Make Money Stocks

The proven and consistent way to make profit from the stock Market

Contents

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What the rich do or have?

Rich people have a system that works to make money for them without their present. As an example, Marry has an amount of money that enough to start a small business. She buys some products, rent a space in the shopping mall and employs a salesperson to sell her products. It is unnecessary for her to be presented in the business location for all the time. Once the business starts to earn money, she can expand or upgrade her business by opening a few more shops or investing in other field.

Earning money from property

Rich people own a lot of properties. All these properties generate cash flow income to them. Usually, they rent their property to other people to earn a rental. After subtracting all other maintenance fees, they still earn an income. This is their cash flow income. However, for the people who do not have any property or only have a small amount of money, how should they do to start to grow their money? Earning money from renting or trading property is a little bit tedious because the property needs to be taking care properly. So, maintenance fee and insurance are something cannot be avoided. Besides, trading property has a lot of procedures to go through unless you employ an agent to trade for you.

Buying stock with insurance

Buying stock with insurance is the easiest method to earn money. Buying stock without insurance is not the right investment method because your money is not protected. With insurance, your money is protected with a minimum risk. So, all of the above three investment vehicles, buying stock with insurance is the only vehicle to make money consistently and become rich permanently.

What is important is what you do with your money and not how much you have or earn. If you have a lot of money and do not want to do anything about it and just keep it secretly in your house. This amount of

money would devalue after it has been kept for ten years. This is because the economy is changing especially inflation make your money become less valuable. So, in order that the money won't devalue, usually we keep it in the bank to earn some interest. That is the smarter way to save your money than to just keep in a secret place in your house. Once your house catches fire or has been robbed, all your money will vanish. However, bank offers very low interest rate. You can earn money from the interest rate unless you have a large amount of money because bank offers higher interest rate for people who save larger amount of money compared to the others who save lesser.

The other better way to invest your money is buying unit trust fund or bond. However, investing in unit trust fund has risk whereas bond is safer. Actually, unit trust fund manager is the person who helps you to invest your money in different sectors. Investing in unit trust fund and bond are a long-term investment. Your return of investment depends to the expertise of the unit trust fund manager. If the unit trust fund manager invests the money properly and safely, your money will be safe. You will earn a dividend from your investment in the unit trust fund or bond.

Besides the investment that I have mentioned above, you also can invest your money in a business, which is established by yourself or your friends, relatives, partnership with your friends or so on. However, you need to judge the feasibility of the business before you invest your money in it.

Money from salary is the essential source for most of the people to survive in the society. We invest time and energy when we are young to acquire a professional knowledge in order that we could use it to earn an income. So, our professional knowledge is our main property that we have when we are starting to join in the work force. However, this professional knowledge is not that valuable because many people have it. Every year, there are thousand fresh graduates coming out from college and university. So, our professional knowledge is not a valuable property but it

is a useful tool to find a job. What actually the fresh graduates contribute is their time and energy to exchange money from the employer. However, the experience that you gain from your job is a more valuable property because it is more exclusive.

Earning money from paycheck is not a good way to become rich because it depends to what is your job and how much the salary that you get every month. For the one who work as clerk or technician without any extra commission, it is quite hard for them to become rich. So, the only way to become rich is investing their money in the proper business. However, most of them do not want to try this rather than just keep their money in the bank. This is because the money, which is accumulated from their monthly salary, is their hard earn money. They rather keep in the bank than invest in something that they do not assure the return. For the one who work as salesperson or servicing sector. They could earn a little bit more compared to the technician or clerk because they receive commission.

No matter how diligent we work, the income is limited because we have a limited time and energy. Therefore, many people like to work as an insurance policy salesperson or direct salesperson because all these companies use pyramidal hierarchy system to distribute the sale commission. Once the salesperson ranks on the top level of the pyramid hierarchy system, he/she will receive part of his down level sales commission. This can increase their income dramatically. However, it is not easy to rank high in the pyramidal hierarchy system.

