

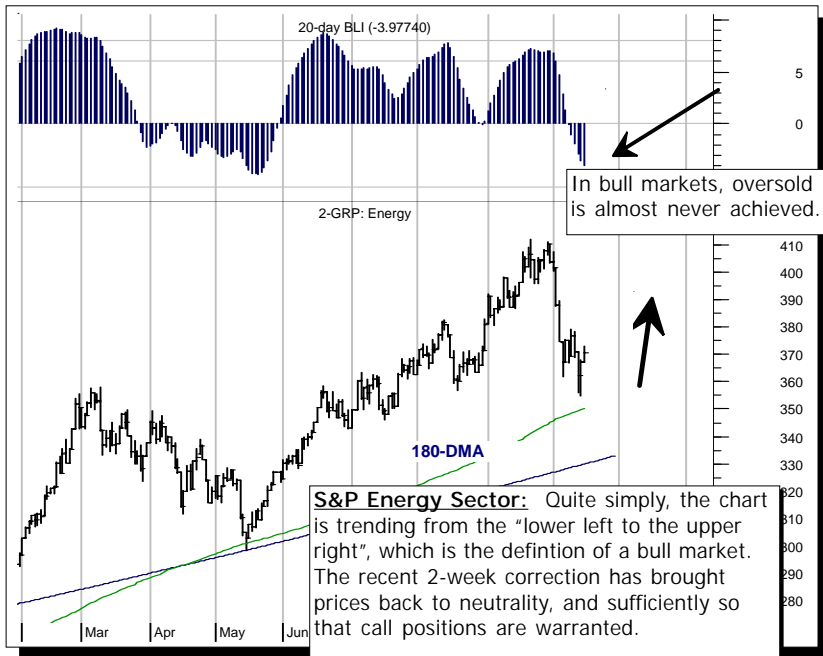
Rhodes' Option Strategy Letter

Tuesday: October 18, 2005

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their major 200-day support levels without a commensurate decline in WTI crude futures. We find this more 'long liquidation', and sufficient to warrant technical neutrality rather than overt bullishness – a more two-sided trade if you will. And it is here we want to focus; in bull markets one should trade aggressively from the long size on dips into support, and we are doing so today via CVX and WFT.

Tropical Storm Wilma: She will continue to have an impact upon the market as it forms and moves into a likely track into the Gulf of Mexico by next weekend, although some call for a northeasterly turn toward Florida. For the moment the forecast has the storm intensifying to hurricane status and could potentially disrupt energy production and shut-in production for a still longer undefined period of time – this in front of the critical heating oil season.

However, crude has declined based on presumed "demand destruction", with OPEC joining the chorus calling for slighter growth in Q4 and 2006. We are reading weather reports that state the winter may well turn out to be colder than normal, so heating oil should remain at least firm through the rest of the year – also putting in a bid to crude oil. Time will tell, but a bull market is a bull market.

CAPITAL MARKET COMMENTARY

NOTE: We apologize for not getting our new report out on Monday as promised, but extenuating circumstances regarding our data links didn't allow us to proceed. Our intention with this letter is to have a "narrow focus" upon directional options trading for specific themes or industries showing momentum; we don't expect to trade credit or debit spreads at this time, but we believe one can reasonably discern this from our option selections in our target levels and time frames. In terms of format, we will provide overall commentary section regarding fundamental and technical thoughts on the overall market, sectors, industries or what we are trading or may look to trade. It will be a "stream of consciousness" per se.

In terms of our time frame for trading, we cannot see it moving out more than several months; there will be times when this is appropriate, but will indicate it as such. There will be aggressive picks and well as more conservative picks, but we will not have more than 6 total positions working at any one time – this includes both ETF and individual positions. Options trading is simply too difficult to manage more than this. Questions and comments are quite welcome.

THE ENERGY SECTOR IS OUR FOCUS: The recent decline in the energy sector has 'washed out' late long positions and put the fear of a "top in many"; we too thought a top was forthcoming and it very well may be so. But the fact of the matter is the sharp correction took prices of the major integrated oil producers such as XOM and CVX back into

US Market Overview

Index	Sym		Last	Chg.	% Chg.	YTD	YTD % Chg.
Dow Industrials	INDU	up	10,348	61	0.6%	-435	-4.0%
S&P 500	SPX	up	1,190	4	0.3%	-22	-1.8%
Nasdaq 100	NDX	up	1,550	6	0.4%	-71	-4.4%
Russell 2000	RUT	up	633	0	0.0%	-18	-2.8%
SECTORS							
Banking	BKX	down	95.10	0	-0.1%	-9	-8.7%
Biotech	BTK	down	617.47	-3	-0.5%	73	13.5%
Drug	DRG	down	315.85	-3	-0.9%	-1	-0.2%
Gold Bugs	HUI	up	234.77	5	2.2%	19	9.0%
Housing	HGX	up	488.90	4	0.8%	20	4.2%
Integrated Oil	XOI	up	981.24	14	1.4%	260	36.1%
Nat. Gas	XNG	up	391.30	5	1.2%	101	34.7%
Oil Service	OSX	up	161.03	1	0.9%	37	29.9%
Retail Index	RLX	up	432.41	2	0.5%	334	338.6%
Semiconductor	SOXX	up	444.72	0	0.0%	11	2.6%

