Frequently Asked Questions
By Jacob Mintz, Chief Analyst, Cabot Profit Booster

We recently launched *Cabot Profit Booster* and I’ve received several questions that I wanted to share with all readers. And if you ever have questions of your own, please don’t hesitate to email me at Jacob@cabotwealth.com.

Here is my first group of Frequently Asked Questions

### QUESTION:

**After You Send Your Trade Alert, What Prices Do You Use Going Forward?**

Tuesday morning when I send that day’s trade alert I am giving prices that should be easily achieved. I know that you have a life outside of trading so I build in a little bit of extra room on the stock buy level as well as the call sale order to allow you to easily get into the trade. And because I’m giving a little bit of room on both sides, the potential profits/yields listed in that trade alert are less than I would expect we will achieve.

Once I send that alert I wait one hour to get the price of the stock that will be bought, and the price of the call that will be sold. Sometimes you will get a marginally better price than me, sometimes I will get a marginally better price than you. Over time I think our prices will even out.

### QUESTION:

**How Do You Choose Which One of Mike’s Top Ten Trader Stocks to Buy Each Week?**

In order of importance I will weigh these factors:

1. Highest likelihood of profitable trade.
2. Market conditions at that time. If the market is weak, I will likely go defensive. If the market is strong, I will recommend a more aggressive stock.
3. Keeping the portfolio balanced. For example, I will not have a portfolio with all hyper-growth stocks. Instead I will have a mix of growth along with financials, industrials etc.
4. A mix of high priced stocks, as well as some lower priced stocks.

Also of note, some of these trades will be looking to create yields of 10%-15%, while others may be looking for yields of 3%-7%. Again it depends on the market conditions as well as the holdings in our portfolio.
QUESTION:
When Should We Adjust Our Position? For Example, if the Stock Drops a Couple Dollars, or Rises a Couple Dollars, Will We Make Moves?

A covered call strategy is a trade of patience. What I mean by this is we won’t get worked up by short term stock movement as the bullish stock position, and the bearish short call position, somewhat offset each other.

And despite some stock movement the key to a covered call is the time factor. What I mean by this is that every day that passes the call that we sold loses some value. And as we get within a week or two of that call’s expiration this option will begin to lose value very quickly.

QUESTION:
Should I Buy Every Recommendation?

It is entirely your choice which recommendations to buy.

For example while I expect some subscribers will follow every trade recommendation, some may only want to execute the covered call strategy if the potential yields are 10% or more.

Others may only be looking for trades with less volatility and smaller returns.

Similarly some subscribers may only execute covered calls on low priced stocks, and some may be only looking for high flyers.

At the end of the day 50 covered call ideas a year should easily give you plenty of trades that fit your personal investing system.

On the subject of getting your money’s worth, if your investment portfolio is as little as $5,000 just ONE good trade a year will pay for your entire subscription. The point is don’t feel like you need to do every trade. This is a resource of trade recommendations and you can trade as much or as little as your time and interest suggests.
QUESTION:

When I Go to Sell the Call What Order Type is it?

When I recommend a covered call sale the order type is “Sell to Open.” If down the road I recommend closing that position the order type will be “Buy to Close.”

In addition to closing the position noted above, the other two possible outcomes are that the call will simply expire worthless, or the call will be “Exercised” and we will be left without a stock or option position, and with a nice profit.

QUESTION:

I Have Never Done a Covered Call. Please Advise if this Trade is All One Transaction?

There are two ways you can execute a Covered Call.

The first and easiest way to execute a Covered Call if you are new to options trading is to divide it into two parts: First, Buy the Stock, and second, Sell to Open the Call.

The second (and slightly more advanced) method is to execute the entire trade simultaneously. This function in your brokerage platform would be referred to as either a “covered call” or “buy-write.” In this scenario, you would set a net price for the combination of the price of the stock purchased, minus the premium collected from the Call sale. (For instance, if you want to buy the stock at 70 and sell a call at $2.50, you could set a net price of $67.50.)

Big picture, following either one of these methods will get you the trade I am recommending.
About the Expert

Jacob Mintz is a professional options trader and editor of *Cabot Options Trader, Cabot Options Trader Pro* and *Cabot Profit Booster.*

Using his proprietary options scans, Jacob creates and manages positions in equities based on unusual option activity and risk/reward.

Jacob developed his proprietary system during his years as an options market maker on the floor of the Chicago Board of Options Exchange, where he ran several trading crowds for nearly 10 years.

After a successful career on the trading floor Jacob was tasked with setting up a trading desk at a top-tier options trading company, trading against the most sophisticated hedge funds and institutions in the world.