



Real-Time IV Top 20 Report

Performance Statistics – March 2006

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O V E R V I E W

ChartBender's Real-Time IV Top 20 Report is a sophisticated screener that shows you the top liquid individual contracts, straddle, strangle and long calendar ideas whose implied volatility is at annual highs or annual lows. The report is generated hourly, against real-time market information, and sent to you via email.

The primary purpose of this report is to provide ideas for traders and to help them focus their attention on those instruments that are experiencing unusual characteristics. These are not recommendations, but rather, ideas that, if of interest to the trader, warrant further analysis.

When utilizing any screener or set of ideas, the trader should be able to justify conducting further analysis of those ideas. To that end, it is useful for the trader to have statistics he or she can use to draw his or her own inferences about the quality of the ideas. This document serves to provide such statistics for the straddle and strangle ideas that have appeared in the Real-time IV Top 20 Report for the month of March, 2006.

The first section will provide the methodology that has been used in determining the statistics, as well as defining any terms used. The second section will provide graphs and explanations of what it all means.

METHODOLOGY

On any given day, the Real-Time IV Top 20 Report produces a number of *unique ideas* for individual contracts, straddles, strangles and long calendars. Sometimes, a particular idea might be generated multiple times during the day. For the purpose of generating performance metrics, we use the first instance of any unique idea, regardless of whether it is the best price or worst price of all instances of that idea. The price of the idea on its first generated instance for the day is known as the *idea price*.

For all unique ideas generated in a day, we then take the end of day price for that day, as well as for the next 5 market days, and compare the idea price to the *end of day prices* to determine if this idea produces a profit or loss.

- A. In determining if an idea has a profit, we use the following 2 rules:
1. Any unique idea that has been designated as ‘Low IV %’ must have *at least one* of the end of day prices be *higher* than the idea price.
 2. Any unique idea that has been designated as ‘High IV %’ must have *at least one* of the end of day prices be *lower* than the idea price.
- B. The opposite holds true in determining those ideas which have losses:
1. Any unique idea that has been designated as ‘Low IV %’ must have *all* of the end of day prices be *equal to or lower* than the idea price.
 2. Any unique idea that has been designated as ‘High IV %’ must have *all* of the end of day prices be *equal to or higher* than the idea price.

We then take the number of ideas from A. and divide it by the total number of unique ideas for that strategy for the day, and generate a percentage of ideas with a profit for that strategy. It is this percentage that is reported in the main performance graphs.

A second set of graphs provides a breakdown of Low IV and High IV Ideas, and the percentage of those ideas that were profitable. This is basically a drill down of the first set of graphs and allows traders to see statistics for the two different IV ranges.

A third set of graphs shows the monetary performance of the unique ideas for straddles and strangles for a particular day. We break each strategy down into 2 graphs: The first shows the average profit for “profitable ideas” & average loss for “non-profitable ideas”, and the second shows the median profit and the median loss for each set.

In order to be consistent among both profitable and non-profitable ideas, we have to take a ‘predefined’ profit or loss amount that can be applied to all ideas. By using the word ‘predefined’, we do not mean a specified dollar amount, but rather, a general application. For the purposes of these performance statistics, we take the *greatest profit* for each profitable idea and the *greatest loss* for each non-profitable idea and use those values in determining our averages and medians. According to this method, we are consistently applying the same rule to all unique ideas, thus allowing us to paint a clear picture of the monetary performance of these ideas.

Profitable Idea Example

Each unique idea generated on Day 1 has six end of day price points to which the idea price is compared. If on day 2, a unique idea has a profit of \$.50, on day 4 it has a profit of \$.60, and on day 5 it has a profit of \$.55, then this idea would be used in the performance metrics in the following two ways:

1. It would be flagged as a profitable idea.
2. Its greatest profit of \$.60 would be used in the average and median statistical calculations.

