

SPOTLIGHT OPTION TRADE



Adobe Giving Second Chance for Those that Missed Earnings Rally

TRADE SNAPSHOT

TICKER	ADBE
SECURITY	Adobe Systems Incorporated
SECTOR	Technology - Application Software
CURRENT PRICE	\$49.45
LONG/SHORT	Long
TARGET	\$54.50
STOP	\$48
TIMEFRAME	5 Weeks

Trading Strategy: Long the **ADBE** November \$50 Calls at \$1.45 or Better

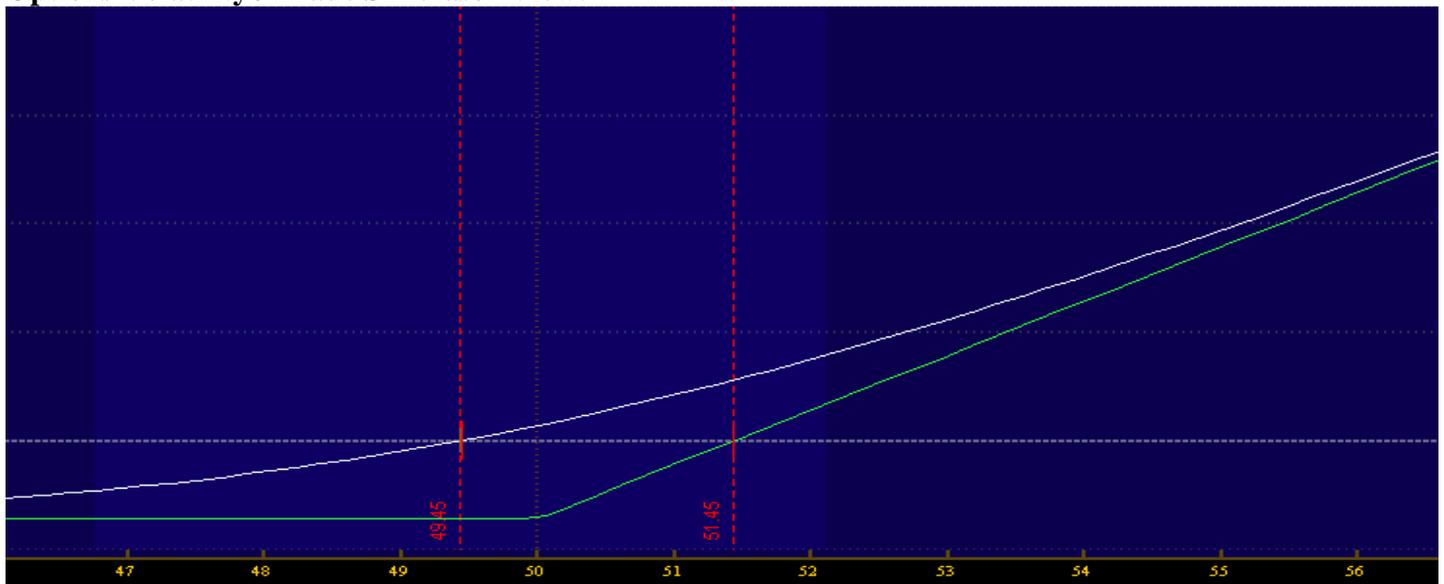
Net Debit/Credit: Debit of \$1.45

Profitability Zone: ADBE Shares Above \$51.45 on November OpEx

Greeks: Delta 46; Gamma 9; Vega 6; Theta -2

Probability of Profitability: 33.15%

Options Volatility / Trade Simulator View:





Technical Analysis: ADBE shares cleared a major \$48 level in September from an all-time high back in 2007, and since has pulled back in orderly fashion on light volume. Shares have potential to fill the earnings gap to \$48.50, but prior resistance should become major support, while intermediate trend support at \$47 and long term trend support at \$43.50. After being overbought RSI has pulled back to 46.6, and the 50 day SMA at \$48.25. The 123.6% Fibonacci extension of the 2011 low to \$48 top targets this upside move resuming to \$54.70.



Fundamental Analysis: Adobe recently posted quarterly results that initially looked weak on the headline, but within the numbers showed the transition to cloud and subscriptions is happening quicker than expected and allowing for ADBE to enjoy a period of multiple expansion. ADBE has a \$25B market cap and trades 31.2X earnings, 5.98X Sales, and 3.65X Book. ADBE's business model transition is making it a favorite cloud play and with HTML5 gaining adoption it is in a great spot, also the growth in the Digital Marketing business, so plenty of new products contributing to growth. BAML raised its target on shares to \$62 from \$57 after the latest report as ASPs are stable and customers are switching to the cloud faster than expected. On 9-19 UBS reiterated a Buy and raised its target to \$58 from \$50.

Potential Catalysts: No Events Scheduled

Options Positioning: ADBE's January 2014 \$55 call OI has climbed to 20,996 from 856 on 9/18/13 as traders have actively bought calls, and many is risk reversals also sold more than 8,000 January 2014 \$48 puts to open.

Disclaimer:

Not Investment Advice or Recommendation

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