



OPTIONSMART
3-D OPTION TRADING STRATEGIES

3-D Research Note on RIMM



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	25-Jun	(AFTER CLOSE) RIMM reported Q1 revenues rose 19%, in-line with the consensus; earnings of \$0.84 per share, \$0.01 less than the consensus; issued Q2 disappointing guidance: earnings to range from \$0.84 to \$0.89 per share, vs. \$0.90 per share consensus.	negative
2	26-Jun	RIMM: Credit Suisse started at Underperform, Canaccord Adams reited Buy, BMO Capital Markets reited Outperform, JPM Securities cut to Mkt Perform	negative
3	22-Jul	New Apple pricing strategy bad news for RIM, Dell, and Hewlett-Packard	negative
4	25-Jul	RIM MediaSync lets Blackberry users sync using iTunes	positive
5	25-Jul	RIM's Curve was mentioned as the best-selling device in the United States for the third consecutive month according to Avian Securities in its monthly U.S. wireless handset survey.	positive
6	29-Jul	The BlackBerry Bold would likely be delayed by two weeks for carriers as engineers may be spending more time on the touch screen Thunder to push forward its release date.	positive

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Open Debit Call Spread:

Buy to Open RULB RIMM Sep 110 Call IV 50.7 Delta .70

Sell to Open RULIU RIMM Sep 115 Call IV 49.4 Delta .62

Debit 2.80

Position Net Delta .08

Max Gain 2.20

Max Risk 2.80

Target Credit 3.30

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

	Residential construction will likely decline at a 25% annual rate and take about 1% off the GDP change, but the rate of decline is slowing.	✓
✓	Consumer Confidence: 51.9 vs. 50.1 consensus and 51 in June - "suggesting there has been no significant improvement, nor significant deterioration, in business or labor market conditions."	
✓	Second quarter real GDP will increase at least 3%. Real PCE will be up at about a 1.8% annual rate. That will add about 1.3% to the GDP gain. The fiscal stimulus is working.	
✓	ICSC Retail Sales: +1.2% (previous two weeks +0.1% and +0.2%). Strong June same-store sales reports from retailers confirm that the fiscal stimulus checks are providing a huge boost to consumer spending.	
	The IMF said there's no end to housing slump in sight. The fallout will continue to leak outside of just housing	✓

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
✓	Bullish daily MACD	
✓	Bullish daily and weekly Stochastic Oscillator	
✓	The stock is in the short and intermediate-term upward trend	
✓	Support at 113.0, 200MA	
	Resistance at 50MA, 120.0	✓
	Fundamentals	
✓	Forward P/E (22.04) < Trailing P/E (44.04)	
✓	PEG (0.88)	
	P/S (9.39)	✓
✓	Operating Margin (29.20%), ROE (43.29%)	
	Mixed EPS revisions trend	✓
	Market Play	
✓	Program trading buy orders at 113.0 after Jul 23	
✓	Implied volatility (38.42%) > Historical volatility (47.34%)	
	Mixed reaction on the latest positive news (see the chart above)	✓
✓	Trading volumes go up after Jul 28	
✓	Unusually high option trading volumes for Aug-Dec 105-135 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
RIMM	119.22	114.00	114.00	114.00	113.00	1.00	Unlimited	124.44	10.44	9.2%

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	119.22	Sep-08	115.00	.RULIU	114.00	7.81	122.81	Unlimited	7.81	8.99	1.17	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
RIMM	119.22	Sep-08	110.00	.RULUB	115.00	.RULUU	114.00	2.30	112.70	2.30	2.70	1.91	0.39	14.5%

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
RIMM	119.22	Sep-08	110.00	.RULIB	115.00	.RULIU	114.00	2.80	112.80	2.20	2.80	3.30	0.50	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.

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