



OPTIONSMART
3-D OPTION TRADING STRATEGIES

3-D Research Note on TGT



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	15-Apr	TGT reited BUY at Deutsche Sec	positive
2	5-May	TGT to sell interest in credit card receivables to JPMorgan Chase for initial investment of \$3.6 bln	negative
3	6-May	TGT to reduce prices on its prescription and over-the-counter drug offerings, remaining competitively priced with WMT	positive
4	6-May	TGT: Lehman and UBS weigh positive selling interest in credit card receivables	positive
5	8-May	TGT reported Apr same store sales +3.1% vs +4.2% consensus	negative

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Open Debit Call Spread:

Buy to Open TGTFW TGT Jun 47.5 Call

IV 34.4 Delta .93

Sell to Open TGTFX TGT Jun 52.5 Call

IV 33.3 Delta .70

Debit 4.00

Position Net Delta .23

Max Gain 1.00

Max Risk 4.00

Target Credit 4.40

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
✓	Daily and weekly MACD bullish	
✓	Daily and Weekly Stochastic Oscillator bullish	
✓	The stock is in the short-term upward trend	
✓	Support at 409.0, 52.0, 50MA	
	Resistance at 200MA	✓
✓	Similar stocks or key components trending higher	
	Fundamentals	
✓	Forward P/E (13.81) < Trailing P/E (16.52)	
✓	PEG (1.08)	
✓	P/S (0.71)	
✓	Operating Margin (8.32%), ROE (18.42%)	
	Bearish EPS revisions trend	✓
	Market Play	
✓	Program trading buy orders at 52.0 after Apr14	
✓	Implied volatility (36.46%) > Historical volatility (22.66%)	
	Mixed reaction on the latest positive news (see the chart above)	✓
✓	Trading volumes go up after May 13	
✓	Unusually high option trading volumes for May-July 42.5 - 52.5 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
TGT	55.10	53.50	53.50	53.50	50.40	3.10	Unlimited	57.58	4.08	7.6%

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
TGT	55.10	Jun-08	52.50	.TGTFX	53.50	2.73	55.23	Unlimited	2.73	3.14	0.41	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
TGT	55.10	Jun-08	47.50	.TGTRW	52.50	.TGTRX	53.50	1.24	51.26	1.24	3.76	0.91	0.34	8.9%

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
TGT	55.10	Jun-08	47.50	.TGTFW	52.50	.TGTFX	53.50	3.83	51.33	1.17	3.83	4.41	0.58	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

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, 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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