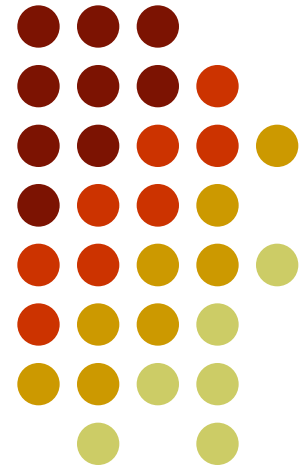


Strategies with Options

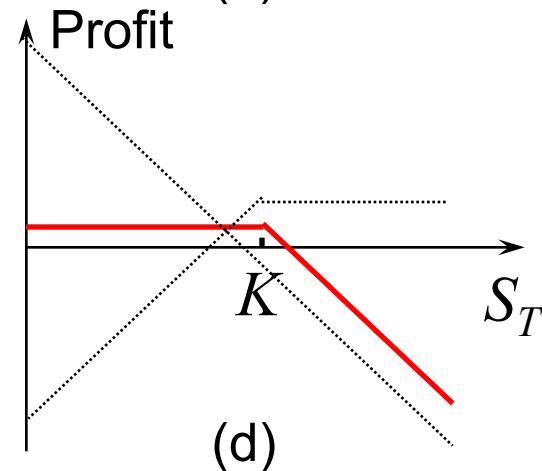
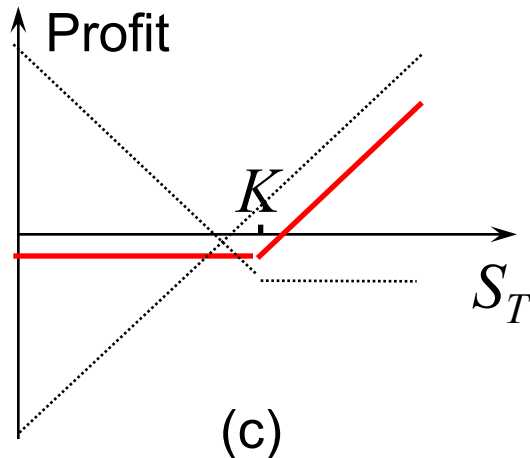
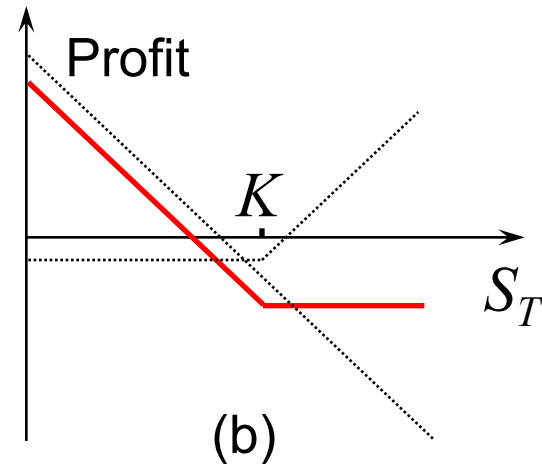
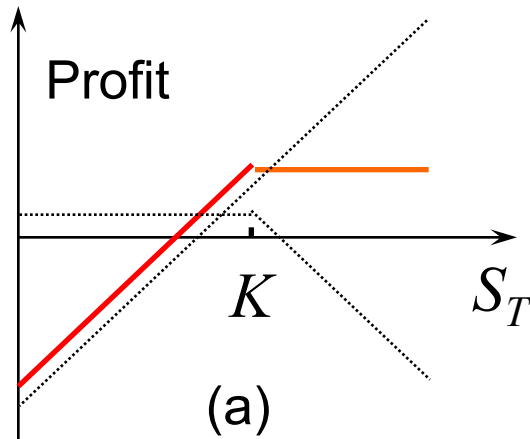




