

3-D Research Note on AMZN



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	3-Apr	AMZN Q1 and FY08 ests cut at Piper Jaffray	negative
2	9-Apr	AMZN Q1 and FY08 earnings under risk because increased concerns around macro impacts.	negative
3	15-Apr	AMZN expected in-line 1Q results, intact guidance	negative
4	16-Apr	AMZN would be hit harder than GOOG because AMZN has more direct consumer exposure if a softening US consumer is causing slow-down in paid market search	positive

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Bearish Debit Put Spread

Buy to Open ZQNQQ AMZN May 85 Put IV 61.6 Delta .74

Sell to Open ZQNQP AMZN May 80 Put IV 63.0 Delta .61

Debit 3.50

Position Net Delta .13

Max Gain 1.50

Max Risk 3.50

Target Credit 4.10

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
	Daily and weekly MACD bearish	✓
✓	Weekly Stochastic Oscillator bullish, daily - turns bullish	
✓	Support at 70.0, 50MA	✓
	Resistance at 77.5, 200MA	✓
	Similar stocks or key components sentiment - looking for direction in a narrow trading range	
	Fundamentals	
	EPS revisions trend neutral	✓
✓	P/E trailing (66.42) >> P/E forward (35.18)	
	PEG (2.12)	✓
	Market Play	
	Program trading sell orders at 77.5 after Apr 2	✓
	Implied volatility (58.2%) > Historical volatility (40.64%)	✓
	Stock reacted adequately on the latest negative news (see the chart above)	✓
	Trading volumes go up after Apr 14	✓
	Unusually high option trading volumes for Jul 75, 80, 85 Puts	✓

Overall Rating: BEARISH

BEARISH PLAY

SELL 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
AMZN	74.59	75.50	75.50	75.50	77.50	2.00	Unlimited	71.00	4.50	6.0%

BUY PUT

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
AMZN	74.59	May-08	80.00	.ZQNQP	75.50	7.95	72.05	Unlimited	7.95	8.60	0.65	8.2%

BEARISH CALL 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
AMZN	74.59	May-08	80.00	.ZQNEP	85.00	ZQNEQ	75.50	1.50	81.50	1.50	3.50	1.00	0.50	14.3%

BEARISH PUT 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
AMZN	74.59	May-08	80.00	.ZQNQP	85.00	.ZQNQQ	75.50	3.50	81.50	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 month)

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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