Sentimental journey: Hamzei Analytics

arket sentiment data — data that indicates whether the market is bullish or bearish, and to what degree — is a highly sought-after commod-

Like anything else, what makes it so valuable is its rarity: It's hard to find reliable (and timely) information of this type.

Common tools used by traders to gauge sentiment are the put-call ratio and volatility. For example, a high proportion of put purchases reflects bearish market sentiment and, to professionals, is a situation that warns of a market bottom when it reaches an extreme. Similarly, the commonly referenced Chicago Board Option Exchange volatility index (VIX) is used as a measure of "fear" in the market.

Hamzei Analytics (<u>www.hamzeianalytics.com</u>) is a Web site devoted to market sentiment by way of real-time analysis of put-call activity and volatility on 225 of the most active indices, stocks, index tracking stocks and sector HOLDRs. The site has seven main proprietary tools:

• Real-time Put/Call Ratio Scanner Alerts: Provides scrolling information on

notable developments in put-call ratios. (See additional information on Yahoo Instant Messaging Feature, opposite page.)

• Real-time Put/Call Ratio Baskets: Provides simple and

HAMZEI ANALYTICS

Among its many features, Hamzei Analytics provides a volatility matrix that provides real-time tracking of 17 volatility indices.

Symbol		Volatility Index		Mean ATM MIV		Price	
		Ours	CB0E's	Prev.	Lest	Prev.	Lesi
BOH	Broadband HOLDRS	62.60		62.35	58.10	24.63	25.90
SOX	Semiconductor Index	59.03		55.15	51.15	600.90	654.17
ни	Internet HOLDRS	58.46	54.36	62.00	62.60	49,43	47.50
SMH	Seminonductor HOLDRS	55.29		51.70	45.05	46.06	50.2
000	NASDAQ-100 Tracking	52.58		51.75	45.25	45.83	48.2
MOX	NASDAQ-100 Index	52.18		49.95	45.35	1,838.84	1,932.5
MHX	Mini NASDAQ-100	51.38		50.20	44,60	183.88	193.25
DOH	Biotech HOLDRS	48.42		45.65	42.30	138.74	144.00
XAU	Gold & Silver Index	44.44		39.85	37.56	68.29	58.88
OSX	Oil Service Index	42.33		39.10	37.25	128.87	128.77
BKX	Banking Index	25.09	á j	21.90	21.10	927,99	902.86
2001	Oil & Gas Index	22.70		18.80	18.95	596.33	598.7
OEX	Standard & Poce's 100	21.59	21.20	19.70	18.00	654.48	682.00
RUT	Russell 2000 Index	20.53		17.90	17.65	507.32	515.6
SPX	Standard & Poor's 200	19.50	, .	17.70	16.00	1,267.11	1,283.43
DJX	Dow Jones Industrial Avg.	18.85		16.55	15.70	110.82	111.7
DHH	B2B HOLDRS	0.00		82.90	76.35	5.59	6.6

Sifting through options: PowerOptionsPlus

electing stocks and organizing your trading methodology is no easy task, given the scope of the market. If you also trade stock options, the amount of information you have to sift through can increase tenfold.

Software packages and Web sites that actually decrease your workload are rare finds indeed. One such site is PowerOptionsPlus (www.poweroptionsplus.com), which, among other features, allows you to use customized criteria to find potential trades among different option strategies.

For example, if you're a covered call trader (a covered call consists of a long stock position and a short call option), PowerOptionsPlus can help you find the stock-option combinations that will give you the highest returns, depending on the stock's probability of reaching the strike price. For a trader interested exclusively in options, the site also ranks different kinds of vertical spreads (which consist of both long and short call or put options with different strike prices).

PowerOptionsPlus doesn't have some of the bells and whistles found in other programs, such as profit-loss diagrams and calculation of certain "Greeks" (theta, vega and gamma, which denote different option characteristics). This might, at first, seem like a weakness, but after you've tried out the site for a while you realize you really don't need to bog yourself down with such information, anyway.

