

Contents

Options and Option Strategies	7
Profit and Loss of the Ratio Put Spread	9
Profit and Loss of the Ratio Call Spread	13
Construction of the Butterfly Spread	17
Butterfly Spread with Call and Put opties	23
Construction of the Sandwich Bull & Bear Spread	27
Construction of the Straddle Spread	31
Construction of the Strap Spread	39
Construction of the Strip Spread	43
Construction of the Strangle Spread	47
Explanen of the Construction of the Short Condor Spread 17-09-2010	59
Construction of the Pyramid Bull & Bear Spread	63
Construction of the Camel Bull & Bear Spread	67
Construction of the Dromedary Bull & Bear spread	71
Calculation option strategies with examples	75
Source reference	Fout! Bladwijzer niet gedefinieerd.
Statements from high-ranking figures and price movements in the AEX index	90

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

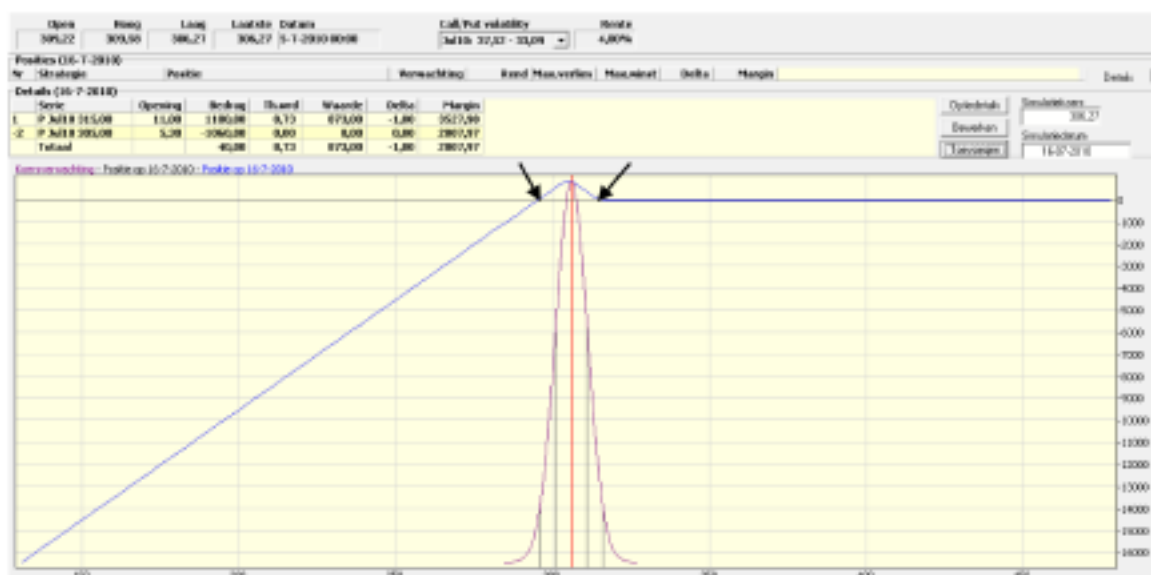


Figure 1 shows a time of the AEX, and Figure 2 shows a Ratio Put Spread, where losses can be significant. Timely exit when the price moves in the wrong direction (falls) is essential.

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.