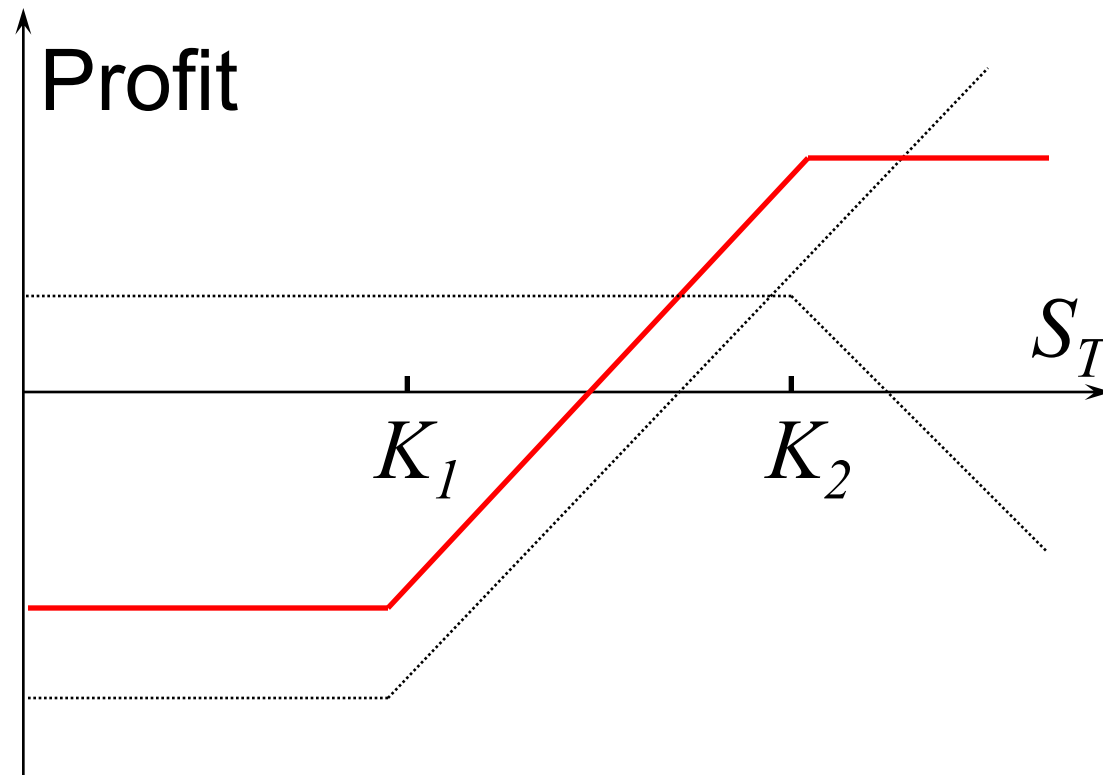
Strategies to be Considered

- Bond plus option to create principal protected note
- Stock plus option
- Two or more options of the same type (a spread)
- Two or more options of different types (a combination)

