



OPTIONSMART
3-D OPTION TRADING STRATEGIES

3-D Research Note on GOOG



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	3-Jul	Google, YouTube didn't have to disclose code: A federal judge denied a request by Viacom Inc. that Google Inc. and its YouTube subsidiary be forced to turn over code relating to their search functions.	positive
2	11-Jul	GOOG: Deutsche Securities started at Buy	negative
3	17-Jul	GOOGs earnings report: missed by \$0.11 (\$4.63 vs. \$4.74).	negative
4	18-Jul	GOOG: AmTech Research and Cantor Fitzgerald reited Buy	negative
5	25-Jul	GOOG: Soleil upped to Buy	-

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Open Debit Call Spread:

Buy to Open GOPID GOOG Sep 420 Call IV 38.7 Delta .82

Sell to Open GOPIF GOOG Sep 430 Call IV 37.9 Delta .78

Debit 7.20

Position Net Delta .04

Max Gain 2.80

Max Risk 7.20

Target Credit 8.50

WEEKLY CHART

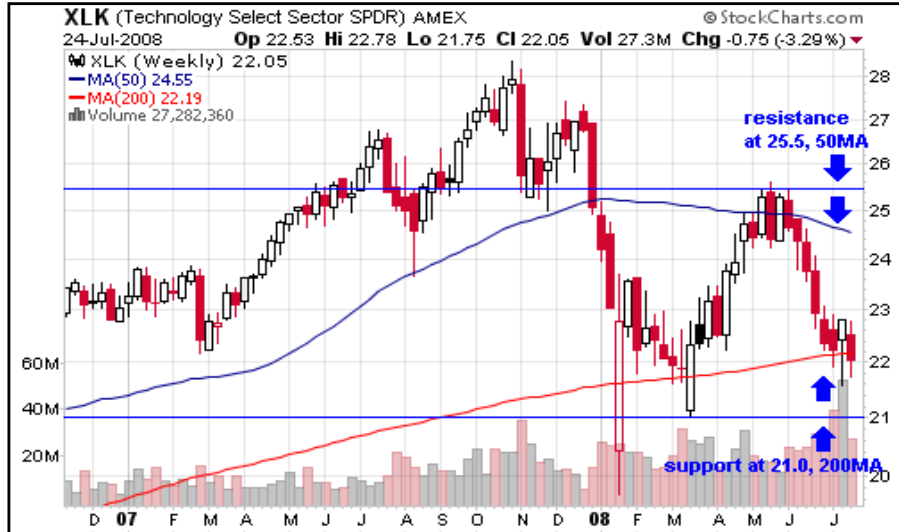


Chart courtesy of StockCharts.com

Key sector components	Fundamentals
AT&T INC. (T)	Trailing P/E (15.61); Forward P/E (9.56); PEG (1.09); EPS Trends-bearish
MICROSOFT CP (MSFT)	Trailing P/E (15.03); Forward P/E (10.78); PEG (1.09); EPS Trends-mixed
APPLE INC (AAPL)	Trailing P/E (34.06); Forward P/E (25.89); PEG Ratio (1.24); EPS Trends- mixed
CISCO SYS INC (CSCO)	Trailing P/E (16.92); Forward P/E (12.82); PEG Ratio (1.02); EPS Trends-neutral
INTL BUSINESS MACH (IBM)	Trailing P/E (16.94); Forward P/E (13.28); PEG Ratio (1.32); EPS Trends- bullish

✓	<p>Strong June same-store sales reports from retailers confirm what has already been apparent in the May real personal consumption expenditure (PCE) data: the fiscal stimulus checks are providing a huge boost to consumer spending. The June same-store sales data were very strong, and this suggests that June retail sales will be up 1% or more. May retail sales were up 1.2%.</p> <p>May real PCE was up 0.4% and a similar increase is now likely for June. For the second quarter, this total measure of consumer spending will be up at a 2.5% or higher annual rate.</p> <p>May personal income was up 1.9% due to the fiscal stimulus checks. This was about half of the fiscal stimulus. June and July will also reflect strong increases in consumer spending power.</p>	
	<p>Construction spending in May fell 0.4% vs. 0.1% in Apr, ADP Employment: fell 79K in Jun vs. 40K in Apr, Factory Orders in May rose 0.6% vs. 1.1% in Apr, Unemployment Rate in Jun is 5.5% (unchanged), Consumer Credit in May: \$7.8B vs. \$8.9B in Apr, Auto Sales in Jun 4.9M vs. 5.3M in Apr, Truck Sales in Jun 5.0M vs. 5.1M in Apr</p>	✓
	<p>June retail sales rose 0.1% (consensus +0.4%), retail sales ex-autos rose 0.8% (consensus +0.9%). A larger portion of the ex-autos number is due to the 4.6% increase in gasoline sales on an adjusted basis. Excluding gas, retail sales were down 0.5% from the prior month.</p>	✓
	<p>June PPI rose 1.8% (consensus +1.4%) and core PPI increased 0.2% (consensus +0.3%). On a yearly basis total PPI is up 9.2%, while core PPI is up a tamer 3.0%. June CPI rose 1.1% month-over-month, higher than the expected increase of 0.7%. Core CPI, which excludes food and energy, rose 0.3%, which is also higher than the consensus estimate of 0.2%. CPI is now up 5.0% year-over-year (highest since 1991) and core CPI is up 2.4%.</p>	✓

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
	Bearish daily and weekly MACD	✓
✓	Daily Stochastic Oscillator oversold	
	The stock is in the short-term downward trend	✓
✓	Support at 470, 440	
	Resistance at 50MA, 200MA, 540-600	✓
	Fundamentals	
✓	Forward P/E (19.66) < Trailing P/E (31.26)	
✓	PEG (0.83)	
	P/S (7.61)	✓
✓	Operating Margin (30.20%), ROE (21.20%)	
	Bearish EPS revisions trend	✓
	Market Play	
✓	Program trading buy orders at 467 after Jul 21	
✓	Implied volatility (35.14%) < Historical volatility (42.30%)	
	Mixed reaction on the latest positive news (see the chart above)	✓
✓	Trading volumes go up after Jul 3	
✓	Unusually high option trading volumes for Jul-Dec 420-510 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
GOOG	475.62	465.00	465.00	465.00	464.00	1.00	Unlimited	486.24	21.24	4.6%

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
GOOG	475.62	Sep-08	430.00	.GOPIF	465.00	48.42	478.42	Unlimited	48.42	55.68	7.26	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
GOOG	475.62	Sep-08	420.00	.GOPUD	430.00	.GOPUF	465.00	2.55	427.45	2.55	7.45	1.66	0.89	12.0%

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
GOOG	475.62	Sep-08	420.00	.GOPID	430.00	.GOPIF	465.00	7.20	427.20	2.80	7.20	8.50	1.30	18.0%

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 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 **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

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 Autotrader, click Sign Up/Newsletter Providers and choose OptionSmart as newsletter provider
3. Select a service	3. Select Autotrader 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.

Copyright © 1998-2008 OptionSmart.com (Stock Markets Institute). All rights reserved.

Released on 07/25/08