

Option Strategies

Team 3

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Explaining to my dad it's ok that I lost his
\$100K from trading options



Long term investors
at night



Options traders
at night



When you're
learning how
to trade stocks

When you
learn how to
trade options

Option Vs Option Strategies

- Options??
- Option Strategies: Are sophisticated way of trading option which enables you to mitigate risk.

Our Strategies

We tried to back test three strategies:

- Synthetic Stock
- Covered Call
- Married Put

Stocks

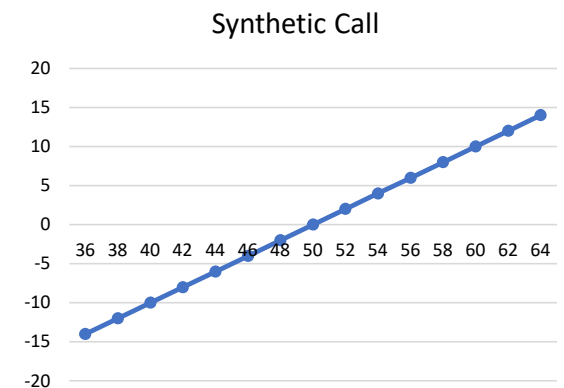
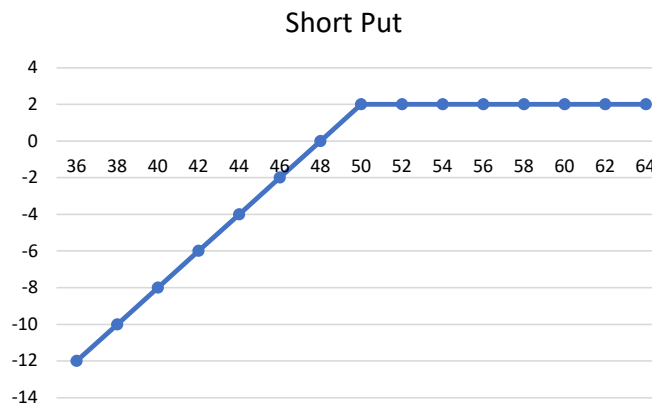
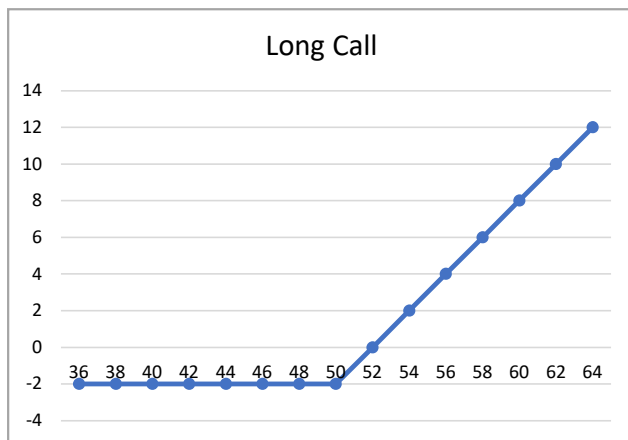
- AMD, MSFT : Technology
- GM, F : Automotive

