



# 3-D Research Note on AAPL



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Market Reaction
1	30-Jan	POSITIVE: MacBook Air shipping announced	adequate
2	4-Feb	POSITIVE: Apple raised its market share: Mac OS - to 7.57%, Safari to 5.82%	non-adequate
3	5-Feb	POSITIVE: New iPhone & iPod touch models added	non-adequate
4	5-Feb	POSITIVE: iPhone's share of US smartphone market rises to 28%	non-adequate
5	8-Feb	POSITIVE: Rumors: Apple event the last week of February	adequate

**OUR RECOMMENDATION: STRONG BUY**

**RECOMMENDED TRADING VEHICLE:**

Bullish Credit Call Spread

Buy to Open QAADD AAPL Apr 120 Call IV 51.6 Delta .63

Sell to Open APVDE AAPL Apr 125 Call IV 50.8 Delta .56

Debit 2.45

Position Net Delta .07

Max Gain 2.55

Max Risk 2.45

Target Credit 2.95

## 3D CHECK LIST

BULLISH	FACTORS	BEARISH
	<b>Technicals</b>	
	MACD	✓
✓	Stochastic Oscillator - deeply oversold	
✓	Indusrty trend - XLK bottoming out	
✓	Support at 120	
✓	Resistance at 140 and 200MA	✓
✓	Similar stocks or key components sentiment	
	<b>Fundamentals</b>	
	EPS revisions trend down	✓
✓	P/E trailing (27.52) >> P/E forward (19.98)	
✓	PEG (1.11)	
	<b>Market Play</b>	
✓	Program trading buy orders at 120 after Feb 7	
✓	Implied volatility (47.01%) < Historical volatility (54.70%)	
	Stock reacted not adequately on the latest positive news (see the chart above)	✓
✓	Trading volumes go up after Feb 7	
✓	Unusually high option trading volumes for Mar, Apr 120, 125, 130	

**Overall Rating: BULLISH**

**COMMENTARY**

The stock is fundamentally undervalued, being accumulated by large traders at the 120 level, forming a bottom with substantial upside.

## 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
<b>AAPL</b>	125.48	125.00	125.00	125.00	120.00	5.00	Unlimited	130.00	5.00	4.0%

**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
<b>AAPL</b>	125.48	Apr-08	120.00	.QAADD	125.00	13.70	133.70	Unlimited	13.70	14.30	0.60	4.4%

**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
<b>AAPL</b>	125.48	Apr-08	120.00	.QAAPD	125.00	.APVPE	125.00	2.36	122.64	2.36	2.64	1.90	0.46	17.4%

**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
<b>AAPL</b>	125.48	Apr-08	120.00	.QAADD	125.00	.APVDE	125.00	2.45	122.45	2.55	2.45	2.95	0.50	20.4%

## 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, Specified 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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Released on 02/12/08