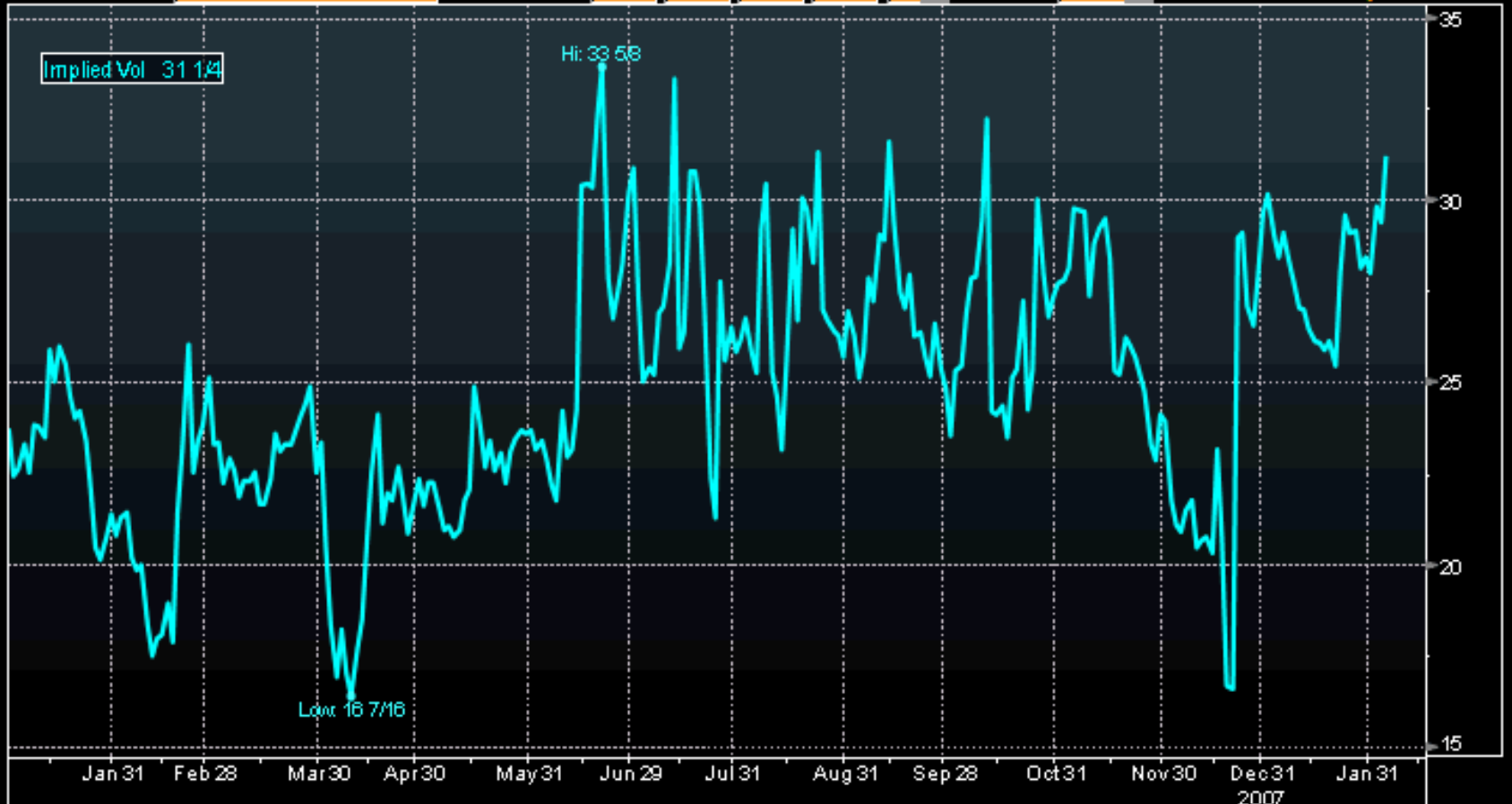
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95) Templates 96) Actions Page 1/16 Historical Imp Vol

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Security S 1 Comdty Hist Vol     T Model CLA  Price  Implied Vol



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000  
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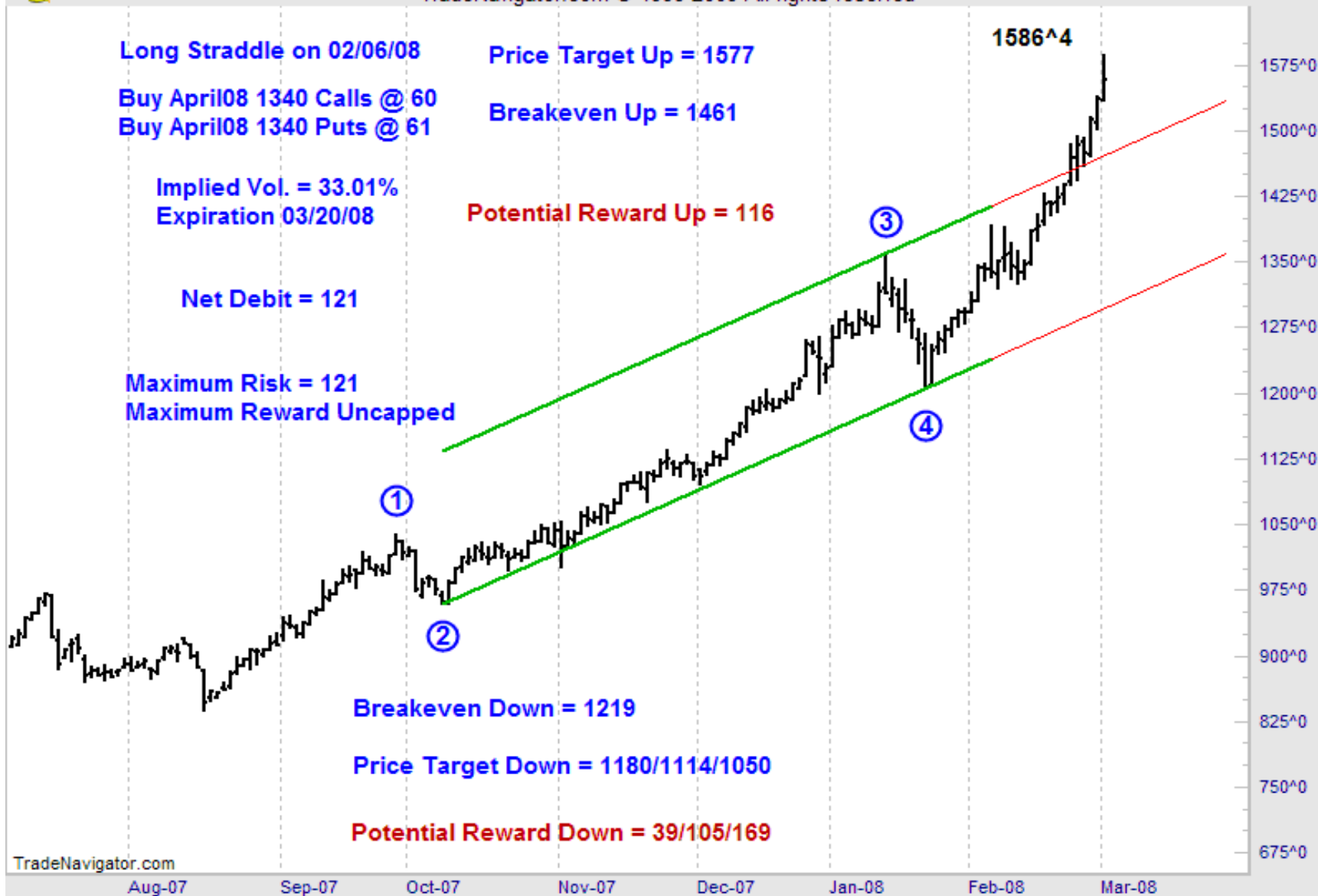
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# S2-200805: Soybeans CBT (Comb) May 2008 (Daily bars)

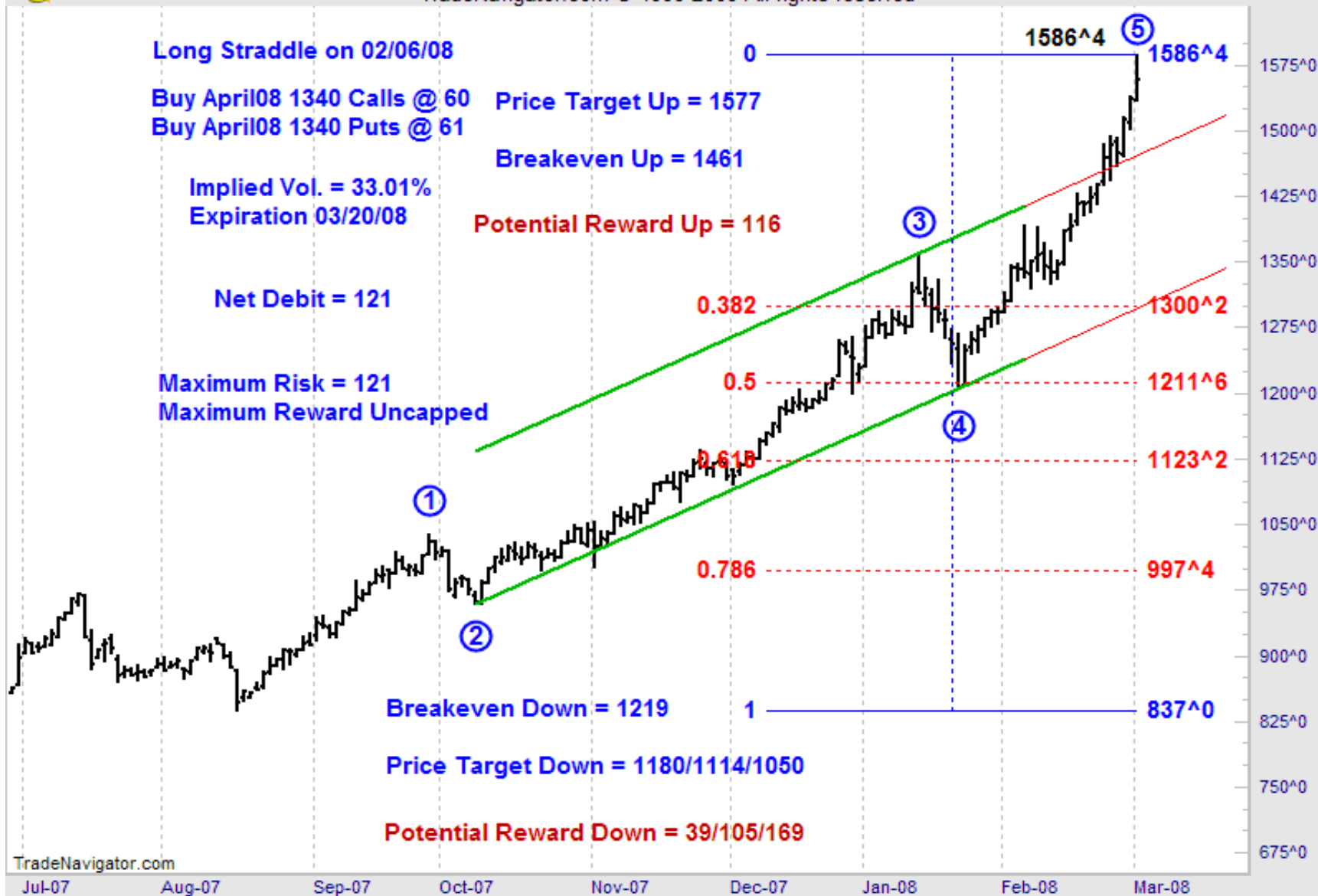
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# S2-200805: Soybeans CBT (Comb) May 2008 (Daily bars)

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# S2-056: Soybeans CBT (Comb) Cont Exp (Weekly bars)