Non-Profitable Idea Example

Each unique idea generated on Day 1 has six end of day price points to which the idea price is compared. If on day 1, a unique idea has a loss of \$.10, on day 2 it has a loss of \$.20, on day 3 it has a loss of \$.15, on day 4 it has a loss of \$.30, on day 5 it has a loss of \$.05 and on day 6 it has a loss of \$.10, then this idea would be used in the performance metrics in the following two ways:

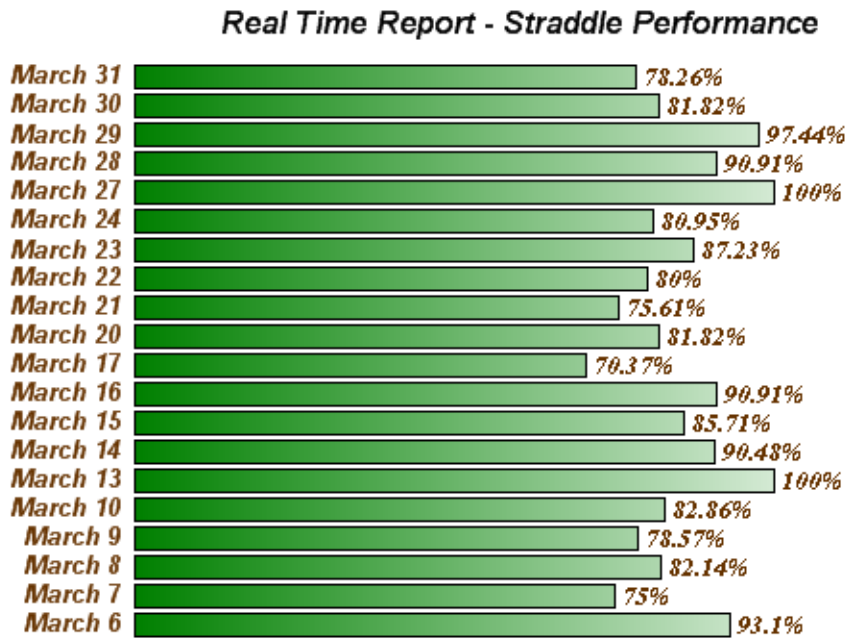
1. It would be flagged as a non-profitable idea.
2. Its greatest loss of \$.30 would be used in the average and median statistical calculations.

In summary, we can define a profitable idea as any unique idea that has had an end of day profit at any time during 1 market week from its time of generation. A non-profitable idea can be defined as any unique idea that has NOT had an end of day profit at any time during 1 market week from its time of generation.

PERFORMANCE STATISTICS

Straddles

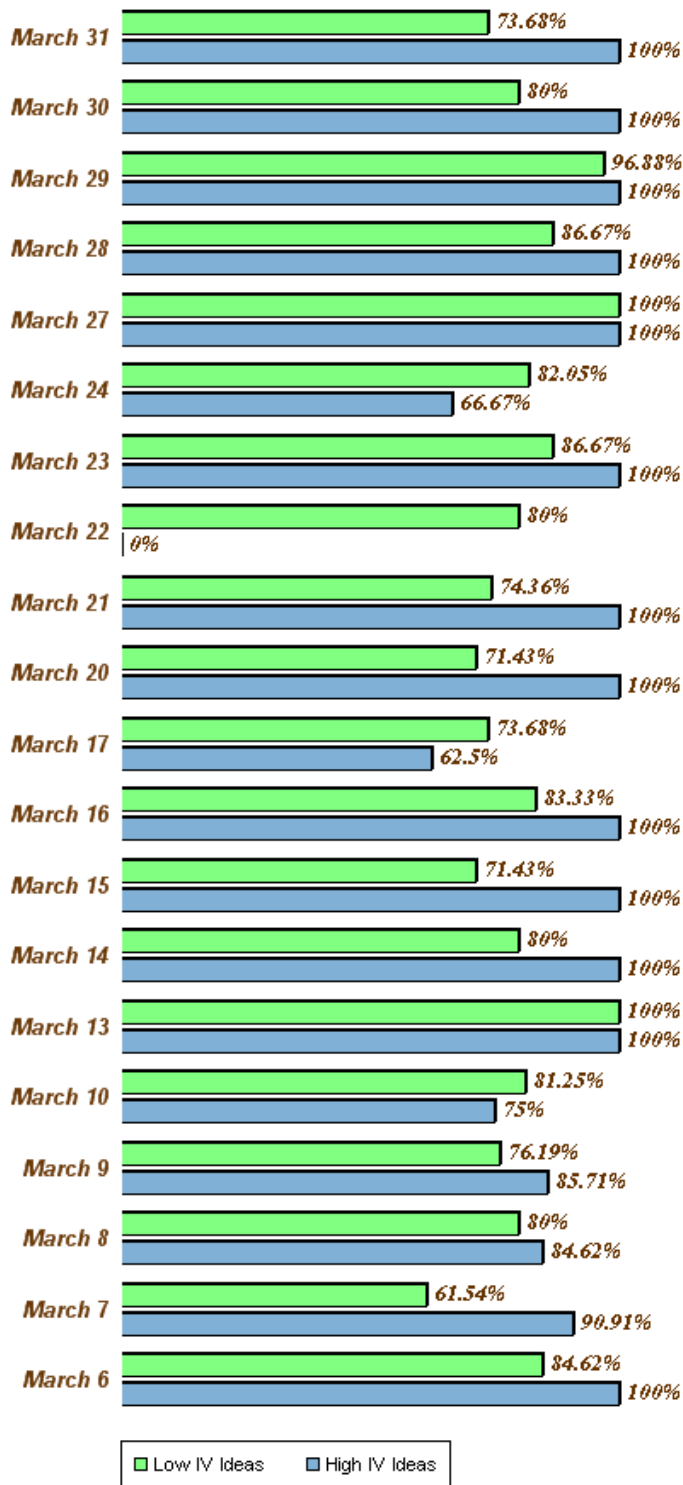
Percentage of Ideas That Were Profitable



