



THE VALUE LINE

Daily Options Survey

On Line at the Opening Bell, Every Trading Day

Pages 1-2

The Weekly Option Strategist

February 9, 2004

Portnew5.Xls, Our New Portfolio Template

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This week, we document how to use *Portnew5.Xls*, our latest portfolio evaluation template. This new version tracks spreads as well and “naked” options and covered calls. There is also a sheet that summarizes your entire options portfolio. To take advantage of these new features, you will want to replace the old template, *Portnew4.Xls*, with this new one, *Portnew5.Xls*, which you will find in our *Templates Archive*.

Why Portnew5.Xls

We designed *Portnew5.Xls* to perform a number of tasks; (1) to update each position's profits or losses (P/L), (2) to calculate the totals for each position category (e.g. covered calls), and (3) to compute the grand total of all transactions. In addition, *Portnew5.Xls* computes how much capital you need to meet the margin requirements on “naked” short options and on option spreads. Finally, the template updates you on the underlying common rank and the rank option and/or covered call rank (whichever is relevant to the position).

Portnew5.Xls is particularly useful for holders of multi-option portfolios (such as the one shown in this report) as well as those with market neutral long/short hedges.

Naked Options & Covered Calls

In Figure 1 on page 3, we show an example of the *Naked Options & Covered Calls* sheet.

To get started: First, you need to have both *Portnew5.Xls* and your spreadsheet data file (or files) open in Excel. The spreadsheet files can be *Allnew.Csv*, *Calls.Csv*, *Puts.Csv* (or both *Calls.Csv* and *Puts.Csv*) or *Port.Csv*. You can download the first three files from our *File Downloads* page. You can download *Port.Csv* from *Interactive Options*, after having first entered in the ticker codes. (See below for instructions on how to do this.)

In Figure 1 on page 3, we selected two call purchases, three covered calls, two naked call writes and two put purchases. We did our initial search for these options in *Allnew.Csv*, but used *Port.Csv* from our *Online Portfolio* for our daily updates.

To read the data into *Portnew5.Xls*, make sure that you have both your spreadsheet data file and *Portnew5.Xls* open in Excel. Go to the sheet marked “Naked Options & Covered Calls” in the tab at the bottom of the screen. Next, press the “Copy Data from Allnew, Calls and/or Puts” button. It takes a few seconds for these updates to finish.

You need to enter the following information for each option.

Column A - enter the full option ticker codes of the options you want, leaving a space between the option base code (the first one to three letters) and the last two letters (the date and the strike codes) as shown in the example. (You may want to copy these codes directly from column M into our spreadsheet files.)

Column B (marked “In Port?”) – enter a character (such as “p”) if you are updating the portfolio with *Port.Csv* (see below).

Column C - enter the transaction type, (CB for Call Buy, CS for Call Sell, PB for Put Buy, PS for Put Sell, and CC for Covered Call.)

Column D - enter the number of option positions for each transaction.

Column E - enter the date you initiated the position.

Column F - enter the beginning common price (i.e. the price of the common when you initiated the position.) Note: this beginning com-

mon price is necessary for tracking the profit and loss on covered calls. It is not needed for tracking naked options.

Column G - enter the beginning option premium. After you have entered this information, make sure to save *Portnew5.Xls*. Note: you only need to enter the data in columns A through G once for each new position.

Now click on "Update Portfolio." This will copy down the excel formulas that read the options data and perform the necessary calculations.

Next, click on "Calculate Subtotals." This will sort your trades by transaction, and it will calculate subtotals for each type. It will also calculate grand totals for the entire portfolio.

The following option information from the data files will appear in columns H through N; the Common Ticker (H), Company Name (I), the Industry (J), the Expiration Date (K), the Strike (L), the common price (M).

In column N, we show the option's Bid Premium. This is the price at which the investor can write or sell the option. If you have already bought the option, it is the price at which you mark to market (or evaluate the profit and loss) of your long option position.

In column O, we show the option's Ask Premium. This is the price at which the investor can buy the option. If you have already written the option, it is the price at which you mark to market (or evaluate the profit and loss) of your short option position.