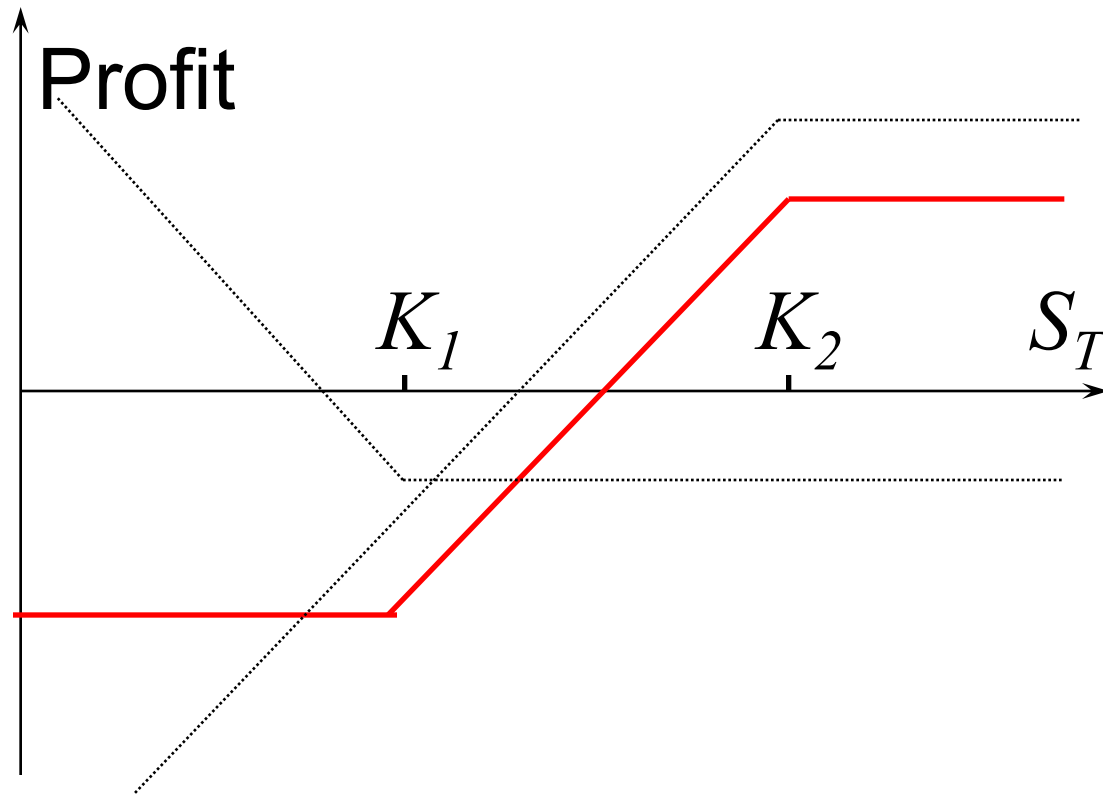
Positions in an Option & the Underlying



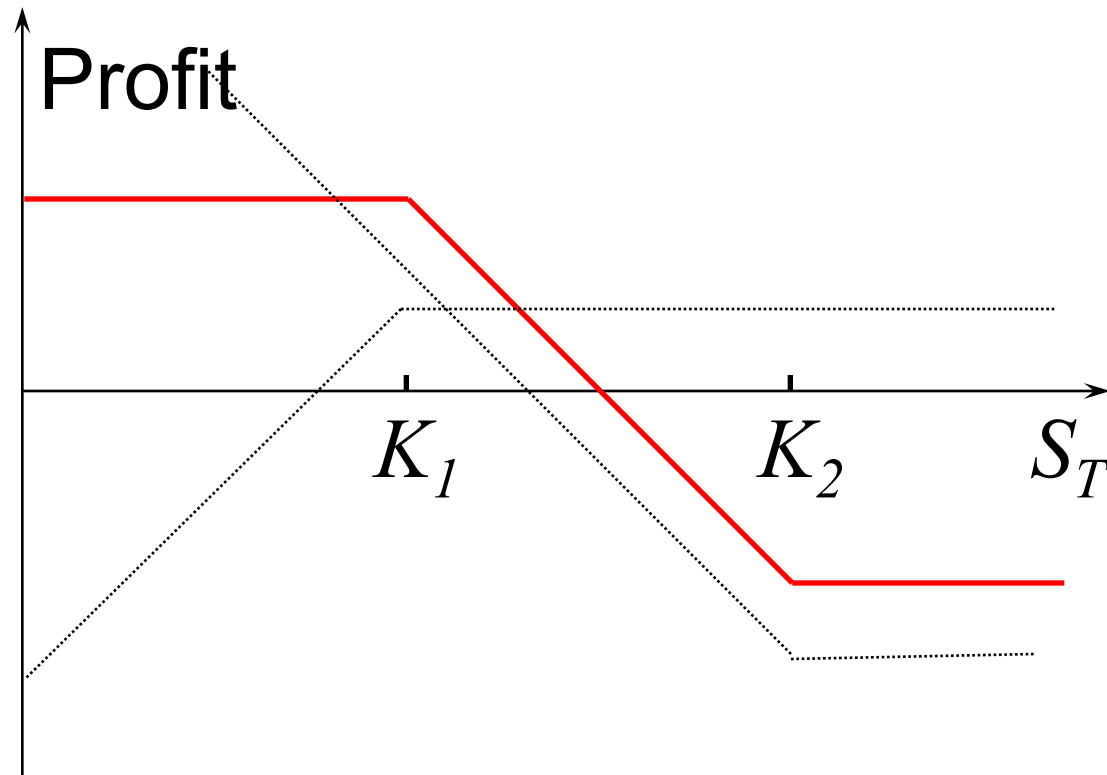