ONE DOES NOT SIMPLY

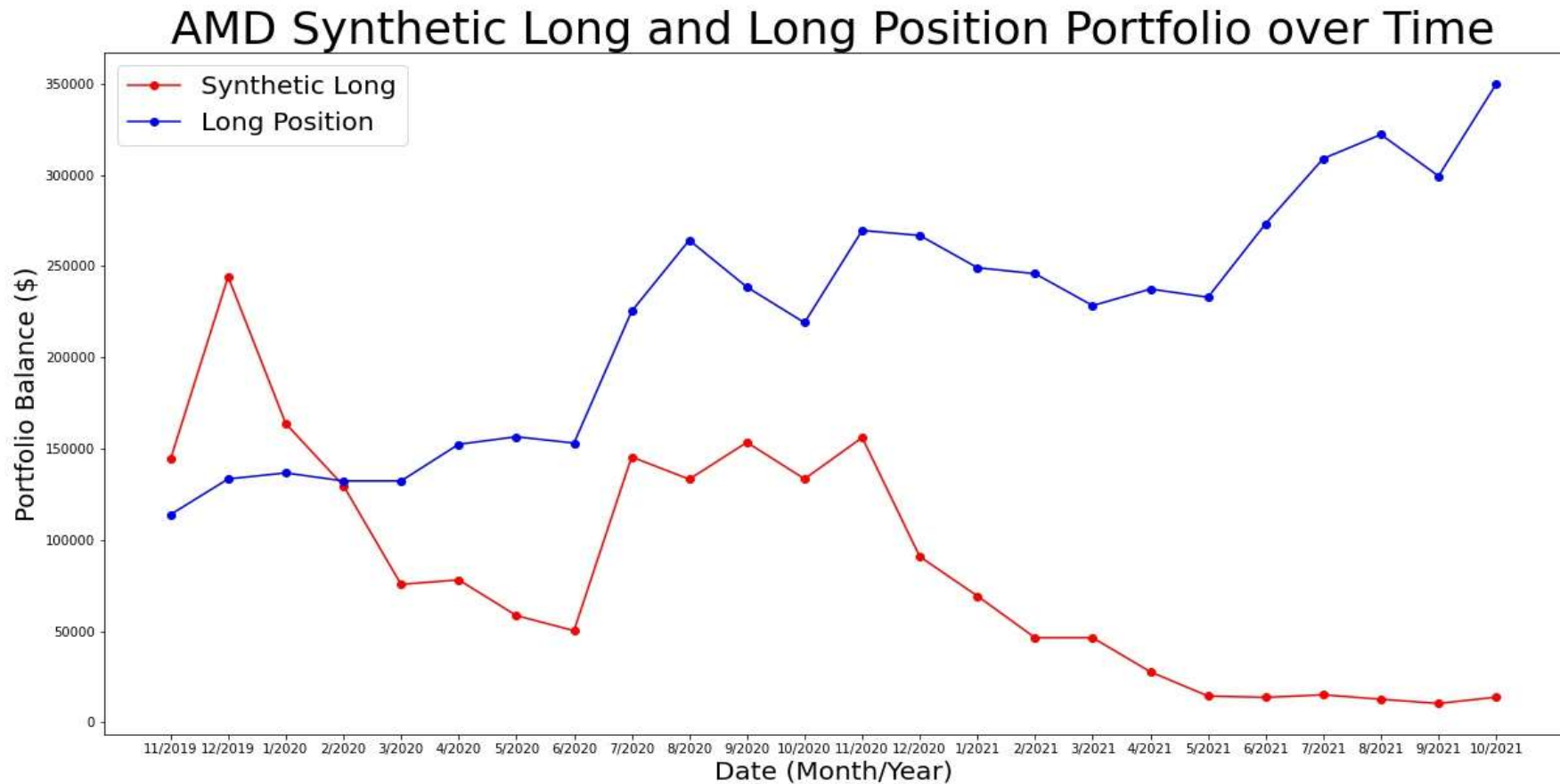
PAY FULL PRICE FOR A STOCK

Synthetic Stock

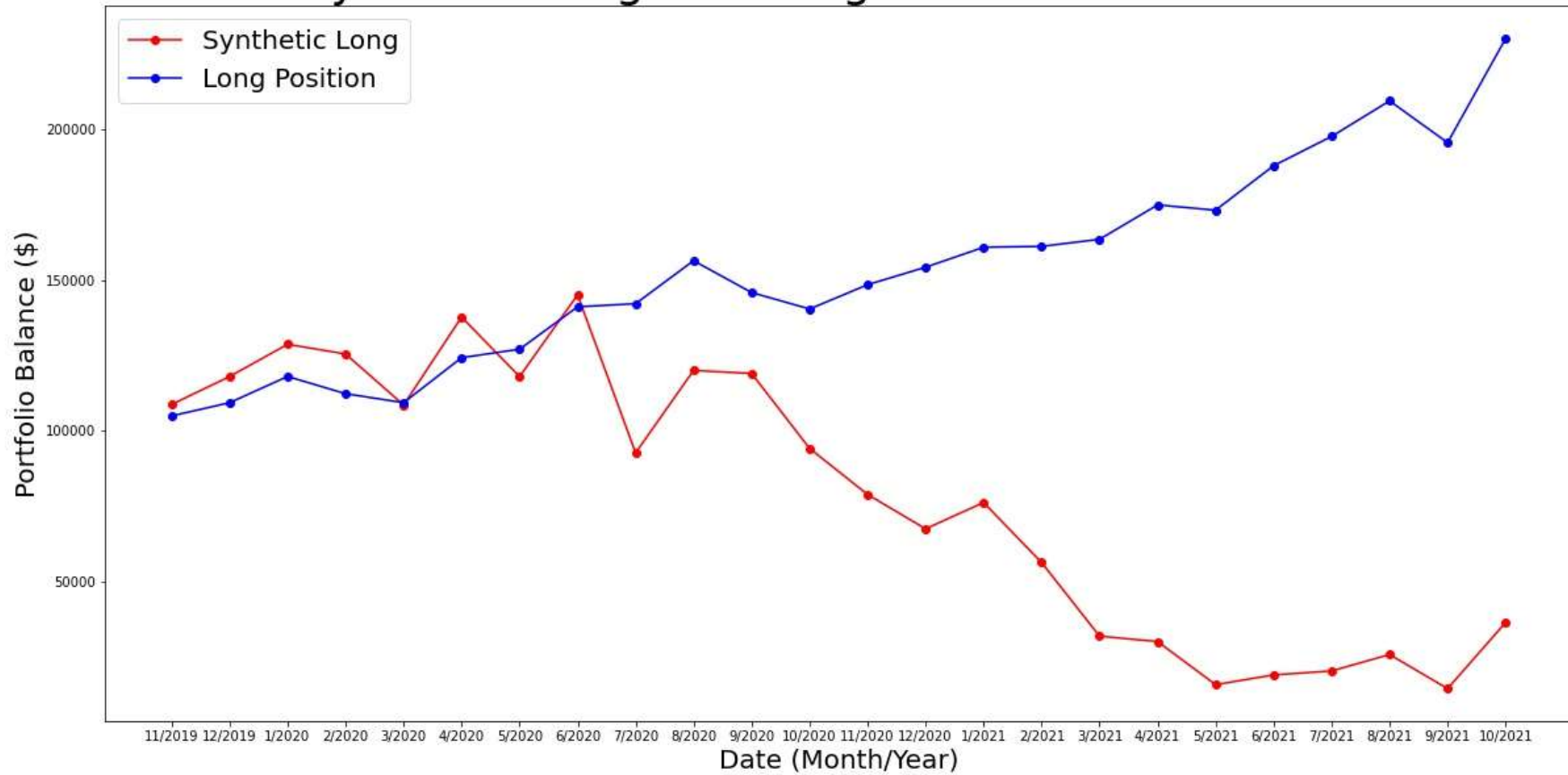
- Long ATM call and short ATM put options to imitate long stock returns.
- It helps get exposure to stock returns without investing high amount of capital.
- Used by Alternate Investment Fund managers to get exposure to stock and deliver higher returns.



