



OPTIONSMART
3-D OPTION TRADING STRATEGIES

3-D Research Note on TXN



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	21-Apr	(After market) TXN reported EPS in-line, revs in-line; guided Q2 EPS below consensus	negative
2	22-Apr	TXN: Caris & Company reited Buy	negative
3	8-May	TXN noted that analog has the ability to be the most important driver for growth:it is a \$36 bln mkt, is highly diverse, and is growing slightly faster than the rest of the semiconductor industry. TXN only has 13% share	positive
4	19-May	TXN: Citigroup upped to Buy	positive
5	9-Jun	(After market) TXN narrowed Q2 guidance to \$0.43-0.47 vs \$0.46 consensus; revs \$3.33-3.46 bln vs \$3.37 bln consensus	negative
6	10-Jun	TXN noted its mix improvement compared to the first quarter will be offset from lower utilization as it moves inventory levels down.	negative

OUR RECOMMENDATION: STRONG BUY

RECOMMENDED TRADING VEHICLE:

Bullish Debit Call Spread

Buy to Open TXNGE TXN Jul 25 Call IV 44.6 Delta .93

Sell to Open TXNGF TXN Jul 30 Call IV 30.2 Delta .58

Debit 4.00

Position Net Delta .35

Max Gain 1.00

Max Risk 4.00

Target Credit 4.50

WEEKLY CHART

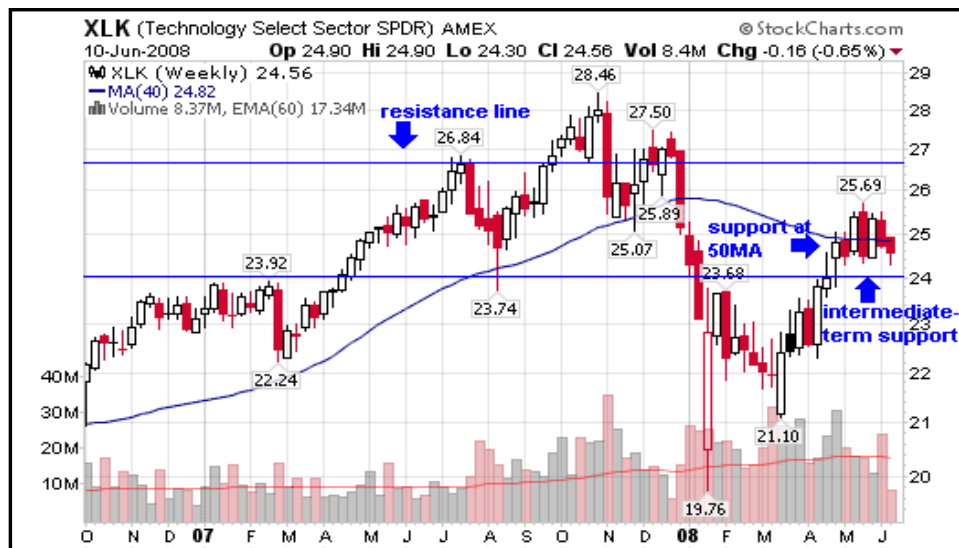


Chart courtesy of StockCharts.com

BULLISH	LONG-TERM FACTORS	BEARISH
✓	06/10 AAPL announced its widely expected 3G iPhone	
	06/02 The Technology sector is down 4.6% compared to the S&P 500; technology continued to lose ground on recession worries and consumer health concerns.	✓
✓	06/02 Chip makers put rush on mobile gadgets: QCOM, TXN, Samsung Electronics, NVDA, etc	
✓	05/28 Lehman Global Wireless conference summary: smartphone segments represent largest dollar growth opportunity; industry investment will continue to shift to applications and services for differentiation	
✓	05/08 Analog has the ability to be the most important driver for growth: it is a \$36 bln mkt, is highly diverse, and is growing slightly faster than the rest of the semiconductor industry.	
✓	05/08 FT: higher material and assembly costs would probably be passed on to laptop computer consumers	
✓	04/28 DRAM makers turned to PC OEMs to help stabilize the market	
	The semiconductor industry is coming off a challenging year in 2007 hurt by a memory chip supply glut, ASP pricing war, chip inventory build ('06/'07), and a tightening capital spending environment.	✓
✓	GDP Price Index: Q4 2007-2.4; Q1 2008- 2.6; Q2 2008 est - 2.8	
	Fed Economic Projections- Real GDP - 0.3% to 1.2% in 2008 (as compared with 1.3% to 2.0% in April);	✓
	Bernanke signaled interest rates might need to be raised to fight inflation	✓
	The jump in the May unemployment rate to 5.5% from 5.1% over the past two months	✓

3D CHECK LIST

BULLISH	FACTORS	BEARISH
	Technicals	
	daily MACD - bearish	✓
✓	daily Stochastic Oscillator - oversold	
	ETF trend - flat; found support at 24.3	✓
✓	Support at 30.5 and 50-MA	
	Resistance at 200-MA and 33.0	✓
✓	Similar stocks or key sector components sentiment - trend higher	
	Fundamentals	
✓	Forward P/E (14.15) < Trailing P/E (15.36)	
✓	PEG (0.99)	
	P/S (2.89)	✓
✓	Operating Margin (26.42%), ROE (26.37%)	
	Neutral EPS revisions trend	✓
	Market Play	
✓	Program trading buy orders at 30.7 after Jun 9	
✓	Implied volatility (29.61%) > Historical volatility (22.37%)	
	Stock reacted inadequately on the latest positive news (see the chart above)	✓
✓	Unusually high option trading volumes for Jul 30-35 Calls/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
TXN	30.42	30.30	30.30	30.30	29.80	0.50	Unlimited	30.61	0.31	1.0%

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
TXN	30.42	Jul-08	25.00	.TXNGE	30.30	5.51	30.51	Unlimited	5.51	6.33	0.81	14.7%

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
TXN	30.42	Jul-08	25.00	.TXNSE	30.00	30.00	30.30	1.00	29.00	1.00	4.00	0.70	0.30	7.5%

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
TXN	30.42	Jul-08	25.00	.TXNGE	30.00	.TXNGF	30.30	4.00	29.00	1.00	4.00	4.50	0.50	12.5%

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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