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Check out the Traders Special Summer Seminar in London this August 7

Opening Bell Interview

'Options Offer Incredible Potential That Stocks Can Never Give Us' -- And This Successful Trader Proves It!

David Vomund interviews Dale Wheatley, founder of The Option Hunter service. Mr. Wheatley is a full time professional trader who has achieved financial independence.

Vomund: I know you have been trading options for a long time, as you were a guest speaker at AIQ's Lake Tahoe Fall Seminar 10 years ago. Can you tell us about your background?

Wheatley:

I was a contractor who traveled around the country helping the telephone companies with their

excess needs that they could not handle in-house. As with any type of contract work, it was inconsistent. It was difficult to budget my money not knowing what my income or expenses would be. I needed an investment that would allow for my traveling so I went to all of the typical Real Estate seminars, but I did not really have any interest in becoming a landlord or managing



DALE WHEATLEY

property. I turned to stocks.

I had played in the stock market in my 20's, but didn't understand it. After deciding to educate myself on stock trading, I read how options offered limited risk and unlimited potential for gains. That appealed to me.

To learn about when to trade, I read many technical analysis books and spent over \$500 a month just for quotes and charts. I also plotted many charts by hand. Years later, I discovered AIQ and bought two of the AIQ programs, TradingExpert and OptionExpert. Still, all I did was spend money with no

"It was not until I sat down and examined my winning and losing trades, comparing them to the charts and indicators, that I finally began to discover the value in one particular indicator, the MACD."

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return to show for it.

It was not until I sat down and examined my winning and losing trades, comparing them to the charts and indicators, that I finally began to discover the value in one particular indicator, the MACD. I knew that when one line crossed the other it meant to buy or sell, but that did not work well or consistently, both requirements for trading options, since they are wasting assets.

By examining divergences in the MACD indicator, however, one could tell when a stock was ready to change direction with a great degree of reliability. I concentrated on perfecting my entry and exit strategy using this indicator, but incorporated various indicator time frames. This was a process which I had never seen done before.

Vomund: You trade options based on chart patterns and the MACD indicator. Why do you choose the options market instead of trading the stock itself?

Wheatley: Options offer incredible potential that stocks can never give us. Plus chart patterns develop

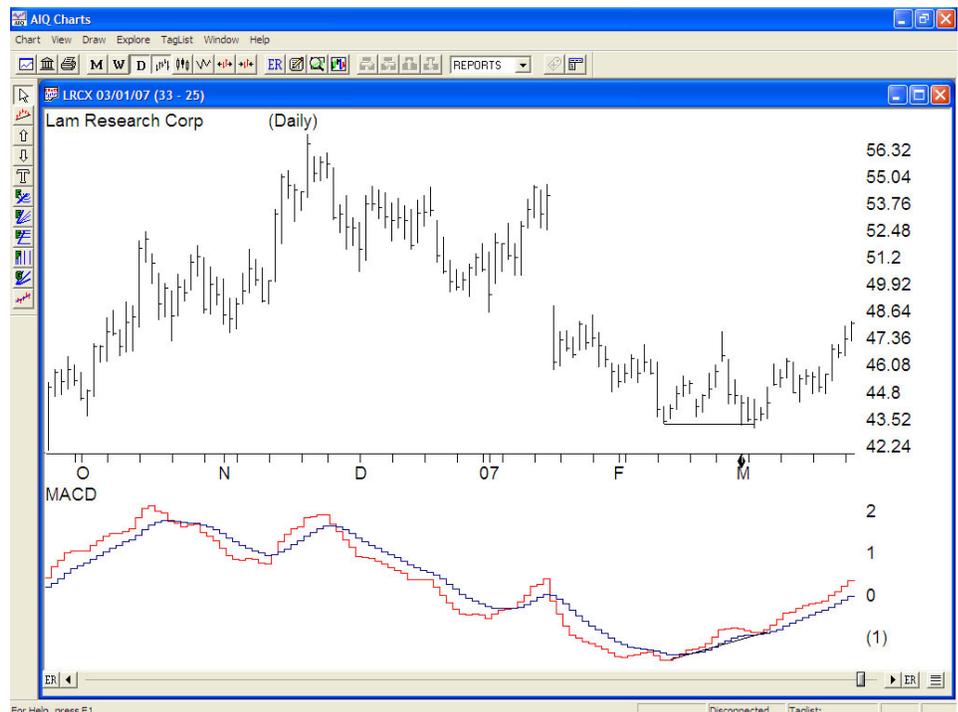


Figure 1. Daily chart of Lam Research with MACD indicator in lower window. When double bottom occurred in early March the divergence with MACD signalled an upturn in price.

clearly enough to see definite direction changes that will produce returns in excess of 1,000% in hours, days, or weeks depending on the strength of the pattern relative to the price. Besides, I don't want to "own" anything! I just want to make

money to do the things I want, when I want

Vomund: Are there any disadvantages to trading options?