In columns P through S, we show the following calculations (complete with their totals and grand totals).

In column P, we show each position's dollar amount.

In column Q (marked P/L), we show each position's profit or loss (from the day that it was established).

In column R (marked \$Delta), we show each option position's dollar equivalent position based on the option's delta or sensitivity to the stock. For instance, the first call buy, the Amazon.Com July 20 call, has a dollar equivalent of \$1,501. That is based on that call having a delta of .6821. The exact calculation is .6821 times the share price, \$22.11, times the number of shares in the option position, in this case, 100. The sub and grand totals for \$Delta gives you a good indication of what your overall positions are in dollar terms.

In column S (marked CapReq), we show the total amount needed to establish or maintain the position. For option purchases, this is the dollar premium amount. For covered calls, it is the value of the stock minus the premium. For "naked" option writes, it is the funds required to post margin.

In columns T through W, we show important up-date information.

Column T shows the current common rank.

Column U shows the rank of the naked option or covered call.

Column V shows the relative volatility of the option or the covered call.

Finally, column W shows the current required margin if the option is a "naked" option write.

Debit & Credit Spreads

In Figure 2 on page 4, we show an example of the *Debit & Credit Spread* sheet. You can follow exactly the same steps that you follow in setting up the other sheet. When you click on *Calculate Subtotals*, the template automatically detects whether the spreads are debit or credit spreads. Thus, it calculates as your *Capital Requirement* (marked *Ca Req* in Column U) either the margin of credit spread or the net premium on a debit spreads. (The margin on a credit spread is the difference between the two strike prices minus the net premium taken in. See "Option Spreads I: Basic Bull And Bear Spreads," Ot011001.Pdf in our *Reports Archive*.)

Creating/Downloading Online Portfolios

- 1) Go to Interactive Options.
- 2) Click on "create/modify your options portfolio."
- 3) A box will appear asking for option tickers. Enter the option tickers you want into the box (i.e. IBM SA). Be sure to enter them in the exact format shown, with a space between the base ticker and the expiration/strike codes. Separate multiple tickers by commas.
- 4) Click "Save" when finished, and then click on view portfolio.

Your portfolio should now be visible. To use the file with our options templates, click on "Save as CSV". By default, the name will be Port.Csv. Do not change this name if you intend to use this file with *Portnew5.Xls*.

Our online portfolio will let our customers track various positions as well as use options from our expanded coverage with our current templates. If you have any questions regarding these changes, please contact us at vloptions@valueline.com.

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Figure 1 - Naked Options & Covered Calls

Microsoft Excel - F040209.xls

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Figure 2 - Debit & Credit Spreads

Microsoft Excel - F1040209.xls

File Edit View Insert Format Tools Data FinTools Window Help

Type a question for help

1 2 3

1 Debit & Credit Spreads

2 Copy from Allnew, Port, Calls and/or Puts file

3 Remove Data

4 Start here

5 Update Portfolio

6 Calculate Subtotals

7 Remove Subtotals

8

9 Enter Full Leave blank unless using portfolio file

10 OPTKR

11 TRN KEY: cb = call buy, cc = covered call, pb = put buy, cs = call sell, ps = put sell

12 Quick Instructions: 1) Click on Copy from Allnew, Port, Calls and/or Puts file button.

13 2) Enter Data into columns that have arrows above them.

