



OPTIONSMART
3-D OPTION TRADING STRATEGIES

3-D Research Note on EWY



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Market Reaction
1	10-Jan	interest rate should be kept unchanged, at 5%	positive
2	13-Feb	the factor of financial uncertainty is loan/deposit ratio of 120%	negative
3	15-Feb	Over-regulated financial sector is the key constraint to higher economic growth	negative
4	20-Feb	Asia Falls Sharply on Credit and Inflation Woes	

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Buy Call
 Buy to Open EWYGD EWY Jul 56 Call IV 39.6 Delta .60
 Max Gain Unlimited
 Max Risk 6.20
 Target Price 6.80

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
✓	weekly MACD	
✓	weekly Stochastic Oscillator - oversold	
✓	Global ETF trend - EWY bottoming out	
✓	Support at 55.3	
	Resistance at 59.9 and 50MA	✓
✓	Similar stocks or key sector components sentiment	
	Fundamentals	
✓	Average P/E (13.60)	
✓	Average P/B (1.70)	
✓	Average P/S (0.7)	
	Market Play	
✓	Program trading buy orders at 55.2 after Feb 7	
✓	Implied volatility (38.60%) > Historical volatility (34.22%)	
✓	Stock reacted adequately on the latest positive news (see the chart above)	
✓	Trading volumes dramatically go up after Feb 12	
✓	Country PEG Ratio (3.20)	

COMMENTARY

The stock is deeply oversold and fundamentally undervalued. EWY is being accumulated by large traders at the 55.2 level. Investors bet on the upturn and don't allow to drop any further.

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
EWY	57.22	56.50	56.50	56.50	52.40	4.10	Unlimited	60.00	3.50	6.2%

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
EWY	57.22	Jul-08	56.00	.EWYGD	56.50	6.20	62.20	Unlimited	6.20	6.80	0.60	9.7%

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
EWY	57.22	Jul-08	52.00	.EWYSZ	56.00	.EWYSD	56.50	1.30	54.70	1.30	2.70	0.60	0.70	25.9%

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
EWY	57.22	Jul-08	52.00	.EWYGZ	56.00	.EWYGD	56.50	2.50	54.50	1.50	2.50	3.00	0.50	20.0%

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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