Bull Spread Using Calls



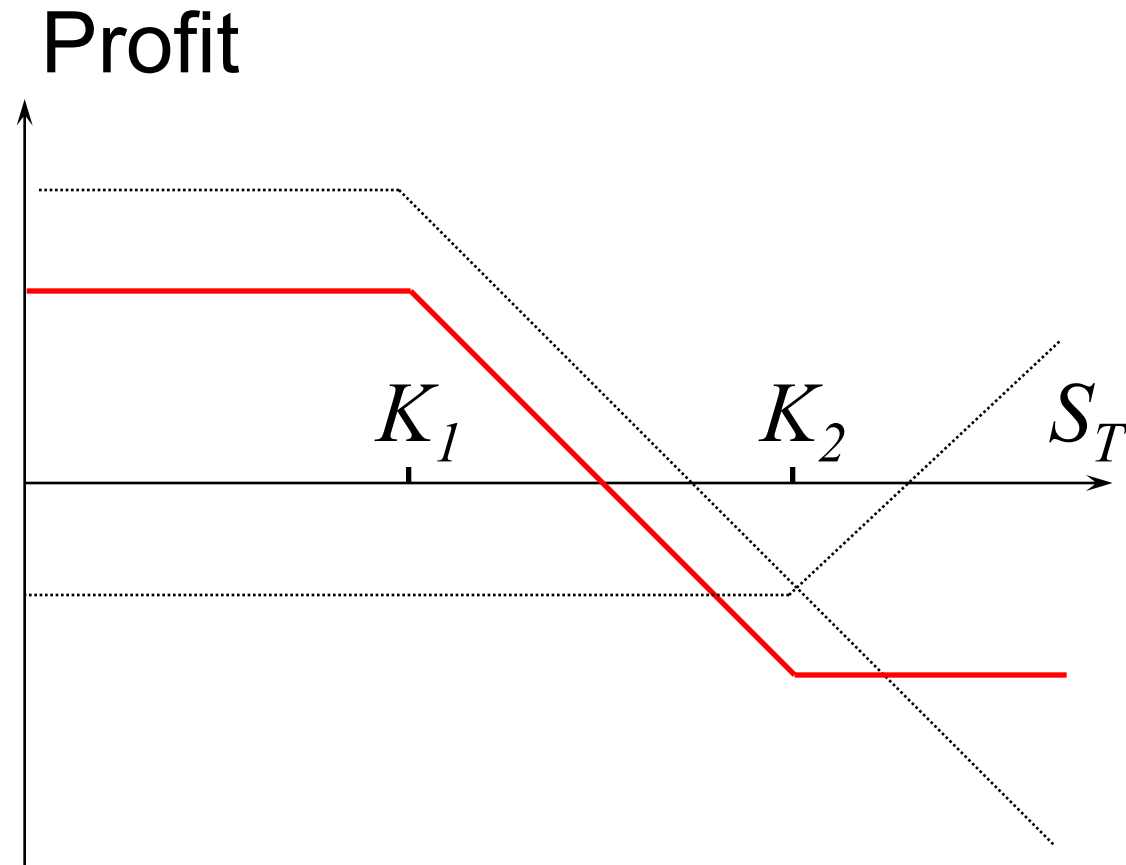
Bull Spread Using Puts