So, we have to find a method or system that could double our money safely. Investing in the stock market is one of the methods that we could use it to double our money. To be a successful investor, you need a formula or recipe, which will give you the same result or outcome consistently and permanently at all the times. If you invest your money in the stock market and sometimes earn and sometimes loss, throughout the month or year, you may lose a lot or earn very little. It just likes a gambling, sometimes win and sometimes loss. Therefore, you need to learn some strategies that it works all the times. The investing success formulas are:

1) Leverage (low investment but high returns)
2) Participating in the both upside and downside of the market
3) Protecting your money in the market using insurance
4) Profit taking

Leverage

Buy stock on margin

As an example, there are two investors. Both of them would like to take advantage of the price rise of the Citigroup Company stock. One investor used $13227 to buy 3 contracts share at $44.09 per unit share and the other one used only $6613.5 to buy 3 contracts share at the same price on 1st July 04. On 20th July 04, the stock went up to $45.80. Investor who bought stock without margin only gained 3.9% return whereas investors who bought stock with margin gained 6.8% return. The detail calculation is shown in the table 1.1 and 1.2.

Date	Action	Price per share
1st July 04	Buy citigroup	$44.09
	3 contract value	$44.09 x 100 x 3 = $13227
20th July 04	Sell citigroup	$45.80
	3 contract value	$45.80 x 100 x 3 = $13740
	Total profit	$13740 - $13227 = $513
	Percentage return	$513/$13227 x 100 = 3.9%

Table 1.1: Investor bought stock without margin (first investor)

Investor bought stock without margin (first investor) bought 3 contracts of Citigroup stock, which was equivalent to 300 unit shares. The total investment is $13227. On 20th July 04, citigroup stock went up to $45.80.

After sold the 3 contracts shares, the investor received $13740. Total profit was $513 and the percentage return was 3.9%.

Date	Action	Price per share
1st July 04	Buy citigroup on margin	$44.09
	3 contract value	$44.09 x 100 x 3 = $13227
	buying on margin	$13227 x 50% = $6613.5
20th July 04	Sell citigroup	$45.80
	3 contract value	$45.80 x 100 x 3 = $13740
	Buying on margin	$13740 - $6613.5 = $7126.5
	Total profit	$7126.5 - $6613.5 = $513
	Interest rate	1% x 6613.5 = $66.14
	Percentage return	($513 - $66.14) /$6613.5 x 100 = 6.8%

Table 1.2: Investor bought stock with margin (second investor)

Buying stock with margin means borrowing money from the broker firm. Usually, broker firm will lend 50% of the total investment money. Therefore, the second investor only needs to pay half of the amount of money that the first investor pays to buy the stock. After the share price has gone up, the second investor closed his/her position and returned the money, which he/she has borrowed from the broker firm. The remaining is $7126.5. After subtracted the total money that he/she used to buy the stock, the profit was $513. However, he/she still needs to pay the interest rate of the borrowing money that is 1%. 1% interest rate based on the money that the broker firm has lent to her/him was equivalent to $66.14. After subtracted this interest rate, the net profit return was 6.8%. It is higher than the first investor net profit return. This means buying stock using margin could leverage the percentage of return.

