

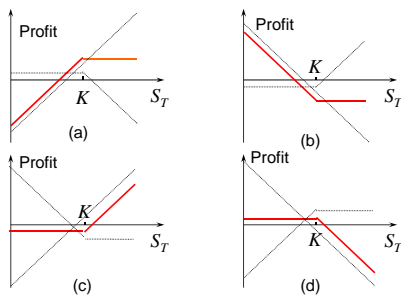
Trading Strategies Involving Options

Chapter 11

Three Alternative Strategies

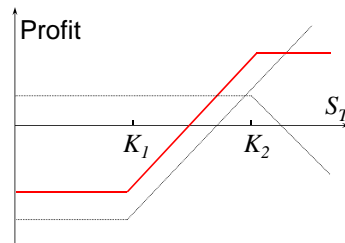
- Take a position in the option and the underlying
- Take a position in 2 or more options of the same type (A spread)
- Combination: Take a position in a mixture of calls & puts (A combination)

Positions in an Option & the Underlying (Figure 11.1, page 250)



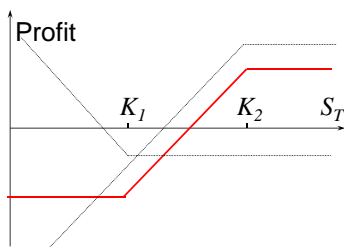
Bull Spread Using Calls (Figure 11.2, page 251)

(Figure 11.2, page 251)



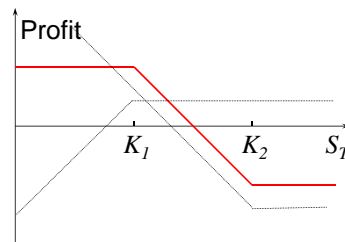
Bull Spread Using Puts (Figure 11.3, page 253)

Figure 11.3, page 253



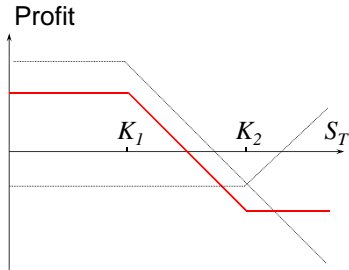
Bear Spread Using Puts (Figure 11.4, page 253)

Figure 11.4, page 253



Bear Spread Using Calls

Figure 11.5, page 254



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Box Spread

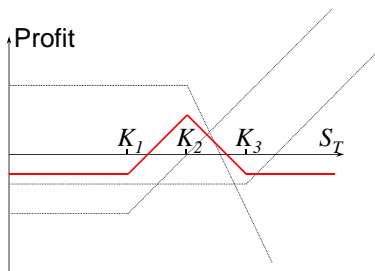
- A combination of a bull call spread and a bear put spread
- If all options are European a box spread is worth the present value of the difference between the strike prices
- If they are American this is not necessarily so (see Business Snapshot 11.1)

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Butterfly Spread Using Calls

Figure 11.6, page 257

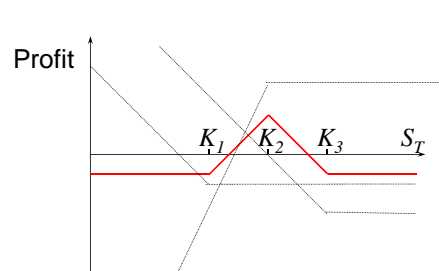


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Butterfly Spread Using Puts

Figure 11.7, page 258

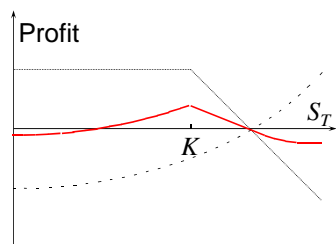


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Calendar Spread Using Calls

Figure 11.8, page 258

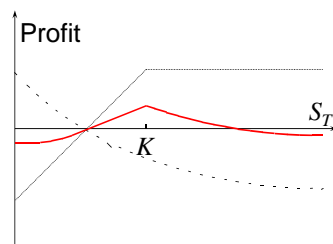


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Calendar Spread Using Puts

Figure 11.9, page 259

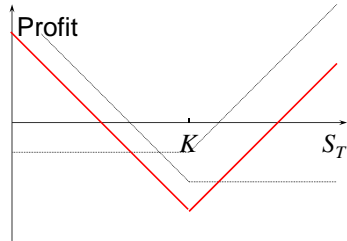


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A Straddle Combination

Figure 11.10, page 260

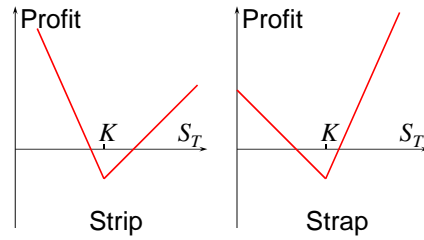


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Strip & Strap

Figure 11.11, page 261

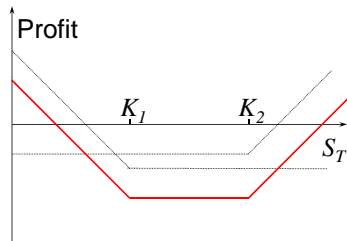


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A Strangle Combination

Figure 11.12, page 262



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