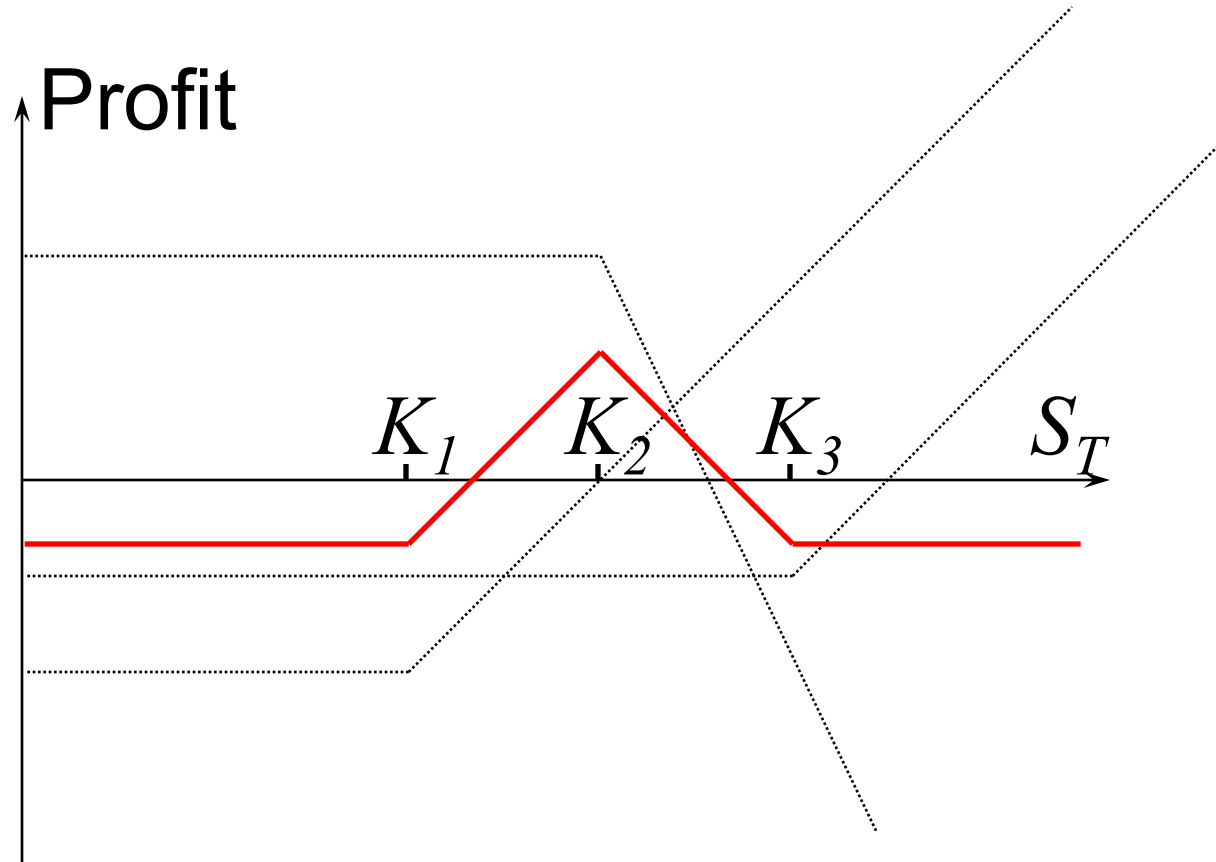
Bear Spread Using Puts



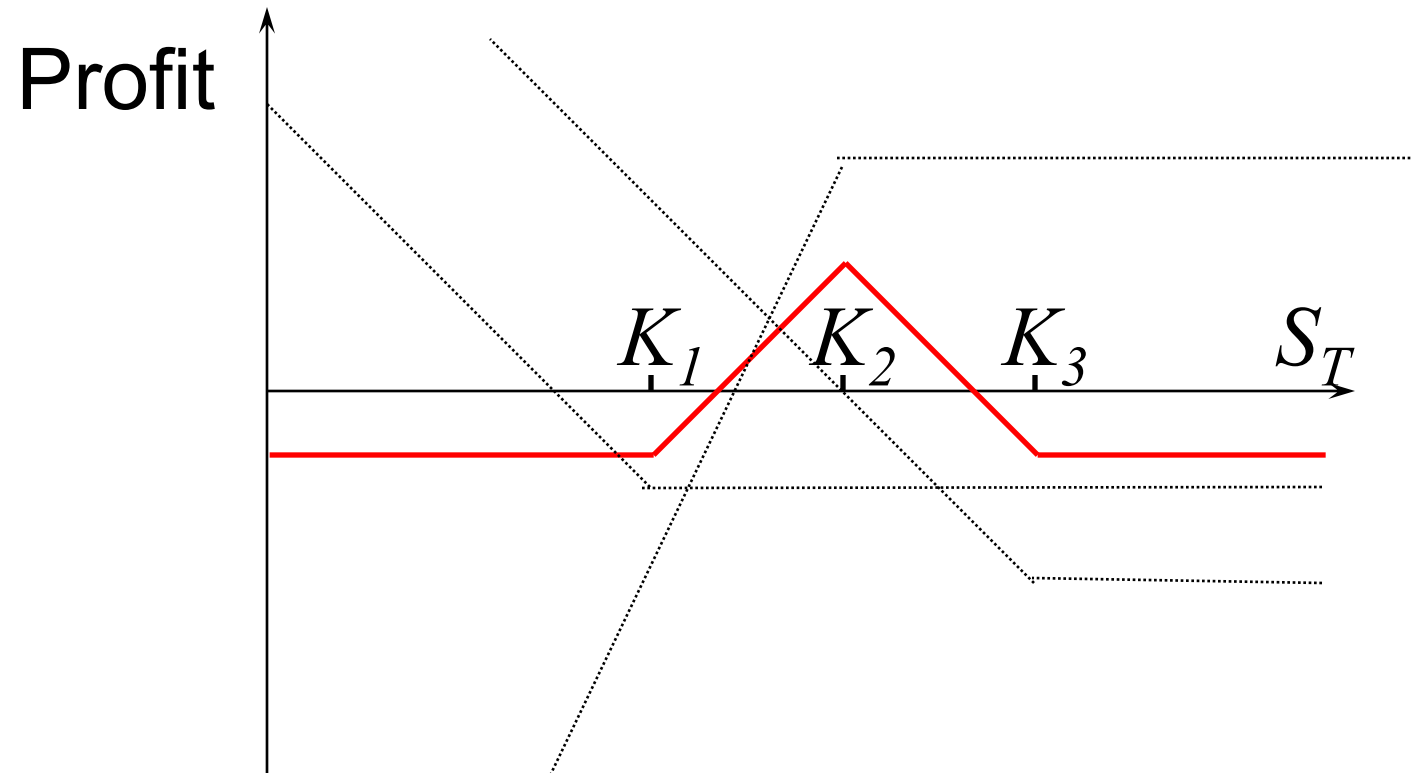
