



OPTIONSMART
3-D OPTION TRADING STRATEGIES

3-D Research Note on GE



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	31-Jan	GE initiated with a Buy based on an infrastructure segment well positioned for growth in '08	positive
2	19-Feb	GE is expected to make changes to its accounting policies in an effort to end a long-running SEC probe	negative
3	22-Feb	GE to sell working interests in certain producing oil and natural gas properties located in Texas	positive
4	25-Feb	GE estimated \$300-500 mln 'bolt on acquisitions' in 2008	positive

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Bullish Credit Put Spread
 Buy to Open GEUF GE Sep 30 Put IV 27.7 Delta .22
 Sell to Open GEUZ GE Sep 32.5 Put IV 26.4 Delta .35
 Credit 0.85
 Position Net Delta .13
 Max Gain 0.85
 Max Risk 1.65
 Target Debit 0.4

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
✓	Daily MACD bullish	
✓	Weekly Stochastic Oscillator oversold	
	Industry trend - XLI tested 50MA three times	✓
✓	Support at 33-33.5	
	Resistance at 50 and 200MA	✓
	Similar stocks or key components sentiment looking for direction	✓
	Fundamentals	
	EPS revisions trend down	✓
✓	P/E trailing (15.65) > P/E forward (12.64)	
✓	PEG (1.29)	
	Market Play	
✓	Program trading buy orders at 33-33.5 after Jan 22	
✓	Implied volatility (21.57%) < Historical volatility (27.71%)	
✓	Stock reacted adequately on the latest positive news (see the chart above)	
✓	Trading volumes go up after Feb 20	
✓	Unusually high option trading volumes for Sep 30, 32.5, 35 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
GE	34.21	33.70	33.70	33.70	33.00	0.70	Unlimited	35.50	1.80	5.3%

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
GE	34.21	Sep-08	30.00	.GEIF	33.70	2.95	32.95	Unlimited	2.95	3.45	0.50	16.9%

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
GE	34.21	Sep-08	30.00	.GEUF	32.50	.GEUZ	33.70	0.85	31.65	0.85	1.65	0.40	0.45	27.3%

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
GE	34.21	Sep-08	30.00	.GEIF	32.50	.GEIZ	33.70	1.65	31.65	0.85	1.65	2.10	0.45	27.3%

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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