



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	26-Aug	Intel researchers working to commercialize wireless power sources	positive
2	28-Aug	INTC announced \$125 desktop for the Indian market in a move to further penetrate the computer market in India.	positive
3	1-Sep	INTC to acquire OpenedHand for development of Moblin Software Platform	negative
4	4-Sep	INTC: Collins Stewart started at Buy with \$28 tgt	negative
5	12-Sep	Intel downgraded by AmTech Research	negative
6	20-Sep	Intel offers \$8 million for NetEffect	-

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Bullish Debit Call Spread

Buy to Open NQAC INTC Jan9 15 Call IV 43.6 Delta .87

Sell to Open NQAD INTC Jan9 20 Call IV 39.3 Delta .48

Debit 3.10

Position Net Delta .39

Max Gain 1.90

Max Risk 3.10

Target Credit 3.50

WEEKLY CHART



Chart courtesy of StockCharts.com

Key sector components	Fundamentals
AT&T INC. (T)	Trailing P/E (13); Forward P/E (9); PEG Ratio (1.20); EPS Trends- mixed
APPLE INC (AAPL)	Trailing P/E (27.5); Forward P/E (23.3); PEG Ratio (1.13); EPS Trends- bearish
CISCO SYS INC (CSCO)	Trailing P/E (18.55); Forward P/E (12.7); PEG Ratio (0.96); EPS Trends- bearish
INTL BUSINESS MACHC (IBM)	Trailing P/E (14.65); Forward P/E (12.2); PEG Ratio (1.20); EPS Trends- bearish

BULLISH	LONG-TERM FACTORS	BEARISH
	Initial jobless claims for the past week were 455,000, higher than the 440K, and up 10K from last week. The four-week average rose 5K to 445,000.	✓
	The U.S. current-account deficit increased to \$183.1B in Q2 from \$175.6B (revised) in Q1. Consensus was for \$180B.	✓
	August housing starts came in at 895,000 - a 17-year low and a full 55,000 below consensus, sending homebuilder shares diving. streetTRACKS SPDR Homebuilders ETF (XHB) was off 7.7%. Much-watched permits came in at 854K vs. July's revised 937K.	✓
	Lehman (LEH) announced it will file for bankruptcy. With \$600B in assets and \$550B in debt outstanding, a forced liquidation could send shocks reverberating through other companies and markets. Bank of America (BAC) has agreed to buy Merrill Lynch (MER) for about \$50B in stock, or \$29/share, a 70% premium over Friday's closing price.	✓
	July Construction Spending Dips	✓
✓	Semiconductor chip sales during July increased 7.6% from last year. Chip sales continue to benefit from healthy demand: from personal computers to increasingly sophisticated cell phones.	

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
	Daily and weekly MACD neutral	✓
✓	Oversold daily Stochastic Oscillator	
	The stock is in the short-term downward trend	✓
✓	<i>Support at 18.60, 19.70</i>	
	<i>Resistance at 200MA, 50MA</i>	✓
	Similar stocks or key components are in the short-terms downward trends	✓
	Fundamentals	
✓	Forward P/E (12.99) < Trailing P/E (15.99)	
✓	PEG (1.28)	
	P/S (2.71)	✓
✓	Operating Margin (25.77%), ROE (17.75%)	
✓	Bullish EPS revisions trend	
	Market Play	
✓	Program trading buy orders at 18.5 after Sep 16	
✓	Implied volatility (46.80%) > Historical volatility (34.77%)	
	<i>Inadequate reaction on the latest positive news (see the chart above)</i>	✓
✓	Unusually high option trading volumes for Jan9 15-30 Calls and Puts	

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	19.23	18.30	18.30	18.30	18.00	0.30	Unlimited	21.50	3.20	17.5%

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	19.23	Jan-09	15.00	.NQAC	18.30	4.10	19.10	Unlimited	4.10	4.52	0.42	10.2%

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	19.23	Jan-09	15.00	.NQMC	20.00	20.00	18.30	2.10	17.90	2.10	2.90	1.53	0.57	19.5%

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	19.23	Jan-09	15.00	.NQAC	20.00	.NQAD	18.30	3.14	18.14	1.86	3.14	3.50	0.36	11.4%

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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