Wheatley: Yes, we are sometimes limited by the number of contracts we can buy at one time. If I see an extraordinary pattern, I may want more contracts than I can buy.

Vomund: I know that the pattern of the underlying security is of primary importance in your trading system. How much does the option's price factor into your purchase? Do you run an option model to evaluate whether an option is expensive or cheap, or do you strictly trade options based on the underlying chart pattern?

Wheatley: I do not use any pricing models that use the Black-Scholes pricing formula or any other valuation method. These formulas are not designed to help us make a profit on options, but rather to show us what happens if our underlying stock performs in a certain fashion. There is nothing I can do about the options prices. Whatever the bid and ask prices are that is what I have

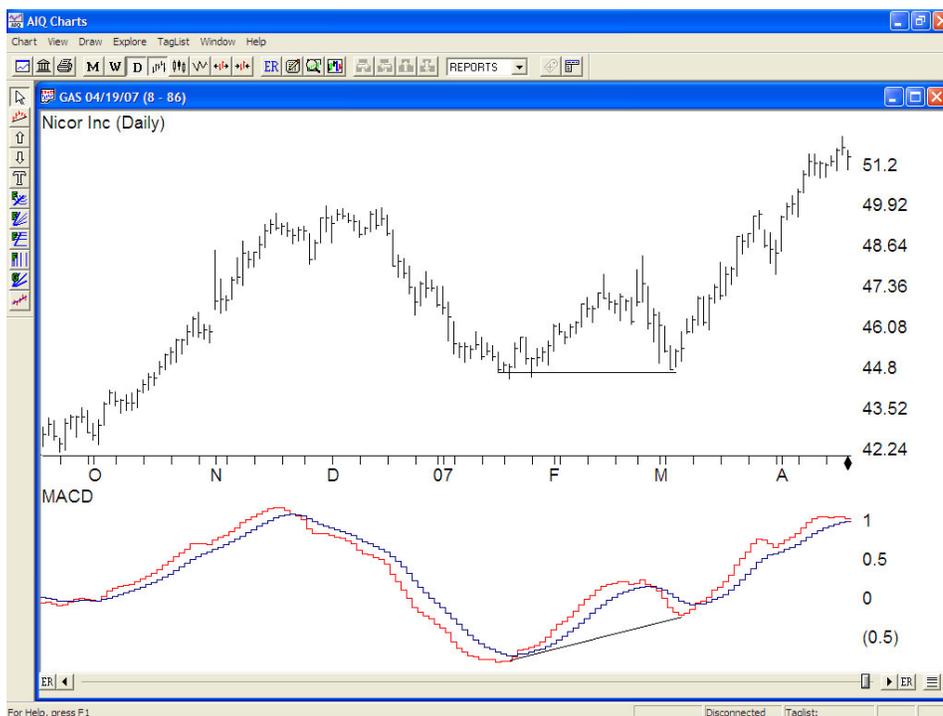


Figure 2. Daily chart of Nicor Inc. with MACD indicator in lower window. Trendlines show strong divergence that occurred in February between price and MACD.

to pay, so how will that help me profit?

Vomund: Do you look for many kinds of patterns or is there a specific pattern that you identify?

Wheatley: I use the same pattern over and over, but it could be on different time frames (hourly, daily, weekly, monthly, etc) depending on the time left until the option's expiration and distance from next strike price

Vomund: Would you please describe the set-up?

Wheatley: What I'm looking for is a divergence in the MACD indicator compared to the price of the underlying security. I look to buy call options when a stock tests its prior low but has a positive divergence in its MACD indicator. The opposite is true for identifying tops. I use this pattern because after much experimenting I have found it to be the most consistent and accurate.

Vomund: Can you give us a couple examples of specific trades you acted on?