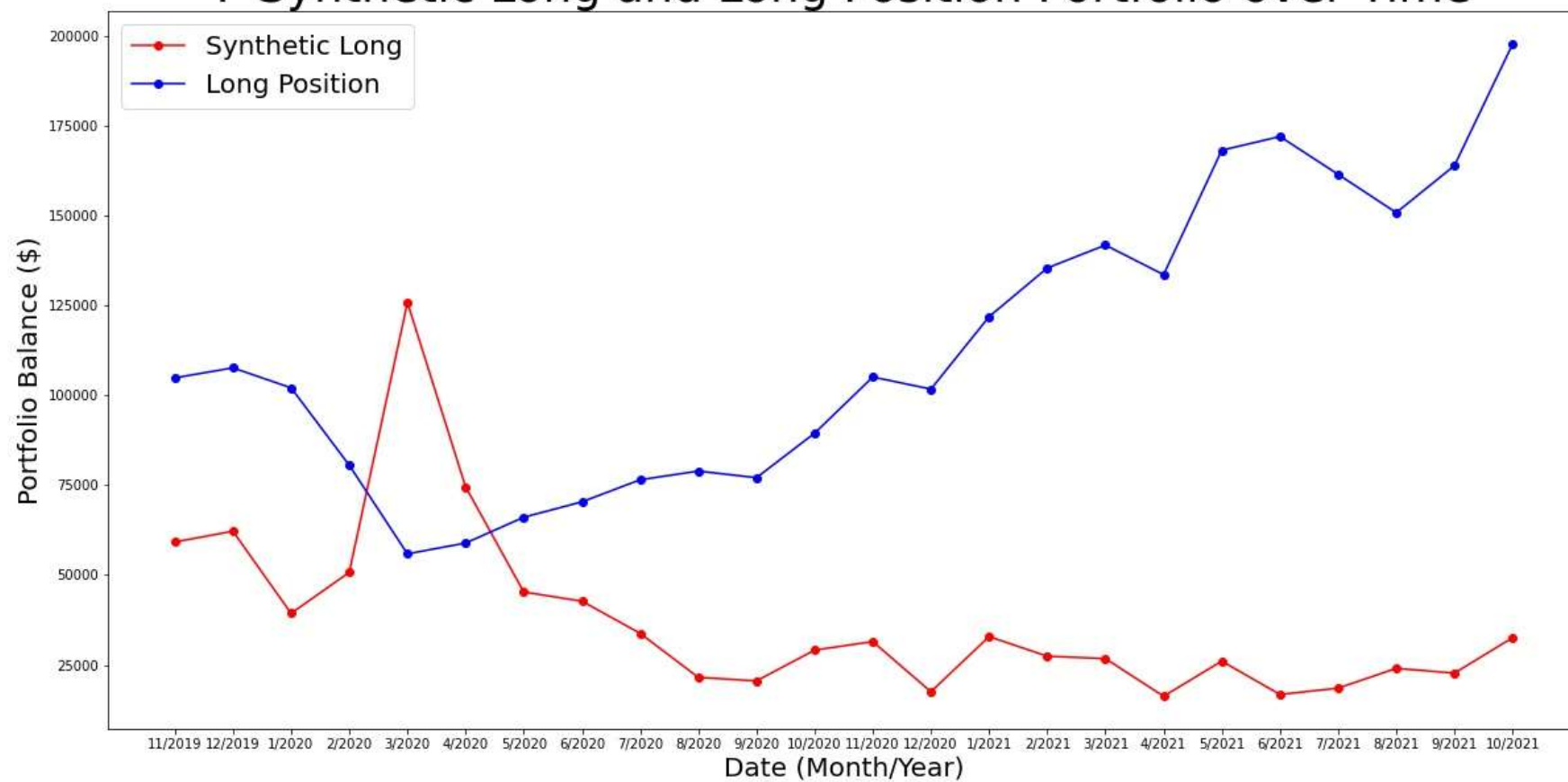
Our Observations: Synthetic Stock



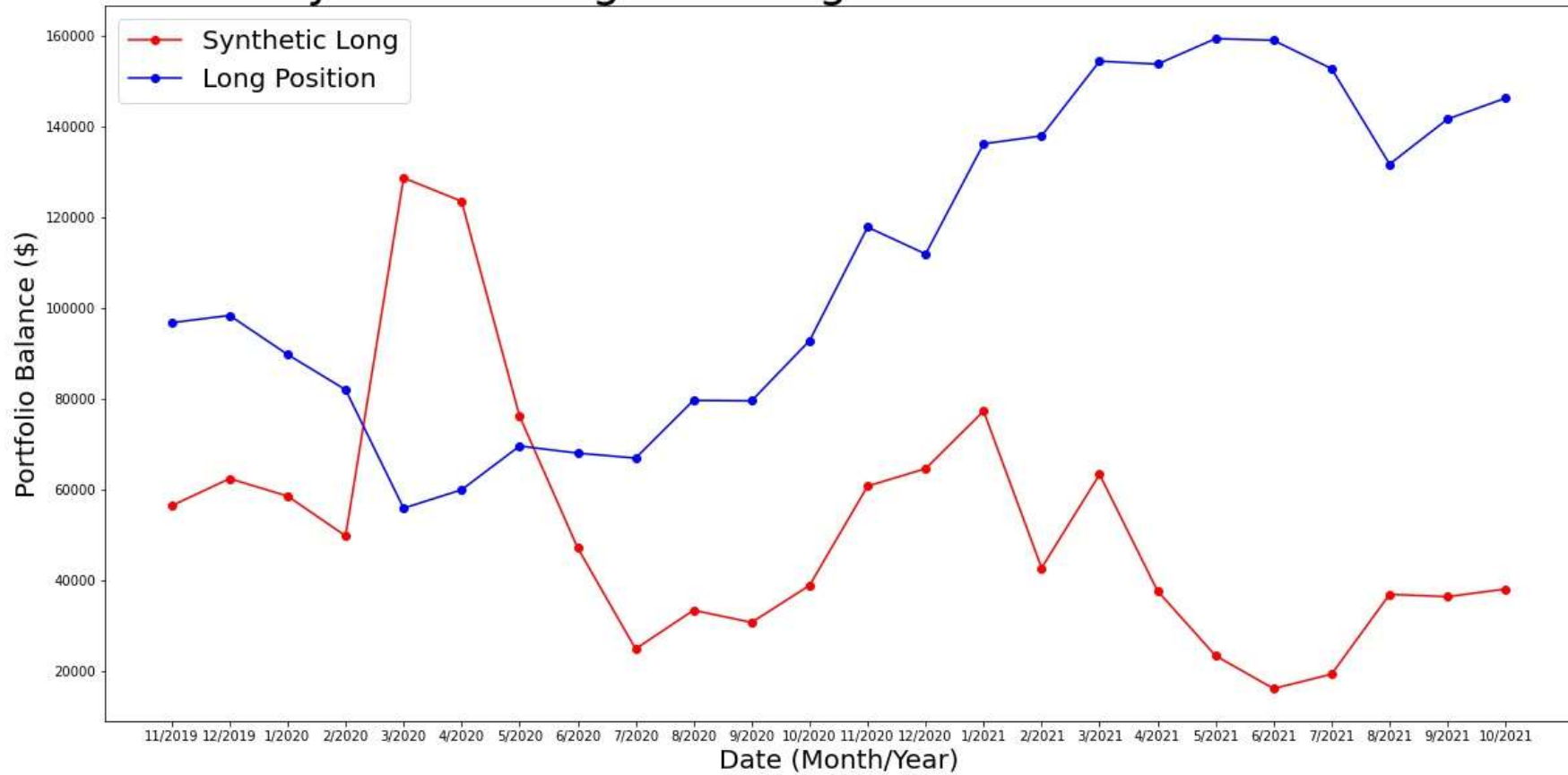
MSFT Synthetic Long and Long Position Portfolio over Time



F Synthetic Long and Long Position Portfolio over Time