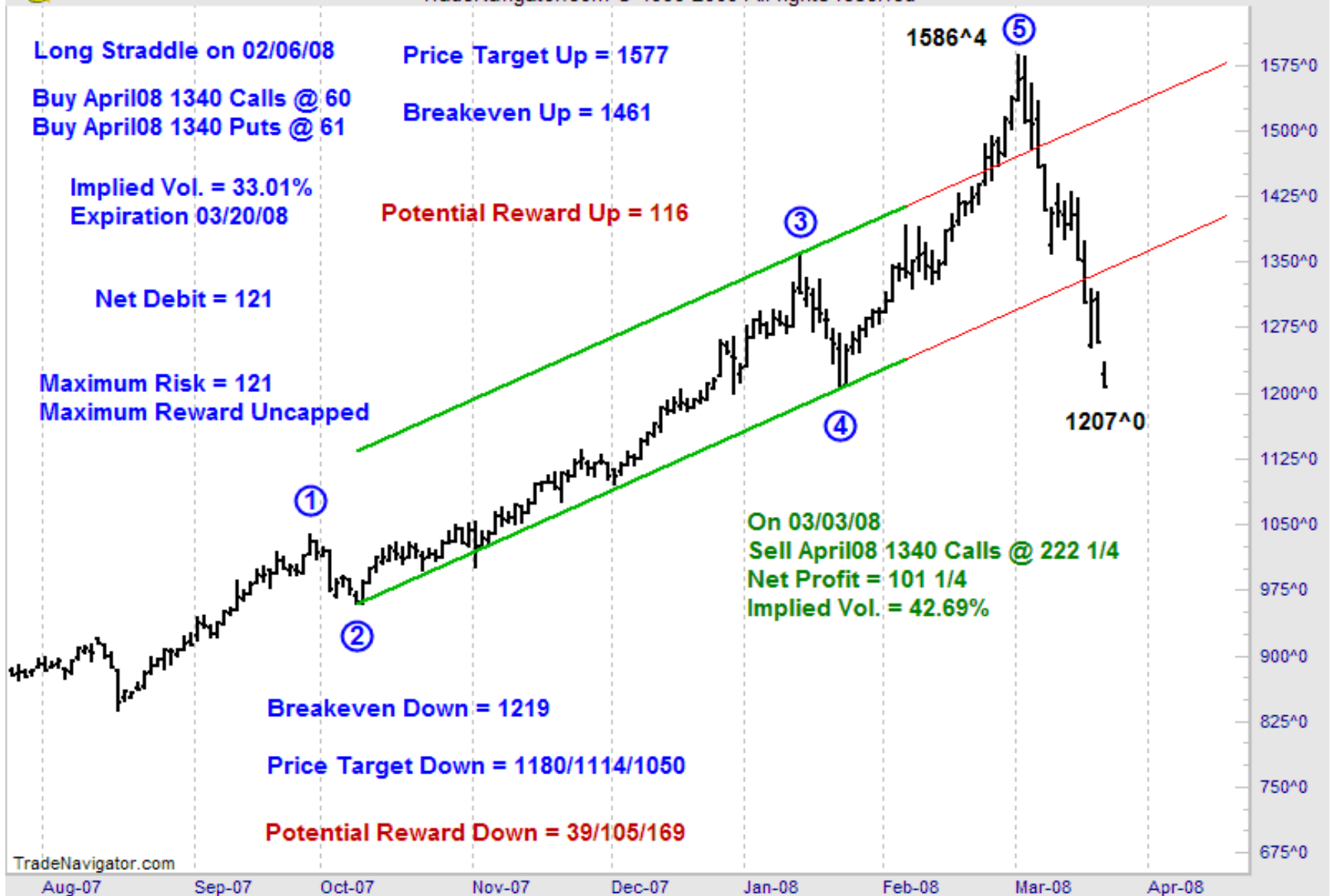
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# S2-200805: Soybeans CBT (Comb) May 2008 (Daily bars)

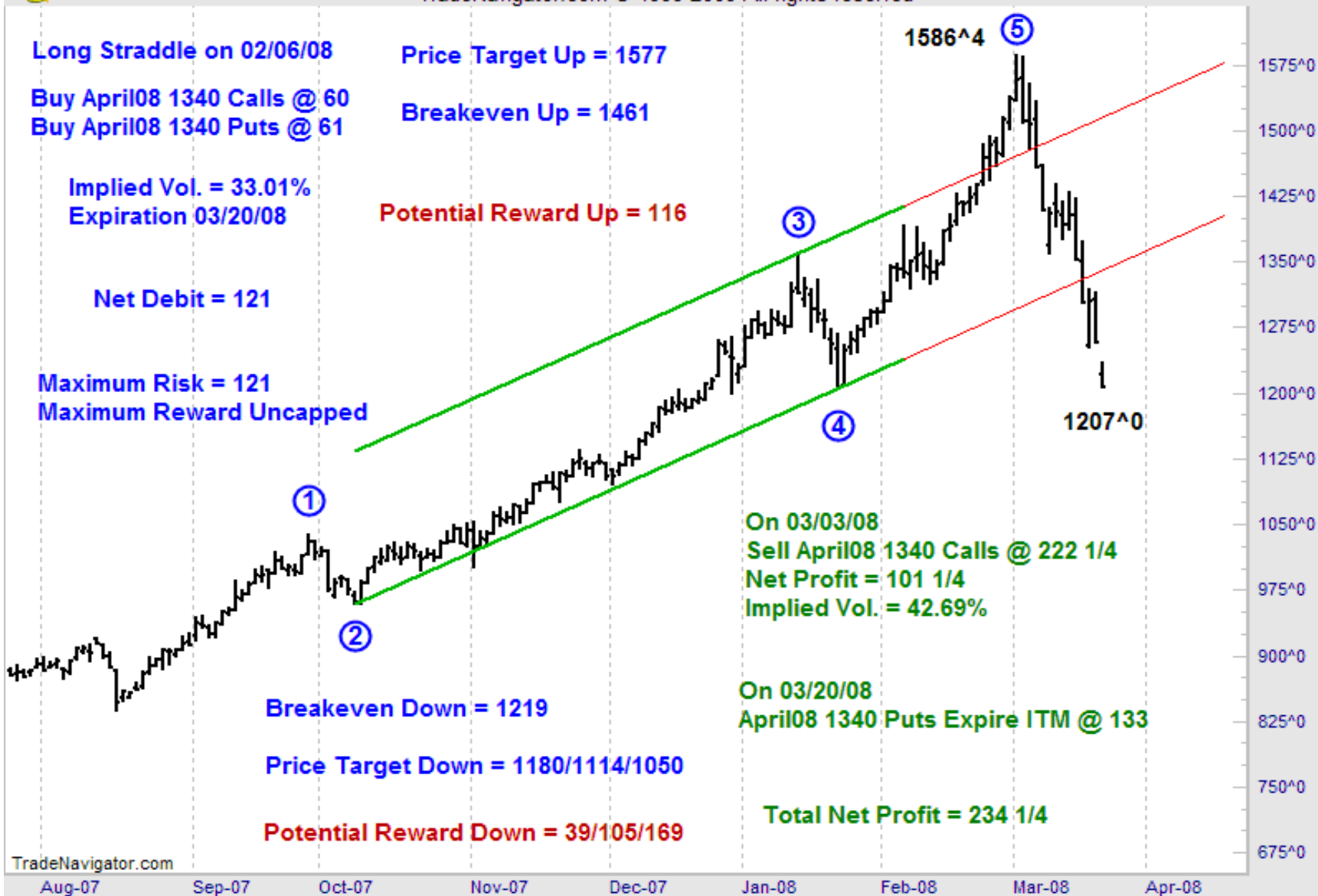
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# S2-200805: Soybeans CBT (Comb) May 2008 (Daily bars)

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2/06/08

Price Target Up = 1577

Calls @ 60  
Puts @ 61

Breakeven Up = 1461

0.01%  
/08

Potential Reward Up = 116

21

21

Uncapped

①

②

③

④

⑤

1586^4

1207^0

1106^4

On 03/03/08

Sell April08 1340 Calls @ 222 1/4

Net Profit = 101 1/4

Implied Vol. = 42.69%

On 03/20/08

April08 1340 Puts Expire ITM @ 133

Total Net Profit = 234 1/4

Breakeven Down = 1219

Price Target Down = 1180/1114/1050

Potential Reward Down = 39/105/169

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Oct-07

Nov-07

Dec-07

Jan-08

Feb-08

Mar-08

Apr-08

May-08

Jun-08

1575^0

1500^0

1425^0

1350^0

1275^0

1200^0

1125^0

1050^0

975^0

900^0

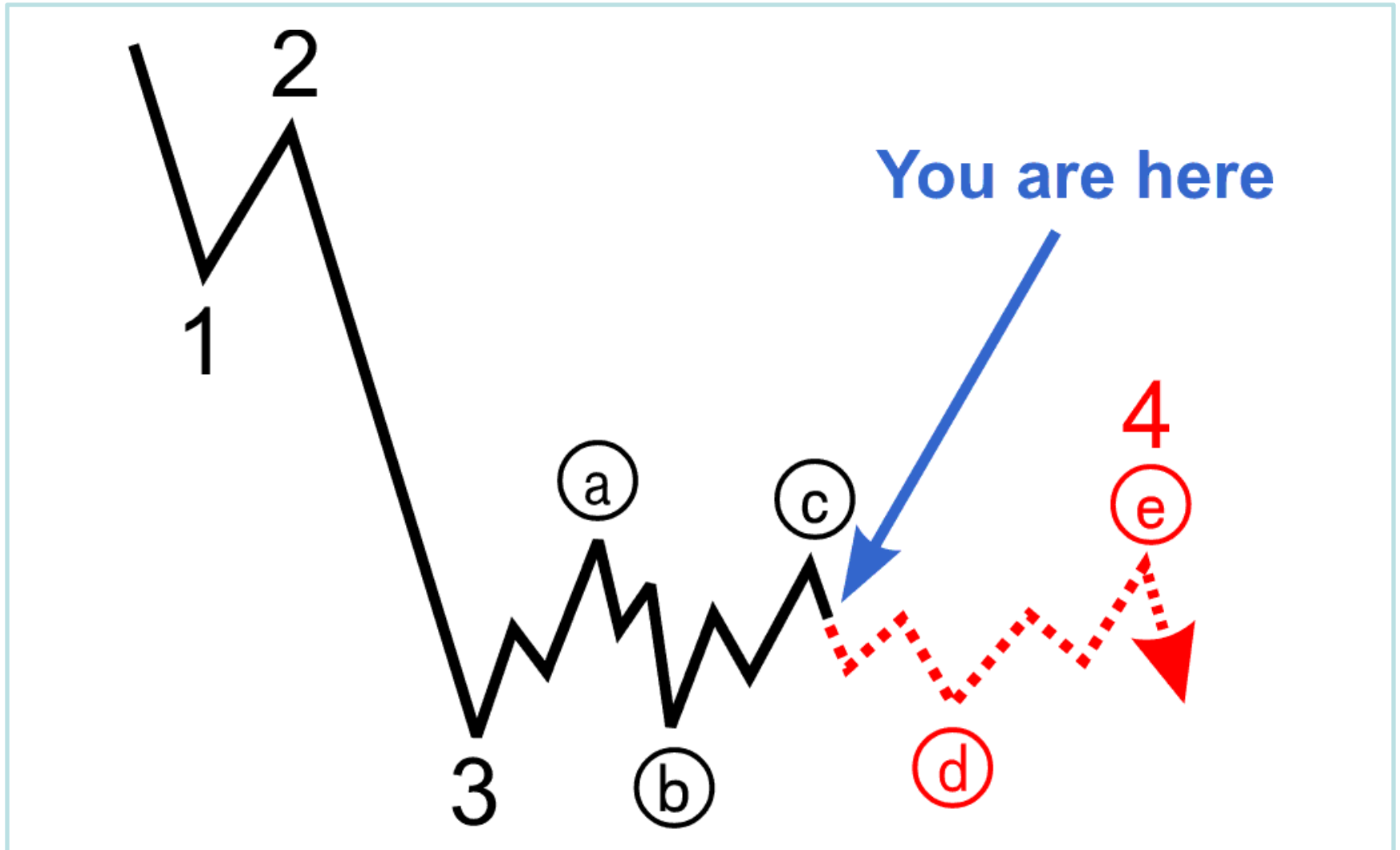
825^0

750^0

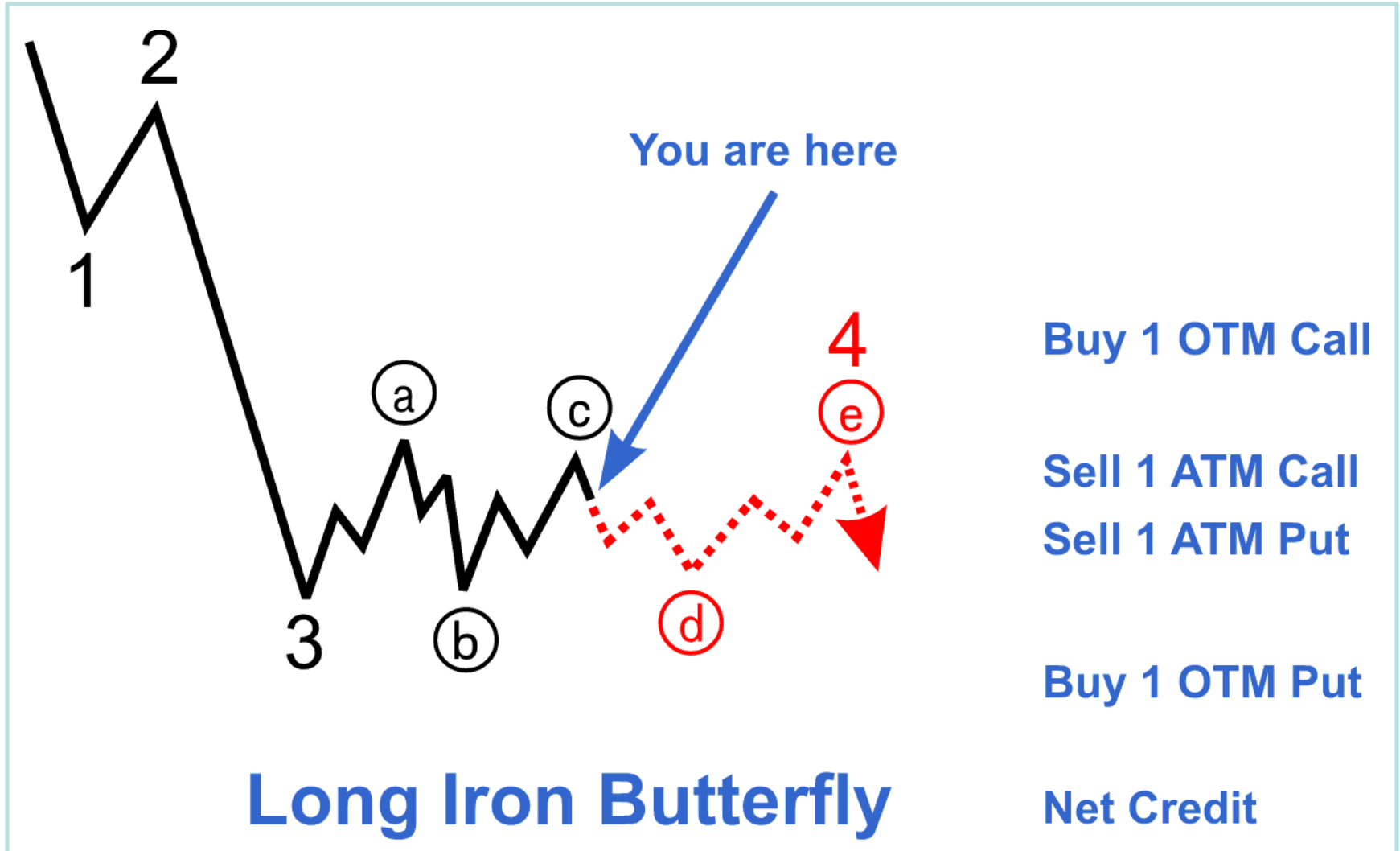
675^0



# Fourth Scenario Sideways Market



# Fourth Scenario Sideways Market



# Long Iron Butterfly

Buy 1 OTM Call

Sell 1 ATM Call

Sell 1 ATM Put

Buy 1 OTM Put

Net Credit

Market Neutral

Relatively Shorter-Term Strategy, 1 Month

Maximum Risk Capped at Difference in Adjacent Put or Call Strikes - Net Credit

Maximum Reward Capped at Net Credit

Upper Breakeven: Short Call Strike + Net Credit

Lower Breakeven: Short Put Strike - Net Credit

# Optimal Elliott Wave Characteristics for Using Long Iron Butterfly

Wave:	Characteristics:
Function	Reactionary / Countertrend Moves
Structure	Contracting Triangle, Barrier Triangle
Position	<u>4 of Impulse Wave</u> , B of Zigzag, X (Y,Z)
Degree	Relatively Low
Entry Point	End of Wave (c) Zigzag
Prior to Entry Point at Next Lower Degree	Impulse or Diagonal [(c) of (c)]