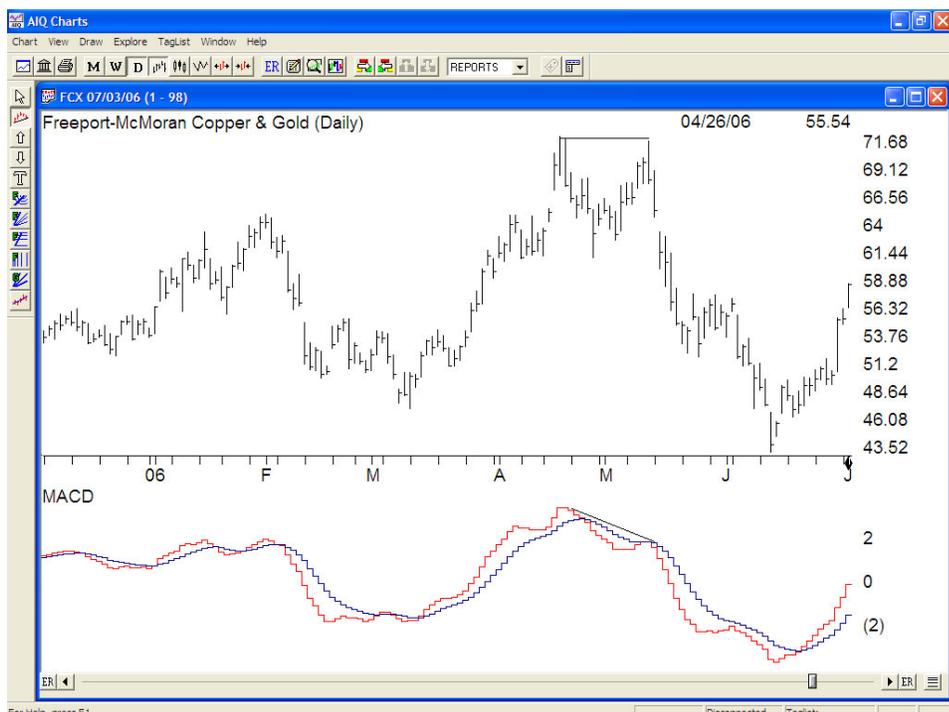


Figure 3. Daily chart of Freeport-McMoran with a MACD indicator in lower window. Stock topped in late April-early May while MACD fell (trendline), signalling time to buy put options.

Wheatley: Sure. Let's start out with LAM Research (LRCX). Lam Research hit an initial low on February 12 and then rallied. That low was retested on March 1-5. In effect, a double-bottom pattern was forming. The key to the entry, however,

is the positive divergence in the MACD indicator (**Figure 1**). Notice that while the stock had level bottoms, its MACD indicator was rising. March 45 call options were purchased on 03/07/07.

A similar example is in Nicor Inc. (GAS). In **Figure 2**, the initial low came in mid-January, the stock rallied, and then retested on March 5. Once again there was a strong positive divergence in the MACD indicator. March 45 calls were also purchased on 03/07/07).

Finally let's look at a topping formation. Freeport-McMoran Copper & Gold (FCX) hit level highs in April/May at the same time that its MACD indicator was falling (**Figure 3**). That was a time to buy put options.

On a daily chart, this pattern does not always signify major reversals, but in the Freeport-McMoran case, the weekly chart also had a huge negative divergence (**Figure 4**). That was perfect! Huge downside divergences under multiple time frames were exactly what I needed. The options went from \$0.20 to \$12. I made sixty times my

