

PRODUCT REVIEW

Option Wizard Online 2000

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Internet: <http://www.option-wizard.com>
Product: Options analysis product based on Microsoft Excel spreadsheet.
Equipment requirements: Microsoft Excel 97/98
Price: \$399 for delayed and \$599 real time; three-month trial for \$99. Fully functional one-week trial is free.

by Jayanthi Gopalakrishnan

To be able to view a complete and meaningful option analysis in an Excel spreadsheet is intriguing both in terms of the analysis as well as exploring the capabilities of Excel. Option Wizard helps traders make better trading decisions by studying implied and historical volatilities, percent to double, delta, in-the-money probabilities, and several other factors that lend themselves to making better option trading decisions.

Option Wizard has introduced real-time dynamic data exchange (DDE) for eSignal, mytrack.com, PC Quote, and quote.com. Other additions include a "master analysis" button, where you can receive stock price, fundamen-

tal data, options strings, and back-tested buy/sell signals with just one click. The product also contains probability graphs and spread tables, as well as Backtest Wizard 4.0, which analyzes 200 days of historical stock prices and provides buy/sell signals and such technical analysis indicators as the force index, moving averages, stochastics, relative strength index (RSI), rate of change (ROC), average directional index (ADX), and directional indicator (DI).

SETUP

Since Option Wizard Online 2000 is an Excel spreadsheet, setting it up is painless. You must download the product from developer Sarkett & Associates' Website. Option Wizard comes in a zip file that you must expand and save on your hard drive; just open up the file the way you would with any other Excel document. Along with the spreadsheet, for an additional \$100 fee, you can also get *Options Trading Method*, a 78-page document explaining vari-

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ous strategies and methods you may utilize to improve your trading results.

FEATURES

Option Wizard consists of option analytics, decay charts and tables, probability charts, spread tables, strike tables, options near tables (options close to expiration), options-all tables (all options), position charts/tables, covered-write tables, a spreadsheet to track all your trades, a spreadsheet where you can enter up to 20 stock symbols to monitor (XYZ20), a list of stocks in the Dow Jones Industrial Average (DJIA), Backtest Wizard, volatility tables, and various price and indicator charts. Recently, a new feature was added to the XYZ20 table. Now you enter the 20 symbols into the worksheet, one click on the symbol imports delay or real-time prices and fundamental data. Then you can switch from stock to stock by selecting from a drop-down box. This makes for speedy analysis. Switching from one feature just involves clicking on the specific tab across the bot-

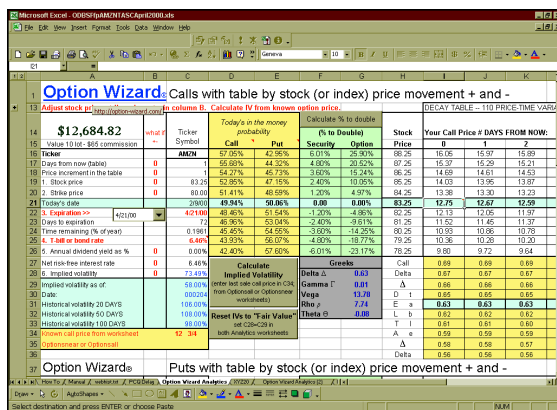
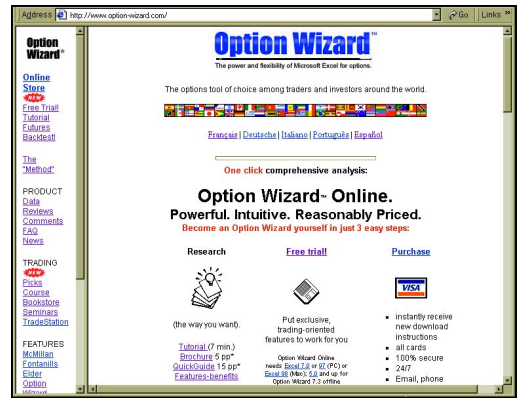


FIGURE 1: OPTION WIZARD ANALYTICS. Once you enter a symbol and hit the refresh or Master Analysis button, the results will be automatically displayed in a spreadsheet, showing a complete analysis of puts and calls.

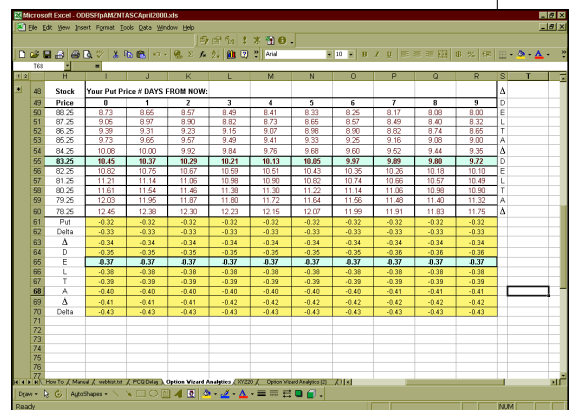


FIGURE 2: PUT ANALYSIS. The put analysis displays decay tables so you can determine which direction the price of your put option will move as it gets closer to expiration.

tom of the spreadsheet.

The Option Wizard Analytics spreadsheet looks like the display in Figure 1. Here, you see the historical and implied volatilities, decay tables, greeks, delta tables, percent to double, and in-the-money probabilities. The analysis is conducted for both puts and calls. Figure 2 displays the analysis of puts.