Bear Spread Using Calls



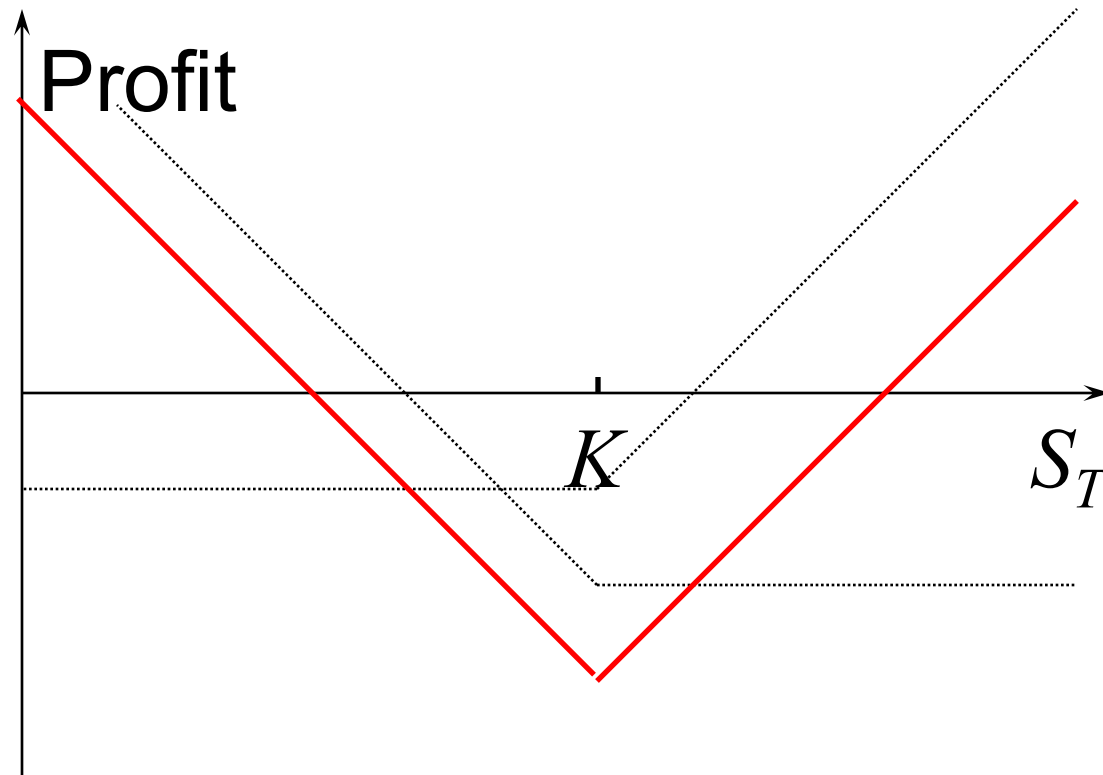
Butterfly Spread Using Calls