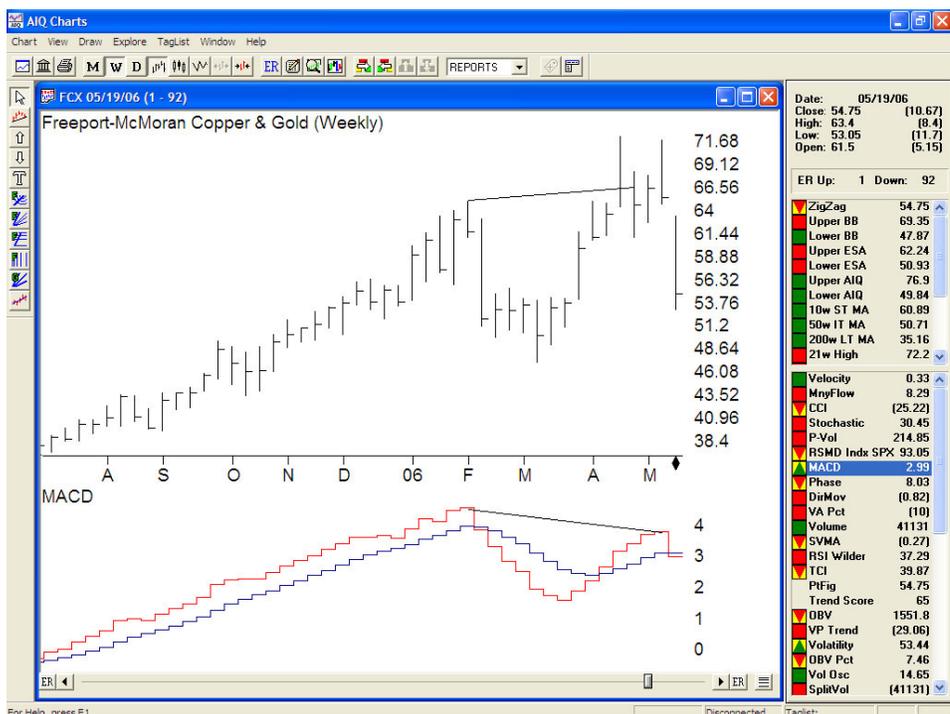


Figure 4. Weekly chart of Freeport-McMoran with MACD indicator in lower window. Trendlines show divergence that occurred in late April-early May between price and MACD.

money in just one week!

More recently, in May I entered Advanced Micro Devices (AMD) and General Motors (GM) call options, and both turned into 1000% gainers in only a few days!

Vomund: How often can one expect to close out a winning position using this technique?

Wheatley: Every Time!!! I'll qualify this by saying that a loss is not the fault of the charts, but rather the trader. It is really just a question of discipline and knowledge coupled with action when the correct pattern appears. If you learn the correct technique and act only when everything is in place, you will always make a profit!

Vomund: When a pattern develops, how do you determine which option to purchase?

Wheatley: It depends on a couple of factors, such as the stock's price, how far that is from the strike price, how many days are left until expiration, the cost of the option, and the option's liquidity. I almost always buy out-of-the-money options that expire in the near term month if my pattern appears on the daily chart. If it appears on a weekly

or monthly time frame, I buy out-of-the-money options that could expire several months away.

Vomund: What is your sell technique? And using that technique, what is the average holding period.

Wheatley: My sell technique is simple. I'm out when the momentum turns back against the move using the MACD fast line

Vomund: You are kind enough to educate others on the technique in your Options Hunter weekly webinar service, and you will present the technique at our Lake

Tahoe Fall Seminar. Why are you willing to give away your technique?

Wheatley: I began teaching others when some investors asked me to explain my trading style and ever since then I have been talking about my discovery to everyone I meet. I have taught people around the world, some that I met on airplanes in the seat next to me and in other casual situations. I enjoy showing people extraordinary possibilities! I just wish someone would have taught me in the beginning how to avoid the pain of investing but, as the saying goes, "The harder the conflict, the more glorious the triumph. What we achieve too easily, we esteem too lightly."

I learned that the separation between rich and poor is because rich people continue to do the things that produced their wealth and poor people continue to do the things that created their poverty. It is a choice each of us makes. I am determined to make smart choices to achieve financial and personal growth and I want to help others to make the

same choices and to feel empowered in their own lives.

There was a time when I worried about everyone "catching on" if I told them what I do, but after teaching so many people over the years exactly what I do, I am still amazed that only a small number of people actually apply the strategy. I have found it has more to do with individuals and their preconceived ideas about returns and investing, along with the fear within themselves that actually prevents them

"I am determined to make smart choices to achieve financial and personal growth and I want to help others to make the same choices and to feel empowered in their own lives."

from being successful. People all need to look hard at their beliefs before expecting to become successful options traders, or succeeding with anything in life.

Vomund: In your Option Hunter service, you are not only giving trading selections but you are educating subscribers and utilizing their analysis to find possible trades. The number of subscribers is increasing so this is obviously going well. What kind of trades have people acted on?

Wheatley: It began rather slowly because people came from different backgrounds and experience levels. Some were beginners and others experienced. As time went by, however, those who stayed with me have found many charts without me having to hold their hands. One week, as the market was beginning to change its momentum, many subscribers chimed in with about 15 stocks that all had the correct look and the next week we saw what happened to each, with some options jumping over 1,000%!

We've had traders in the group

AIQ Opening Bell Newsletter

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buy calls on QLGC, HD, CAL, AIG, MM, VLO and the homebuilders and mortgage related companies (even with all of the bad news out about subprime lending, etc).