**Rely on Elliott wave rules and guidelines.**



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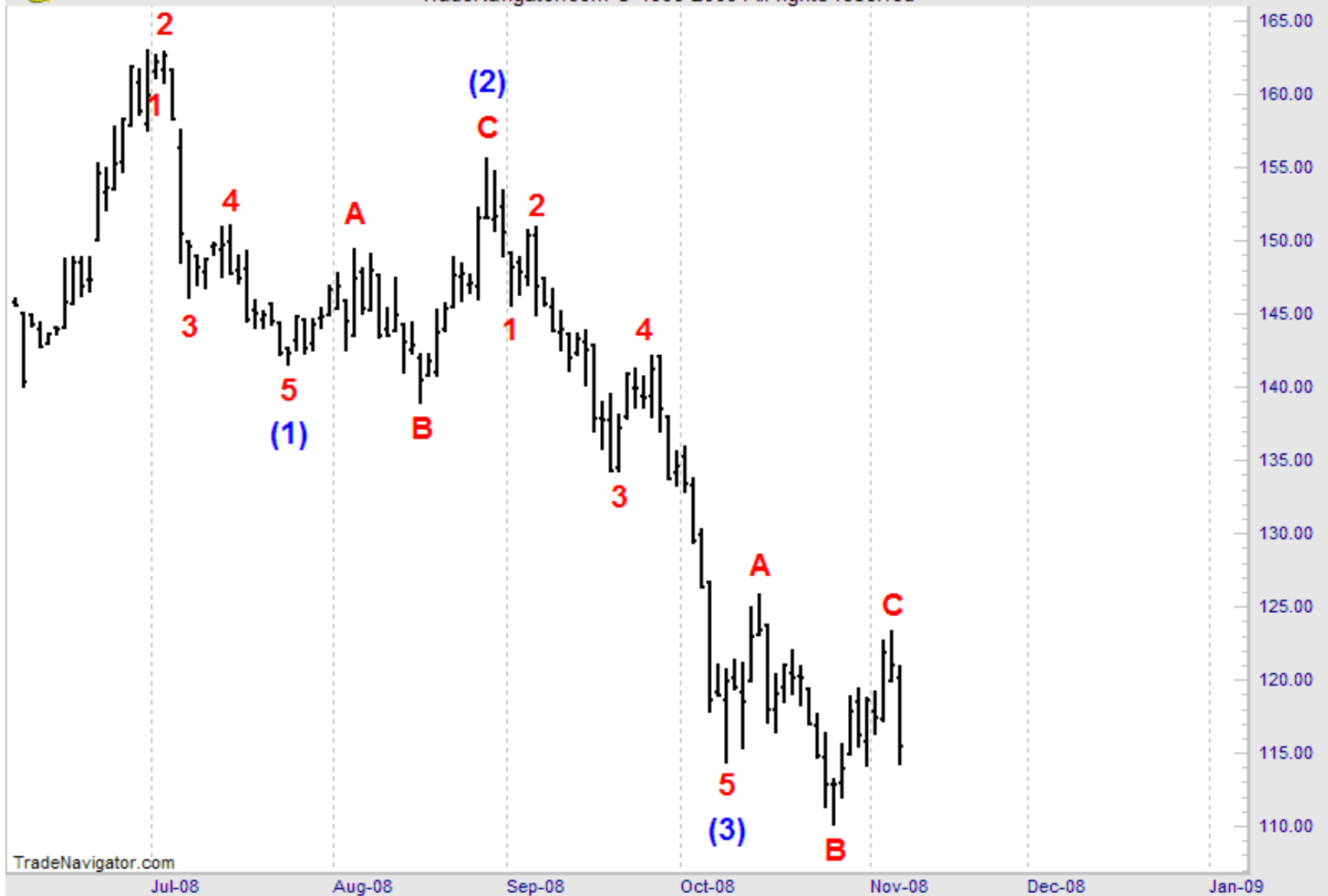


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<HELP> for explanation.

Template Changed, 90<G0> to Save, 91<G0> to Save As

95) Templates 96) Actions Page 1/13 Historical Imp Vol

Period Daily 01/01/08 - 11/06/08 AnnFactor 260 Ccy LCL  Show Statistics

Security KC1 Comdty Hist Vol     T Model CLA  Price  Implied Vol



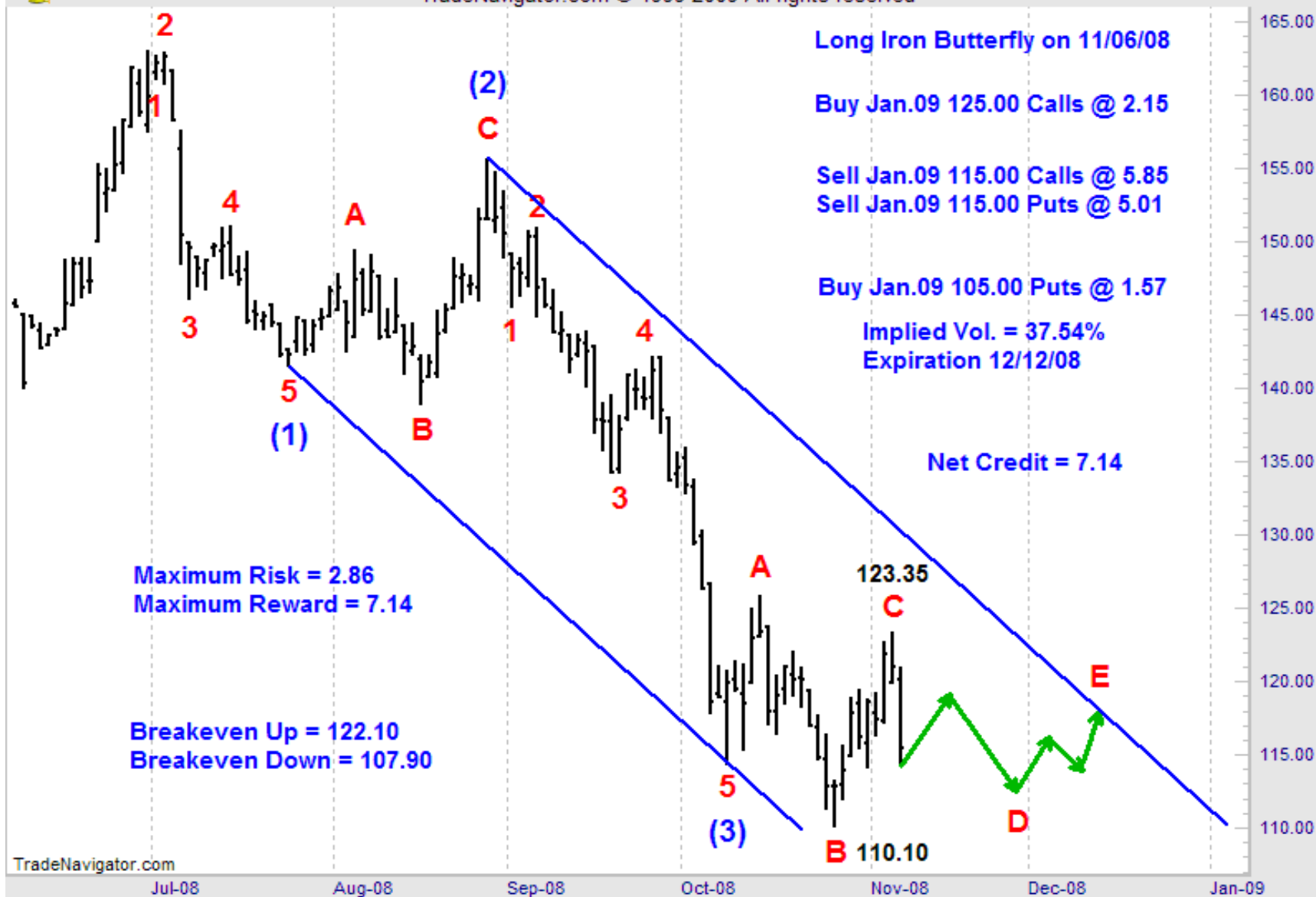
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 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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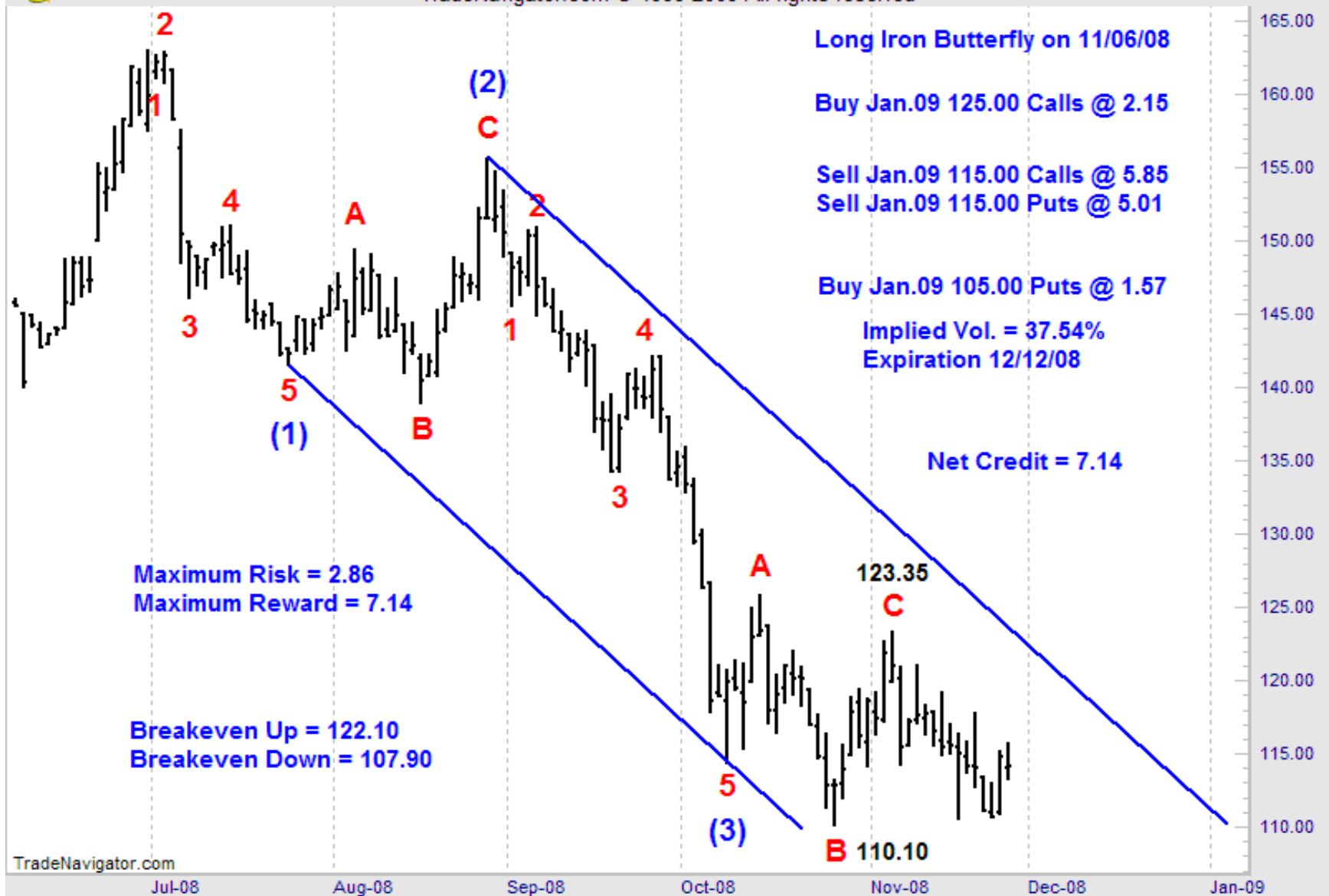


