



OPTIONSMART
3-D OPTION TRADING STRATEGIES

3-D Research Note on AAPL



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	3-Jun	AAPL: Collins Stewart upped to Buy	positive
2	5-Jun	Apple planned cheaper iPhone	positive
3	9-Jun	AAPL: Barclays Capital reited Overweight	negative
4	17-Jun	AAPL: AmTech Research reited Buy	negative
5	22-Jun	AAPL has sold over one million iPhone 3GS models by the third day after its launch.	negative

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Bullish Debit Call Spread

Buy to Open APVHE AAPL Aug 125 Call IV 43.3 Delta .69

Sell to Open APVHF AAPL Aug 130 Call IV 42.1 Delta .60

Debit 3.50

Position Net Delta 0.09

Max Gain 1.50

Max Risk 3.50

Target Credit 4.10

WEEKLY CHART



Chart courtesy of StockCharts.com

Key sector components	Fundamentals
AT&T INC.(T)	Trailing P/E (11.65); Forward P/E (11.11); PEG Ratio (3.21); EPS Trends-bullish
INTL BUSINESS MACH (IBM)	Trailing P/E (11.59); Forward P/E (10.44); PEG Ratio (1.01); EPS Trends-mixed
Microsoft Corporation (MSFT)	Trailing P/E (13.44); Forward P/E (12.9); PEG Ratio (1.25); EPS Trends-bearish
Cisco Systems, Inc.(CSCO)	Trailing P/E (15.54); Forward P/E (14.86); PEG Ratio (1.48); EPS Trends-bullish
Oracle Corporation (ORCL)	Trailing P/E (17.92); Forward P/E (12.19); PEG Ratio (1.11); EPS Trends-neutral

BULLISH	FACTORS	BEARISH
✓	The OECD raises its outlook for member nations for the first time in two years, forecasting a 4.1% contraction this year and 0.7% growth in 2010, vs. contraction of 4.3% and 0.1%. The U.S. economy to shrink 2.8% this year and grow 0.9% next year.	
	Retail sales fall. Chain store sales fell 4.4% in the first three weeks of June vs. last month, Redbook reported, worse than the -4.1% expected.	✓
✓	Home sales rise. May Existing Home Sales rose 2.4% to 4.77M per year, just short of the 4.82M consensus. Prices fell 0.1% in April, vs. consensus of -0.4% and a 1.4% drop in March.	
	Bad news Boeing. BA postponed the plane's first flight after tests indicated the need for reinforcement to the jet's body, sending shares down 6.5%.	✓
	Consumer confidence weakens. ABC's Consumer Confidence Index fell to -53, down 4 this week and just a point off its all-time low from Jan.	✓
	Wednesday's Economic Calendar: New Home Sales; Durable Goods Orders	

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
	Daily MACD - bearish	✓
✓	Daily Stochastic Oscillator - bullish	
✓	ETF trend weekly (XLK) - possible support at 50MA	
✓	Support at 133.48; 50MA	
	Resistance at 146.50	✓
✓	Key sector components (Hardware, Software; Telecommunication) - traded higher	
	Fundamentals	
✓	Forward P/E (21.14) < Trailing P/E (24.12)	
✓	XLK average P/E (14.87); XLK average P/S (1.41)	
✓	Bullish EPS revisions trend; Operating Margin (20%), ROE (24%); PEG (1.32)	
	P/S (3.55); P/B (4.92);	✓
	Market Play	
✓	Unusually high option trading volumes for Aug 140-170 Calls/Puts	
	Negative reaction on the latest positive news (see the chart above)	✓
✓	Program trading buy orders at 135 after Jun 15	
✓	Implied volatility (39.23%) < Historical volatility (35.25%)	

BULLISH PLAY

BUY STOCK

Stock Symbol	Last Stock Price	Recommended Entry Stock Price	Break-even	Sum Invested (per share)	Projected Stop Price	Max Loss (per share)	Max Profit (per share)	Exit Price (Target Price)	Target Profit (per share)	Target Return
AAPL	134.01	133.00	133.00	133.00	119.40	13.60	Unlimited	146.50	13.50	10.2%

BUY CALL

Stock Symbol	Last Stock Price	Expiration Month	Strike Price	Option Symbol	Recommended Entry Stock Price	Entry Call Option Price	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Price (Target Price)	Target Profit (per one contract)	Target Return
AAPL	134.01	Aug-09	125.00	.APVHE	133.00	13.63	138.63	Unlimited	13.63	14.99	1.36	10.0%

BULLISH PUT SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Credit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Debit (Target Debit)	Target Profit (per one contract)	Target Return
AAPL	134.01	Aug-09	125.00	.APVTE	130.00	.APVTF	133.00	1.90	128.10	1.90	3.10	1.62	0.29	9.2%

BULLISH CALL SPREAD

Stock Symbol	Last Stock Price	Expiration Month	Lower Strike	Option Symbol	Higher Strike	Option Symbol	Recommended Entry Stock Price	Entry Debit	Break-even	Max Profit (per one contract)	Sum Invested (per one contract)	Exit Credit (Target Credit)	Target Profit (per one contract)	Target Return
AAPL	134.01	Aug-09	125.00	.APVHE	130.00	.APVHF	133.00	3.50	128.50	1.50	3.50	4.10	0.60	17.1%

SHORT GLOSSARY

Break-even. Point at which gains equal losses. This is the market price that a stock must reach for an option to avoid loss if exercised. For a call, the break-even equals the strike plus the premium paid.

Call option. The right, but not the obligation, to buy the stock at a predetermined price (also known as the strike) at any moment before the expiration date for a paying a premium.

Put Option - the right, but not the obligation, to sell stock at a predetermined price (also known as a strike) at any moment before the expiration date.

Expiration Date. The day when an option contract becomes void (the Saturday after the third Friday of the expiration

In-the-Money Option. An option that has intrinsic value. A call (put) option is in-the-money if the strike is less (greater) than the current market price of the stock.

Intrinsic Value: The value of an option if it were to expire immediately with the underlying stock at its current price or the amount by which an option is in-the-money. For call options, this is the difference between the stock price and the striking price, if that difference is a positive number, or zero otherwise. For put options it is the difference between the striking price and the stock price, if that difference is positive, and zero otherwise.

Spread. A position with long and short options of the same type on the same underlying stock or index.

Time Value. Amount by which the current market price of an option exceeds its intrinsic value (the difference between the stock price and the strike). This additional value of an option is due to the volatility of the market and the time remaining until expiration.

Auto-trade in 5 easy steps

optionsXpress	thinkorswim
1. Log into your brokerage account.	1. Log into your brokerage account.
2. Select Xecute, select OptionSmart as an Investor Publisher	2. Select Autotrade, click Sign Up/Newsletter Providers and choose OptionSmart as newsletter provider
3. Select a service	3. Select Autotrade Management, click Allocations (per trade)
4. Determine Amount Type (Specific Dollar Amount, # of Contracts/Shares, % of Cash Available, % of Buying Power, % of Total Account Value)	4. Determine Amount Type (Specified Dollar Amount, Srecified Quantity, % of Available Buying Power, % of Net Liquidating Value)
5. Select a Trade Amount	5. Select a Trade Amount

There is risk in trading options. One's financial suitability should be considered carefully before placing any trades. Past performance is not indicative of future results.

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