Vomund: Now that you've led this group for a few months, what are the common mistakes that new option traders make?

Wheatley: People try to over-analyze the charts instead of just looking for the pattern on any stock in the pre-selected list of best optionable stocks. Many people seem to lack patience to trade ONLY CLEARLY DEFINED STRONG PATTERNS. I find that the clearest

patterns result in the highest returns and LEAST RISK!

Vomund: Will your Option Hunter subscribers get anything from your presentation at AIQ's Fall Seminar this October?

Wheatley: The great thing about AIQ's seminar is that people have lots of opportunities to interact with other users. That's especially true at the Tuesday night dinner. Subscribers will have the opportunity to interact with others who are attempting the same technique and to have individual and group guidance by me to help them overcome difficulties and become more consis-

tent traders.

Vomund: Thank you for sharing your thoughts with us. I look forward to seeing you again at the October seminar.

For information on The Option Hunter, visit the AIQ Store at www.aiqsystems.com.

All users must be aware there are risks inherent in the stock and options market. Past performance does not guarantee or imply any future success.

MARKET REVIEW

The market's impressive run continued in May, where market pullbacks were mostly limited to just one day of selling. After a very strong April, the S&P 500 rose 3.25% in May. The broader market stocks also participated in the May rally, with the Nasdaq Composite gaining 3.1% and the Russell 2000 gaining 4.0%.

By month's end, the majority of the major market averages closed at new all-time highs. The S&P 500, the S&P 400 Mid-Cap, and the Russell 2000 have all erased the 2000-02 bear market losses. The Nasdaq Composite, with its heavy technology weighting, still has a long way to go.

What is driving this market? Most point to liquidity, which is an indicator that technicians are begin-

ning to follow. There is a lot of cheap money because global interest rates remain at low levels. As a result, leveraged buy-out activity is at a record level and firms are buying back their stock. The supply of stock is shrinking.

S&P 500 Changes

Changes to the S&P 500 Index and Industry Groups:

Abercrombie & Fitch (ANF) replaces Univision Communications (UVN). ANF is added to the Apparel Retail (RETAILSA) group.

Kraft Foods Inc. (KFT) replaces Sabre Holdings Corp. (TSG). KFT is added to the Packaged Foods (FOODCOMP) group.

Assurant Inc. (AIZ) replaces Realogy Corp (H). AIZ is added to the Insurance Multi-Line (INSURAML) group.

STOCK DATA MAINTENANCE

The following table shows stock splits and other changes:

Stock	Ticker	Split	Approx. Date
Middleby Corp.	MIDD	2:1	06/04/07
Questar Corp.	STR	2:1	06/05/07
Co Energetic Minas	CIG	2:1	06/05/07
Allergan Inc.	AGN	2:1	06/12/07
VSE Corp.	VSEC	2:1	06/12/07
Penn Virginia Corp.	PVA	2:1	06/13/07

Trading Suspended:

Agere Systems (AGR), Geneco Shipping & Trading (GSTL), Green Mountain Power (GMP), John Harland (JH), Novelis (NVL), Sabre Holdings (TSG), Univision Commun. (UVN)

Name Changes:

LSI Logic (LSI) to LSI (LSI)
 Technical Olympic USA (TOA) to TOUSA (TOA)
 Valero LP (VLI) to NuStar Energy LP (NS)
 Xanser (XNR) to Furmanite (FRM)

AIQ's 18th Annual Lake Tahoe Seminar

October 1 - 3, 2007 Harveys Resort & Casino South Lake Tahoe, NV



Nelson Freeburg



11 sessions



Hosted reception



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This year's keynote speaker Nelson Freeburg Founder Formula Research

Nelson Freeburg is editor of FORMULA RESEARCH, a financial letter that develops systematic investment models for stocks and bonds. When he first came to the financial markets, Nelson was pursuing a Ph.D. in world politics at Columbia University. Wholly taken by the excitement and promise of trading, Nelson said good-bye to the academic life. Nelson began researching the markets full-time. Eventually he would build a financial database that reaches back to the last century--and from this, a library of advanced trading strategies. Today Nelson uses these timing models to advise institutional clients and manage his own investments.

Many investment professionals rely on Formula Research. Gerald Appel, John Bollinger, Paul Tudor Jones, John Murphy, Martin Pring, Linda Raschke, Larry Williams--all of these and other industry leaders employ his proprietary research.