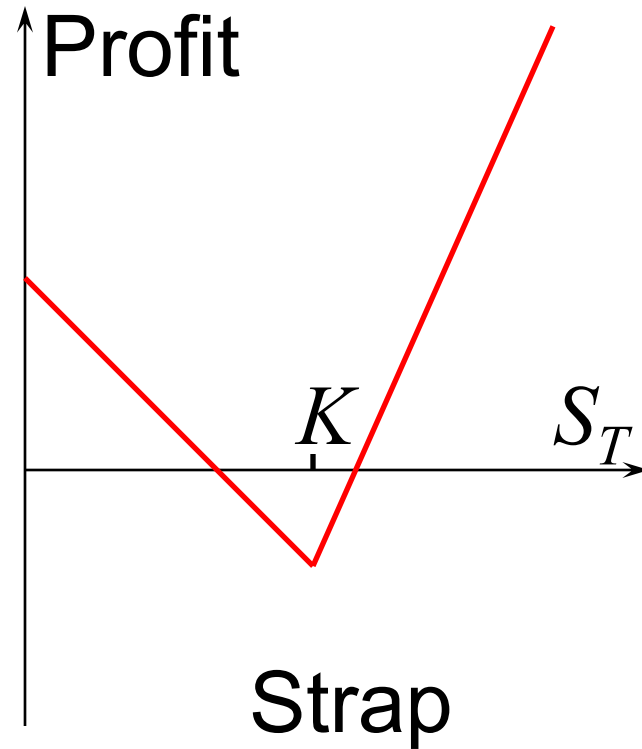
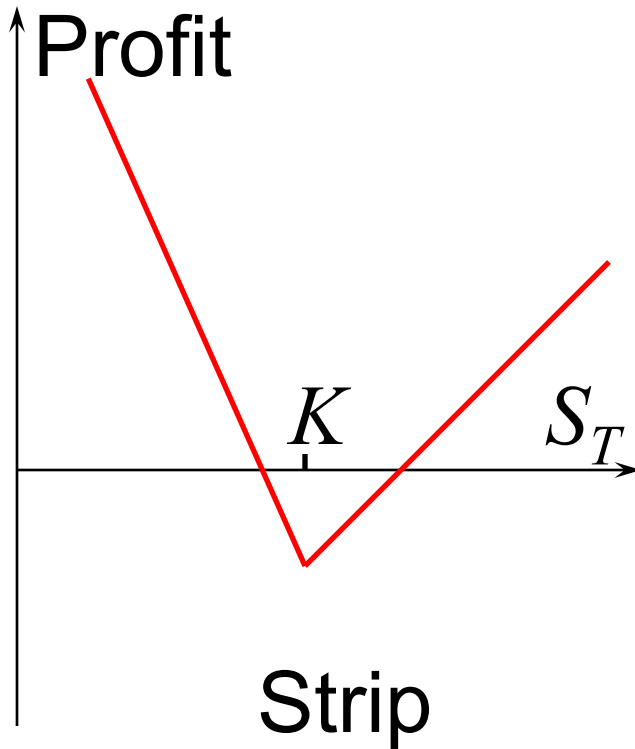
Butterfly Spread Using Puts