This graph shows the percentage of all unique straddle ideas for the displayed dates that were profitable at any time during 1 week from the date of the idea.

Percentage of Ideas That Were Profitable for Low & High IV Ranges

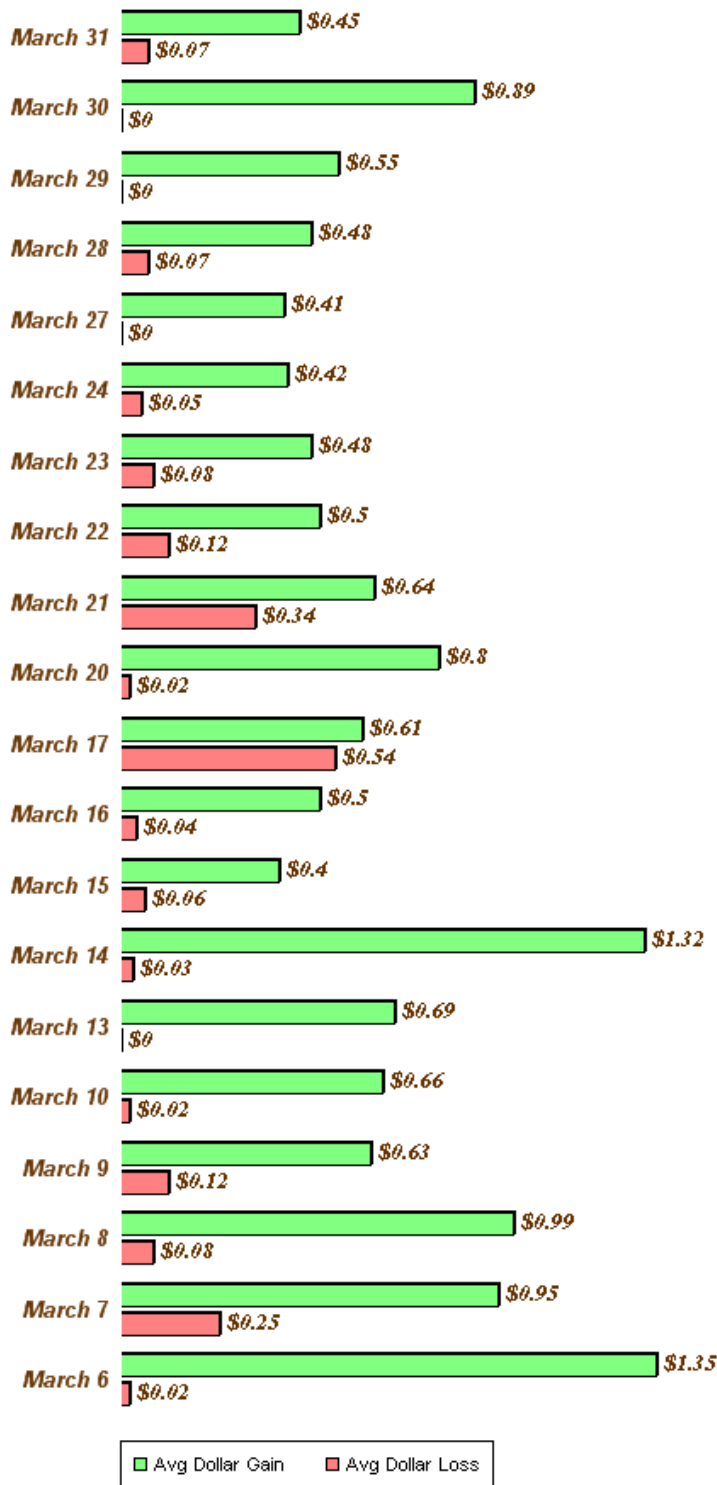
Straddle Performance - Low / High IV Ideas