Every morning begins with an AIQ-hosted breakfast. Sessions begin at 8:30 each day and run through to 5:00 pm (12:00 on last day). Regular breaks during the day include an AIQ-hosted lunch on the first two days. Tuesday evening all attendees are invited to an AIQ catered buffet dinner.

Including meals, cost for all three days is **only \$895 per person**. Reserve your place now as seats sellout fast.

**Sign-up before July 31st
and pay only \$845.**

Here's what last year's attendees had to say

"Tremendously valuable - the content and clarity of the presentations moved my trading education forward"

"This was an extremely useful session, advancing my understanding of several important chart patterns"

"Steve (Palmquist) actually told the group what works for him and what makes him a successful trader, outstanding."

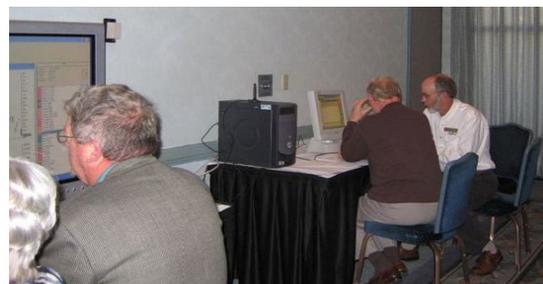


BONUS live webinar session with Linda Bradford Raschke. Linda is President of LBRGroup, Inc., a registered CTA and money management

firm and president of LBR Asset Management, a CPO. She began her professional trading career in 1981 as a market maker in equity options.

Also joining us this year will be **Martha Sipe**, CFA, a veteran of Wall St and president of mindingmatter.com, and **Bob Debnam**, founder of the ChartProfit service. We are also pleased to welcome back **Dale Wheatley**, founder of The Options Hunter service and **Steve Palmquist**, trader and founder of daisydogger.com. Our regular AIQ speakers **Steve Hill**, CEO and **David Vomund**, Chief Analyst round out the speaker line-up.

There will no Getting Started with AIQ track this year; instead we will be offering **one-on-one hands-on clinics** with senior AIQ staff. Appointment times will be accepted throughout the first two days of the seminar



Seats are limited CALL 1-800-332-2999 x115

Visit the AIQ Store <http://aiqsystems.com/store/page2.html>

Traders Special Summer Seminar Focus on Gann, Market Sentiment and Chart Pattern Recognition

A special one day seminar in London with power-packed trading tips and techniques for the trader and investor alike.

August 10th, 2007 10am - 4pm

Imperial Hotel, Russell Square, London WC1B 5BB

Presented by
Bob Debnam, founder Trendline
Steve Hill, CEO, AIQ Systems



Session One - Gann For Everyone

Gann doesn't have to be a mystery. Bob Debnam introduces some basic but powerful methods pioneered by W.D.Gann that any trader can use. In 1929, he predicted that the markets would probably continue to rally on speculation and hit new highs... until early April. In his publication, The Supply and Demand Letter, he provided daily financial forecasts focusing on both stocks and commodities. Gann also published several books - most notably "Truth", which was hailed by the Wall Street Journal as his best work. He then began releasing the techniques that he used to make these forecasts: the Gann studies.

Session Two - Using Chart Pattern Recognition as part of your trading arsenal

Chart patterns are obvious to some and not to others. Quantifying chart patterns in a meaningful manner is essential if they are to be part of your trading strategy. In this advanced session, Steve will reveal some of the findings of his ongoing 3 year study of chart patterns. You will discover the elements that are required for a chart pattern to be valid, including why a given pattern works or does not and how to trade it. Effectiveness rates and where to place exit targets will also be discussed. Patterns discussed include Head and Shoulders, Pennants, Flags and double tops and bottoms.

Session Three - Let's Get Sentimental

Bull Markets are born on pessimism, grow on scepticism, mature on optimism and die on euphoria. Sentiment rules the market. How to measure it, how to use it. Changes in market direction are not random. Figuring out how to gauge the market is where sentiment comes in. Whether it is commitment of traders or options sentiment, in this session Bob Debnam will share with some known and some lesser known methods to gauge a market. Bob will include some of his very own techniques that he has honed over 30 years of trading the markets.

**Special discount price for this event only \$299
that's £150 at today's exchange rate!**

**Sign up at <http://www.aiqsystems.com/londonseminar07.htm>
or call US 775-831-2999 x115**