GM Synthetic Long and Long Position Portfolio over Time



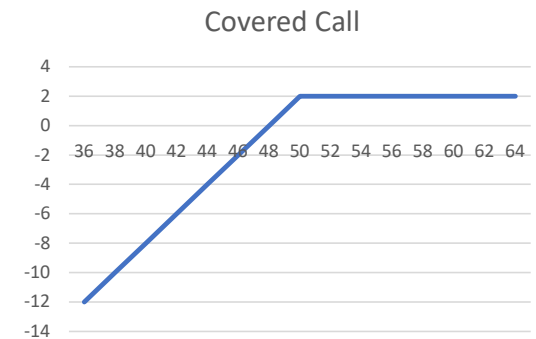
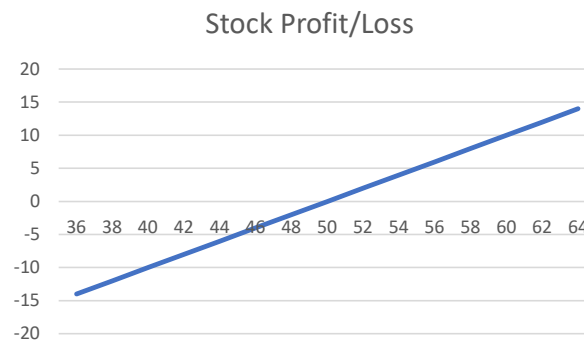
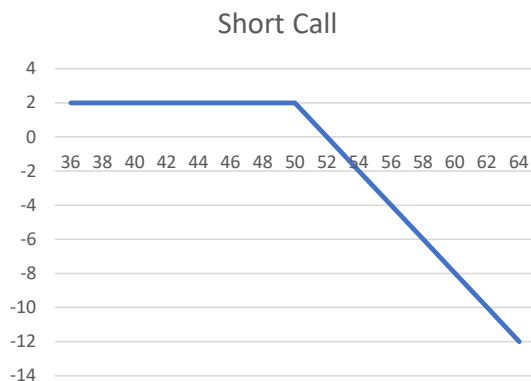
**Sold tons of call
options**