This graph shows a breakdown of Low IV and High IV straddle ideas, and the percentage of those ideas that were profitable for the displayed dates at any time during 1 week from the date of the idea.

Average Dollar Gain / Loss

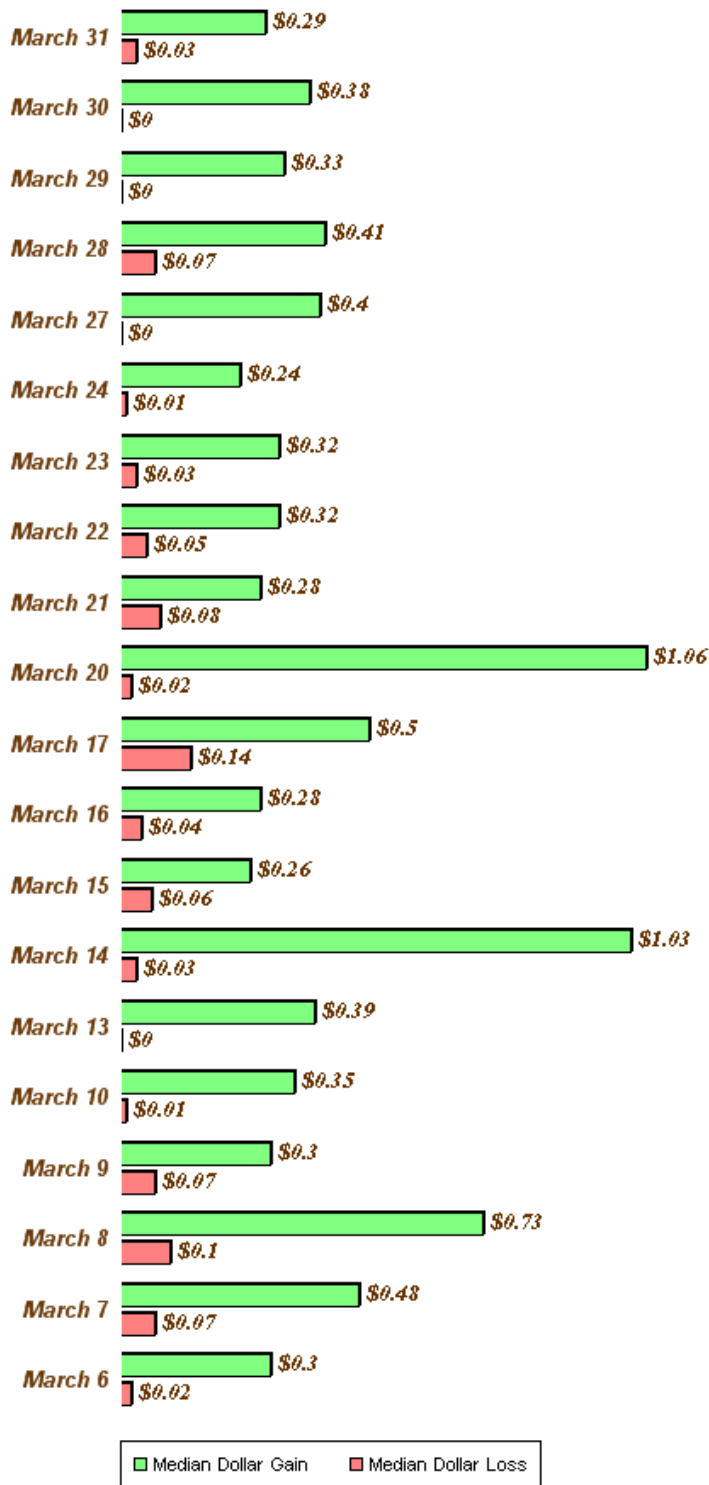
Straddle Performance - Average Dollar Gain / Loss



