



Options Strategies

STG SS25 Meeting 8

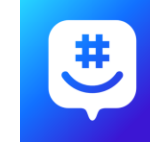
Agenda

- Announcements
- Market Update
- Open Discussion
- Options PT 2
- Q&A



Follow us on social!

- Club Announcements!
- Economic news!
- Previous meeting slides!
- Club updates
- Don't miss out!



Trading Competition

- Showcase your skills
- Compete against your peers
- Starts 01/30, ends 04/17
- **This will not require any capital on your end! Password - msustg**



Market*Watch*



Game Rankings

Updated: Apr 3, 2025 at 6:17 p.m.

[Download](#) ↓

🏆	Name	Net Worth	Last	Trades	Total Returns
1	Buster Wurm	\$122,085.75	0.00%	33	\$22,085.75
2	Clayton Hoekwater	\$99,857.21	0.09%	3	-\$142.79
3	Dev Dhingani	\$99,525.56	-0.47%	1	-\$474.44
4	Saleh Bhatti	\$93,739.17	-3.55%	14	-\$6,260.83
5	Lilia Laraki	\$93,554.07	-2.54%	10	-\$6,445.93



Market Update

- S&P 500: 5,396.52 (-3.30%)
- NASDAQ: 16,550.61 (-4.46%)
- DOW Jones: 405.22 (-2.50%)
- Crude Oil: \$66.621 (-3.95%)
- Gold: \$3114.575 (+0.95%)
- 10-Year Yield: 4.038% (-0.074%)
- Initial Jobless Claims: 219,000 (-6,000)
 - Was expected to increase to 228,000

Previous data from Friday (3/28):

- Core PCE
 - Previous: 2.6%
 - Forecast: 2.7% (+0.1%)
 - Actual: 2.8% (+0.2%)




Sector Update



Tariffs

 Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

 Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d'Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

