

Title: NFT Dividend- Questions on how it could effect our favorite stock?

Author: DoctorDentures

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Is\_self: True

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Body:

I want to reflect back on a cross-post of ratio's about dividends and the effects they may have.

I am extracting points I read off this article: [<https://tastytradenetwork.squarespace.com/tt/blog/options-and-dividends>](<https://tastytradenetwork.squarespace.com/tt/blog/options-and-dividends>)

\-Dividend Announcements:

- \* Declaration Date: the date details of the dividend (amount and timing) are announced to the public
- \* Record Date: the date an investor needs to own the stock in order to receive the dividend
- \* Ex-Dividend Date: the date investors buying the stock will no longer receive the dividend

At a high level, there are two important themes when talking about options dividend risk. The first relates to the stock price adjustment made in the market when a company pays a dividend.

A stock is adjusted down on the morning of the ex-dividend date by the amount of the dividend. So if stock XYZ is trading \$40 and pays a \$1 dividend with an ex-dividend date of September 1st, that means that all else being equal, stock XYZ will open trading at \$39/share on the morning of September 1st.

This leads me to a question: How would a NFT Dividend effect the stocks price? I can not see how a dividend like this could be reflected in the ex-dividends price.

\-Options dividend risk:

Now imagine that stock XYZ decides to raise or lower their dividend. That means that the expectations built into the pricing of stock XYZ's options may have been miscalculated, and could significantly alter the fair value of these options when the actual dividend amount is announced.

In general, if a dividend is higher than expected, put values will rise and call values will decline. The reverse will be true if a declared dividend is lower than expected.

Short calls may be assigned to pay these dividends. Option prices must reflect on the upcoming adjustment.

Is this why Overstock's token tZero was assigned an USD price?

\-Second Article Extract (actually an answer in a thread): [<https://money.stackexchange.com/questions/13130/what-are-my-risks-of-early-assignment#118713>](<https://money.stackexchange.com/questions/13130/what-are-my-risks-of-early-assignment#118713>)

Speaking of dividends, it's an incorrect statement that ITM calls are exercised **\*\*early\*\*** if the time premium remaining is less than the pending dividend. This was stated in another answer and is often found across the net. If you run the numbers, you'll see that you are just throwing away the time premium and that the arb loses money.

XYZ is \$40 Jan \$35 call is \$5.30 Ex div is tomorrow for 50 cts

Buy call, exercise to buy stock, sell stock after ex-div

\*  $\$35.00 - \$5.30 + \$39.50 + \$0.50 = - 20 \text{ cts (loser)}$

This assumes that you can sell the stock on ex-div morning for the adjusted close.

It is true that a dividend arbitrage is available when the time premium of an ITM put is less than the amount of the dividend. For example:

XYZ is \$40 Jan \$45 put is \$5.30 Ex div is tomorrow for 50 cts

Buy stock/buy put, exercise after ex-div

\*  $\$40.00 - \$5.30 + \$45.00 + \$0.50 = + 20 \text{ cents}$

\-So dividends can encourage investors to exercise their options early.

\- Dividends can create an arbitrage.

\-Would a NFT dividend prevent an opportunity of arbitrage with married puts?