Contents

Profit and loss of the Ratio Put Spread

Figure 1. AEX chart from February 08, 2010, to June 30, 2011

Figure 2. Ratio Put Spread

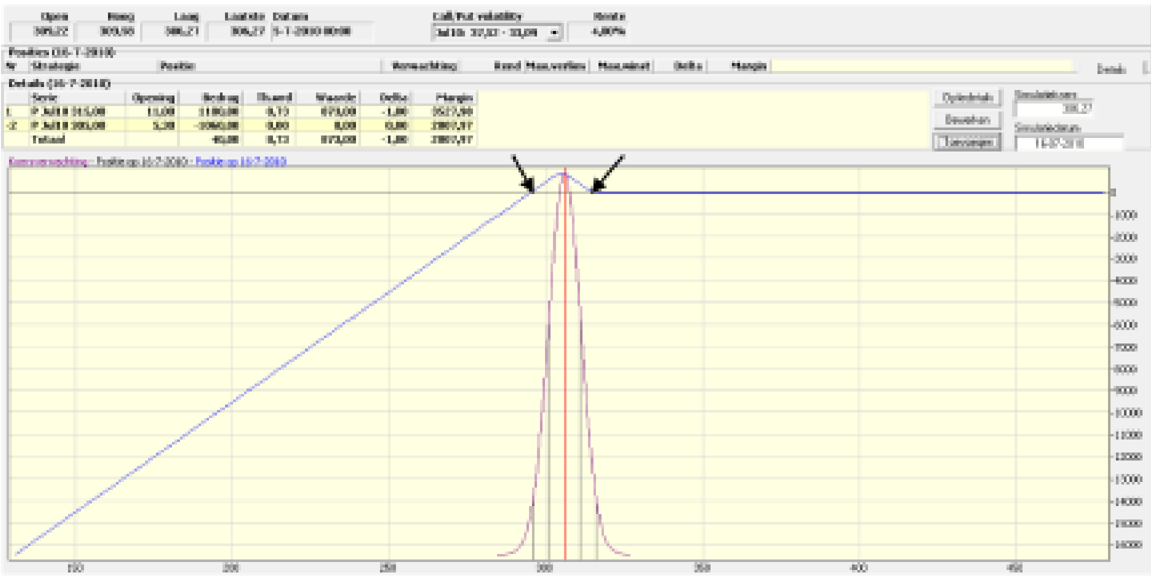


Figure 1 shows a time of the AEX, and Figure 2 shows a Ratio Put Spread, where losses can be significant. Timely exit when the price moves in the wrong direction (falls) is essential.

The Ratio Put Spread consists of one in-the-money long put option and two at-the-money short put options. You pay for the long put option and receive a premium for the short put options.

The strategy is as follows:

Date = 05-07-2010 price 306.27

Buy open ITM Put Long Jul10 315 costs €11.00 €11.00
Sell open ATM Put Short Jul10 305 yields €5.30 x 2 = €10.60 -
Total investment = € 0.40 x 100 = €40.00

Date = 17-09-2010 price = 334.54

Sell open C Oct10 320	€18.50	Buy open C Oct10 330	€10.45
Sell open C Oct10 350	€ 1.65 +	Buy open C Oct10 340	€ 4.95 +
Total premium received =	€20.15	premium paid =	€15.40

Premium received – premium paid = €20.15 – 15.40 = €4.75 x 100 = €475.00.

Figure 67. Details Short Condor Spread September 17, 2010

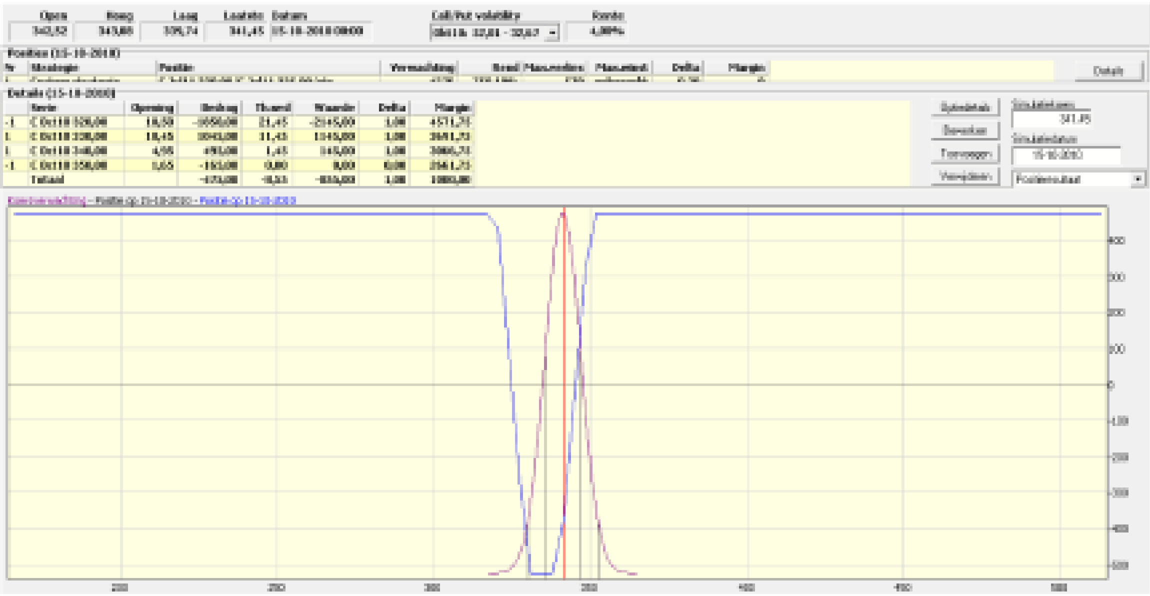
Simulatie

Simulatiedatum 15-10-2010

Simulatiekoers 334,54

Order	Aantal	Serie	Koers	Kosten	Saldo	Resultaat
Open verkoop	1	C Oct10 320,00	18,50	0,00	1850,00	
Open koop	1	C Oct10 330,00	10,45	0,00	-1045,00	
Open koop	1	C Oct10 340,00	4,95	0,00	-495,00	
Open verkoop	1	C Oct10 350,00	1,65	0,00	165,00	
Vereiste margin					-1000,00	
Totaal opening				0,00	-525,00	
Sluitingskoop	1	C Oct10 320,00	14,54	0,00	-1454,00	+396,00
Sluitingsverkoop	1	C Oct10 330,00	4,54	0,00	454,00	-591,00
Sluitingsverkoop	1	C Oct10 340,00	0,00	0,00	0,00	-495,00
Sluitingskoop	1	C Oct10 350,00	0,00	0,00	0,00	+165,00
Vrijgevallen margin					1000,00	
Totaal sluiting				0,00	0,00	-525,00
Totaal				0,00	-525,00	-100,00%

Figure 68. Short Condor Spread Chart October 15, 2011



Minimal price increase, so sideways.

This Short Condor Spread is a credit spread, meaning you receive money to enter into this strategy.

The investment for this strategy is the difference in points between the ITM C Short Oct10 320 and the ATM C Long Oct10 330 - the premium received = 10,00 points - €4.75 = €5.25.
€5.25 x 100 = €525.00 is the investment for the Short Condor Spread, but you don't pay it. If the price closes at the same price as when you entered this position, you pay €525.00.