



# 3-D Research Note on AAPL



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	11-Feb	AAPL planned to decrease iPhone and iPod Touch prices within the next month or two	positive
2	11-Feb	Citigroup added AAPL to their Citi Investment Research's Top Picks Live list	positive
3	14-Feb	Rumor hints at either iPhone tethering or iTunes glitch	negative
4	19-Feb	Apple announced new 2GB iPod shuffle priced at \$69 (\$49 - the previous model)	positive
5	21-Feb	Apple lowered its 2008 flash memory order forecast	negative
6	21-Feb	Rumors: future iPods could be integrated into the automobile's entertainment system (clickwill and OS)	negative
7	25-Feb	Rumors: The iPhone SDK will be late	positive

**OUR RECOMMENDATION: STRONG BUY**

**RECOMMENDED TRADING VEHICLE:**

Bullish Debit Call Spread

Buy to Open QAAGB AAPL Jul 110 Call IV 46.3 Delta .63

Sell to Open QAAGE AAPL Jul 115 Call IV 46.76 Delta .68

Debit 2.70

Position Net Delta .05

Max Gain 2.30

Max Risk 2.70

Target Credit 3.30

## 3D CHECK LIST

BULLISH	FACTORS	BEARISH
	<b>Technicals</b>	
✓	Daily MACD bullish	
	Daily & Weekly Stochastic Oscillator bearish	✓
✓	Industry trend - XLK trying to form a bottom	
✓	Support at 117-118	
	Resistance at 130-140 and 200MA	✓
✓	Similar stocks or key components sentiment	
	<b>Fundamentals</b>	
	EPS revisions trend down	✓
✓	P/E trailing (26.26) >> P/E forward (19.04)	
✓	PEG (1.06)	
	<b>Market Play</b>	
✓	Program trading buy orders at 117 after Feb 22	
✓	Implied volatility (43.87%) < Historical volatility (52.18%)	
✓	Stock reacted adequately on the latest positive news (see the chart above)	
✓	Trading volumes go up after Feb 22	
✓	Unusually high option trading volumes for Mar, Apr 110, 115, 120, 125 Calls and Puts	

**Overall Rating: BULLISH**

## 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	119.74	118.00	118.00	118.00	113.00	5.00	Unlimited	125.00	7.00	5.9%

## 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	119.74	Jul-08	115.00	.QAAGC	118.00	15.65	130.65	Unlimited	15.65	18.00	2.35	15.0%

## 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	119.74	Jul-08	110.00	.QAASB	115.00	.QAASC	118.00	2.25	112.75	2.25	2.75	1.75	0.50	18.2%

## 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	119.74	Jul-08	110.00	.QAAGB	115.00	.QAAGC	118.00	2.70	112.70	2.30	2.70	3.30	0.60	22.2%

## 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

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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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