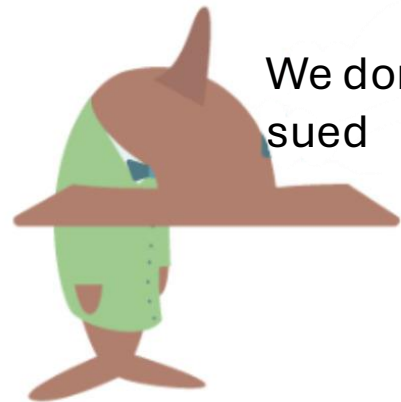
Open Discussion

- Recent Trades
- Economic Talking Points
- Noticeable Assets/trends





This isn't financial advice



We don't want to get
sued

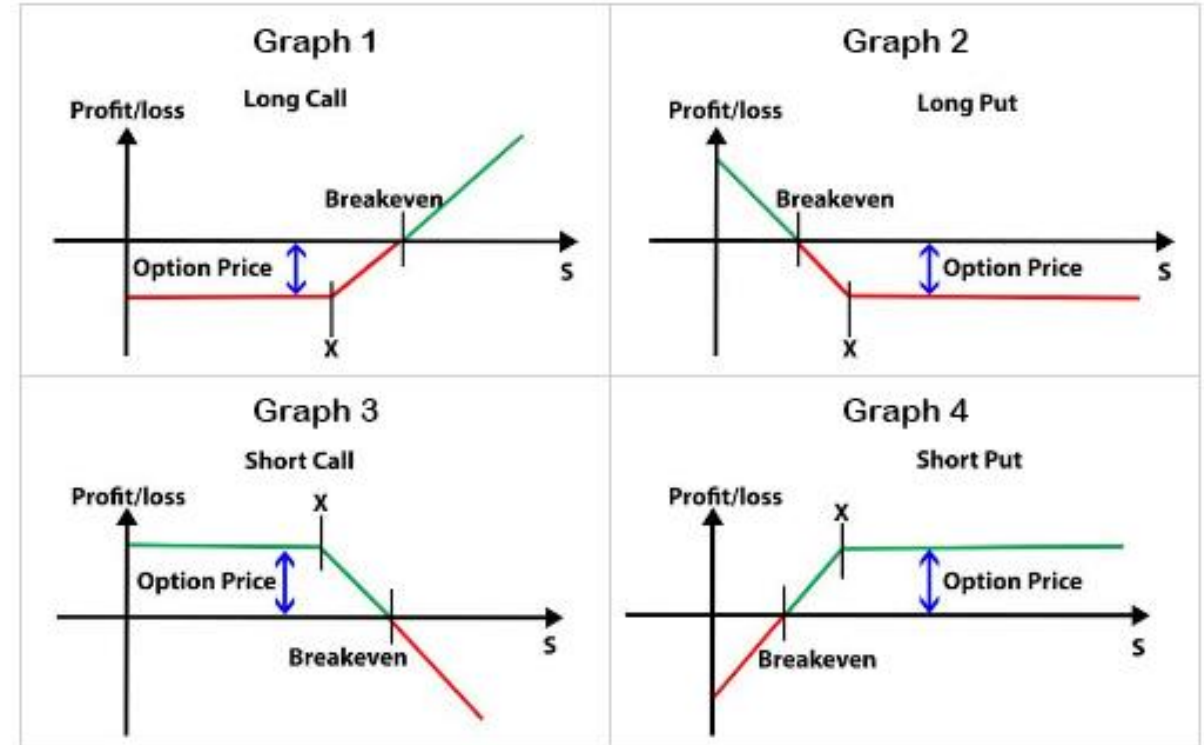
Quick Review

Buy put = right to sell shares at certain price (bearish)

Sell put = obligation to buy shares at certain price (bullish)

Buy call = right to buy shares at certain price (bullish)

Sell call = obligation to sell shares at certain price (bearish)





Option Terminology

Contract: agreement to buy/sell 100 shares of underlying at agreed upon price

Strike: agreed upon price where the underlying would be bought/sold

Expiration date: what day the contract expires

DTE: how many days until the option expires

ITM: If executed at this second, your option would make a profit

OTM: If executed at this second, your option would **not** make a profit

Intrinsic value: how much your contract is OTM

Extrinsic value: other variables like time that add to the option's value



Basic Option Examples

Buy a call with \$100 strike price for \$2.00

What is your max loss? When?

What is your max gain? When?



Basic Option Examples

Buy a put with \$100 strike price for \$3.00

What is your max loss? When?

What is your max gain? When?



Basic Option Examples

Sell a call with \$100 strike price for \$4.50

What is your max loss? When?

What is your max gain? When?



Basic Option Examples

Sell a put with \$100 strike price for \$5.00

What is your max loss? When?

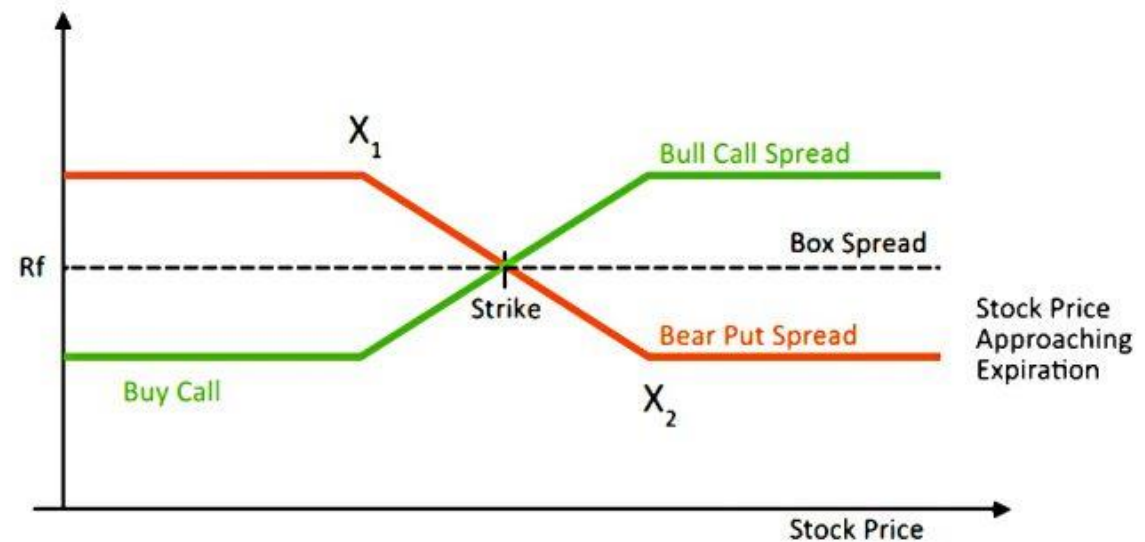
What is your max gain? When?