In addition to ranking different types of strategies, you can research complete option chains, compare individual options for different stocks, or perform Black-Scholes calculations for both real and hypothetical options. The site also has portfolio tracking capabilities, fundamental data and charting capabilities through BigCharts.com (www.bigcharts.com).

Although the help file is very extensive, and there are several ready-made sample strategy searches, both the help and strategy ranking explanations would benefit from a little more detail. They have the feel of having been written by engineers for engineers; a little too much knowledge on the

weighted put-call statistics on the components of various indices and HOLDRs (Merrill Lynch's exchange-traded sector instruments, similar to the QQQ, SPYand DIAindex-tracking stocks).

- Real-time Put/Call Ratios: Highest and lowest put-call ratios, in both simple and dollar-weighted formats.
- Real-time Most Active Option Chains: Shows options with the most trading volume, broken down into puts, calls and simple vs. dollar-weighted.
- Real-time Volatility Matrix: VIX-like calculations of various market indices, HOLDRs and index-tracking stocks.
- •End-of-day Market Implied Volatility (MIV): Implied volatility numbers for at-the-money options, with historical charts.
- Morning Head Fake: A feature that identifies extreme opening moves with a high probability of reversing.

One of the site's newer additions — Yahoo Instant Messaging from the Hamzei Analytics Trading Room — gives subscribers real-time commentary regarding the site's put-call ratio, MIV and sector volatility index data, as well as trade analysis. (This feature essentially supplants the put/call scanner alert function.)

One of the benefits of the site is it goes beyond the basics and allows you to analyze this information from various perspectives. It provides put-call ratios in both standard (simple) formats as well as dollar-weighted, which provides additional

insight. While the Chicago Board Options Exchange (CBOE) publishes volatility indices for the S&P 100 and Nasdaq 100, Hamzei Analytics' Volatility Matrix provides VIX-like calculations for 17 indices and market sector instruments. Also, the Morning Head Fake, a volatility-based concept that targets extreme gap openings potentially offering profitable reversal-trade opportunities, will interest many short-term traders.

How can you use such information? Here's an example. On June 5, the volatility index value for the DJIA was 18.55. The most recent (last two days) average MIV values were 16.55 and 15.70, suggesting the Dow's volatility index would contract as well, implying an up move in the index. The high Dow-VIX reading suggested a market bottom; a reversion to lower readings suggests a rally.

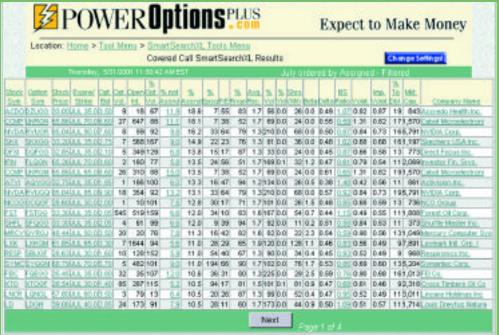
In late June, the site was operational but undergoing a necessary redesign/upgrade. The information was great but had not been presented in the friendliest way. The online tutorials were hit or miss: Some adequately explained concepts, others looked slapped together and probably will do more harm than good for traders unfamiliar with this kind of market information.

Subscription levels vary. The basic (Gold) subscription is \$49.95 per month. Platinum membership is \$99.95 per month. New users get an additional week free. The site also offers a free trial.

Anyone interested in improving their trading with unique sentiment/volatility information should pay the site a visit. •

POWEROPTIONSPLUS

PowerOptionsPlus allows you to set the criteria for an option trade (in this case, a covered call) and then search the market for the best trading opportunities.



part of the user is assumed.

Overall, though, this is a good site. Subscriptions start at \$29.95 per month (\$39.95 for all features) and can be canceled at any time. And, before you sign up, you can try out the site free for 14 days.

Finally, if you're an active options trader, PowerOptionsPlus also guarantees (with a few caveats — check the site) to refund your monthly subscription fee if your profits for that month didn't exceed five times the subscription price.