



OPTIONSMART
3-D OPTION TRADING STRATEGIES

Released on 4/24/2008

3-D Research Note on BA



Chart courtesy of StockCharts.com

| # | Date | Most Recent News | Stock's Reaction |
|---|--------|----------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 1 | 1-Apr | BA: Malausia Airlines order valued at \$475 mln at list price | positive |
| 2 | 3-Apr | BA reported first-quarter deliveries across commercial and defense operations | negative |
| 3 | 9-Apr | BA revised 787 first flight and delivery plans; added schedule margin to reduce risk of further delays; 'no change to '08 earnings guidance' | positive |
| 4 | 10-Apr | Airlines lined up for compensation after a further six-month delay for the 787 Dreamliner announced | negative |
| 5 | 21-Apr | BA: 17 Next-Generation 737s ordered ; valued at ~\$1 bln | positive |
| 6 | 23-Apr | BA reported Q1 earnings: beat by \$0.26, missed on revs; reaffirmed FY08 guidance; guided FY09 EPS in-line, revs below | positive |

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Open Debit Call Spread:

Buy to Open BAFO BA Jun 75 Call IV 25.2 Delta .84

Sell to Open BAFP BA Jun 80 Call IV 23.4 Delta .64

Debit 3.70

Position Net Delta .20

Max Gain 1.30

Max Risk 3.70

Target Credit 4.25

3D CHECK LIST

| BULLISH | FACTORS | BEARISH |
|---------|----------------------------------------------------------------------------------|---------|
| | Technicals | |
| ✓ | Daily and weekly MACD bullish | |
| | Daily Stochastic Oscillator overbought | ✓ |
| ✓ | The stock trending higher | |
| ✓ | Support at 72.0-76.0, 73.0, 50MA | |
| | Resistance at 86.0 and 200MA | ✓ |
| | Similar stocks or key components looking for direction | ✓ |
| | Fundamentals | |
| | EPS revisions trend down | ✓ |
| ✓ | P/E trailing (15.56) > P/E forward (11.95) | |
| ✓ | PEG (1.02) | |
| | Market Play | |
| ✓ | Program trading buy orders at 72.0-73.0 after Mar 13 | |
| ✓ | Implied volatility (24.75%) > Historical volatility (31.30%) | |
| ✓ | Stock reacted adequately on the latest positive news (see the chart above) | |
| ✓ | Trading volumes go up after Apr 21 | |
| ✓ | Unusually high option trading volumes for May, Jun, Aug 75, 80,85 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 |
|--------------|------------------|-------------------------------|------------|--------------------------|----------------------|----------------------|------------------------|---------------------------|---------------------------|---------------|
| BA | 82.09 | 80.60 | 80.60 | 80.60 | 78.59 | 2.02 | Unlimited | 81.64 | 1.04 | 1.3% |

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 |
|--------------|------------------|------------------|--------------|---------------|-------------------------------|-------------------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| BA | 82.09 | Jun-08 | 80.00 | .BAFP | 80.60 | 3.40 | 83.40 | Unlimited | 3.40 | 3.91 | 0.51 | 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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|--------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| BA | 82.09 | Jun-08 | 75.00 | .BARO | 80.00 | .BARP | 80.60 | 1.57 | 78.43 | 1.57 | 3.43 | 0.99 | 0.58 | 16.9% |

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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|-------------|------------|-------------------------------|---------------------------------|-----------------------------|----------------------------------|---------------|
| BA | 82.09 | Jun-08 | 75.00 | .BAFO | 80.00 | .BAFP | 80.60 | 3.70 | 78.70 | 1.30 | 3.70 | 4.25 | 0.55 | 14.9% |

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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