Nondirectional Spreads

Box Spread:

A combination of a Bull Call Spread and Bear Put Spread

Due to the contradicting directionality of the spreads, it creates a nondirectional spread, there is a risk-free profit of the difference between the underlying price and strike price



Box Spread Example

Strikes are \$400 and \$420

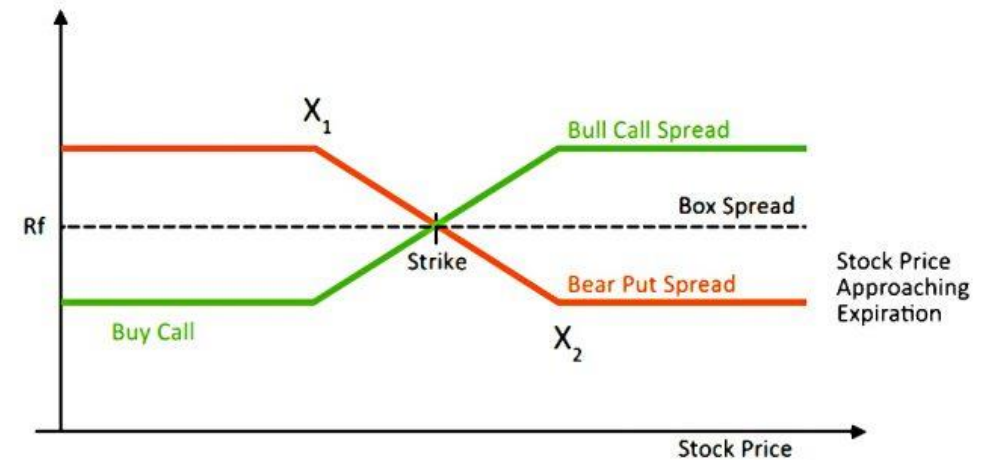
Bull Call Side: Buy \$400 call for \$7, sell \$420 call for \$2