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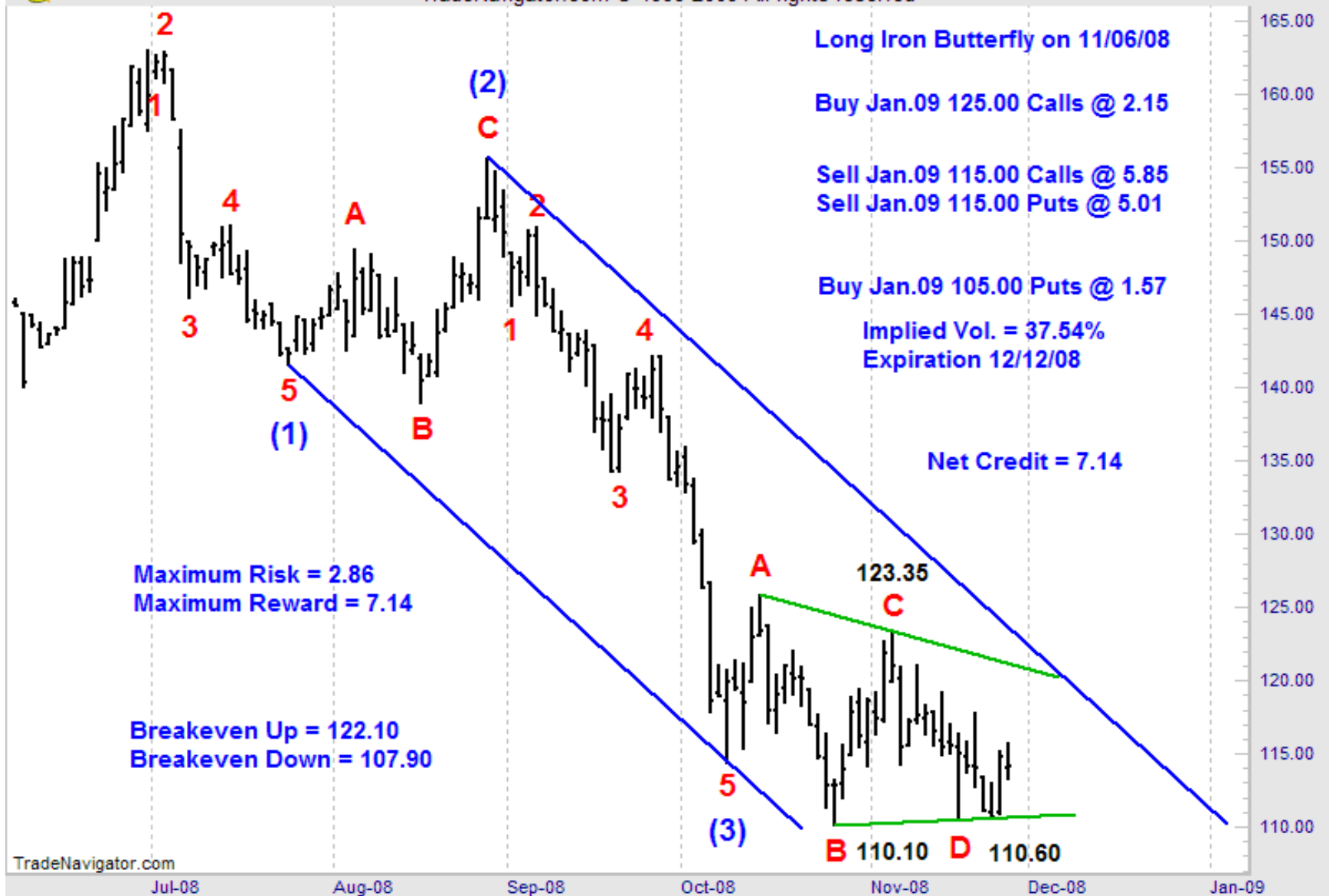


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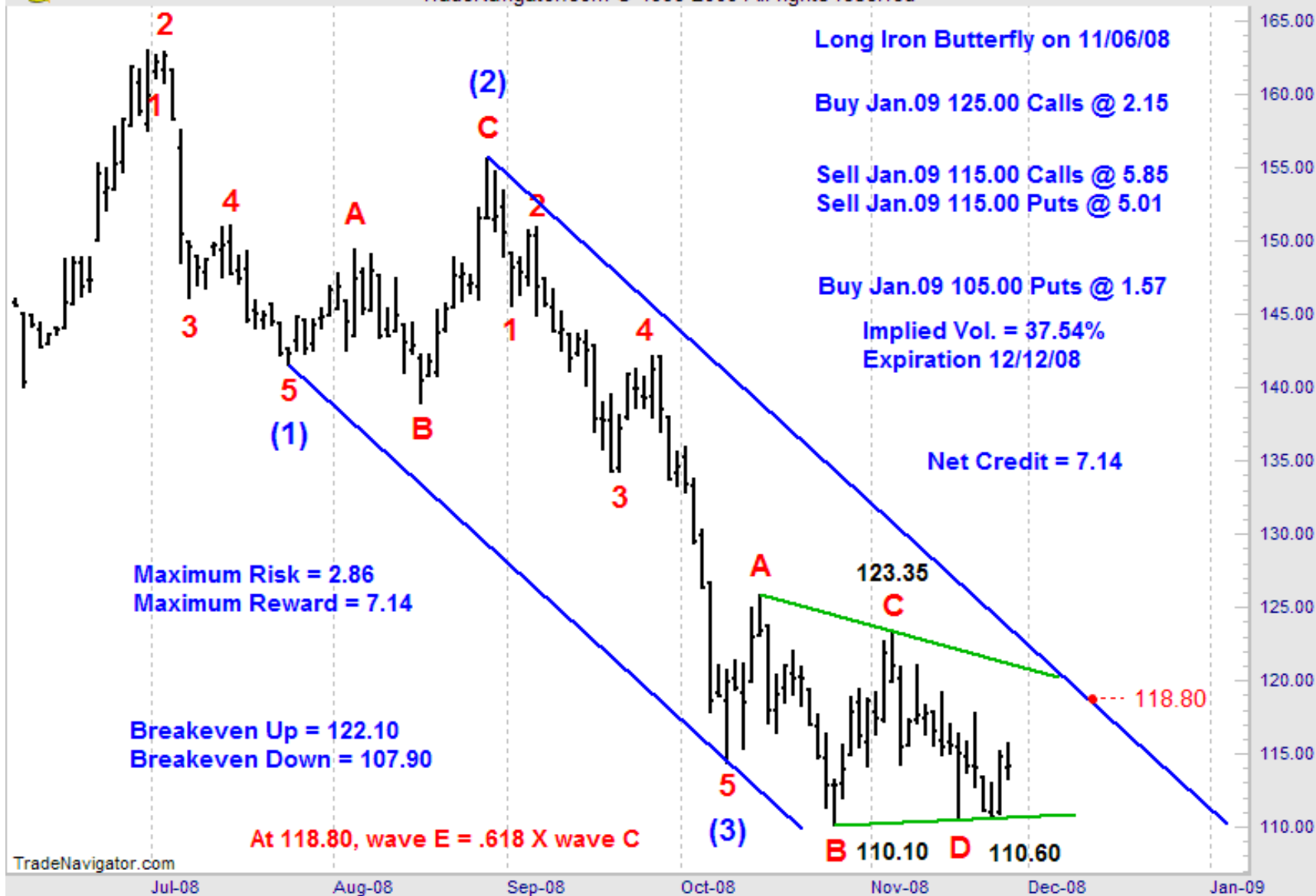


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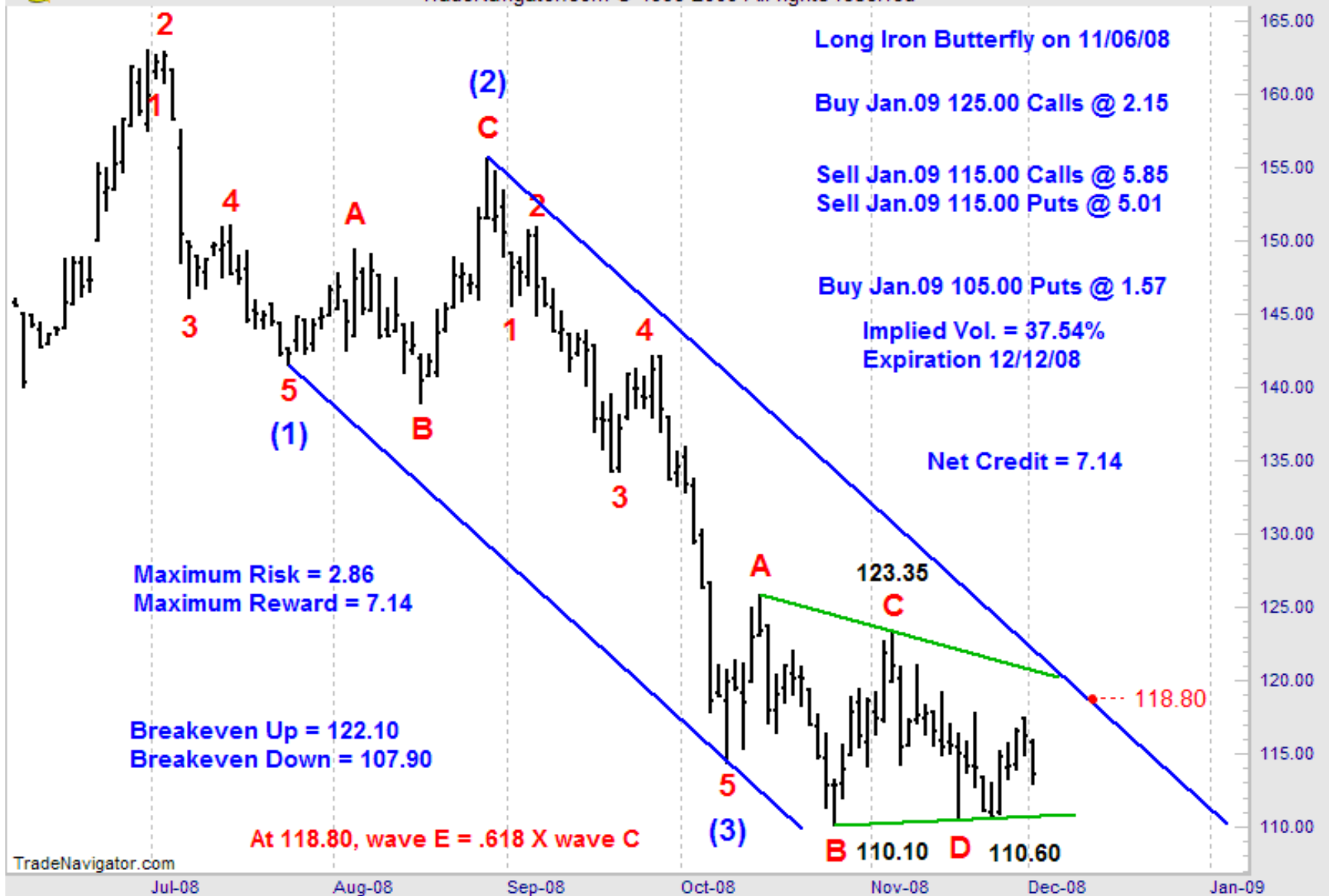


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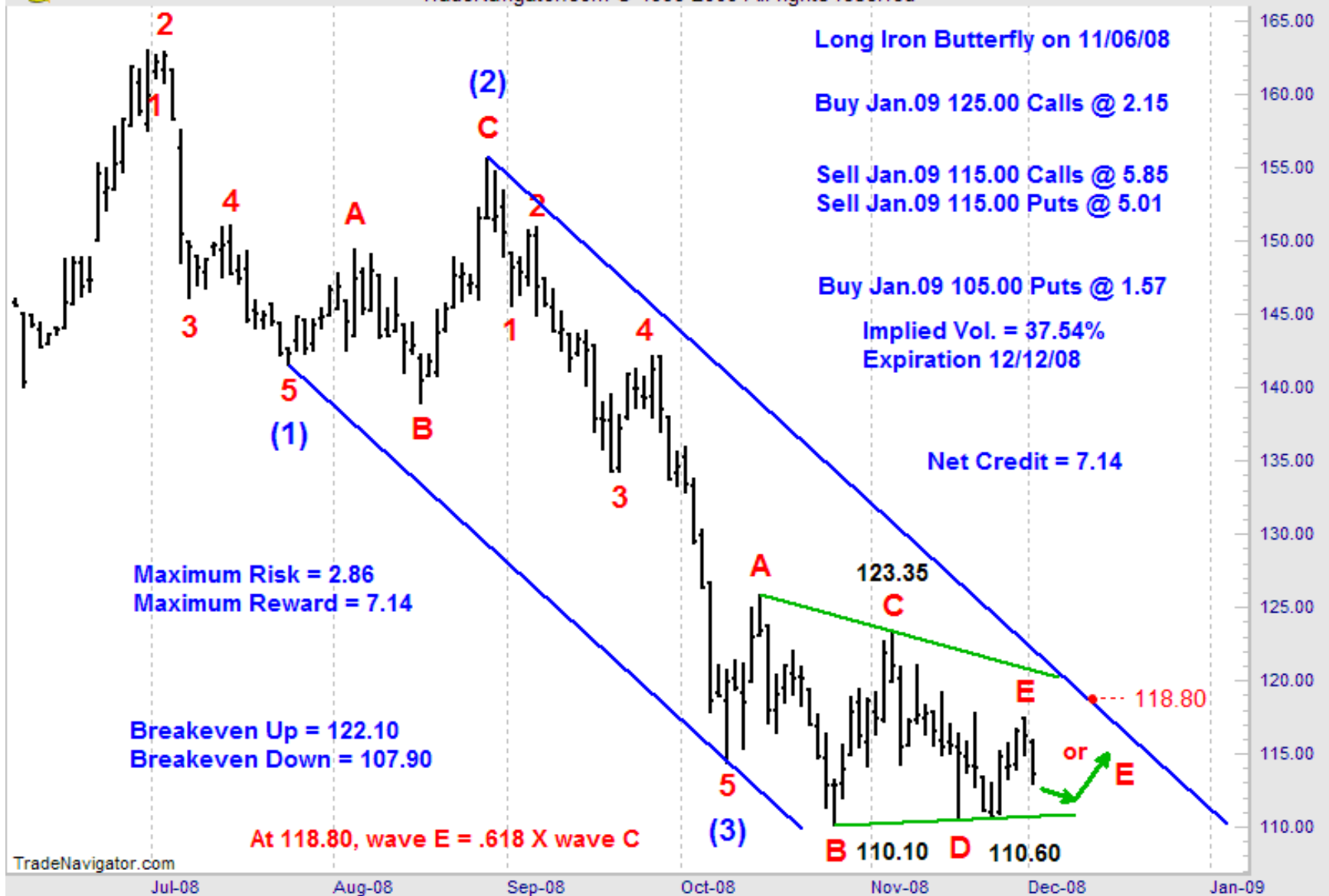