You don't need to be an Excel genius to use this product, although some prior knowledge of that software certainly wouldn't hurt. All you have to do is type or paste the stock symbol into the box provided, hit enter, and click on the refresh button. This results in an automatic creation of tables and charts for the current price with all information you would need for a complete option analysis. Examples of the graphs you can find in Option Wizard can be seen in Figures 3 to 5. The force index (Figure 3) is one of the many indicators available in Option Wizard. The probability chart (Figure 4) is a new addition to this version, which displays in-the-money probability of puts and calls as they approach expiration.

To test the capabilities of this program, I analyzed the option activity for February 60 options for Amazon [AMZN]. The price of the underlying was \$61.38. After updating the volatility tables, I moved onto the Option Wizard analytics spreadsheet, where I entered the symbol and refreshed the screen. This recalculated everything and produced results specific to the option I had entered. I then clicked on the "calculate implied volatility" button, which calculates the fair value option price for both. The results show a historical volatility for 20, 50, and 100 days to be 110%, 92%, and 89%, respectively. The implied volatility was 63.74% and the fair value option price for the calls was \$3.75.

Looking up the quotes for the February 60 calls on the CBOE options-near tables, I found the prices to be between \$6-7, which indicated they were overpriced for recent implied volatility but not for 20-50-100-day historical volatilities.

From the click of a few buttons, I can determine several factors that are important to making trading decisions. I can determine how much a \$1.00 movement in the price of the underlying would affect the option price, how much the price of the option would change as it got closer to

expiration, and how much the price of the stock would have to move to double the price of the option, the change in delta, and the probability that the option would be in-the-money. All the analyses seemed to indicate that buying February 60 calls was not a good idea.

I skipped over to the Backtest Wizard, where the last signal generated was a short on January 5, 2000, which generated a subsequent six-point profit with no drawdown. (The previous buy signal produced an 18.125-point profit, no drawdown; the most recent signal generated a nine-point loss.) Judging by other indicators such as RSI and stochastics, the stock was oversold, so it wouldn't have been worth it to buy puts or short the stock. It was just a matter of waiting till the signals reversed and generated a buy signal.

SUPPORT

Once I got the program set up, I did not need to contact tech support. After having spoken with other users, I have come to the conclusion that this is a stable and trouble-free product. Those who did have to rely on tech support commented that response time was quick, both by phone and by E-mail. This is a simple program to use, especially if you are familiar with Excel, so you shouldn't need to rely very much on tech support. All you really need to do is enter numbers into certain cells and move from one spreadsheet to another. Not only that, included is a user's manual, so that will help you understand how to use Option Wizard.

CONCLUSION

In general, I was impressed with the features that Option Wizard offers. Many are unique—for just one example, the price-time variant options price table. I do not trade options, but because of the way that this product was set up, I had no difficulty grasping the results it generated. Most users I spoke with said they liked the product for its simplicity and customizability. One of Option Wizard's more popular features is being able to visualize the results of a planned trade on the spreads worksheet just by clicking one of the buttons that represent various scenarios.

Overall? Option Wizard's format and layout, together with all the charts, made it easy to visually determine what factors

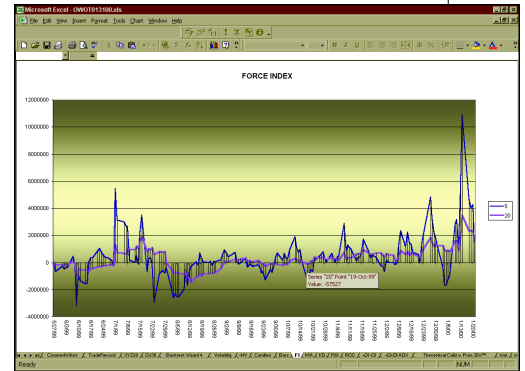


FIGURE 3: FORCE INDEX. The force index is an indicator that focuses on price change, extent of price change, and trading volume. Option Wizard has some charts included, making it easy for users to visualize the performance of indicators.

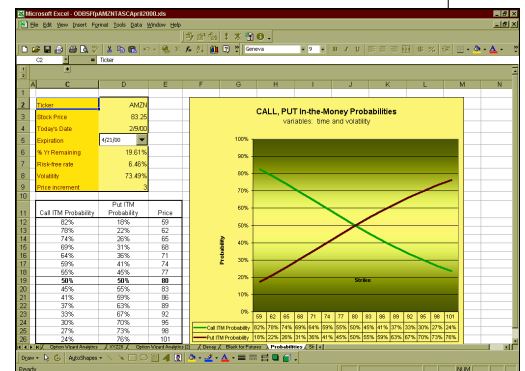


FIGURE 4: PROBABILITY CHART. Here's a graphical representation of in-the-money probabilities of your puts and calls as they approach expiration.

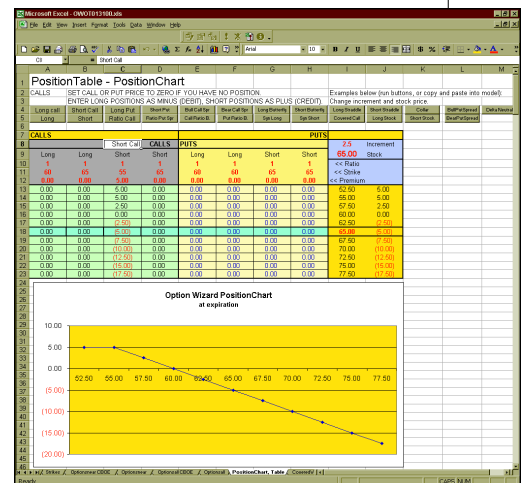


FIGURE 5: POSITION CHART. These display the profit and loss generated as the value of the underlying changes.

to look for when making trading decisions not only for options but also for the underlying security. This is a product that veteran and novice options traders alike will find useful.

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