This graph shows the average dollar gain for profitable straddle ideas and average dollar loss for non-profitable straddle ideas for the displayed dates.

Median Dollar Gain / Loss

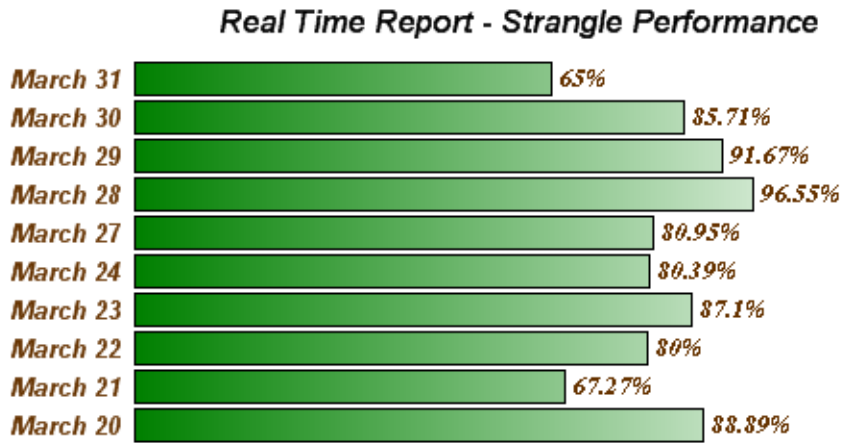
Straddle Performance - Median Dollar Gain / Loss



This graph shows the median dollar gain for profitable straddle ideas and median dollar loss for non-profitable straddle ideas for the displayed dates.

Strangles

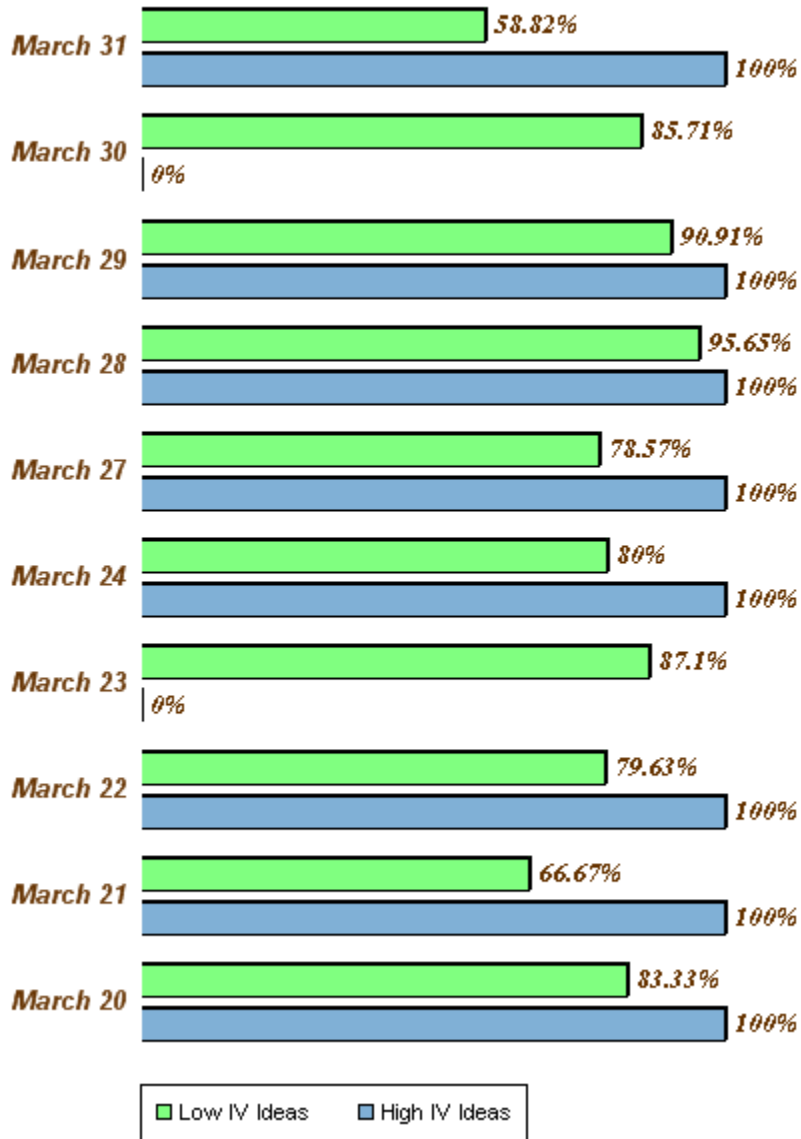
Percentage of Ideas That Were Profitable