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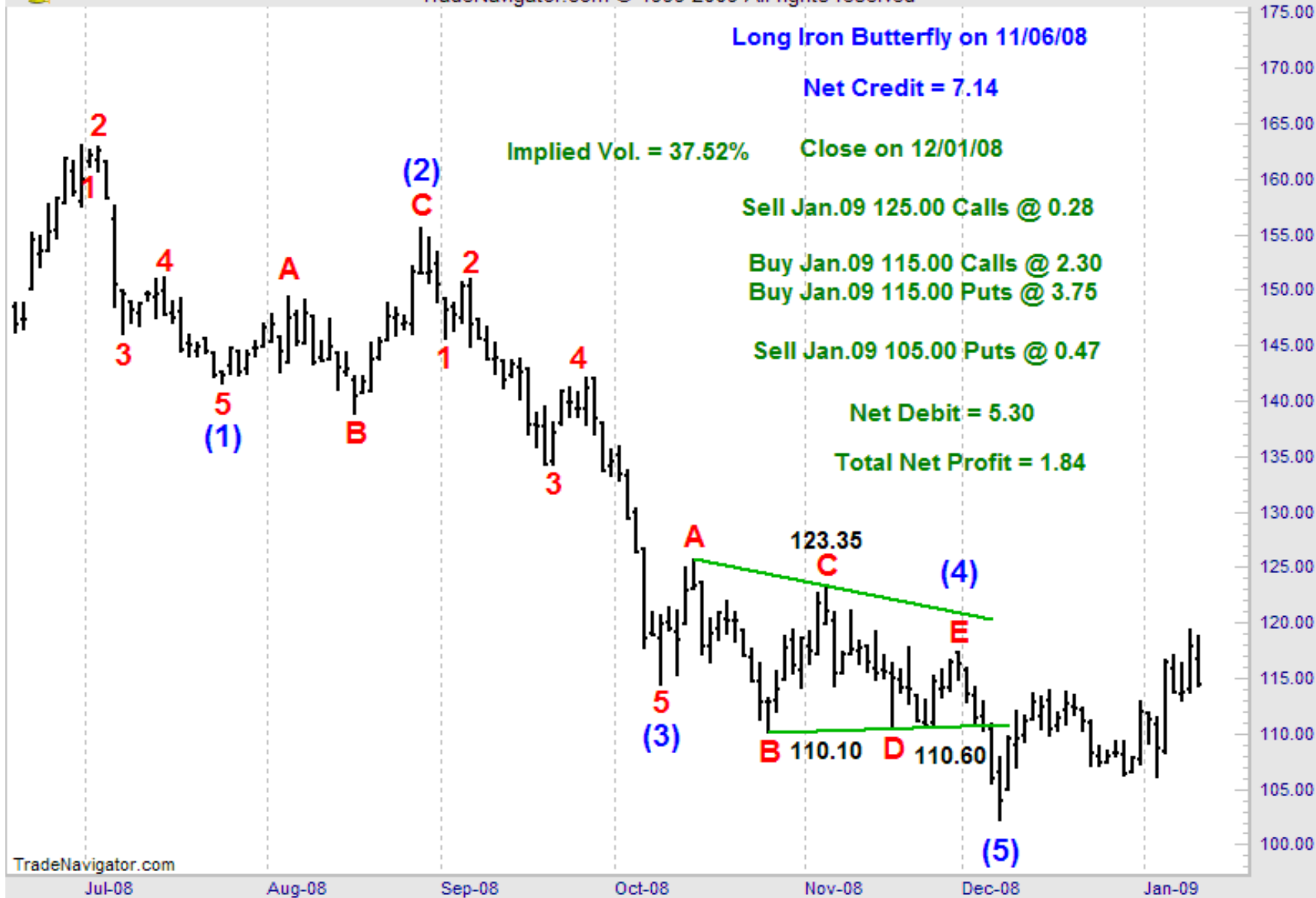


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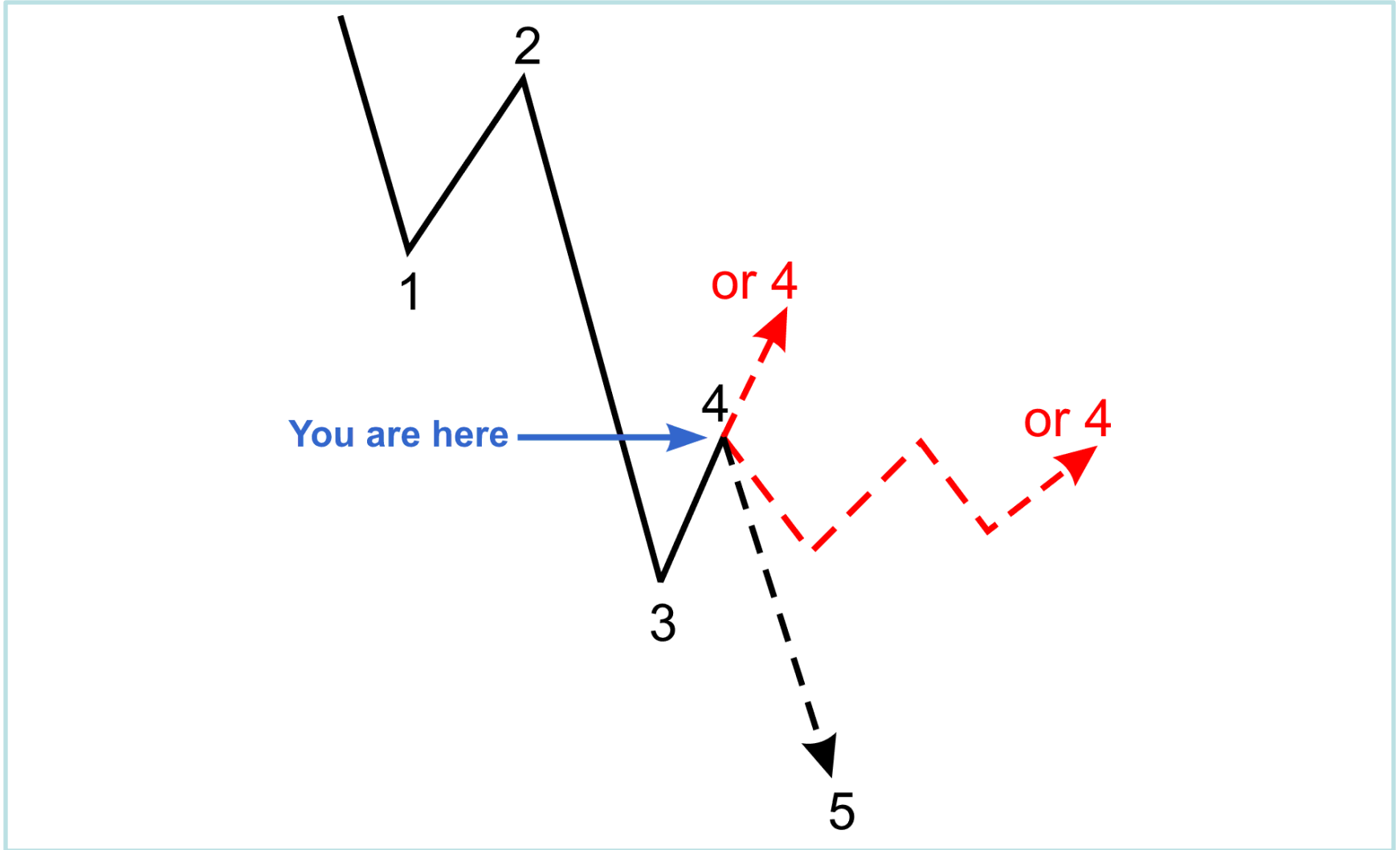
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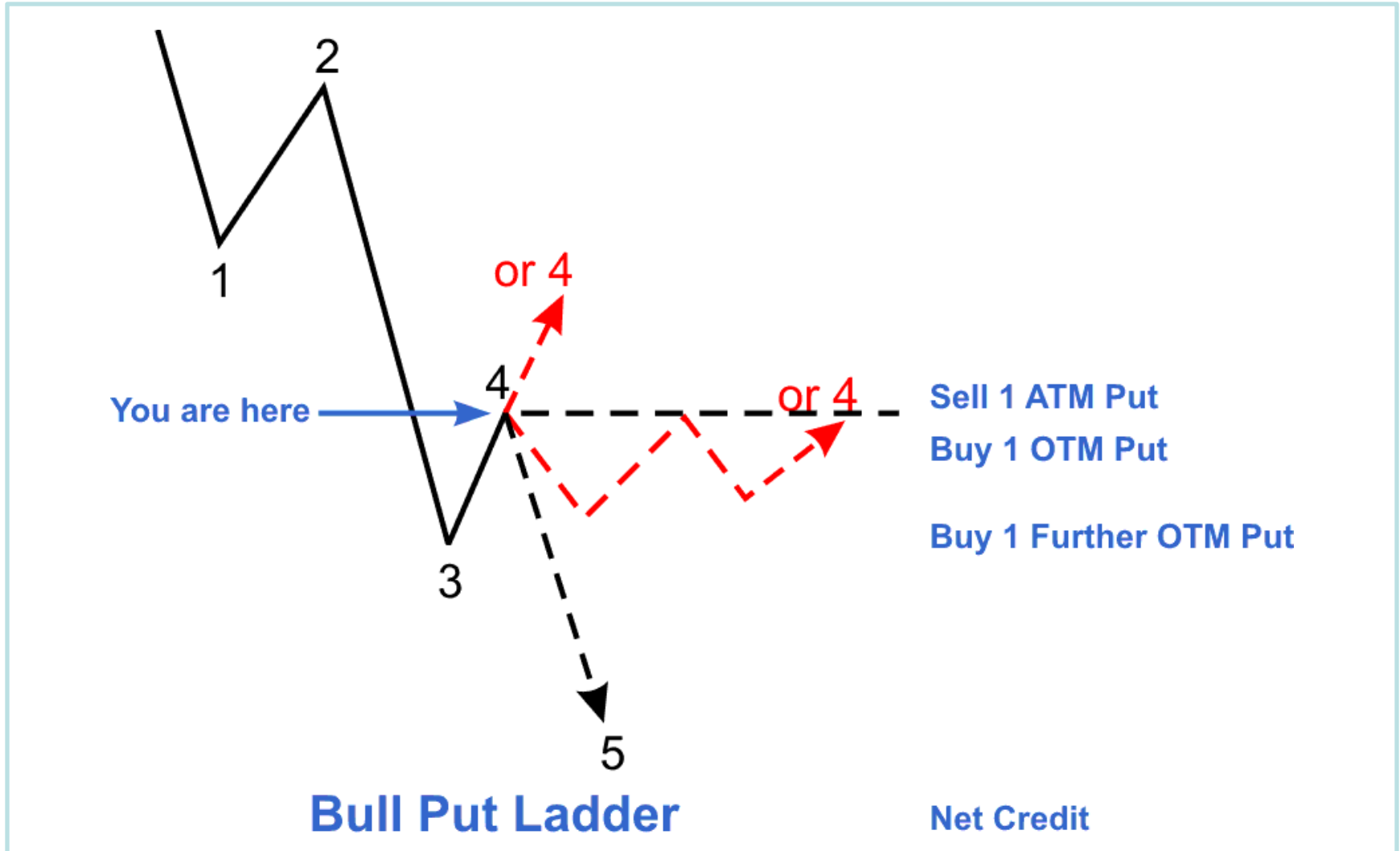
# Fifth Scenario

Deeper Correction? Sideways? or Continuation of the Main Trend?