Bear Put Side: Buy \$420 put for \$8, sell \$400 put for \$3

Bull Call Cost = $7 - 2 = \$5$

Bear Put Cost = $8 - 3 = \$5$

Guaranteed (pretty much) return of 20-10
= \$10



Box Spread Example

Strikes are \$100 and \$110

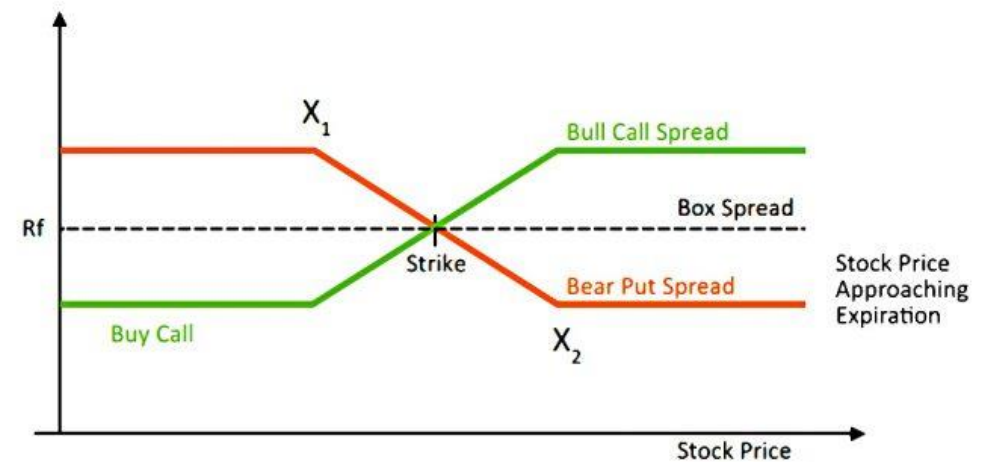
Bull Call Side: Buy \$100 call for \$4, sell \$100 call for \$2

Bear Put Side: Buy \$110 put for \$5, sell \$100 put for \$3

Bull Call Cost = $4 - 2 = \$2$

Bear Put Cost = $5 - 3 = \$2$

Guaranteed (pretty much) return of $10 - 4 = \$6$



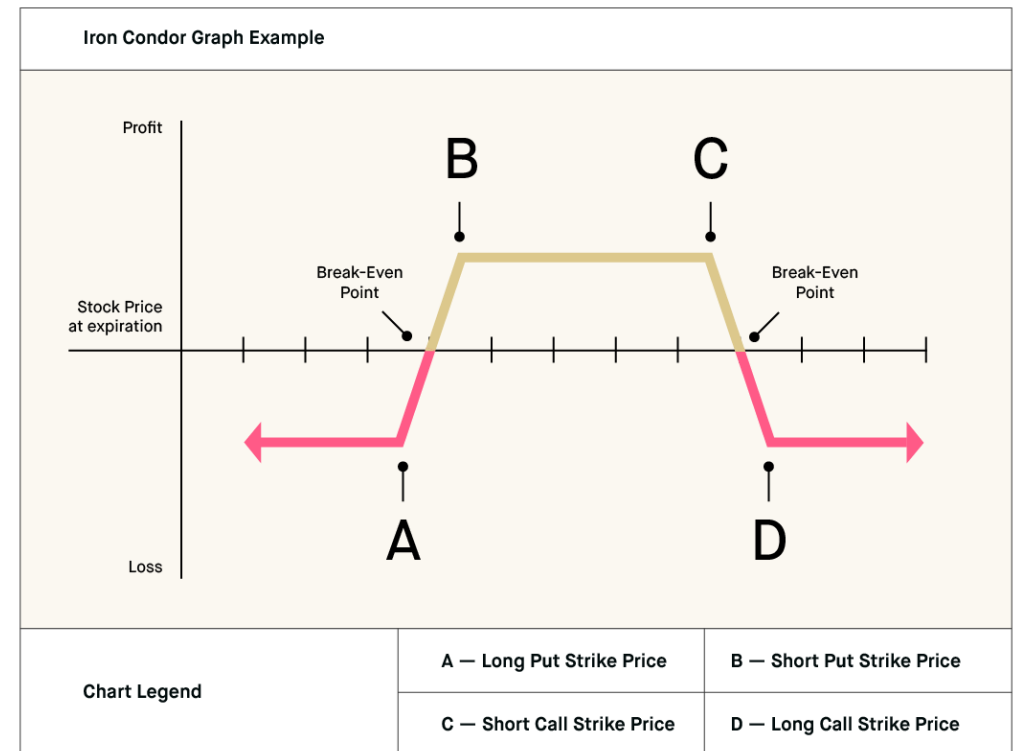
Nondirectional Spreads

Iron Condor:

Combination of Bull Put and Bear Call spreads at different strikes

Creates a range in which price stays for max profit

Limited loss and limited gain



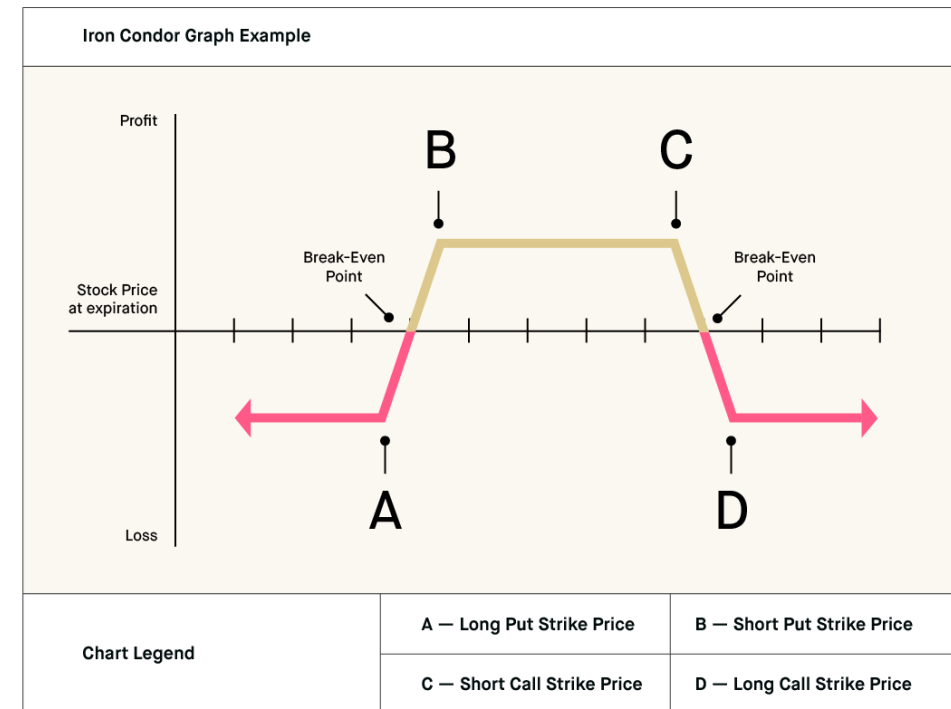
Iron Condor Example

Bear Call Side: Sell \$200 Call for \$5,
buy \$210 call for \$2

Bull Put Side: Sell \$190 Put for \$6,
buy \$180 put for \$2