This graph shows the percentage of all unique strangle ideas for the displayed dates that were profitable at any time during 1 week from the date of the idea.

Percentage of Ideas That Were Profitable for Low & High IV Ranges

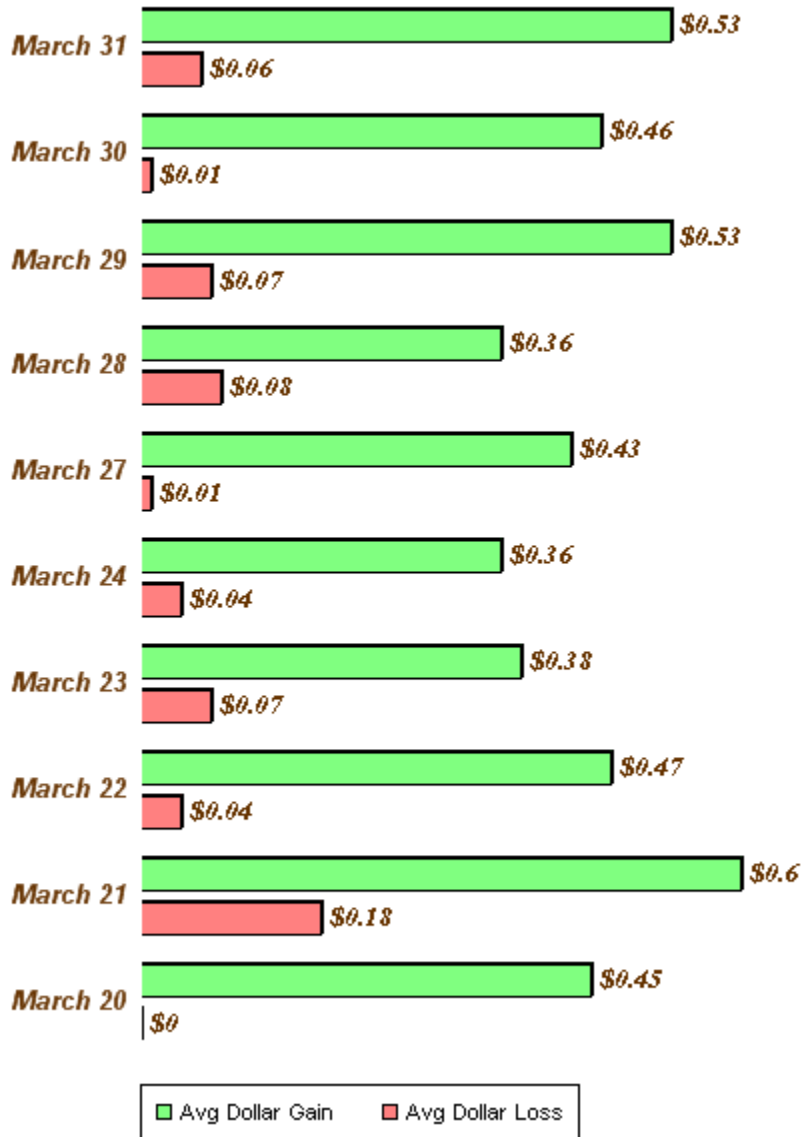
Strangle Performance - Low / High IV Ideas



This graph shows a breakdown of Low IV and High IV strangle ideas, and the percentage of those ideas that were profitable for the displayed dates at any time during 1 week from the date of the idea.