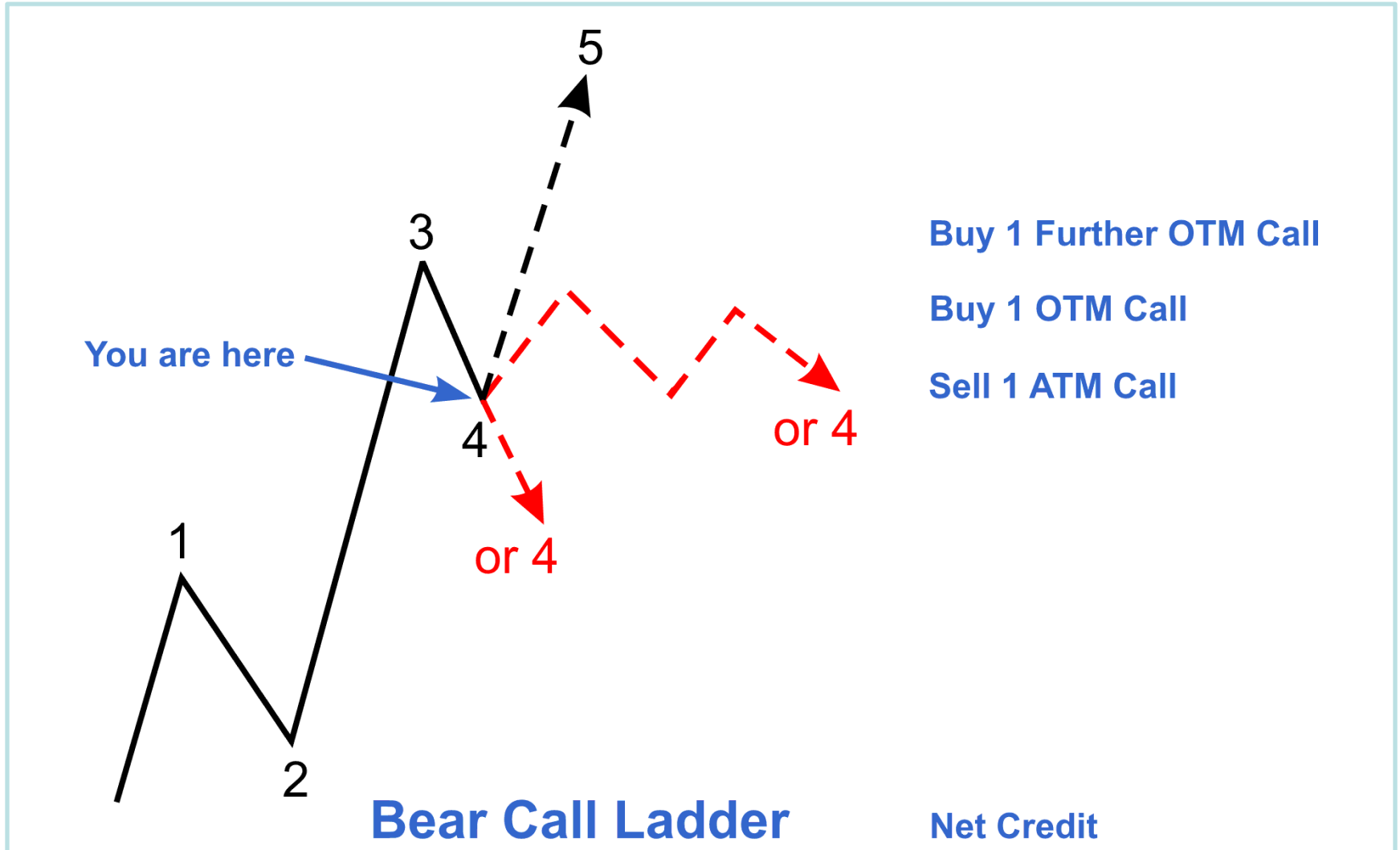
# Fifth Scenario

Deeper Correction? Sideways? or Continuation of the Main Trend?



# Fifth Scenario

Deeper Correction? Sideways? or Continuation of the Main Trend?



# Bull Put Ladder (Short Put Ladder)

Sell 1 ATM Put

Buy 1 OTM Put

Buy 1 Further OTM Put

Net Credit

Bearish

Relatively Longer-Term Strategy, 3 to 6 Months

Maximum Risk Capped at Difference of First Two Strikes - Net Credit

Maximum Reward Uncapped

Breakeven: Short Put Strike - Net Credit

Breakeven: Lower Long Put Strike - Maximum Risk Amount

# Bear Call Ladder (Short Call Ladder)

Buy 1 Further OTM Call

Buy 1 OTM Call

Sell 1 ATM Call

Net Credit

Bullish

Relatively Longer-Term Strategy, 3 to 6 Months

Maximum Risk Capped at Difference of First Two Strikes - Net Credit

Maximum Reward Uncapped

Breakeven: Short Call Strike + Net Credit

Breakeven: Higher Long Call Strike + Maximum Risk Amount



# Optimal Elliott Wave Characteristics for Using Bear Call Ladder and Bull Put Ladder

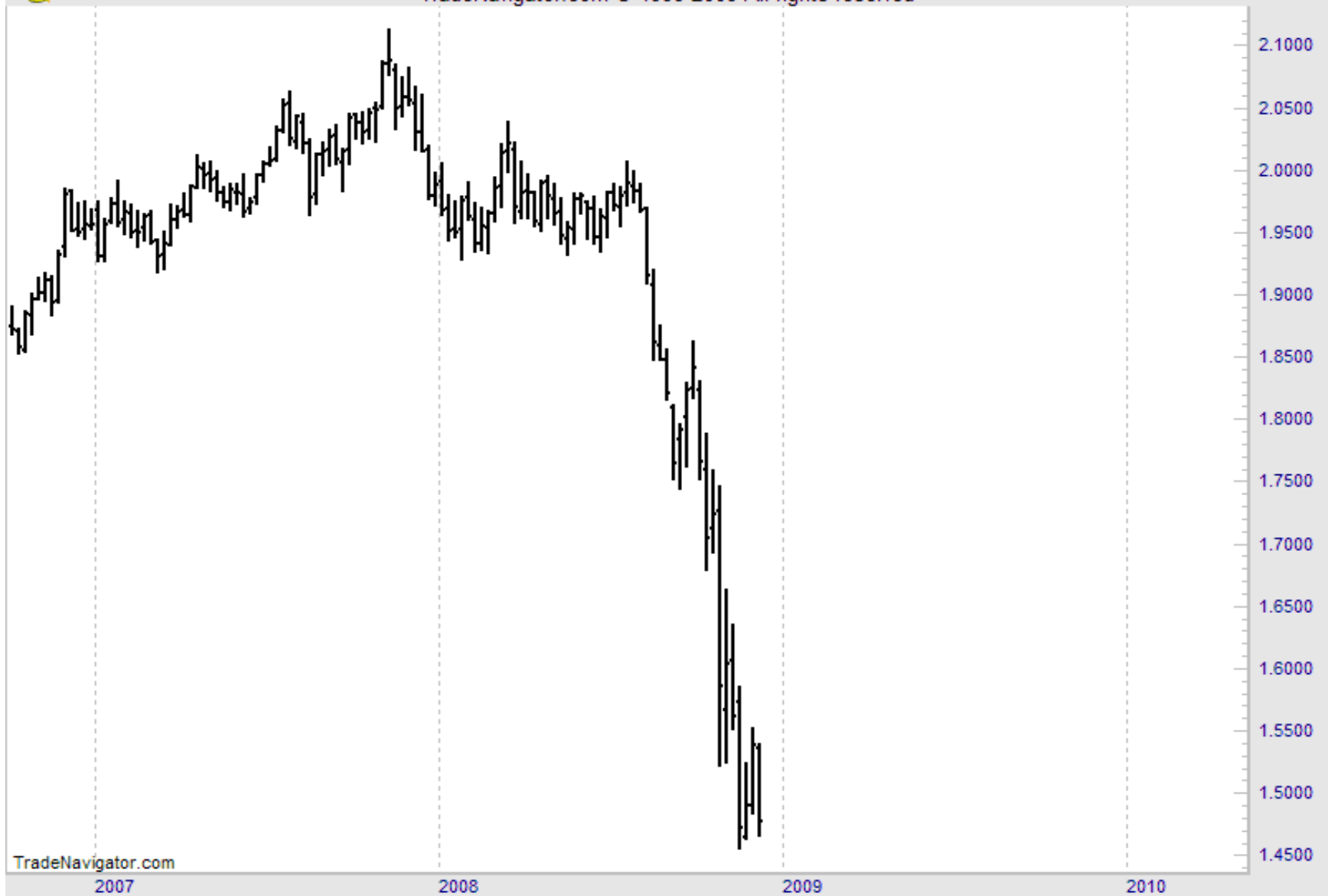
Wave:	Characteristics:
Function	Actionary / Main Trend
Structure	Impulse
Position	1, 3, 5
Degree	Relatively High
Entry Point	For Waves 3 and 5, After Shallow 2 and 4 Due to Possible Flat; Middle of Wave 4 Triangle, i.e. Wherever There's Ambiguity as to Whether Correction Has Ended  For Wave 1, After Key Reversal, i.e. "Outside" Week or Month
Prior to Entry Point at Next Lower Degree	Ending Diagonals, Truncated Fifths, Fifth Wave Extensions, or Other Evidence of Reversal

**Rely on Elliott wave rules and guidelines.**



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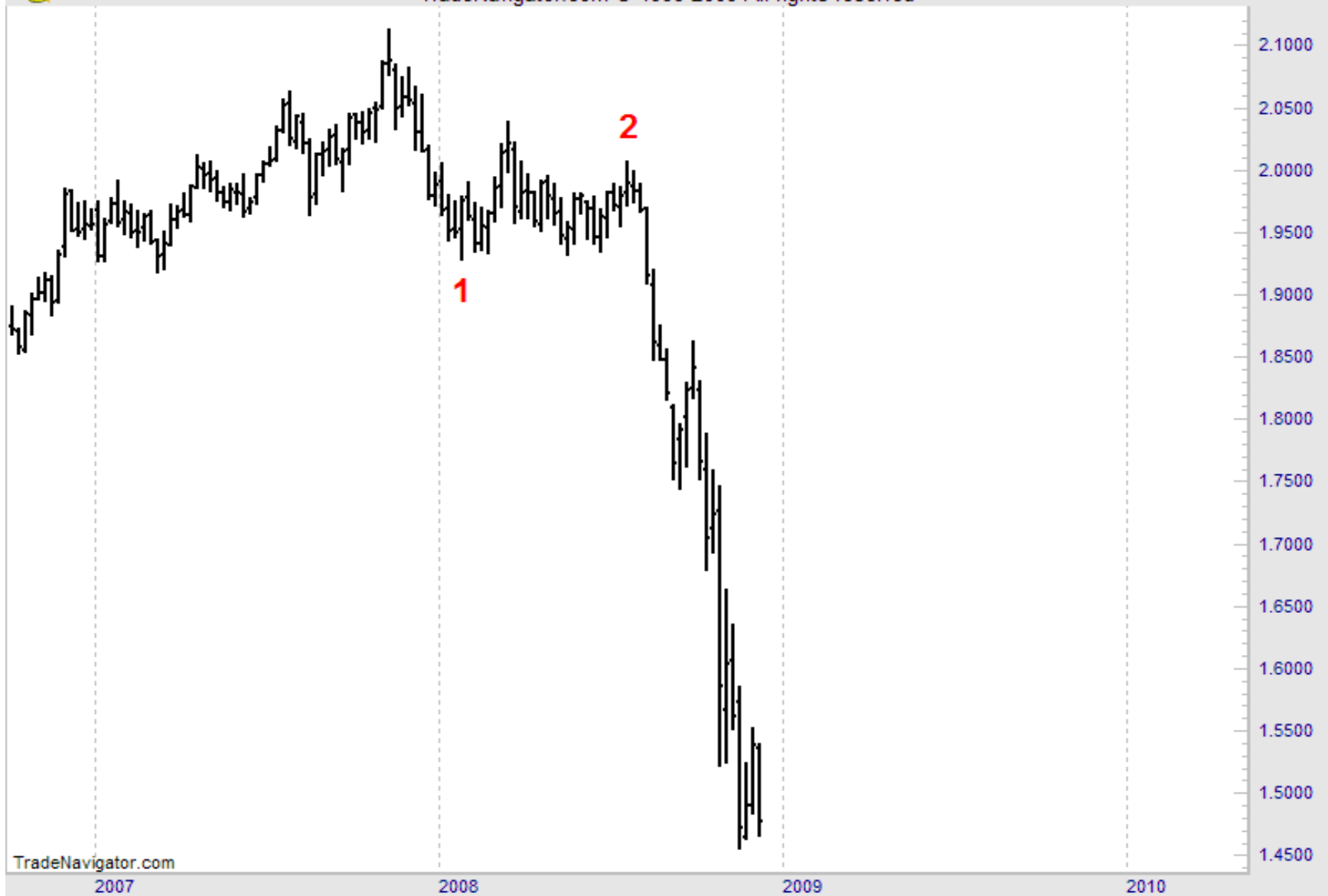


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# WB-200809: British Pound (Comb) Sep 2008 (Weekly bars)