Participating in the upside and downside of the market

Bullish strategy

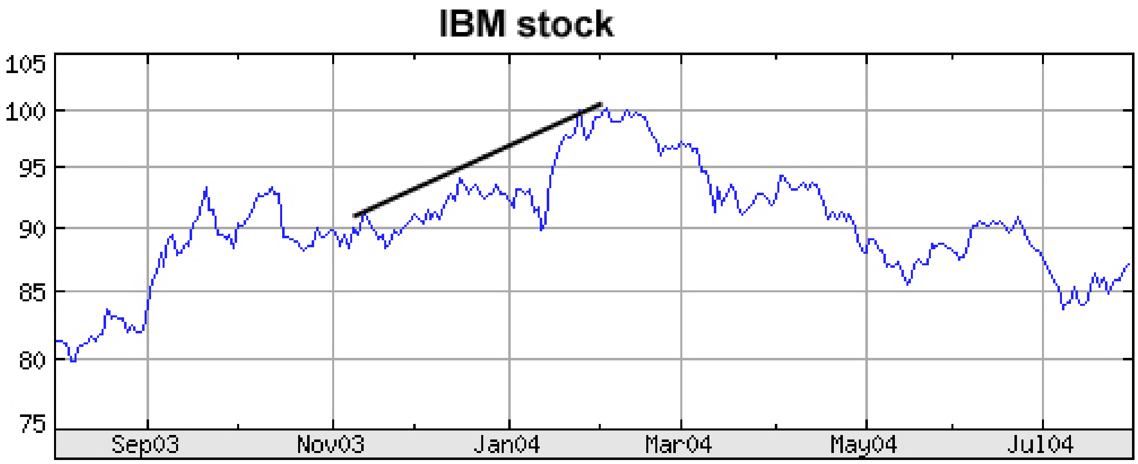


Figure 1.1: IBM share price

An investor is bullish on the IBM stock and expects this stock to go up by the end of Jan 04. On 6 Nov 03, IBM stock price was $89.34. This investor bought 3 contracts and the total pay out should be $26802. However, he/she only paid $13401 because he/she bought with margin. On 3 Feb 04, IBM stock price went up to $100. He/she sold 3 contracts and received $16599. The percentage return was 22.9% after subtracted the interest rate 1 %. The detail calculation is as follow:

Date	Action	Price per share
6-Nov-03	Buy IBM	$89.34
	3 contracts value	$89.34 x 100 x 3 = $26802
	buying on margin	$26802 x 50% = $13401
3-Feb-04	Sell IBM	$100.00
	3 contract value	$100 x 100 x 3 = $30000
	Buying on margin	$30000 - $13401 = $16599
	Total profit	$16599 - $13401 = $3198
	Interest rate	1% x $13401 = $134.01
	Percentage return	($3198 - $134.01) /$13401 x 100 = 22.9%

Table 1.3: Buying IBM stock

Bearish strategy

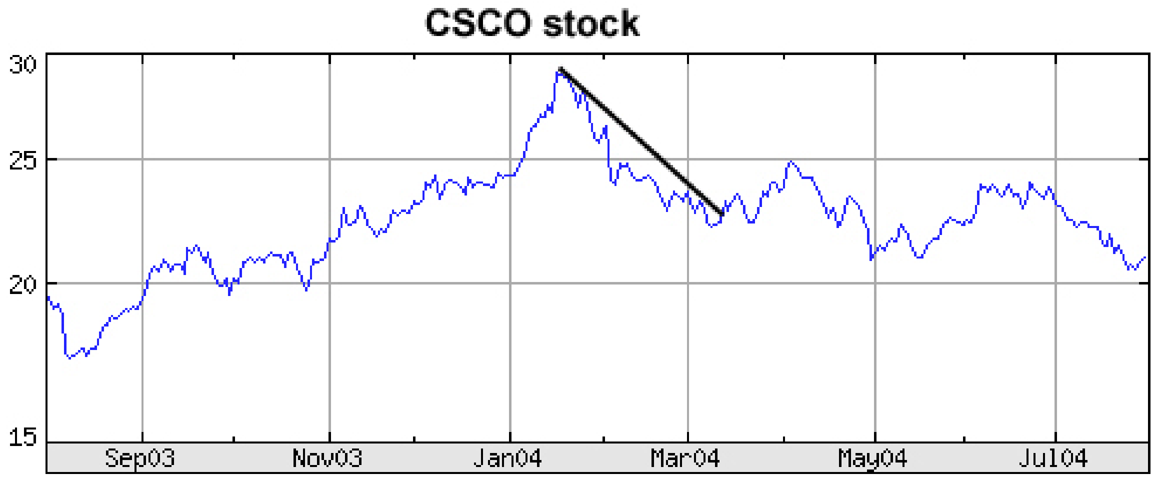


Figure 1.2: CSCO share price

An investor is bearish the CSCO stock (Figure 1.2) and expects this stock to go down in Mar 04. On 16 Jan 04, CSCO stock price was $29.13. This investor sold 3 contracts and the total money that he/she should deposit in his/her account was $8739. However, he/she only deposited $4369.5 because he/she sold with margin. On 8 Mar 04, CSCO stock price went down to $22.36. He/she bought back 3 contracts and received $2031. The percentage return was 45.5% after subtracted the interest rate 1 %. The detail calculation is as follow:

Date	Action	Price per share
16-Jan-04	Sell CSCO	$29.13
	3 contracts value	$29.13 x 100 x 3 = $8739
	selling on margin	$8739 x 50% = $4369.5
8-Mar-04	Buy CSCO	$22.36
	3 contract value	$22.36 x 100 x 3 = $6708
	Selling on margin	$6708 - $4369.5 = $2338.5
	Total profit	$4369.5 - $2338.5 = $2031
	Interest rate	1% x $4369.5 = $43.70
	Percentage return	($2031 - $43.70) /$4369.5 x 100 = 45.5%

Table 1.4: Selling CSCO stock

Amount of money that has to be deposited in the account to sell a stock that you do not own depends to the broker firm. Some broker firm needs more money in your account before they let you sell a stock that you do not own.