Average Dollar Gain / Loss

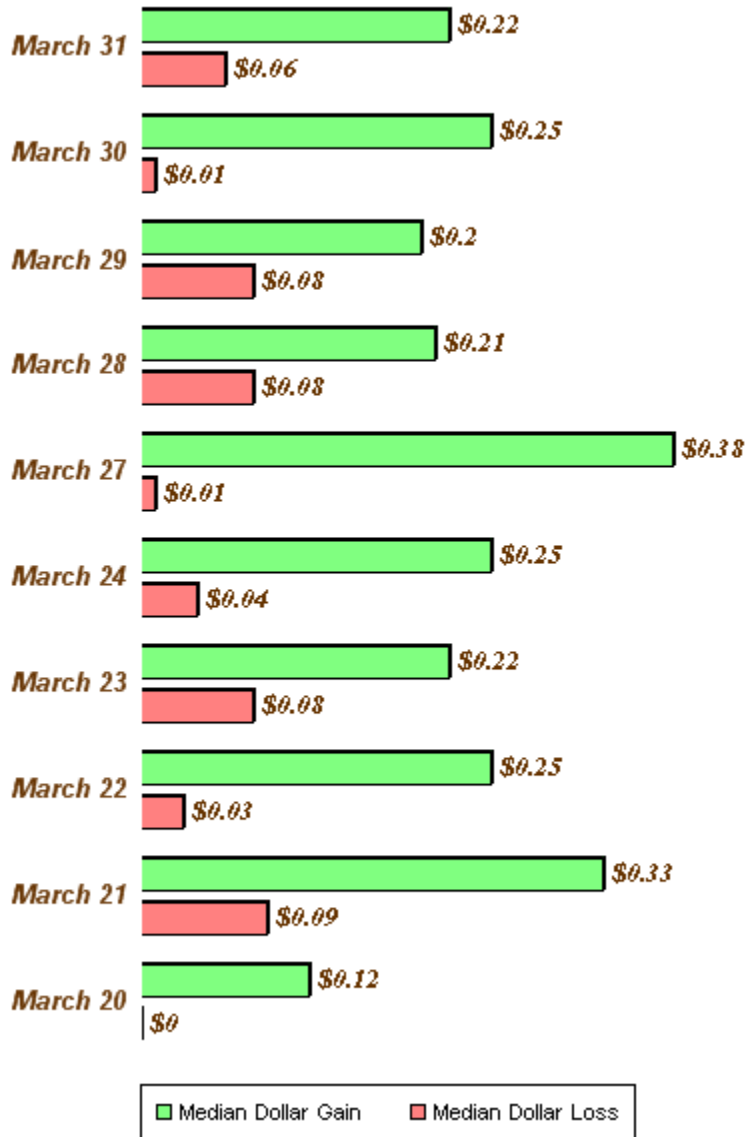
Strangle Performance - Average Dollar Gain / Loss



This graph shows the average dollar gain for profitable strangle ideas and average dollar loss for non-profitable ideas for the displayed dates.

Median Dollar Gain / Loss

Strangle Performance - Median Dollar Gain / Loss



This graph shows the median dollar gain for profitable strangle ideas and median dollar loss for non-profitable ideas for the displayed dates.

SAMPLE REPORT

Here is a sample of the Real-Time IV Top 20 Report.