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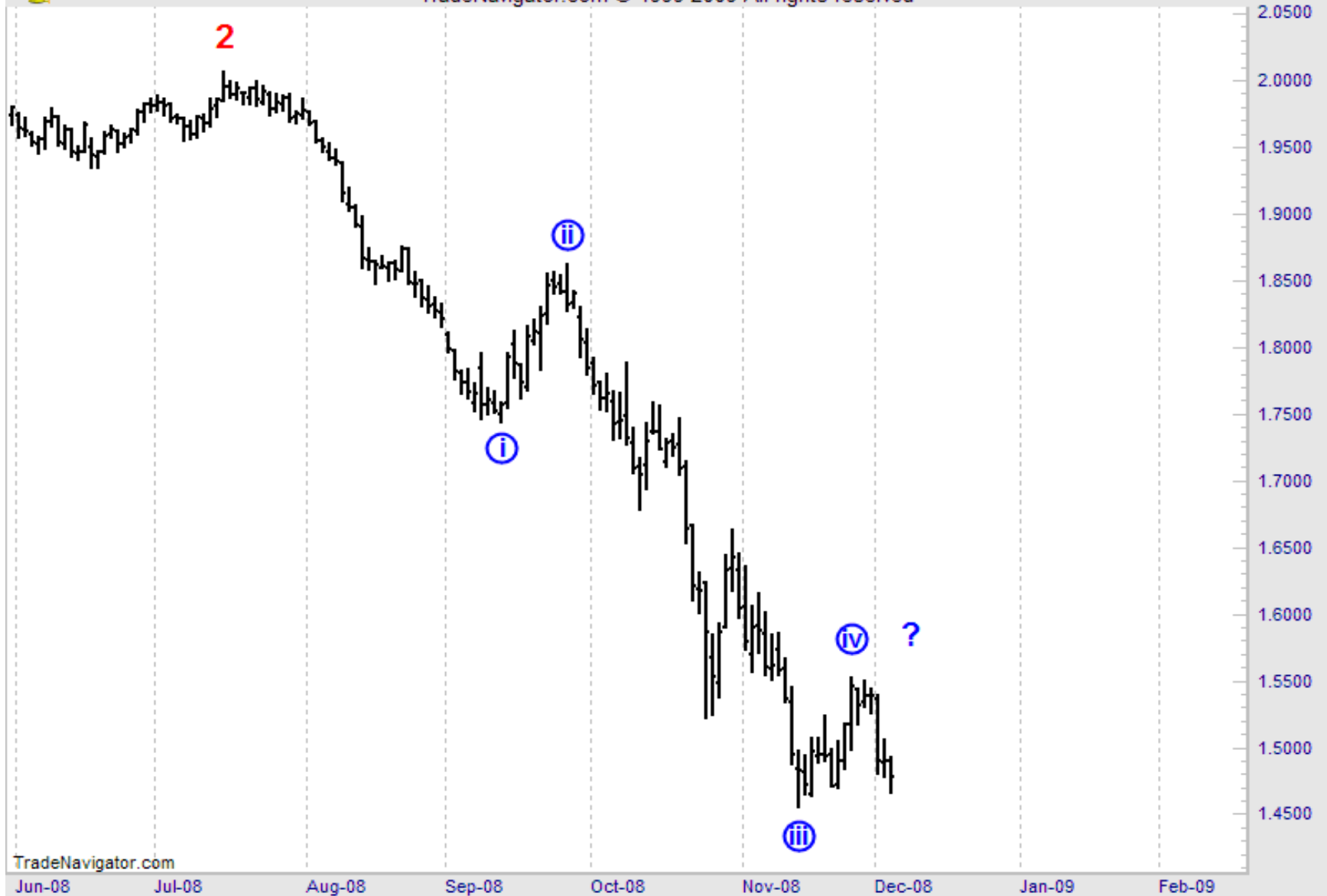


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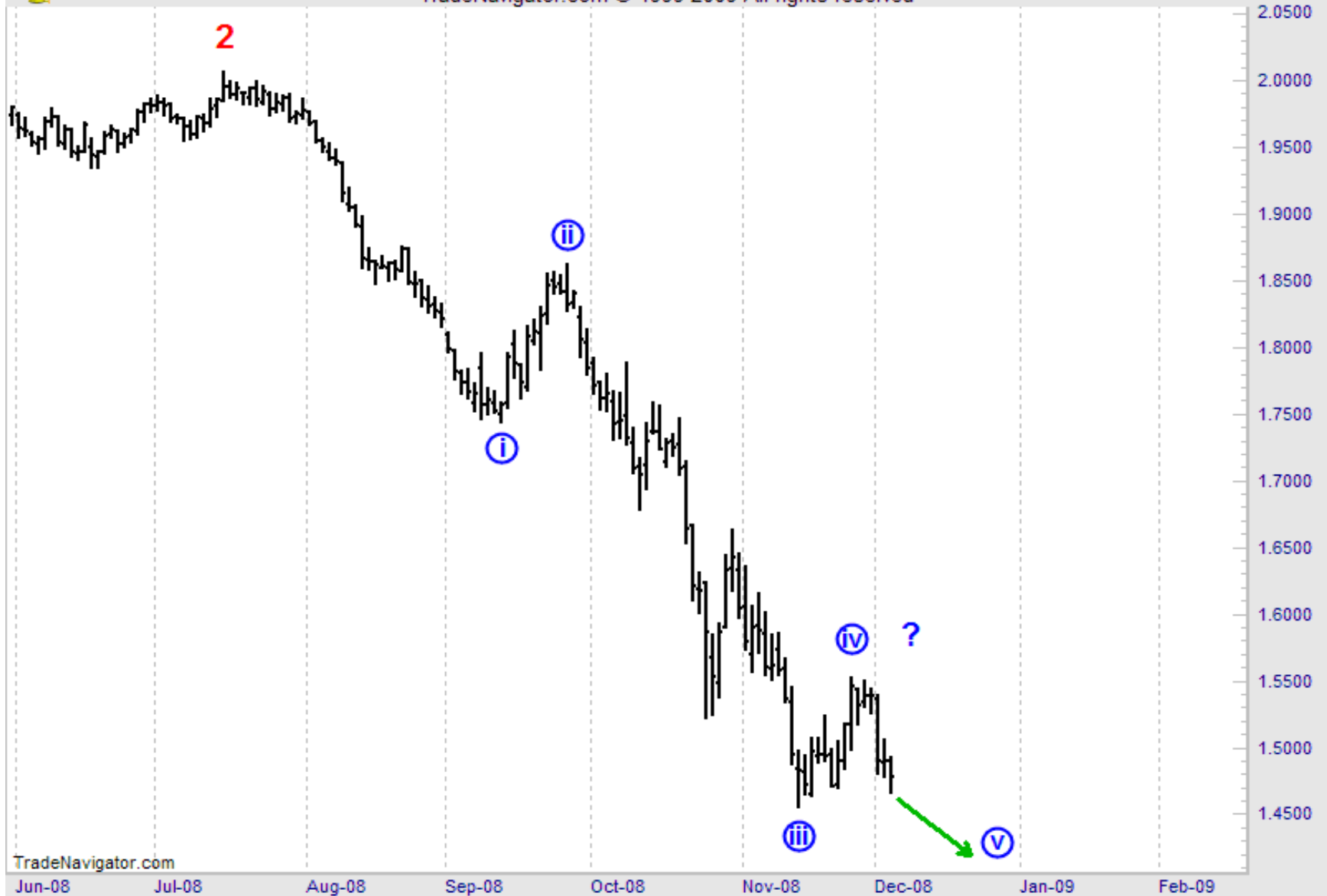






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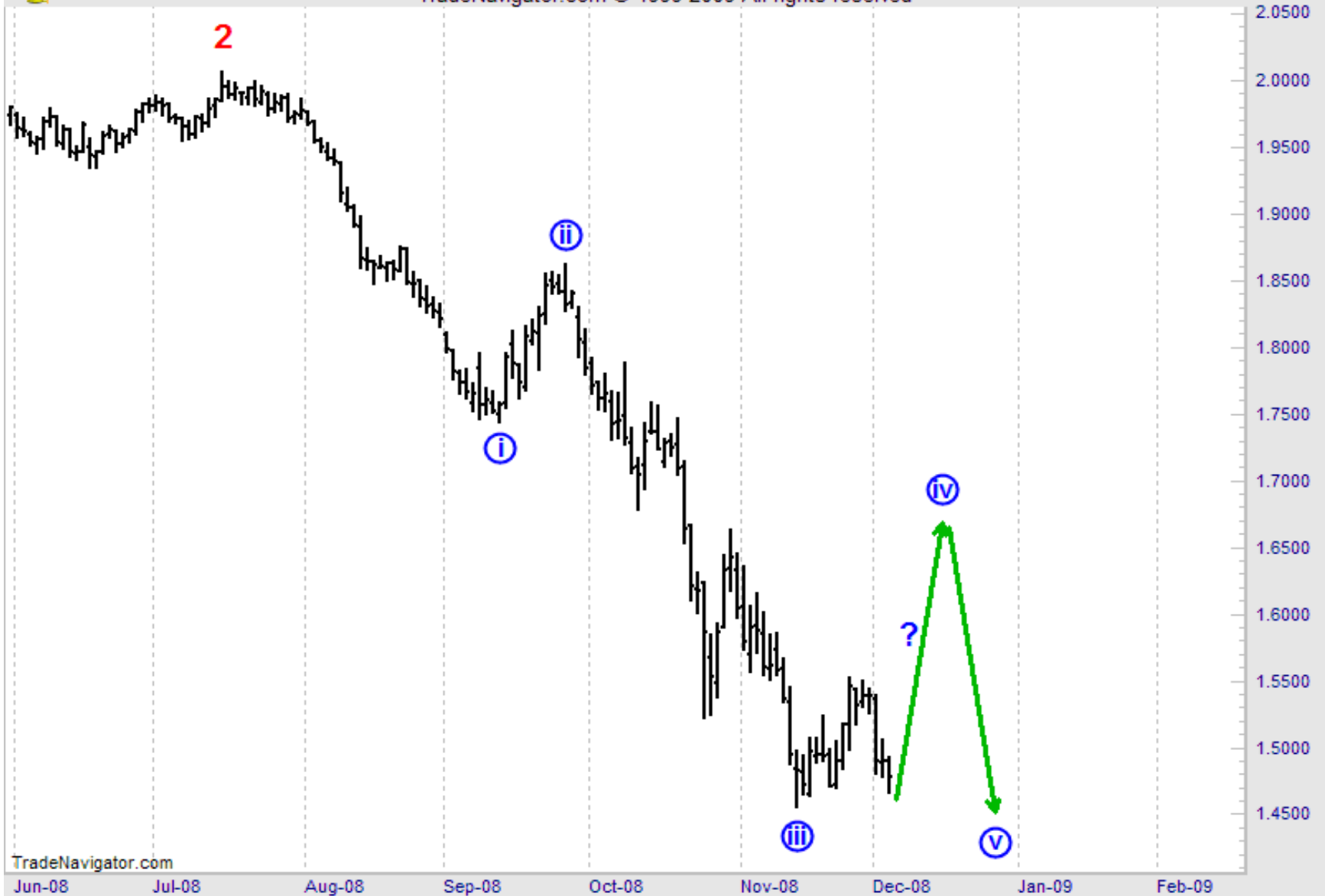


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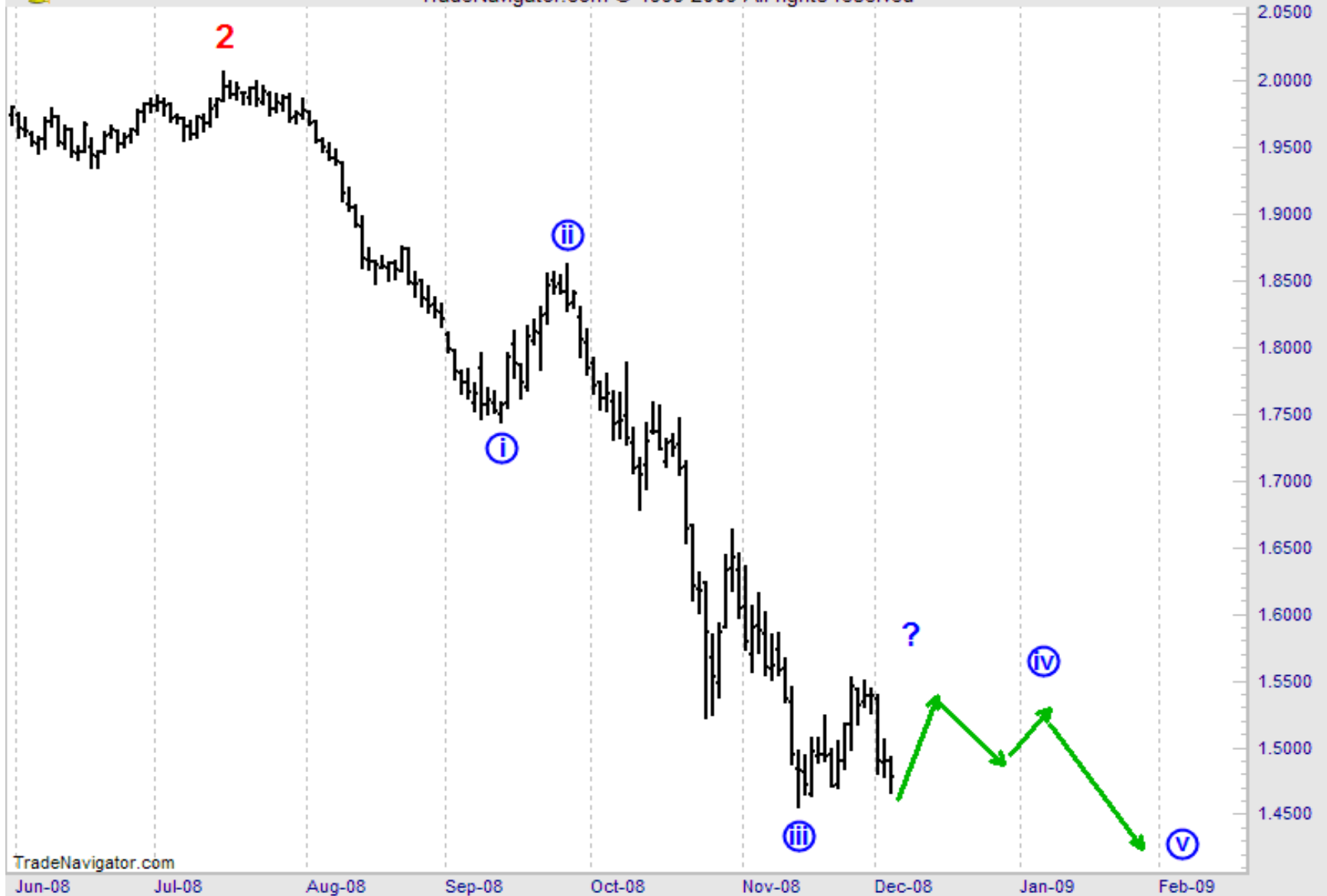


