



3-D Research Note on ORCL



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	20-Mar	ORCL: Solid Q3 results/inline outlook expected (Lehman)	positive
2	25-Mar	ORCL: In-line 3Q08 expected, challenging environment will limit upside (Friedman Billings)	negative
3	26-Mar	ORCL reported and guided in line, failed to surprise	negative
4	27-Mar	ORCL cut to HOLD on mixed FY 3Q08 results	negative
5	3-Apr	ORCL announced the pricing of its sale of Notes	positive

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Open Debit Call Spread:

Buy to Open ORQER ORCL May 17 Call IV 31.2 Delta .97

Sell to Open ORQED ORCL May 20 Call IV 32.8 Delta .65

Debit 2.30

Position Net Delta .32

Max Gain 0.70

Max Risk 2.30

Target Debit 2.90

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
✓	Daily MACD bullish, weekly MACD turns bullish	
✓	Stochastic Oscillator bullish	
✓	QCOM forming a bottom at 20.5	
✓	Support at 19.0, 19.5, 50 MA	
	Resistance at 21.0, 23.0	✓
✓	Similar stocks or key components	
	Fundamentals	
✓	EPS revisions trend neutral	
✓	P/E trailing (21.25) >> P/E forward (14.26)	
✓	PEG (1.11)	
	Market Play	
✓	Program trading buy orders at 20.3 after Apr 2	
✓	Implied volatility (31.90%) < Historical volatility (37.76%)	
✓	Stock reacted adequately on the latest positive news (see the chart above)	
✓	Trading volumes go up after Apr 2	
✓	Unusually high option trading volumes for Apr, May, Jun 18, 20, 21 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
ORCL	20.68	20.20	20.20	20.20	19.00	1.20	Unlimited	22.00	1.80	8.9%

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
ORCL	20.68	May-08	19.00	.ORQET	20.20	1.70	20.70	Unlimited	1.70	2.30	0.60	35.3%

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
ORCL	20.68	May-08	17.00	.ORQQR	20.00	.ORQQD	20.20	0.54	19.46	0.54	2.46	0.20	0.34	13.8%

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
ORCL	20.68	May-08	17.00	.ORQER	20.00	.ORQED	20.20	2.30	19.30	0.70	2.30	2.90	0.60	26.1%

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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