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United Ethos Wealth Partners

Hedging and Speculative Strategies Using ASX/S&P 200 Index Options

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Hedging And Speculative Strategies Using S&P/ASX 200 Index Options

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Outline

- S&P/ASX 200 Index
- Hedging Transactions
- Speculative Trades
- Questions / Contact

S&P/ASX 200 Index

- Index reflects the performance of 200 of the largest firms in Australia
- The composition of the index covers about 80% of the capitalization of stocks listed on the ASX
- Ticker symbol is XJO



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S&P/ASX 200 Index Options

- XJO Index Options have a multiplier of A\$10
- They are European style – only exercised at expiration – no concerns for early exercise
- Cash settled – no worry about taking physical delivery
- Weekly and Monthly expirations available with standard expiration on the 3rd Thursday



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Hedging

- Index options are one of the best risk control tools for equity portfolio managers
- Protecting a portfolio may be as easy as purchasing a put
- There are other strategies that lower the cost of protection, but may also sacrifice some upside performance

Hedging Trade #1

Long Put

6 March - XJO at 7340

Buy XJO 16 Mar 7200 Put @ 25.00

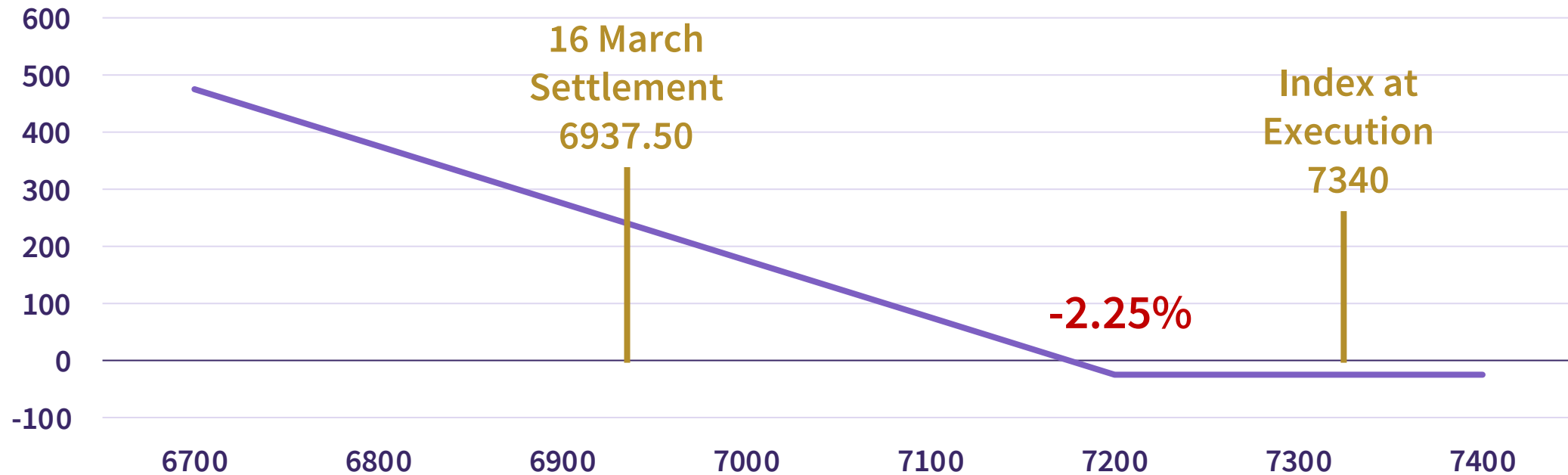
Premium As A % Of Index = 0.34%



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Hedging Trade #1

Long S&P/ASX 200 16 Mar 7200 Put



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Hedging Trade #2

Long Put

6 March - XJO at 7330

Buy XJO 16 Mar 7100 Put @ 10.00

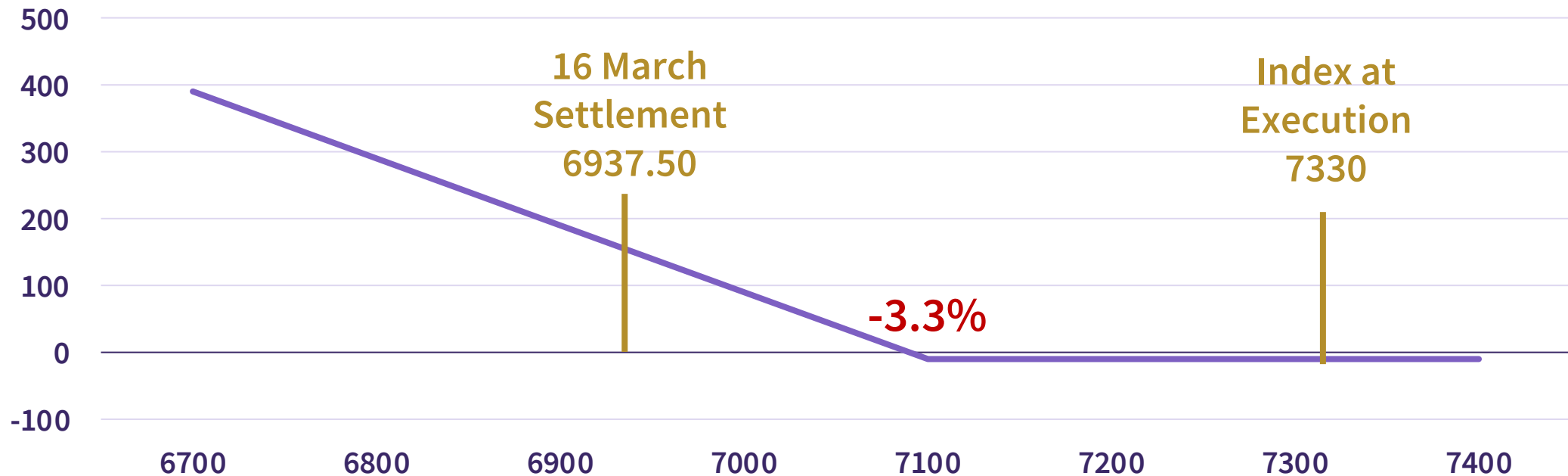
Premium As A % Of Index = 0.14%



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Hedging Trade #2

Long S&P/ASX 200 16 Mar 7100 Put



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Hedging Trade #3

Collar

5 April - XJO at 7235

Buy XJO 18 May 7000 Put @ 55.60

Sell XJO 18 May 7425 Call @ 44.00

Net Cost = 11.60 Per Collar

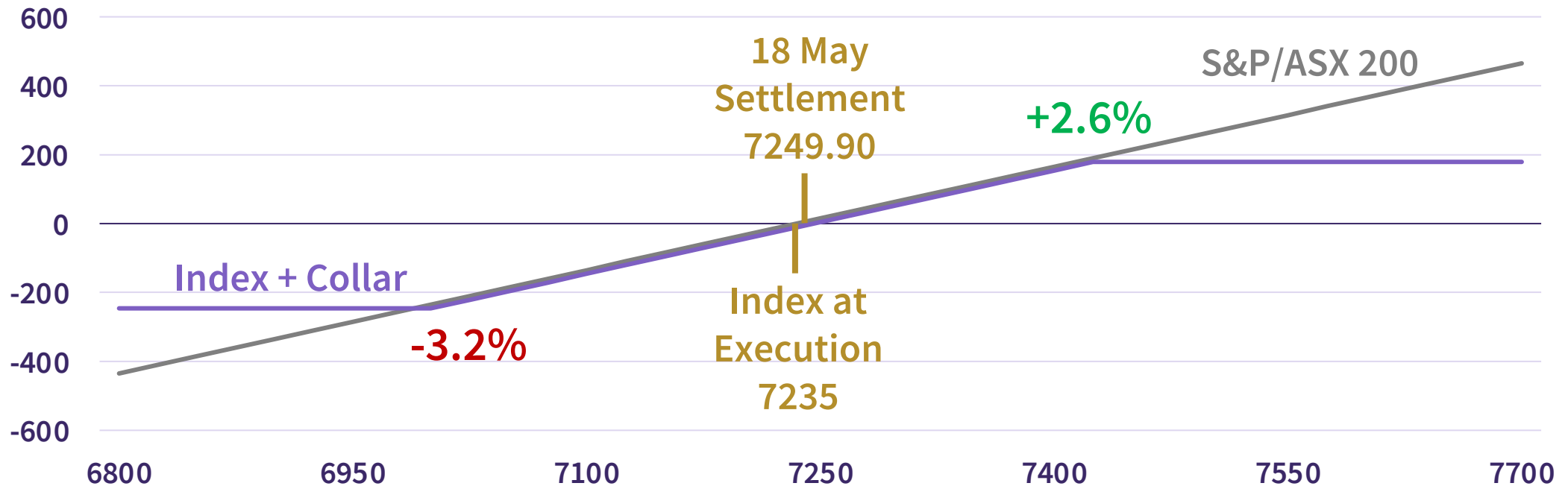
