



OPTIONSMART  
3-D OPTION TRADING STRATEGIES

# 3-D Research Note on INTC



Chart courtesy of StockCharts.com

| # | Date   | Most Recent News  | Stock's Reaction |
|---|--------|---|------------------|
| 1 | 27-May | INTC: EU prepared to take action against INTC's sales and distribution practices  | positive         |
| 2 | 28-May | INTC lowered its FY08 ests to \$1.22 from \$1.25, announced Montevina product delay                                       | negative         |
| 3 | 29-May | INTC and MU introduced the industry's first sub-40 nanometer (nm) NAND memory device                                      | negative         |
| 4 | 2-Jun  | INTC to re-enter mobile market (a new breed of pocket-size portable devices is promoted as a future market for its chips) | positive         |
| 5 | 4-Jun  | INTC: Atom shortage (because of high demand from hardware makers) will ease soon  | positive         |

**OUR RECOMMENDATION: STRONG BUY**

**RECOMMENDED TRADING VEHICLE:**

Open Debit Call Spread:

Buy to Open NQGD INTC Jul 20.0 Call IV 41.3 Delta .89

Sell to Open NQGX INTC Jul 22.5 Call IV 36.5 Delta .66

Debit 2.00

Position Net Delta .23

Max Gain 0.50

Max Risk 2.00

Target Credit 2.24

## 3D CHECK LIST

| BULLISH | FACTORS  | BEARISH |
|---------|--|---------|
|         | <b>Technicals</b>  |         |
|         | Daily MACD bearish   | ✓       |
| ✓       | Oversold daily Stochastic Oscillator                                       |         |
| ✓       | The stock is in the short and intermediate-term upward trend               |         |
| ✓       | Support at 22.8, 50 MA, 22.0   |         |
|         | Resistance at 25.0   | ✓       |
| ✓       | Similar stocks or key components in upward trend                           |         |
|         | <b>Fundamentals</b>  |         |
| ✓       | Forward P/E (15.45) < Trailing P/E (20.56)                                 |         |
| ✓       | PEG (1.49)   |         |
| ✓       | P/S (3.17)   |         |
| ✓       | Operating Margin (23.94%), ROE (17.35%)                                    |         |
|         | Neutral EPS revisions trend  | ✓       |
|         | <b>Market Play</b>   |         |
| ✓       | Program trading buy orders at 22.8 after May 29                            |         |
| ✓       | Implied volatility (32.39%) < Historical volatility (32.62%)               |         |
| ✓       | Stock reacted adequately on the latest positive news (see the chart above) |         |
| ✓       | Trading volumes go up after May 27   |         |
| ✓       | Unusually high option trading volumes for Jul-Jan9 20-25 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 |
|--------------|------------------|-------------------------------|------------|--------------------------|----------------------|----------------------|------------------------|---------------------------|---------------------------|---------------|
| INTC         | 23.48            | 22.50                         | 22.50      | 22.50                    | 21.00                | 1.50                 | Unlimited              | 23.68                     | 1.18                      | 5.2%          |

## 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 |
|--------------|------------------|------------------|--------------|---------------|-------------------------------|-------------------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| INTC         | 23.48            | Aug-08           | 22.50        | .NQGX         | 22.50                         | 1.10                    | 23.60      | Unlimited                     | 1.10                            | 1.27                      | 0.17                             | 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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|--------------|------------|-------------------------------|---------------------------------|---------------------------|----------------------------------|---------------|
| INTC         | 23.48            | Jul-08           | 20.00        | .NQSD         | 22.50         | .NQSX         | 22.50                         | 0.77         | 21.73      | 0.77                          | 1.73                            | 0.56                      | 0.21                             | 11.9%         |

## 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 |
|--------------|------------------|------------------|--------------|---------------|---------------|---------------|-------------------------------|-------------|------------|-------------------------------|---------------------------------|-----------------------------|----------------------------------|---------------|
| INTC         | 23.48            | Jul-08           | 20.00        | .NQGD         | 22.50         | .NQGX         | 22.50                         | 2.00        | 22.00      | 0.50                          | 2.00                            | 2.24                        | 0.24                             | 12.0%         |

## 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 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 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.

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