Max profit of $5 + 6 = \$11$

Max loss of \$2



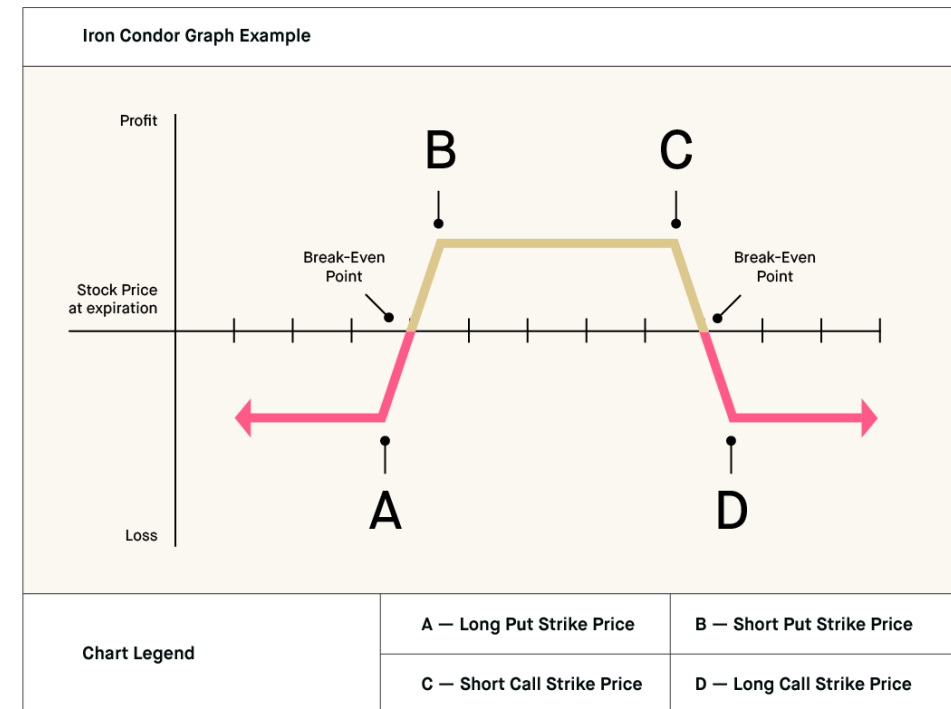
Iron Condor Example

Bear Call Side: Sell \$100 Call for \$8,
buy \$120 call for \$3

Bull Put Side: Sell \$90 Put for \$6,
buy \$70 put for \$3

Max profit of $8+6 = \$14$

Max loss of \$3



Nondirectional Spreads

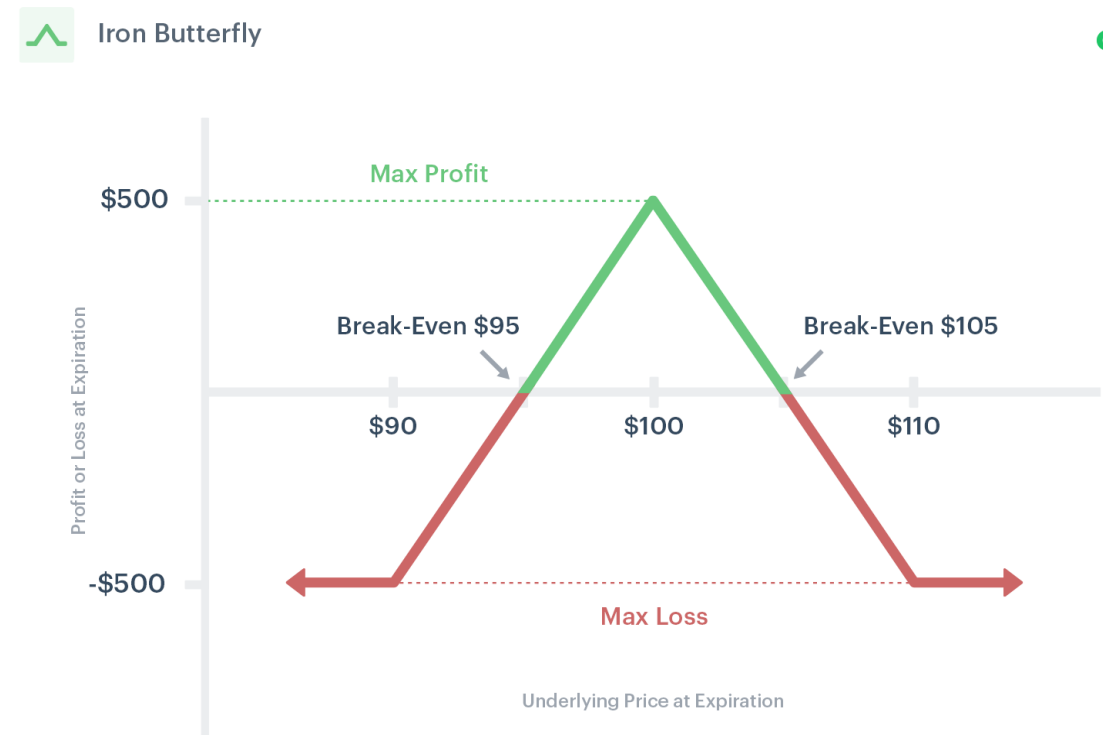
Iron Butterfly:

Combination of Bull Put and Bear Call spreads at same strike

Creates a range in which price stays for max profit

Limited loss and limited gain

Works well in low volatility markets where price is less likely to change



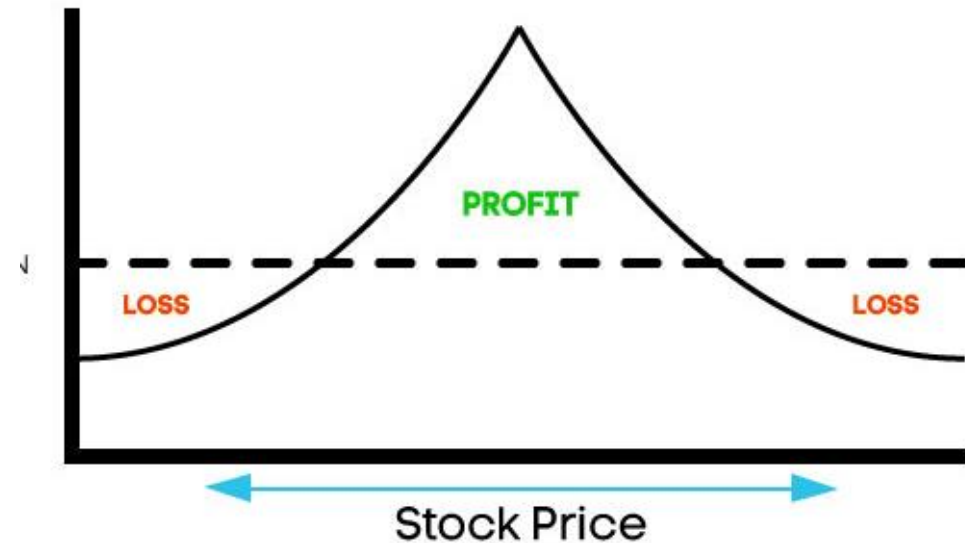
Nondirectional Spreads

Calendar Spread:

Sell a put/call and buy a put/call of the same strike on a different date

Especially good for capitalizing on volatility changes where $IV > RV$

The goal is to sell the more expensive short dated option to offset the cost of the long dated options





Putting it all together

Options are very flexible and multiple legs can be put together to create spreads to best fit your bias

Long and short legs are added to limit risk and overall cost

Understanding the strengths and weaknesses of each strategy and the overall market conditions is vital



Putting it all together example

NVDA has earnings and is currently trading at \$125

A horizontal volatility skew is present (large difference in IV across expiration dates)

To capitalize on the skew, you could enter a calendar spread

For this example you could sell an ATM 1 week expiration call then buy a 1 month expiration call with the same strike

After earnings, IV falls and your short term call loses value, making money and lowering the cost of the longer term put, still leaving upside potential



	01%	16.96	17.15	17.00	265	3.40	3.50	3.50	-
	94%	15.25	15.35	15.15	267.5	4.10	4.20	4.10	-
	00%	13.50	13.60	13.50	270	4.90	5.00	4.95	-
	13%	11.95	12.00	11.85	272.5	5.80	5.90	5.80	-
	47%	10.50	10.50	10.40	275	6.80	6.90	6.87	-
	40%	9.11						8.00	-
△ ITM									ITM ▽
	00%	7.92						9.30	-
	57%	6.80	6.85	6.75	282.5	10.60	10.75	10.65	-
	55%	5.85	5.85	5.80	285	12.10	12.30	12.20	-
	00%	4.94	5.00	4.90	287.5	13.75	13.90	13.75	-
	33%	4.20	4.25	4.15	290	15.50	15.70	15.60	-
	21%	3.55	3.60	3.50	292.5	17.35	17.55	17.59	-

Options Q&A



Thanks for coming!