14 3) Click on Update Portfolio

15 User Input

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OPTKR	In Port?	Trn	Num. Opts	Exp. Date	Exp. Cn	Price	Common Ticker	Company Name	Expiration	Strike	Common Price	Premium Bid	Premium Ask	Mark to Market Position	P/L	Delta	+10%	-10%	CapReq	
								Grand Total						-3845	-850	3781	353	-1820	16370	
								AngloGold Ltd Total						-1975	-675	2915	847	-511	4325	
12	AU/NH	g	pb	5	21-Jan	42.85	0.8	AU	AngloGold Ltd	Feb-04	40.00	40.04	0.95	1.05	475	75	-7968	-425	1265	0
13	AU/NH	g	ps	5	21-Jan	42.85	3.4	AU	AngloGold Ltd	Feb-04	45.00	40.04	4.70	4.90	-2450	-758	15774	1272	-1776	4325
14								Casell Airline Total						-600	-325	2940	296	-344	3825	
15	CAL OB	g	pb	5	21-Jan	16.85	0.2	CAL	Casell Airline	Mar-04	16.00	15.04	0.10	0.15	50	-50	-444	-33	63	0
16	CAL OC	g	ps	5	21-Jan	16.85	0.75	CAL	Casell Airline	Mar-04	15.00	15.04	1.20	1.30	-450	-275	3380	269	-406	3825
17								Danaher Corp. Total						-350	-58	7262	263	-1713	5200	
18	DHR NP	g	pb	10	21-Jan	92.94	0.4	DHR	Danaher Corp.	Feb-04	80.00	92.04	0.15	0.25	150	-258	-4879	-188	1508	0
19	DHR NQ	g	ps	10	21-Jan	92.94	0.7	DHR	Danaher Corp.	Feb-04	85.00	92.04	0.45	0.50	-500	200	12241	451	-3221	5200
20								Netel Networ Total						-50	200	484	16	-97	1900	
21	NT NA	g	pb	5	21-Jan	6.82	0.85	NT	Netel Networ	Feb-04	5.00	6.21	-	0.05	0	-25	-2	-12	-12	0
22	NT NJ	g	ps	5	21-Jan	6.82	0.55	NT	Netel Networ	Feb-04	7.00	6.21	0.85	0.10	-50	225	406	20	-65	1900
23								S&P 100 Index Total						-870	0	-14719	-1089	946	2820	
24	OEB CL	g	cs	1	21-Jan	588.84	16.7	OEB	S&P 100 Index	Mar-04	580.00	582.65	13.30	14.30	-1430	240	-38541	-4540	1325	0
25	OEB CP	g	cb	1	21-Jan	588.84	7	OEB	S&P 100 Index	Mar-04	580.00	582.65	4.60	5.10	460	-240	15822	3531	-480	2820

Ready

NUM

Market Review - Week Ending 02/03/04

Market Indexes	Close	% Change	Volatility Indexes*	% Change
Dow Jones Industrial	10,505.18	-0.99%		
Nasdaq 100	1,491.85	-1.80%	26.30	14.20%
S&P 500	1136.03	-0.70%	17.34	12.96%

Performance Tables

Common Ranks	% Change	Count	Percent
Rank 1	-2.95%	8102	7.93%
Rank 2	-2.79%	21363	20.90%
Rank 3	-2.35%	54596	53.42%
Rank 4	-2.23%	14188	13.88%
Rank 5	-1.58%	3943	3.86%

Call Buyer's Ranks

Rank 1	-11.75%	4382	8.58%
Rank 2	-8.71%	10665	20.87%
Rank 3	-9.33%	36048	70.55%

Call Writer's Ranks

Rank 5	10.84%	1602	4.66%
Rank 4	11.24%	4947	14.39%
Rank 3	11.00%	27829	80.95%

Covered Call Ranks

Rank 1	1.20%	1773	5.16%
Rank 2	-0.37%	5200	15.13%
Rank 3	-0.29%	16478	47.93%
Rank 4	-0.45%	7426	21.60%
Rank 5	-0.46%	3501	10.18%

Put Buying Ranks

Rank 1	12.58%	6029	11.76%
Rank 2	13.80%	10142	19.78%
Rank 3	19.60%	35096	68.46%

Put Writer's Ranks

Rank 5	-6.73%	1735	4.67%
Rank 4	-11.19%	5214	14.03%
Rank 3	-9.71%	30208	81.30%

Married Put Ranks

Rank 1	-0.83%	4472	8.72%
Rank 2	-0.58%	10927	21.31%
Rank 3	-0.94%	24467	47.72%
Rank 4	-1.30%	7334	14.31%
Rank 5	-1.61%	4067	7.93%

* - VIX for the S&P 100 and VXN for the Nasdaq 100