<u>Comparison between buying stocks and buying call option</u>

We buy stock because we expect the stock price will go up. Following example shows the result for an investor who has bought AA stock every month from Sep 03 to Jul 04.

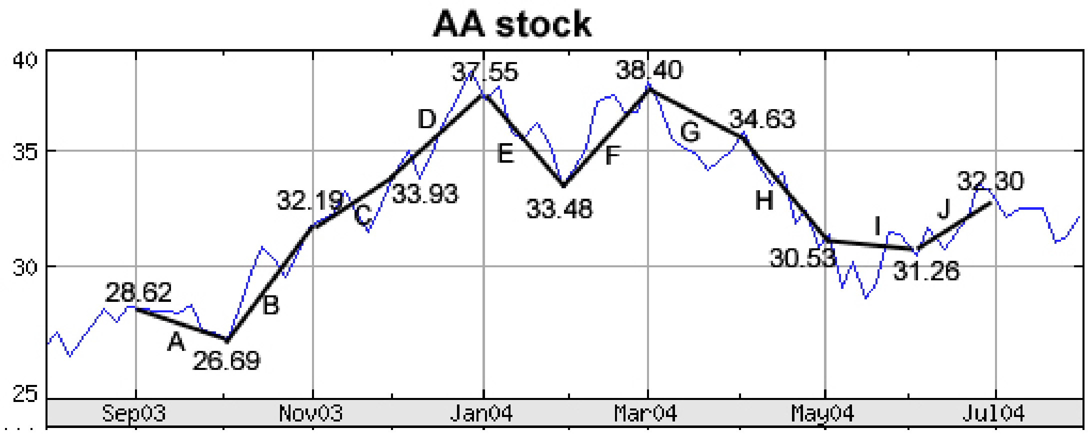


Figure 1.3: Buy AA stock every month

Transaction	Loss	Gain
A	-1.93	-
B	-	5.5
C	-	1.74
D	-	3.62
E	-4.07	-
F	-	4.92
G	-3.77	-
H	-4.1	-
I	-	0.73
J	-	1.04
Total loss/gain	-13.87	17.55
Total profit		3.68

Table 1.5: Total profits if buying stock every month

This investor is quite lucky because his/her prediction is 60% right. He/she is only losing money in four transactions that are A, E, G and H. In these ten transactions, he/she only loses $13.87 and gains $17.55. His total profit is $3.68 per unit share. This is what he/she gets if he/she buys AA stock every month. Now, let see if he/she buys call option of AA stock every month.

Transaction	Loss	Gain
A	-1	-
B	-1	5.5
C	-1	1.74
D	-1	3.62
E	-1	-
F	-1	4.92
G	-1	-
H	-1	-
I	-1	0.73
J	-1	1.04
Total loss/gain	-10	17.55
Total profit		7.55

Table 1.6: Buying AA call option every month

In this example (Table 1.6), we assume that the call option average price is $1.00. For most of the option, which still has about one month time to expiration date, usually costs around $1.00? This investor exercises the call option every time when there is a gain and leave the option expires worthless every time when there is a loss. So, in these ten transactions, his/her total loss is $10.00 and total gain is $17.55. The total profit is $7.55. It is $3.87 more than the total profit if he/she buys stock every month.

From this example, we show you that buying call option is more profitable than buying stock. Besides, buying stock needs big amount of

capital whereas buying option only needs small amount of capital and the loss is also limited.

Options

Option premium (Protection/Insurance)

Option is the insurance to insure or protect against loss from the investment. There are two types of option i.e. call and put option. We buy call option when we expect the stock price to go up. However, if the stock price does not go up, the investor loses only the option premium. We buy a put option when we expect the stock price to go down. However, if the stock price does not go down, the investor loses only the option premium.