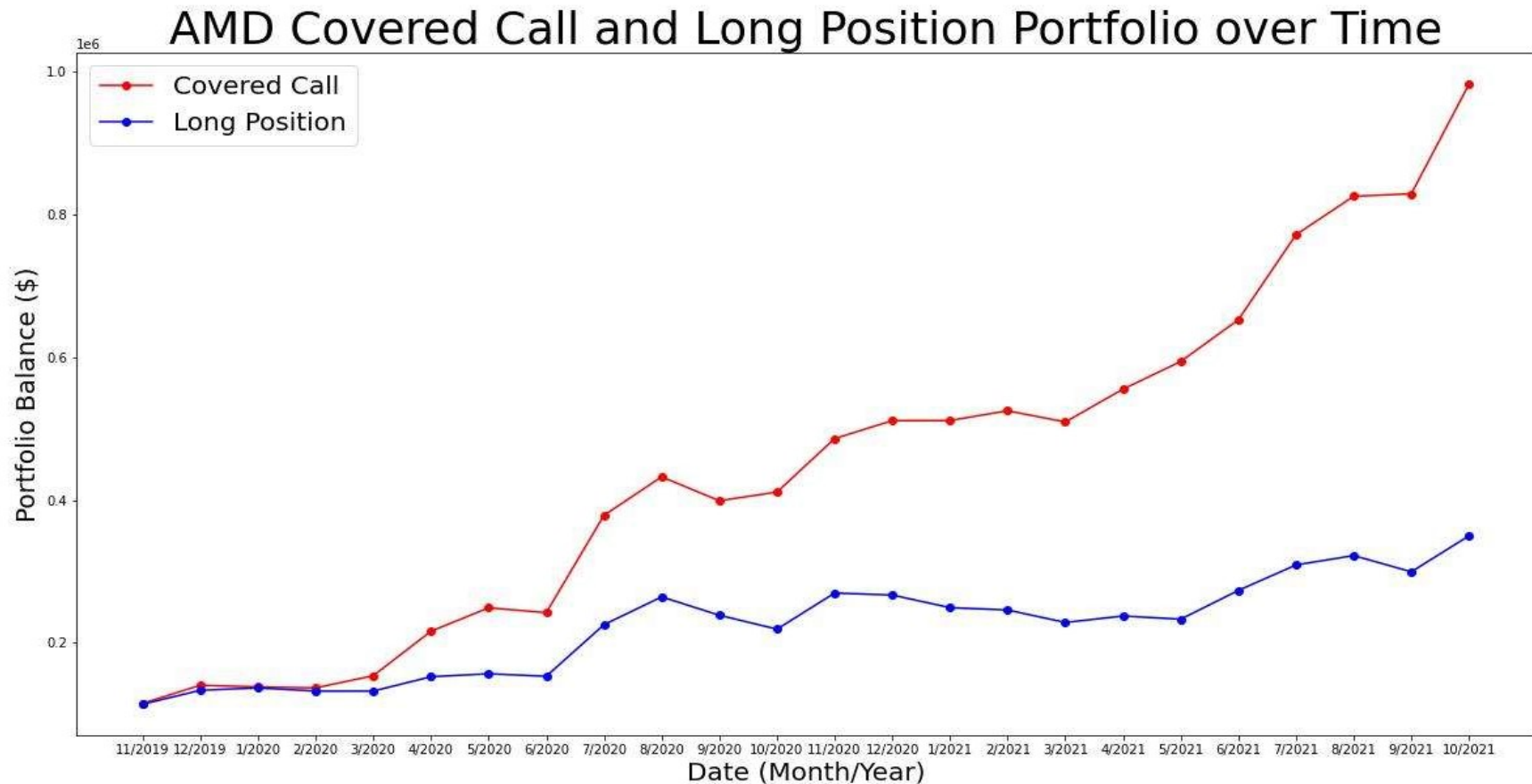
**expired
worthless**

Covered Call

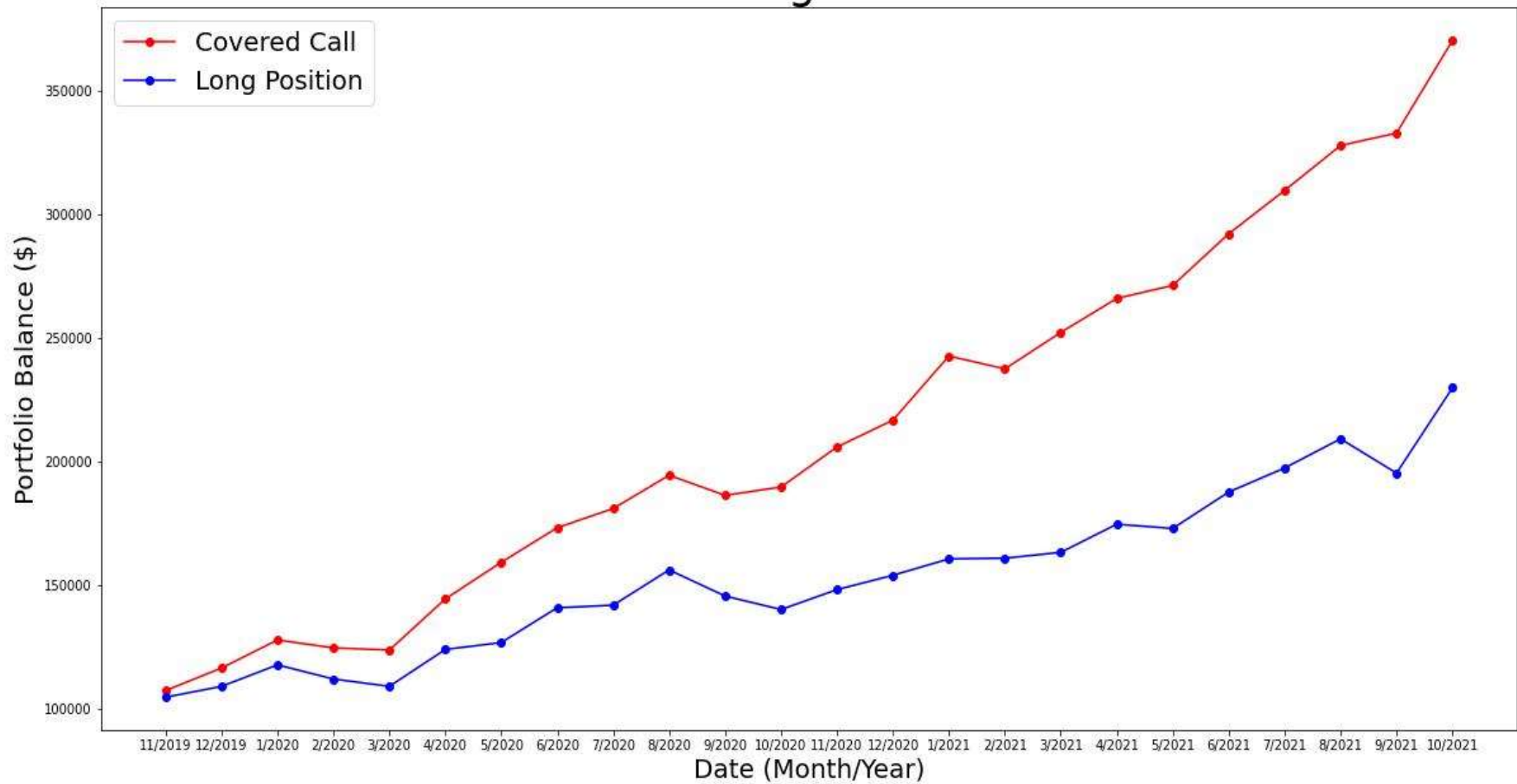
- Helps earn extra income from option premium
- Short ATM Call option and Long the Underlying
- We want the option to expire OTM, in case the option expires ITM and the buyer exercises the option. We can deliver the underlying to the option buyer.



