



3-D Research Note on RIMM



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	5-Jun	RIMM expected another set of strong results on 6/25	positive
2	11-Jun	RIMM: AAPL read-through for RIMM. RIMM does not seem concerned about AT&T slowing down	negative
3	16-Jun	RIMM: reited Buy, Feb 2010 est raised to \$6.80 at AmTech	positive
4	18-Jun	RIMM: target raised at Lehman to \$165 from \$145 on a healthy Curve launch and expectations of a strong Bold push in 2H08	positive
5	25-Jun	(AFTER THE CLOSE) RIMM missed by \$0.01\$0.01, missed on revs; guided Q2 EPS below consensus, revs above consensus	negative
6	26-Jun	RIMM: Canaccord Adams reited Buy, BMO Capital Markets reited Outperform, JPM Securities cut to Mkt Perform	negative

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Bullish Debit Call Spread

Buy to Open RULHU RIMM Aug 115 Call IV 53.1 Delta .68

Sell to Open RULHD RIMM Aug 120 Call IV 52.3 Delta .60

Debit 4.00

Position Net Delta .08

Max Gain 1.00

Max Risk 4.00

Target Credit 4.60

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
	Bearish daily and weekly MACD	✓
	Daily Stochastic Oscillator bearish, weekly Stochastic Oscillator turns bearish	✓
✓	The stock is in the short and intermediate-term upward trend	
✓	Support at 50MA, 200MA, 40.0, 39.0, 35.4	
	Resistance at 43.0, 44.0	✓
	Similar stocks or key components are looking for direction	✓
	Fundamentals	
✓	Forward P/E (22.86) < Trailing P/E (54.65)	
✓	PEG (1.07)	
	P/S (11.56)	✓
✓	Operating Margin (28.81%), ROE (40.33%)	
✓	Bullish EPS revisions trend	
	Market Play	
✓	Program trading buy orders at 120.0 after May 12	
✓	Implied volatility (51.35%) < Historical volatility (85.16%)	
✓	Adequate reaction on the latest positive news (see the chart above)	
✓	Trading volumes go up after Jun 20	
✓	Unusually high option trading volumes for Jul-Sep 115-165 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
RIMM	123.46	121.00	121.00	121.00	117.00	4.00	Unlimited	127.27	6.27	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
RIMM	123.46	Aug-08	115.00	.RULHU	121.00	12.68	127.68	Unlimited	12.68	14.58	1.90	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
RIMM	123.46	Aug-08	115.00	.RULTU	120.00	120.00	121.00	2.20	117.80	2.20	2.80	1.70	0.50	17.9%

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
RIMM	123.46	Aug-08	115.00	.RULHU	120.00	.RULHD	121.00	4.00	119.00	1.00	4.00	4.60	0.60	15.0%

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)

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

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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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