Profits with options

We will show you how much the loss and gain if we buy stock and option. We use Boeing company (BA) stock price and its call option price for our following example. Boeing is an aerospace company, which involves development, production and marketing of commercial jet aircraft and providing related support services, principally to the commercial airline industry worldwide.

Date	BA stock price	Gain/Loss	% Gain/Loss	BA call option price	Gain/Loss	% Gain/Loss
25 Jun 04	51.3	9.62	23.1	10.8	6.4	145.5
27 May 04	46.2	4.52	10.8	6.5	2.1	47.7
28 Apr 04	44.03	2.35	5.6	5.4	1	22.7
22 Mar 04	38.68	-3	-7.2	2.15	-2.25	-51.1
9 Mar 04	41.68	Buy	Buy	4.4	Buy	Buy

Table 1.7: Gain and loss when buying stock and option

As an example (Table 1.7), an investor bought BA stock at $41.68 on 9 Mar 04. On 22 Mar 04, the price went down to $38.68. He/she lost $3.00 and the percentage loss was 7.2%. However, the price rebound to $44.03 on 28 Apr

04. He/she gained 5.6%. The stock price continuously went up until $51.3 on 25 Jun 04 and his/her total gain was 23.1%. See what will happen if the investor bought call option at $4.40 on 9 Mar 04. On 22 Mar 04, the stock price went down so as the option price. He/she lost 51.1%. However, in the following days, the stock price rebound and until 25 Jun 04, his/her total gain was 145.5%. So, when there is a small movement in the stock price, there is a magnified movement in the option price. However, the maximum loss for option is limited to $4.4 whereas stock loss is unlimited.

<u>Buying call option</u>

The holder of a call option expects an increase in the underlying security. In the event that he/she was wrong in his/her prediction, his/her risk is limited to the amount of money that he/she has paid to buy the option and no more.

Date	Position
9-Mar-04	BA stock price is at $41.68
	Buy 2 contracts Aug 40 call @4.4
	Breakeven = 40 + 4.4 = 44.4
25-Jun-04	BA stock price closes at $51.3
	Up by $51.3 - $41.68 = $9.62
Premium	$4.4 x 100 x 2 = $880 (2 contracts)
Close position at $51.3 by exercising the option	($51.3 - $40) x 100 x 2 = $2260
Profit	$2260 - $880 = $1380
% return	$1380/$880 x 100 = 156.8%

Table 1.8: Buying BA Aug 40 call option

As an example (Table 1.8), BA stock price was $41.68 on 9 Mar 04. An investor bought 2 contracts Aug 40 call at $4.4. The breakeven of this option is $44.4. It means that the BA stock price has to be up to more than $44.4, only the investor could earn money by exercising the option. On 25 Jun 04, BA stock price went up to $51.3. It has gone up by $9.62. The total money that he/she used to buy 2 contracts option is $880 (option

premium). The investor closed the position at $51.3 by exercising the option because stock price has pierced through the breakeven level. He/she received $2260 from the exercising. His/her profit was $1380 and the percentage return was 156.8%. If he bought the stock at $41.68 on 9 Mar 04 and closed the position at $51.3 on 25 Jun 04 with the same amount of contracts, the percentage return was 23.1% (Table 1.9). The detail calculation is shown in the table below:

Date	Position
9-Mar-04	BA stock price is at $41.68
	Buy 2 contracts BA stock @$41.68
Total invested	$41.68 x 100 x 2 = $8336 (2 contracts)
25-Jun-04	BA stock price closes at $51.3
Close position at $51.3	$51.3 x 100 x 2 = $10260
Profit	$10260 - $8336 = $1924
% return	$1924/$8336 x 100 = 23.1%