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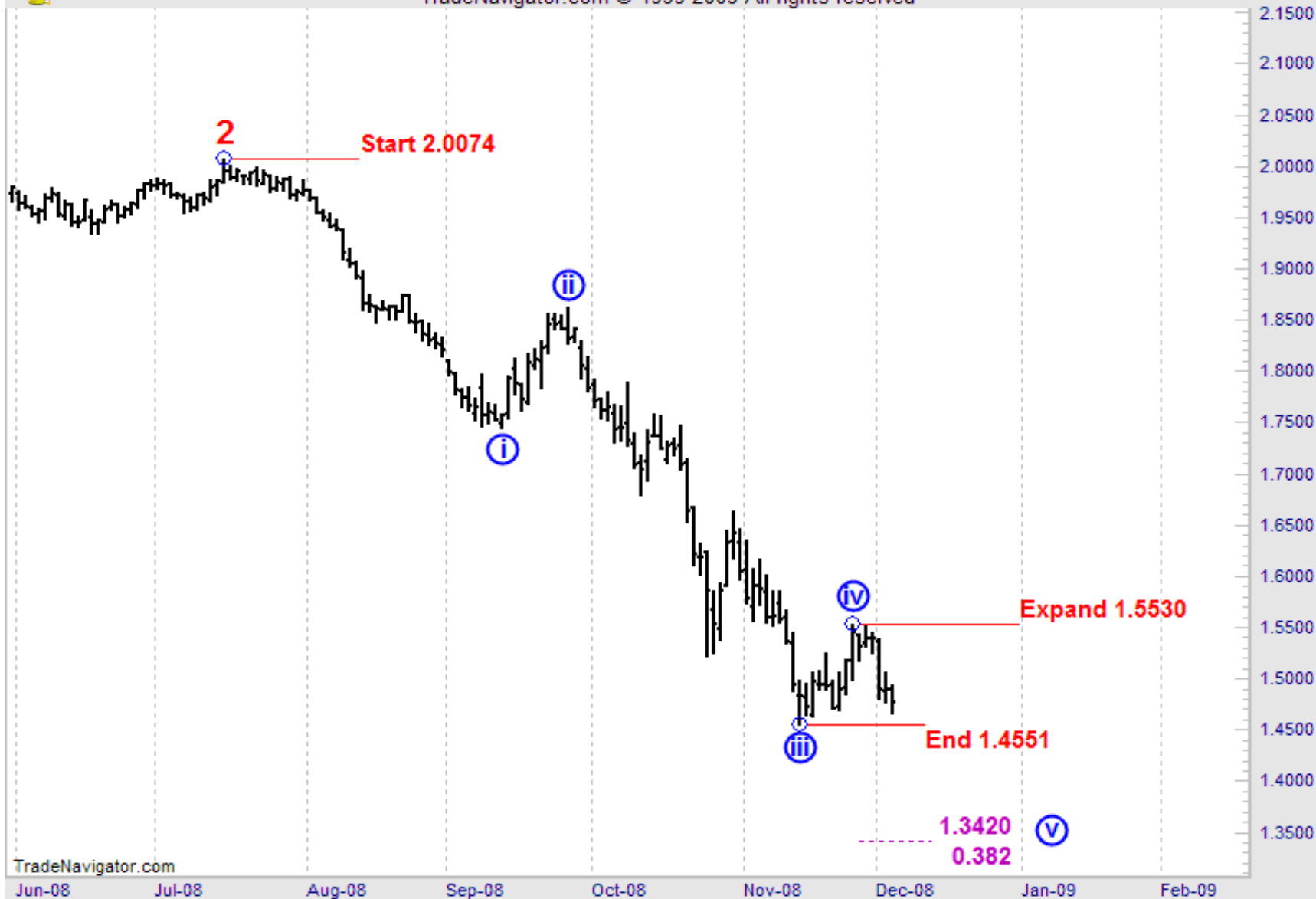


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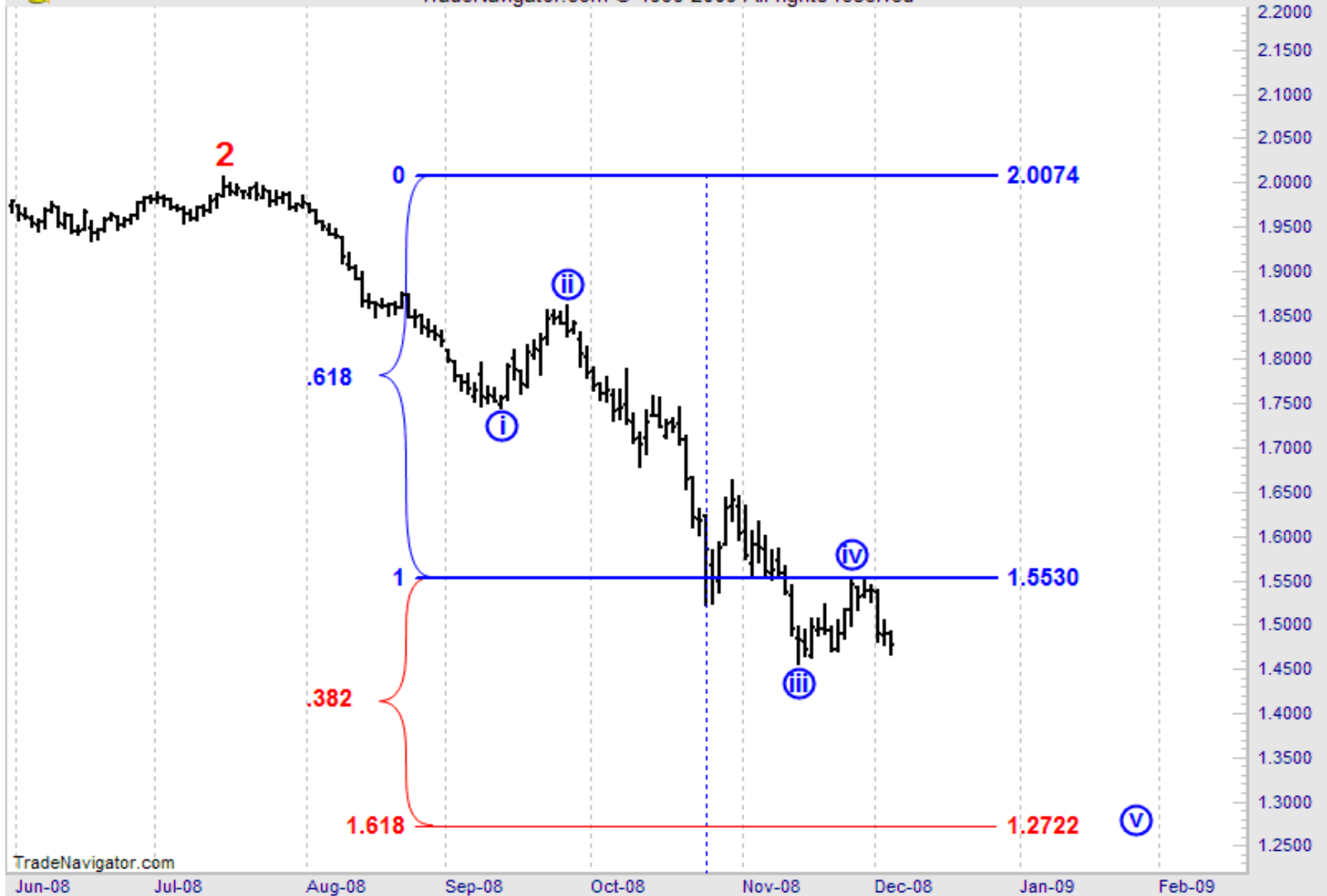
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Jun-08 Jul-08 Aug-08 Sep-08 Oct-08 Nov-08 Dec-08 Jan-09 Feb-09

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CurrencyHIVG

# HISTORICAL IMPLIED VOLATILITY

BP1

Generic 1st 'BP' Future

From 2/13/08 to 12/3/08

Put Y Call N

Page 1 / 15

Overlay Historical Vols. ? N

N= 10 day

Period D - Daily

Overlay Values ? N



260 Annualization factor

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
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## Bull Put Ladder on 12/03/08

Sell Feb.09 1.49 Puts @ .0672  
 Buy Feb.09 1.40 Puts @ .0313  
 Buy Feb.09 1.37 Puts @ .0236  
 Implied Vol. = 23.49%

Maximum Risk = .0777  
 Maximum Reward Uncapped

First Breakeven = 1.4777

Second Breakeven = 1.2923

Price Target = 1.2117

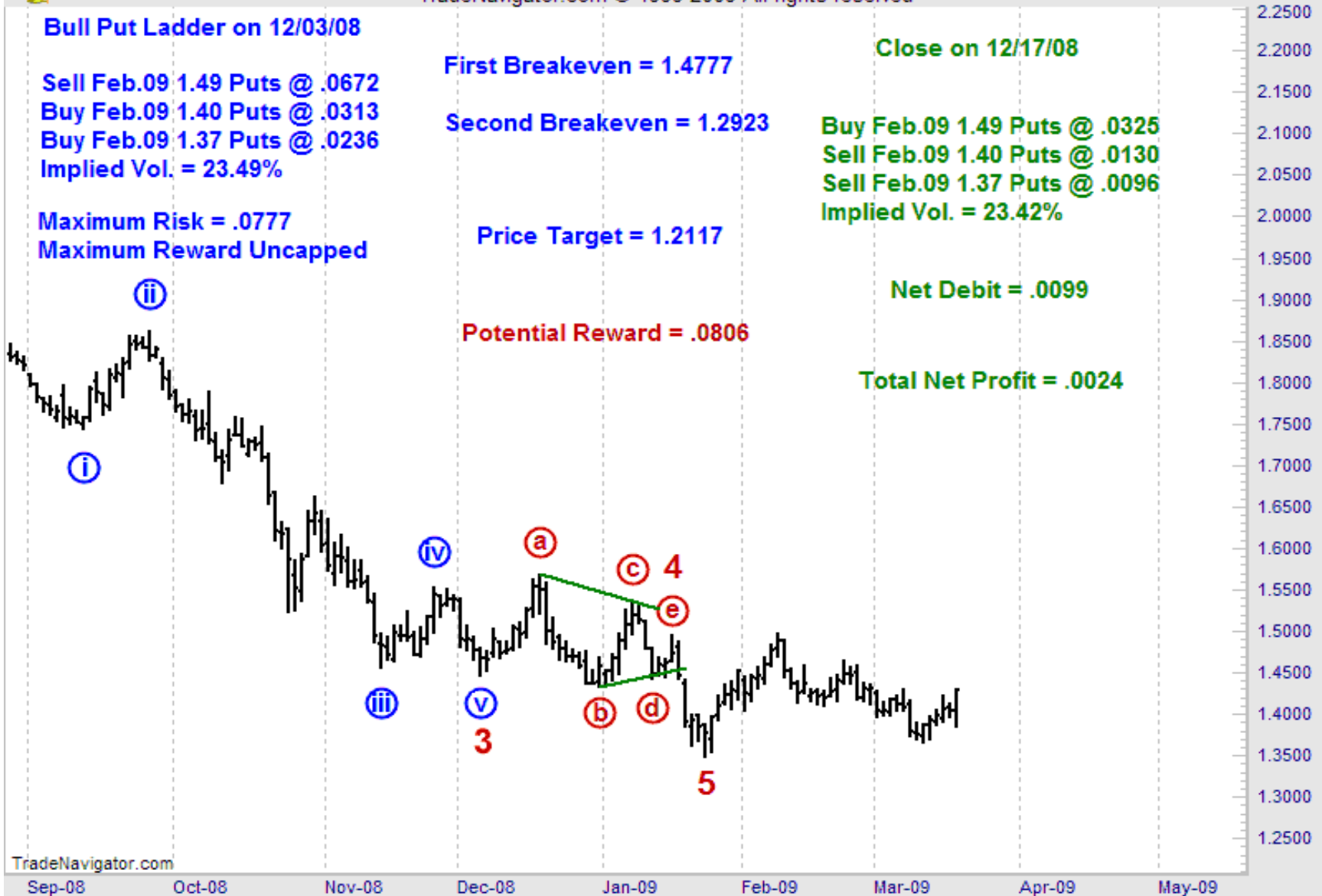
Potential Reward = .0806

## Close on 12/17/08

Buy Feb.09 1.49 Puts @ .0325  
 Sell Feb.09 1.40 Puts @ .0130  
 Sell Feb.09 1.37 Puts @ .0096  
 Implied Vol. = 23.42%

Net Debit = .0099

Total Net Profit = .0024



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# 5 Options Strategies Every Elliott Wave Trader Should Know

## Summary

Scenario	Market Situation	Options Strategies
1	Regular Flat or Expanded Flat?	Short Iron Butterfly
2	Steady Continuation of the Main Trend or Choppy?	Collar
3	Continuation of Long-Term Trend or Swift and Major Reversal?	Long Straddle (or Long Strangle)
4	Sideways Market	Long Iron Butterfly
5	Deeper Correction? Sideways? or Continuation of the Main Trend?	Bull Put Ladder (or Bear Call Ladder)

**Rely on Elliott wave rules and guidelines**

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