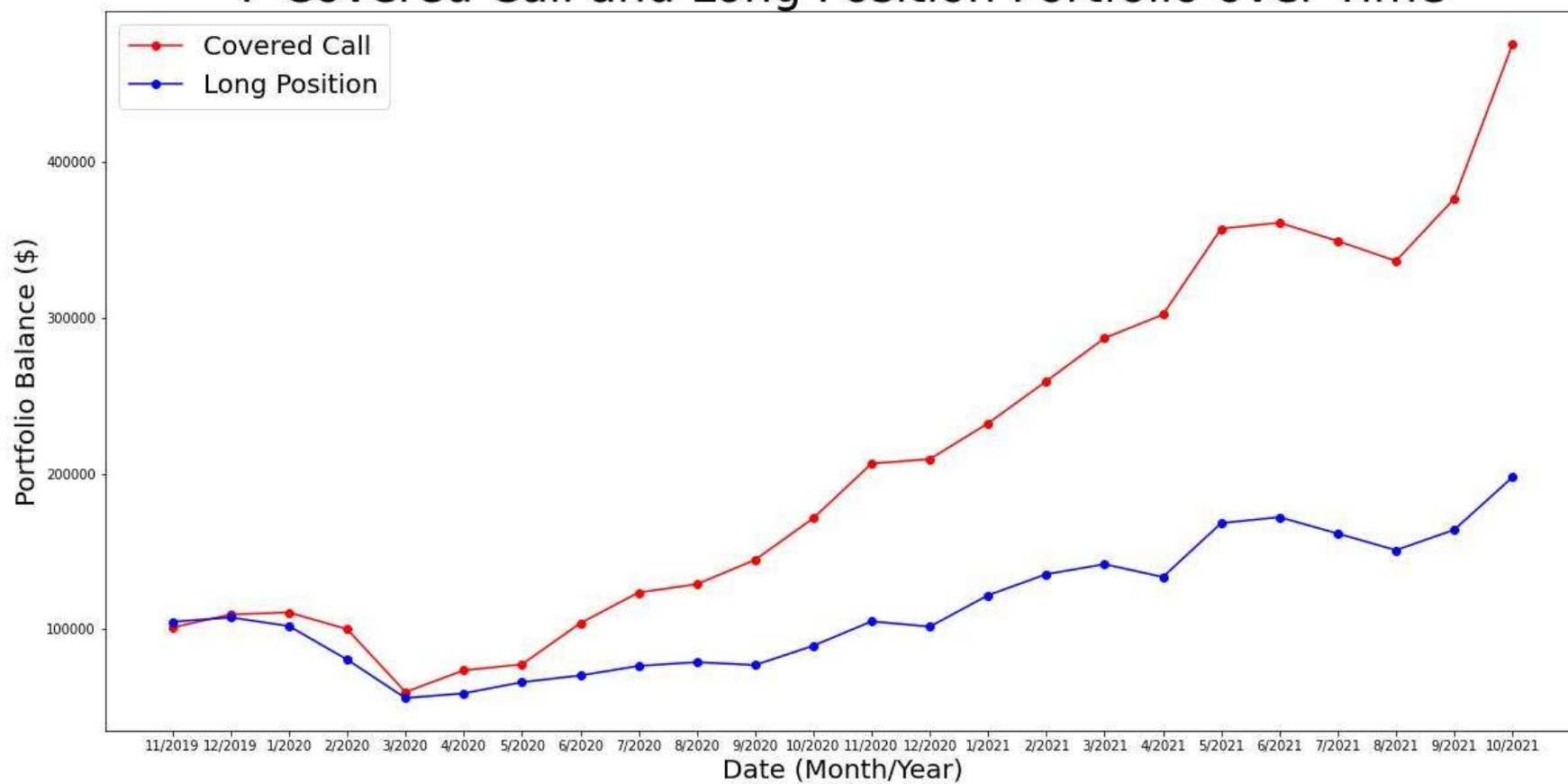
Our Observations: Covered Call



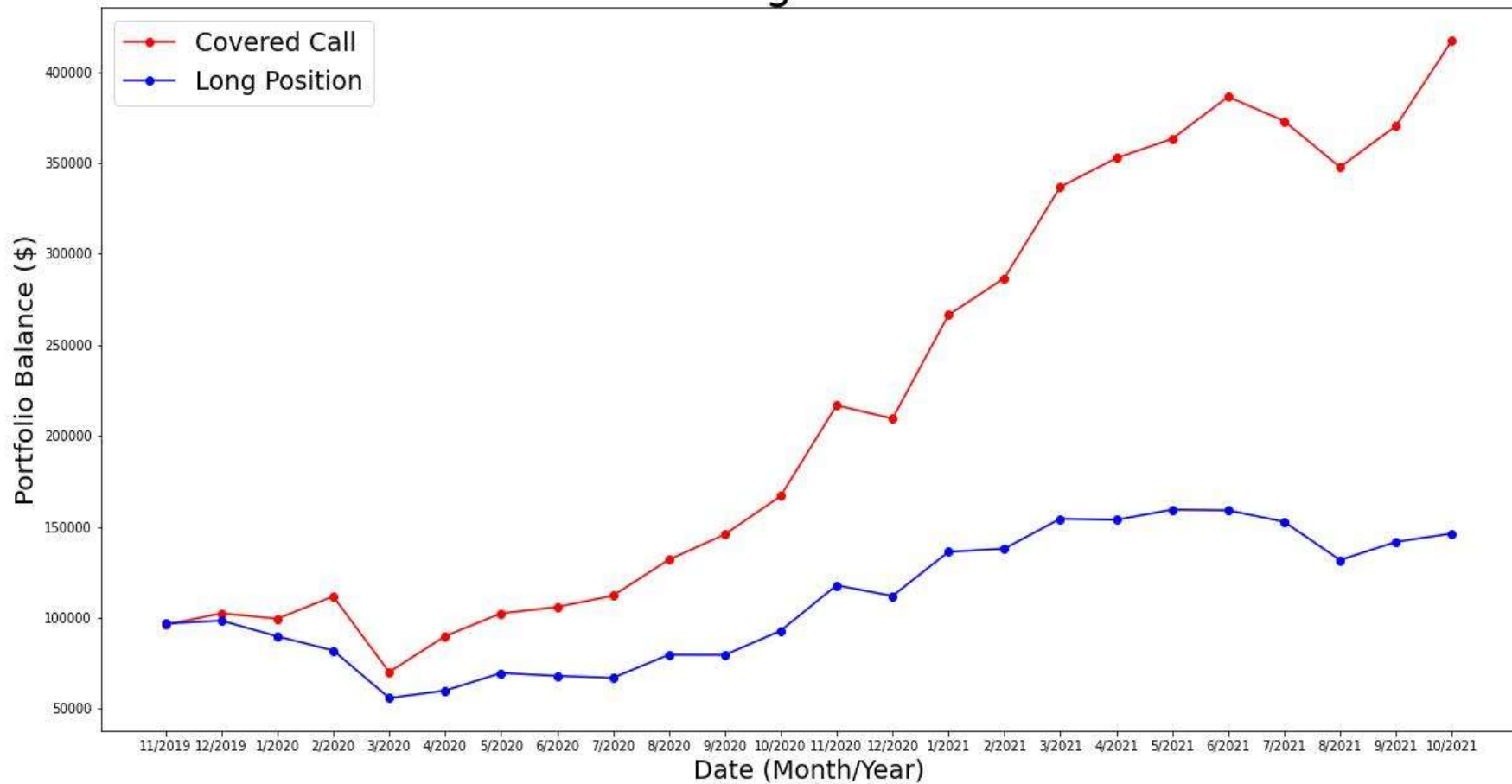
MSFT Covered Call and Long Position Portfolio over Time



F Covered Call and Long Position Portfolio over Time



GM Covered Call and Long Position Portfolio over Time



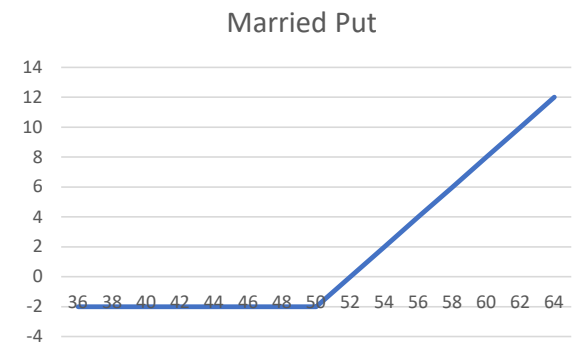
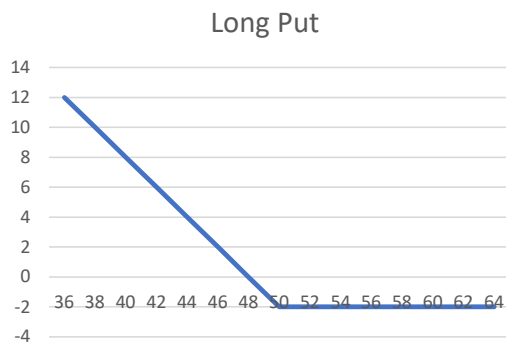
LEARNING OPTIONS TRADING