ChartBender - The Real-Time IV Top 20 Plus Report - 4/13/2006 10:01:50 AM

Straddles					
Stock Symbol	Straddle Description	Stock Price	High/Low IV%	IV Dollar Impact*	Straddle Price
ELN	July 2006-15 - Straddle	14.47	Low	(\$0.92)	\$3.33
ELN	July 2006-17.5 - Straddle	14.47	Low	(\$3.61)	\$4.15
INFY	Apr 2006-70 - Straddle	74.46	High	\$24.79	\$6.25
INFY	Apr 2006-75 - Straddle	74.46	High	\$7.10	\$4.85
NVLS	Apr 2006-25 - Straddle	24.96	High	\$1.95	\$1.38
TRN	Apr 2006-50 - Straddle	56.58	High	\$29.26	\$7.05

Strangles					
Stock Symbol	Strangle Description	Stock Price	High/Low IV%	IV Dollar Impact*	Strangle Price
ELN	July 2006-12.5/15 Gut Strangle	14.47	Low	(\$0.52)	\$4.80
ELN	July 2006-15/17.5 Strangle	14.47	Low	(\$4.90)	\$2.50
INFY	Apr 2006-65/70 Strangle	74.46	High	\$15.29	\$5.60
INFY	Apr 2006-70/75 Strangle	74.46	High	\$12.53	\$3.03
INFY	Apr 2006-75/80 Strangle	74.46	High	\$5.59	\$3.28
KFX	May 2006-15/17.5 Gut Strangle	18.23	Low	(\$8.81)	\$4.20
SSTI	Apr 2006-5/7.5 Strangle	4.59	Low	(\$3.41)	\$0.45

Long Calendars								
Stock Symbol	Calendar Description	Stock Price	Front Month IV%	Front Month Price	Back Month IV%	Back Month Price	IV Dollar Impact*	Calendar Price
SNDK	Apr / May 2006-57.5-Put - Calendar	\$62.18	80.15 %	\$1.15	53.61 %	\$2.08	(\$26.60)	\$0.93
SNDK	Apr / May 2006-52.5-Put - Calendar	\$62.18	83.69 %	\$0.30	53.80 %	\$0.80	(\$17.13)	\$0.50
RSH	Apr / July 2006-17.5-Put - Calendar	\$18.42	52.54 %	\$0.23	33.59 %	\$0.78	(\$4.93)	\$0.55

Top 20 IV%							
Stock Symbol	Option Description	Status	Implied Volatility	High/Low IV%	IV Dollar Impact*	Option Price	Time Value
ELN	Apr 2006-15-Call	ATM	27.25 %	Low	(\$2.80)	\$0.08	\$0.08
ELN	July 2006-15-Call	ATM	53.48 %	Low	(\$0.39)	\$1.48	\$1.48
ELN	July 2006-15-Put	ATM	53.93 %	Low	(\$0.53)	\$1.85	\$1.32
ELN	Apr 2006-12.5-Call	ITM	1.57 %	Low	(\$3.74)	\$1.98	\$0.00
ELN	July 2006-17.5-Call	OTM	51.77 %	Low	(\$4.37)	\$0.65	\$0.65
KFX	June 2006-20-Put	ITM	50.76 %	Low	(\$1.93)	\$2.58	\$0.81
PFE	June 2006-20-Call	ITM	1.25 %	Low	(\$9.43)	\$4.40	\$0.07
LEN	Apr 2006-50-Call	ITM	69.73 %	High	\$12.47	\$9.40	\$0.21
MDT	Apr 2006-55-Call	OTM	45.07 %	High	\$23.79	\$0.25	\$0.25
MER	Apr 2006-75-Call	ITM	28.57 %	High	\$8.43	\$3.03	\$0.53
MER	May 2006-70-Put	OTM	28.22 %	High	\$2.74	\$0.38	\$0.38
RAI	Apr 2006-95-Put	OTM	52.35 %	High	\$8.81	\$0.38	\$0.38
SNDK	Apr 2006-55-Put	OTM	77.38 %	High	\$4.70	\$0.60	\$0.60
SNDK	Apr 2006-57.5-Put	OTM	80.15 %	High	\$25.89	\$1.15	\$1.15
SNDK	Apr 2006-52.5-Put	OTM	83.69 %	High	\$10.22	\$0.30	\$0.30
STJ	May 2006-40-Put	ITM	39.91 %	High	\$17.60	\$4.30	\$0.48

*IV Dollar Impact is the actual (not theoretical) dollar impact to the trade that corresponds to a change in implied volatility. If the IV Dollar Impact is negative, the position is cheap on a relative basis. If the IV Dollar Impact is positive, the position is expensive on a relative basis. Please visit <http://www.chartbender.com/videos/videoshowcase.aspx> to learn more about IV P&L.

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