Table 1.9: Buying BA stock

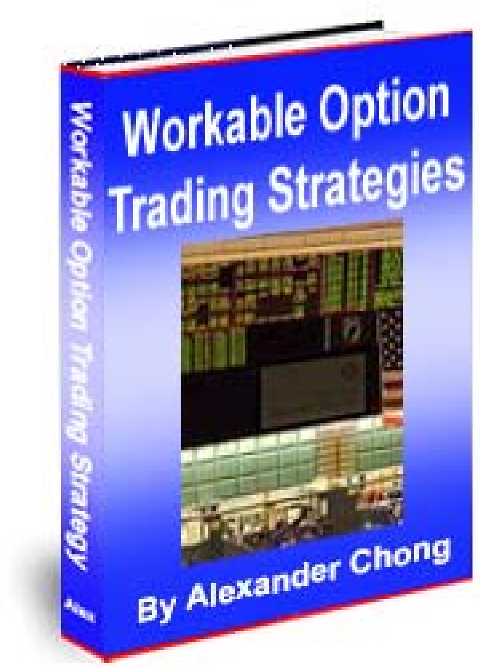
So, we can see that buying option will give a higher return compared to buying stock. This is because option price is cheaper and the stock price is more expensive. Once the stock price has pierced through the breakeven level, owning the option is like owning the stock.

Profit taking

When you should take your profit out from the market. Many people wait until the stock price started to fall. However, the best way is selling one or two contracts to recover your capital and leave the remaining contract be a free trade.

Second part of this ebook (page 14 – 21) could be found by clicking the link below:

http://www.makemoneystocks.com/secondpart.htm



After you have finished this e-book, you will know :

- **how to analyze stock trend and predict the future stock price direction.**
- **what is option and how option trading is employed to create wealth**
- **10 main option trading strategies, which are commonly and effectively used by most of the professional option traders and investors**
- **when to enter and when to exit the market**
- **how much you should enter in the market**
- **what is the suitable price to enter and exit the market**
- **how to avoid severe losses using the presetting order**
- **how to leverage on the market trend whether bullish, bearish or sideways**
- **where to get all the free charting, economic and company news**
- **how to start immediately trade option through online trading**

- how to earn money from stock market regardless the market direction

This e-book was written by Alexander Chong who had been trading options for almost 10 years. Within this 10 years, he had developed an option trading system that works and could earn a constant and lucrative income from the US stock market every month. All his experiences about trading options were gathered in this e-book. Here are two of the option trading records that had been traded by him in 2004:

Company	Boeing Co.(BA)			International Business Machines Corp.(IBM)			
Date	Action	Profit/loss per unit option	Earning amount	Date	Action	Profit/loss per unit option	Earning amount
31-Dec-04	buy call	2.58	15510	29-Dec-04	buy call	0.48	16908
28-Dec-04	buy call	1.47	14766	19-Oct-04	buy call	7.47	16794
23-Nov-04	buy put	4.35	14355	6-Oct-04	buy put	3.26	14583
20-Oct-04	buy call	6.31	13080	30-Sep-04	buy call	9.37	13635
8-Sep-04	buy put	5.01	11217	9-Sep-04	buy call	2.94	10854
27-Jul-04	buy call	5.31	9744	19-Aug-04	buy put	0.64	10002
24-Jun-04	buy put	3.42	8181	20-Jul-04	buy call	0.32	9840
27-May-04	buy call	5.3	7185	19-May-04	buy call	3.73	9774
25-May-04	buy put	-0.41	5625	20-Apr-04	buy put	5.62	8685
29-Mar-04	buy call	4.23	5778	17-Mar-04	buy call	1.15	7029
25-Mar-04	buy call	4.51	4539	12-Feb-04	buy put	8.08	6714
2-Mar-04	buy put	4.39	3216	15-Jan-04	buy call	5.19	4320
5-Nov-03	buy put	0.53	1929	15-Dec-03	buy put	2.41	2793
Start up capital			1800	Start up capital			2100

He used start up capital USD 1800 to trade Boeing Co. (BA) option and USD 2100 to trade International Business Machines Corp. (IBM) option. Every trade, he only executed three contracts. Until end of the year 2004, he earned almost eight to nine fold of the start up capital for both BA and IBM stock. You can do that also one you have learned the technique that had been taught in his book.

By utilizing the method that had taught by Alexander Chong, you can earn money even if the stock price trades sideway or fluctuating within certain range. Besides, you also can earn money even though you couldn't predict

the stock price will go up or down, especially before the earning report is released

So, this e-book is actually worth a lot. A lot of money, time and energy had been invested to gather all the information and experience.

Well, realize that the information in this e-book could be easily sell for thousands of dollars. In fact, if you join seminar, workshop and intensify short course to learn all these strategies, you have to pay as least $3000 to $5000, not including accommodation and transportation fee.

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