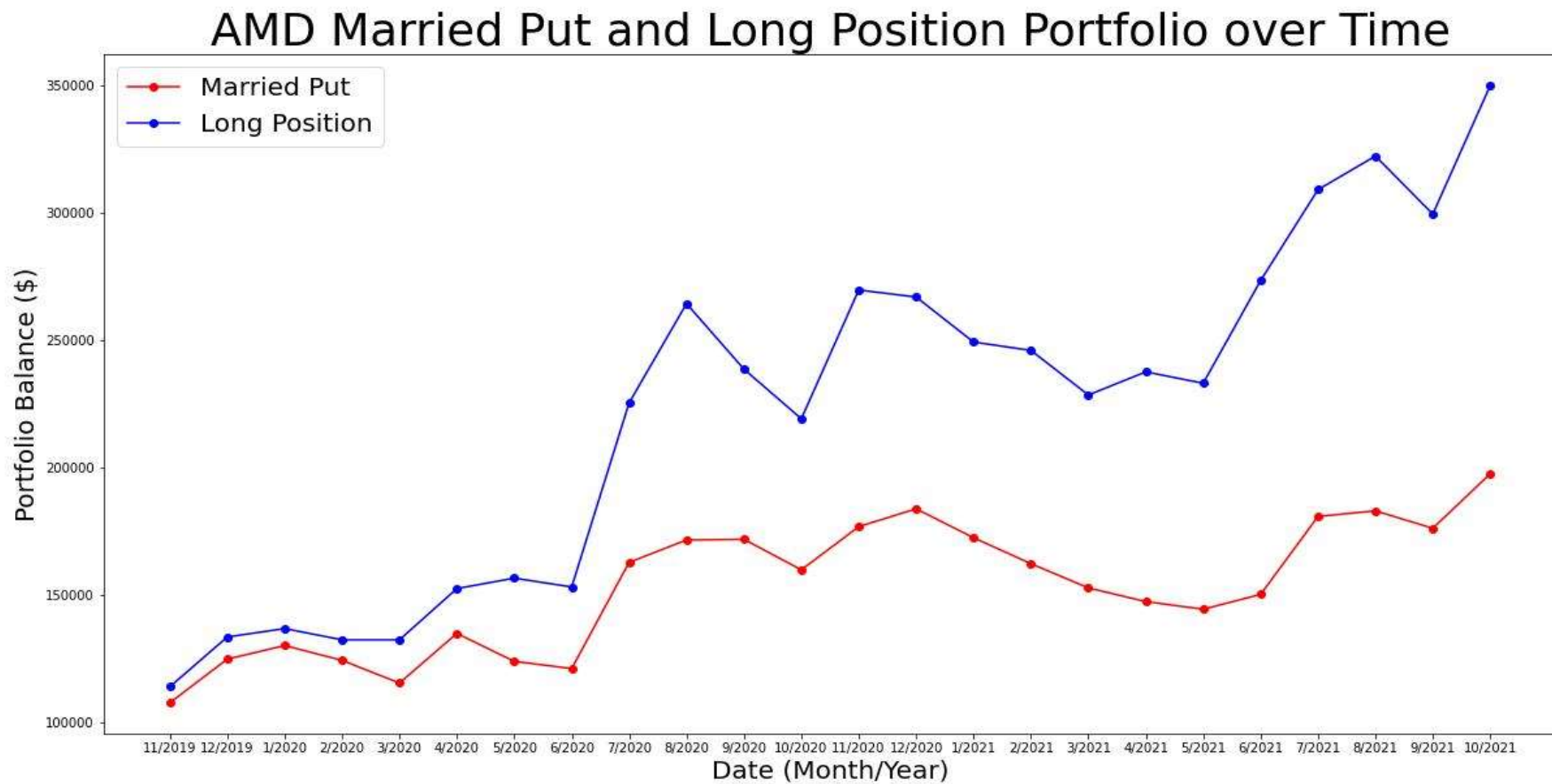
MEANS I CAN MAKE MONEY IN ANY MARKET

Married Put

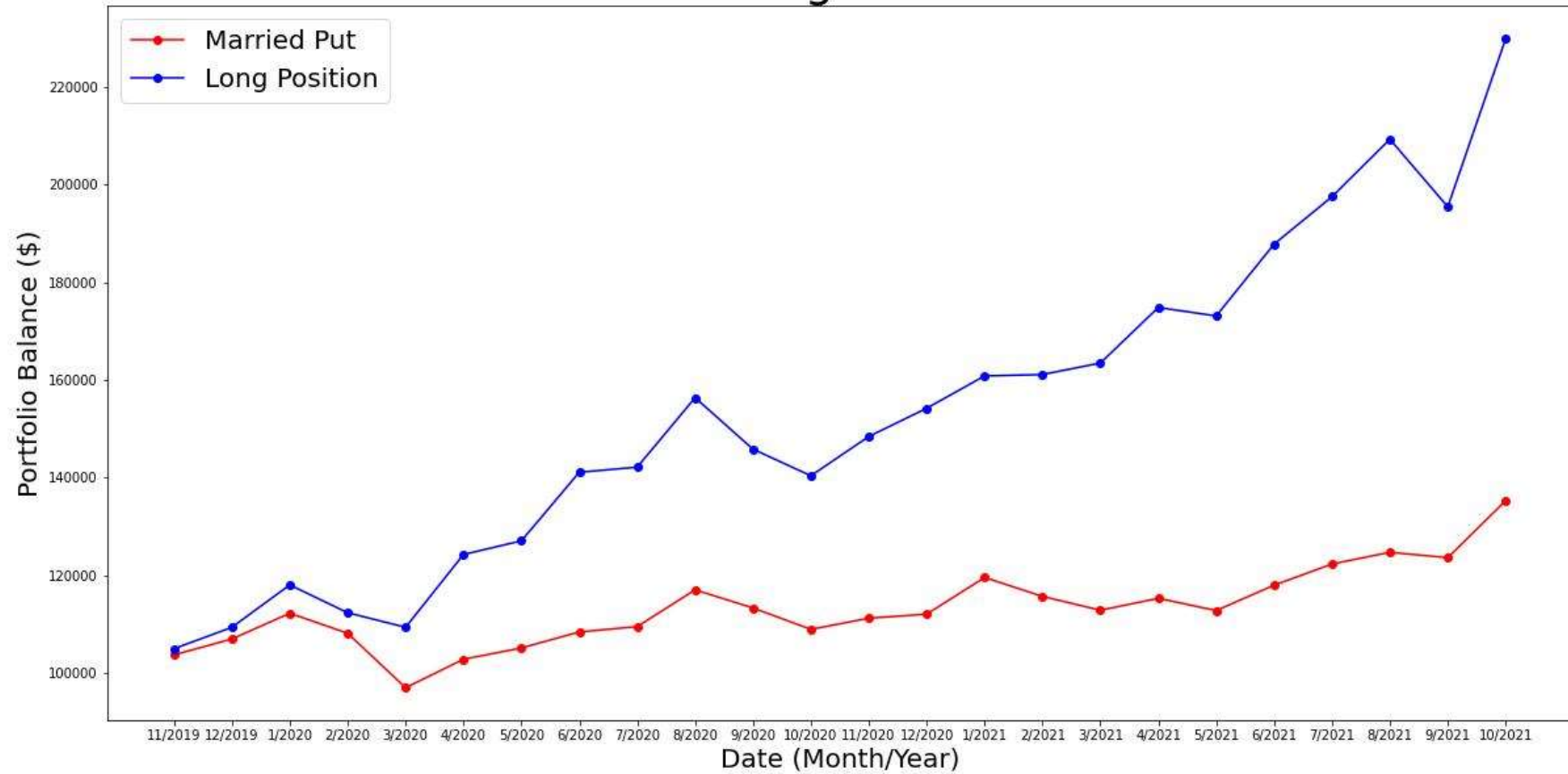
- Could be considered as insurance on the portfolio.
- We are long on stock and to protect ourselves from the down moves in the stock, we buy put option on the underlying.
- Option premium can be considered as the insurance premium on the portfolio
- Helpful in volatile market environment