Quotes as of: 4:56pm EST

PORTFOLIO / RECOMMENDATIONS

STOCK RECAP					OPTION RECAP										
No.	Entry Date	Name	Ticker	Closing Price	Type	B / S	Qty	Option	Option Symbol	Entry Point	Bid/Ask Price	Total Cost	P/L	Percent P/L	Stop Loss
1	10/9/2003	Corinthian Colleges	COCO	\$ 61.30	ST-T	Buy	5	Sept. \$22.50 Call	UCS EZ	\$ 5.60	\$ 5.80	\$ 2,800	\$ 100.00	3.6%	
2	10/9/2003	Western Wireless	WWCA	\$ 17.47	INT-T	Sell					\$ 20.58	\$ -	\$ -	0.0%	
3	10/21/2003	Linear Technology	LLTC	\$ 41.17		S					\$ 41.68	\$ -	\$ -	0.0%	
4															
5															
9	10/28/2003	Amazon	AMZN	\$ 48.58		S					\$ 55.10	\$ -	\$ -	0.0%	

2005 RECAP

Starting Balance \$ 50,000

Closed Positions

Open Positions \$ 100

PORTFOLIO YTD (Gain/Loss) \$ 50,100 \$ 100 0.20%

S&P 500 YTD -2.28%

INSTRUCTIONS

1: CVX – BUY TO OPEN: 5 contracts of the Nov-2005 \$55 Call this morning; preferably on declines if they materialize at the open.

2: WFT – BUY TO OPEN: 5 contracts of the Nov-2005 \$60 Call this morning; on declines if they materialize at the open.

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STOCKWATCH WORKSHEET / MAJOR MARKET ETF'S

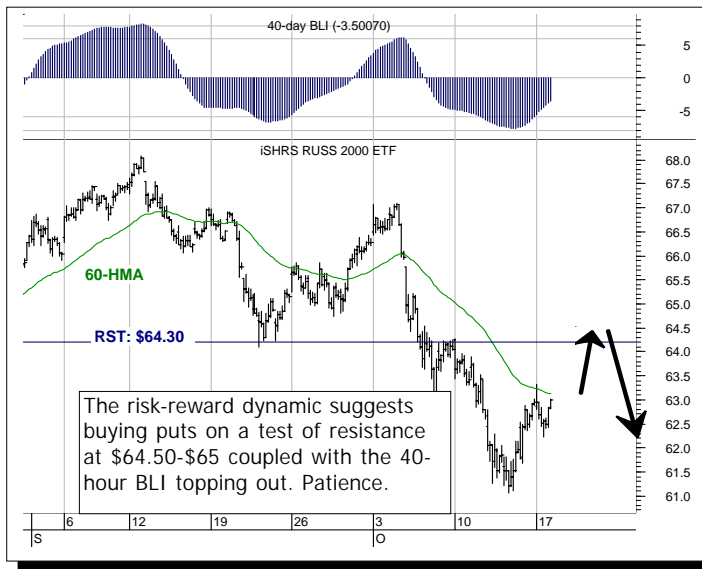
S&P 500 Spiders (SPY)
\$ 119.11



Nasd. 100 Q's (QQQQ)
\$ 38.18



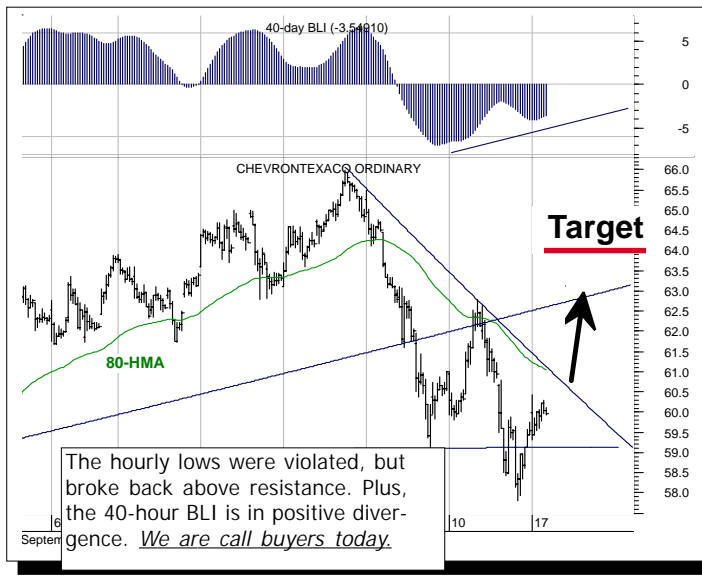
Russell 2000 (IWM)
\$ 63.02



STOCKWATCH WORKSHEET / INDIVIDUAL ISSUES

Chevron (CVX)
\$ 59.95

BUY CALLS
Nov. 55 Calls
Price: Market



Weatherford (WFT)
\$ 62.07

BUY CALLS
Nov. 60 Calls
Price: Market



None ()

\$ -