



OPTIONSMART
3-D OPTION TRADING STRATEGIES

Released on 4/30/2008

3-D Research Note on CTXS



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	29-Apr	CTXS initiated with an Overweight and \$37 tgt by Thomas Weisel	positive
2	24-Apr	CTXS reited BUY, NEUTRAL and OUTPERFORM	positive
3	23-Apr	CTXS beat by \$0.01, beat on revs; guided Q2 EPS in-line, revs below consensus; guided FY08 EPS in-line, revs in-line	positive
4	21-Apr	CTXS upgraded to BUY at Needham (\$40 tgt), reited OVERWEIGHT at Lehman Brothers (target lowered to \$38)	negative
5	16-Apr	CTXS looked to remain independent amid buyout chatter	positive

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Open Debit Call Spread:

Open Debit Call Spread

Buy to Open XSQFE CTXS Jun 25 Call IV 41.0 Delta .96

Sell to Open XSQFF CTXS Jun 30 Call IV 37.2 Delta .74

Debit 4.10

Position Net Delta .22

Max Gain 0.90

Max Risk 4.10

Target Credit 4.55

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
✓	Daily and weekly MACD bullish	
	Daily Stochastic Oscillator bearish	✓
✓	The stock trending higher	
✓	Support at 30.8, 31.6	
	Resistance at 33.8 and 200MA	✓
	Similar stocks or key components looking for direction	✓
	Fundamentals	
	EPS revisions trend neutral	✓
✓	P/E trailing (28.99) >> P/E forward (16.38)	
✓	PEG (1.25)	
	Market Play	
✓	Program trading buy orders at 31.6 after Apr 25	
✓	Implied volatility (36.39%) < Historical volatility (38.99%)	
✓	Stock reacted adequately on the latest positive news (see the chart above)	
✓	Trading volumes go up after Apr 17	
✓	Unusually high option trading volumes for May, Jun, Sep 25, 30, 35 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
CTXS	32.44	32.10	32.10	32.10	31.30	0.80	Unlimited	33.29	1.19	3.7%

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
CTXS	32.44	Jun-08	30.00	.XSQFF	32.10	2.97	32.97	Unlimited	2.97	3.40	0.43	14.3%

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
CTXS	32.44	Jun-08	25.00	.XSQRE	30.00	.XSQRF	32.10	0.80	29.20	0.80	4.20	0.39	0.41	9.8%

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
CTXS	32.44	Jun-08	25.00	.XSQFE	30.00	.XSQFF	32.10	4.10	29.10	0.90	4.10	4.70	0.60	14.6%

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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