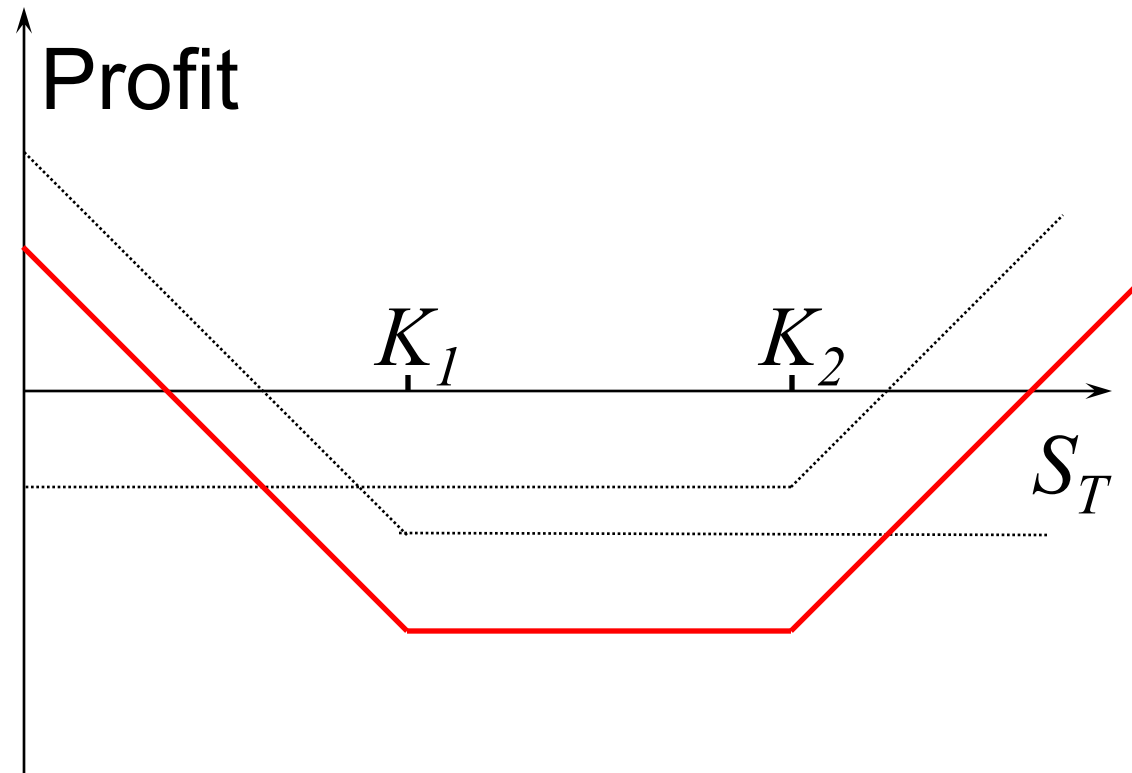
A Straddle Combination



Strip & Strap



A Strangle Combination





Other Payoff Patterns

- When the strike prices are close together a butterfly spread provides a payoff consisting of a small “spike”
- If options with all strike prices were available any payoff pattern could (at least approximately) be created by combining the spikes obtained from different butterfly spreads