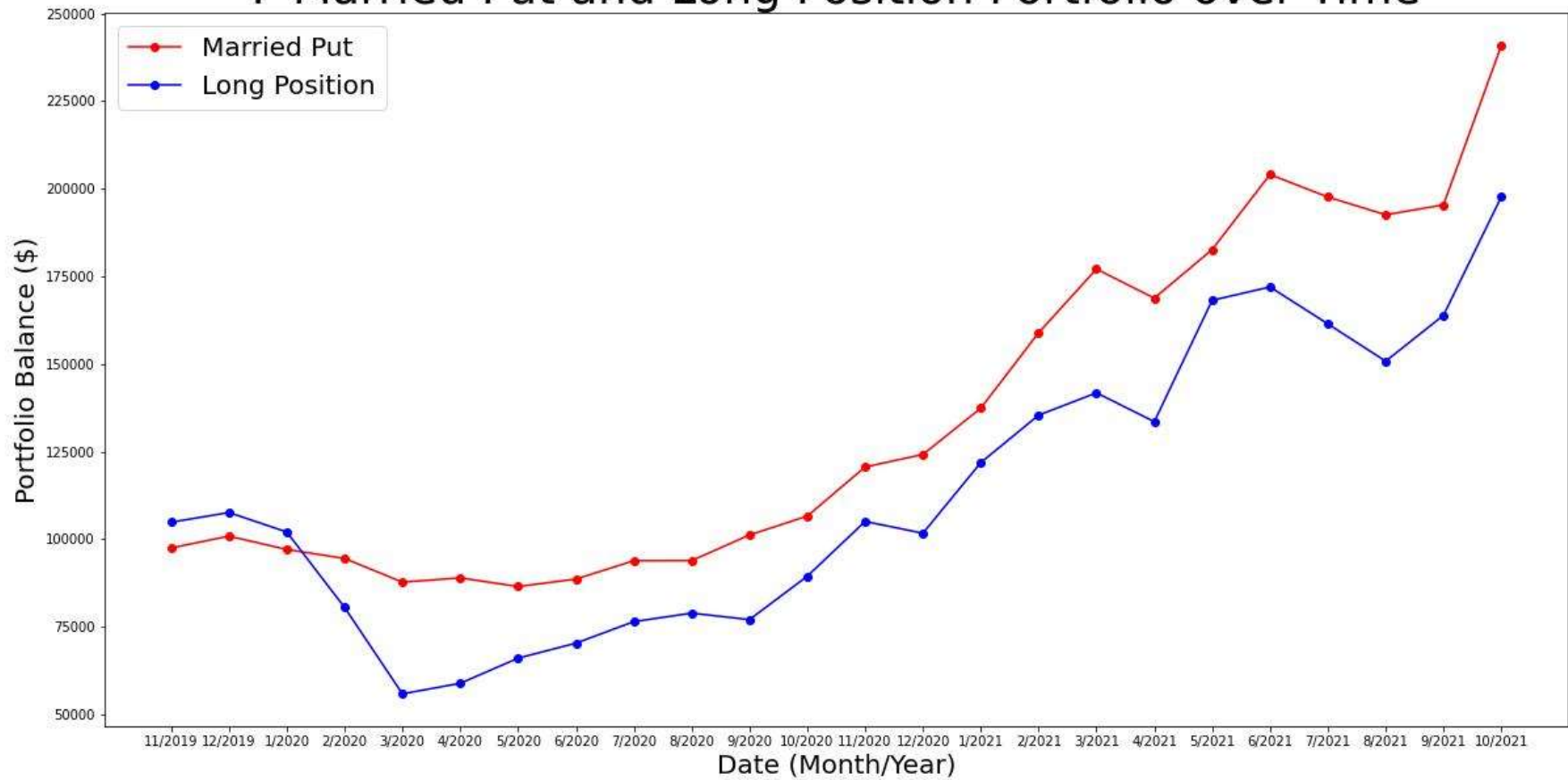
Our Observations: Married Put



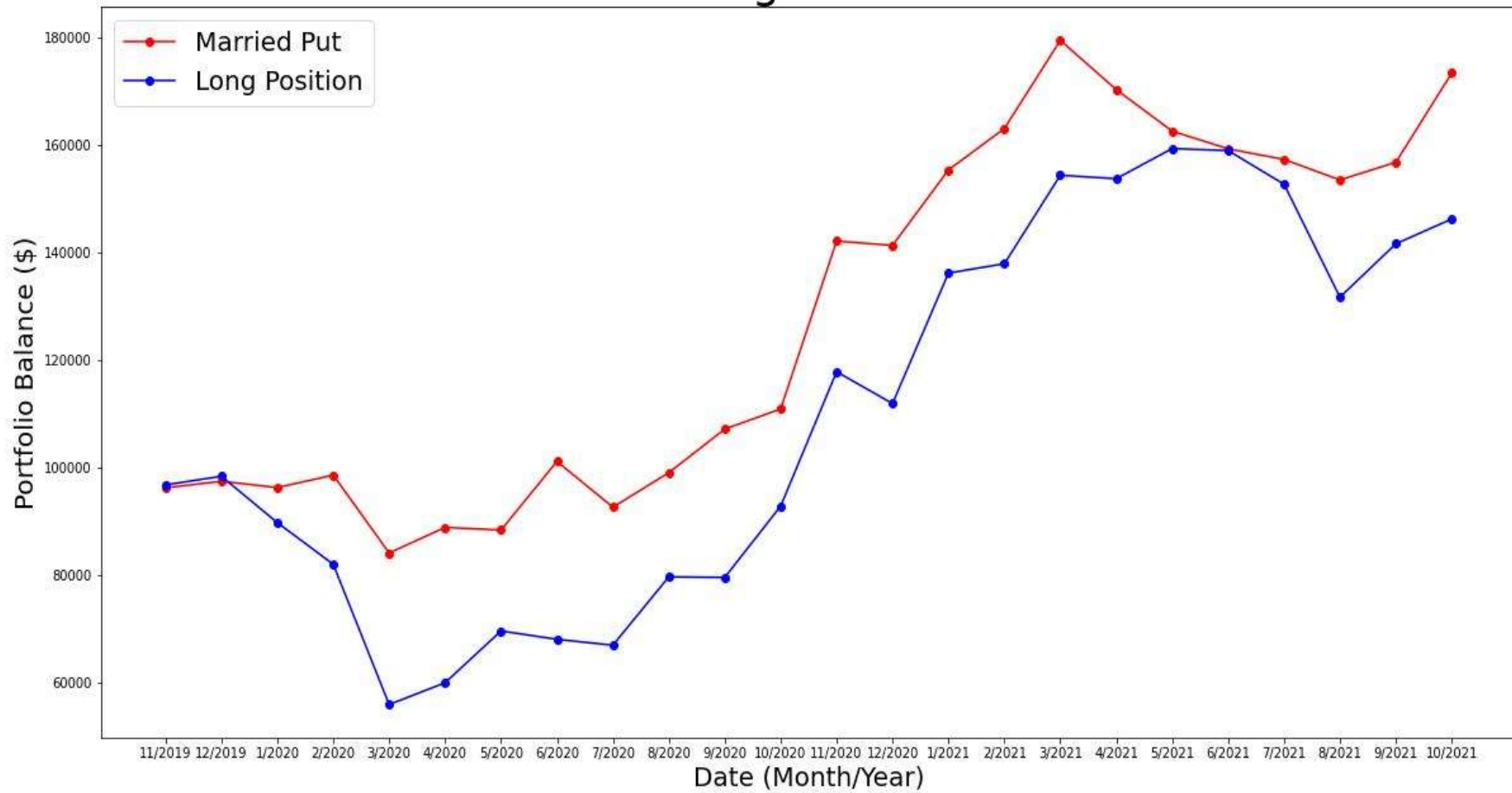
MSFT Married Put and Long Position Portfolio over Time



F Married Put and Long Position Portfolio over Time



GM Married Put and Long Position Portfolio over Time



Questions??