

# 3-D Research Note on YHOO



Chart courtesy of StockCharts.com

#	Date	Most Recent News	Stock's Reaction
1	28-Feb	Microsoft-Yahoo talks: YHOO likely to raise white flag	negative
2	5-Mar	YHOO to maximize shareholder value	positive
3	13-Mar	Rumor: recent drop in YHOO was the result of speculations about a large block of shares being shopped	negative
4	14-Mar	YHOO and MSFT meeting on MSFT vision of future merger	negative

**OUR RECOMMENDATION: STRONG SELL**

**RECOMMENDED TRADING VEHICLE:**

Bearish Credit Call Spread  
 Buy to Open YHQDZ YHOO Apr 32.5 Call IV 44.9 Delta .42  
 Sell to Open YHQDY YHOO Apr 27.5 Call IV 59.6 Delta .09  
 Credit 1.37  
 Position Net Delta .33  
 Max Gain 1.37  
 Max Risk 3.63  
 Target Debit .87

## 3D CHECK LIST

BULLISH	FACTORS	BEARISH
	<b>Technicals</b>	
	Daily MACD bearish	✓
	Weekly Stochastic Oscillator overbought	✓
	Indusrty trend - HHH looking for direction	✓
✓	Support at 25	
	Resistance at 29, 30	✓
	Similar stocks or key components sentiment	
	<b>Fundamentals</b>	
✓	EPS revisions trend down	✓
	P/E trailing (57.81 ) >> P/E forward (49.40 )	
	PEG (2.42)	✓
	<b>Market Play</b>	
	Program trading sell orders at 29 after Mar 7	✓
	Implied volatility (71.37%) > Historical volatility (26.64%)	✓
	Stock reacted inadequately on the latest positive news (see the chart above)	
	Trading volumes go up after Mar 12	✓
	Unusually high option trading volumes for Mar, Apr, Jul 27.5, 30, 32.5 Calls	✓

**Overall Rating: BEARISH**

## BEARISH PLAY

## SELL 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
<b>YHOO</b>	25.85	26.20	26.20	26.20	27.00	0.80	Unlimited	25.00	1.20	4.6%

## BUY PUT

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
<b>YHOO</b>	25.85	Apr-08	27.50	.YHQPY	26.20	2.80	24.70	Unlimited	2.80	3.30	0.50	17.9%

## BEARISH CALL 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
<b>YHOO</b>	25.85	Apr-08	27.50	.YHQDY	32.50	.YHQDZ	26.20	1.37	28.87	1.37	3.63	0.87	0.50	13.8%

## BEARISH PUT 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
<b>YHOO</b>	25.85	Apr-08	27.50	.YHQPY	32.50	.YHQPZ	26.20	3.60	28.90	1.40	3.60	4.10	0.50	13.9%

## 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 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 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, 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.

Copyright © 1998-2007 OptionSmart.com (Stock Markets Institute). All rights reserved.

Released on 03/18/08