Premium As A % Of Index = 0.16%



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Hedging Trade #3

Long S&P/ASX 200 + 18 May 7000 / 7425 Collar



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Hedging Trade #4

Collar

14 April - XJO at 7345

Buy XJO 18 May 7125 Put @ 44.00

Sell XJO 18 May 7525 Call @ 32.00

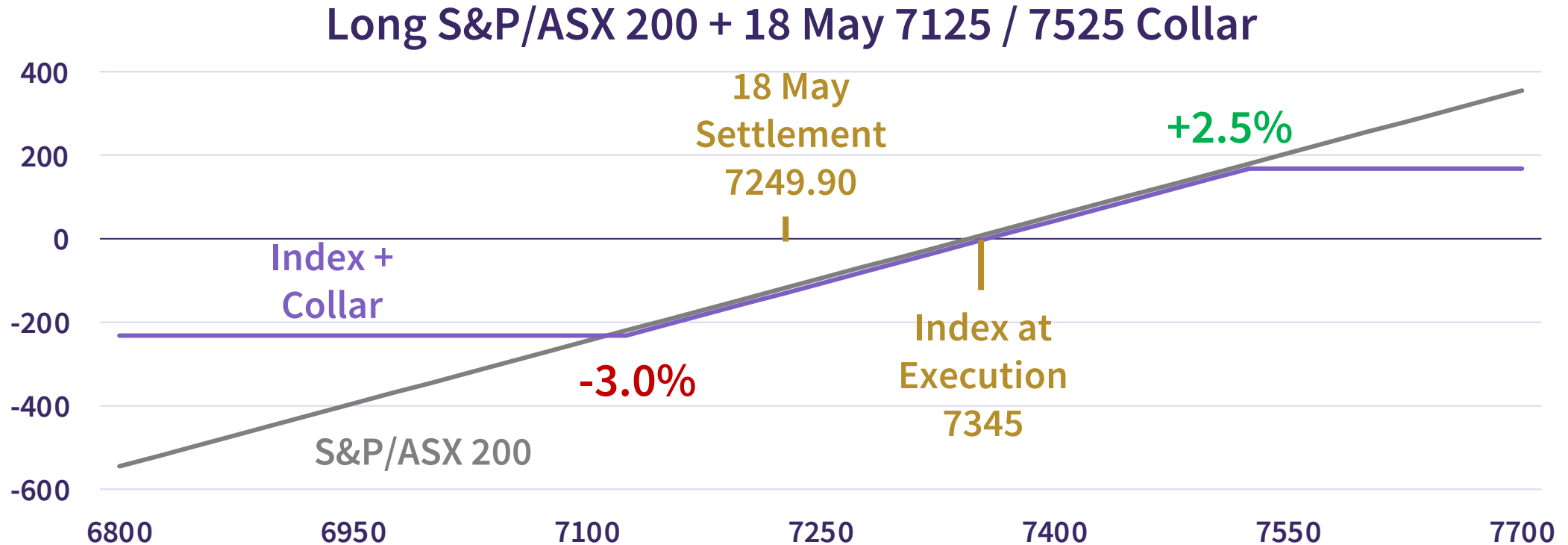
Net Cost = 12.00 Per Collar

Premium As A % Of Index = 0.16%



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Hedging Trade #4



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Hedging Trade #5

Bear Put Spread

3 April - XJO at 7195

Buy XJO 18 May 7100 Put @ 61.00

Sell XJO 18 May 6900 Put @ 45.00

Net Cost = 16.00

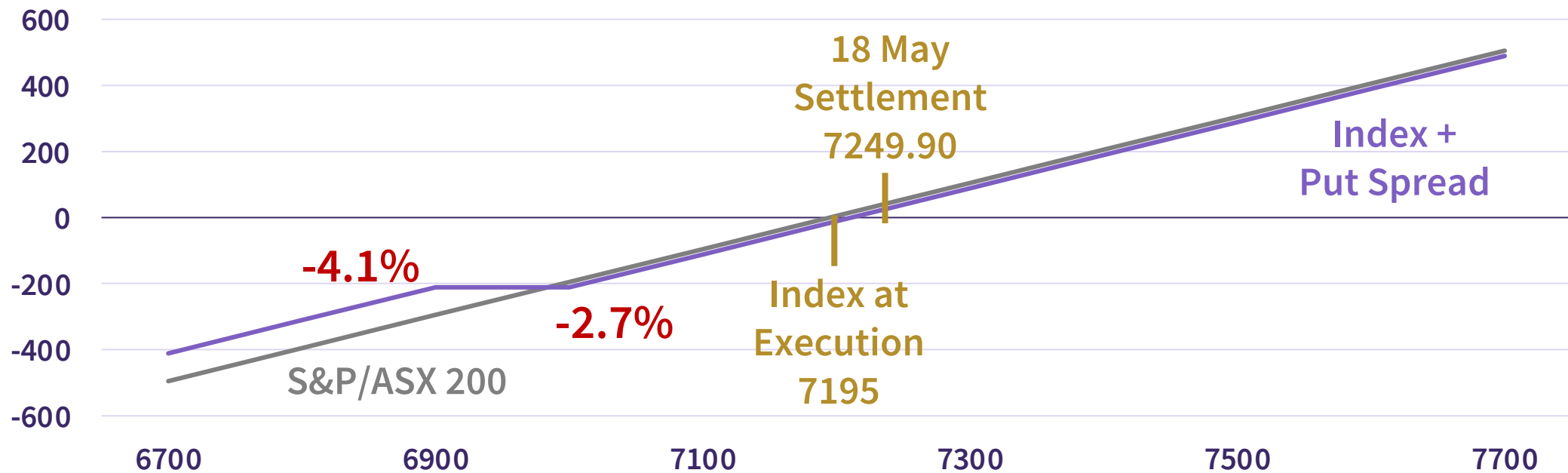
Premium As A % Of Index = 0.22%



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Hedging Trade #5

Long S&P/ASX 200 + 18 May 6900 /7000 Bear Put Spread



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Speculative Trade #1

Bear Call Spread

3 May – XJO at 7197

Sell 18 May 7300 Call @ 28.00

Buy 18 May 7500 Call @ 4.00

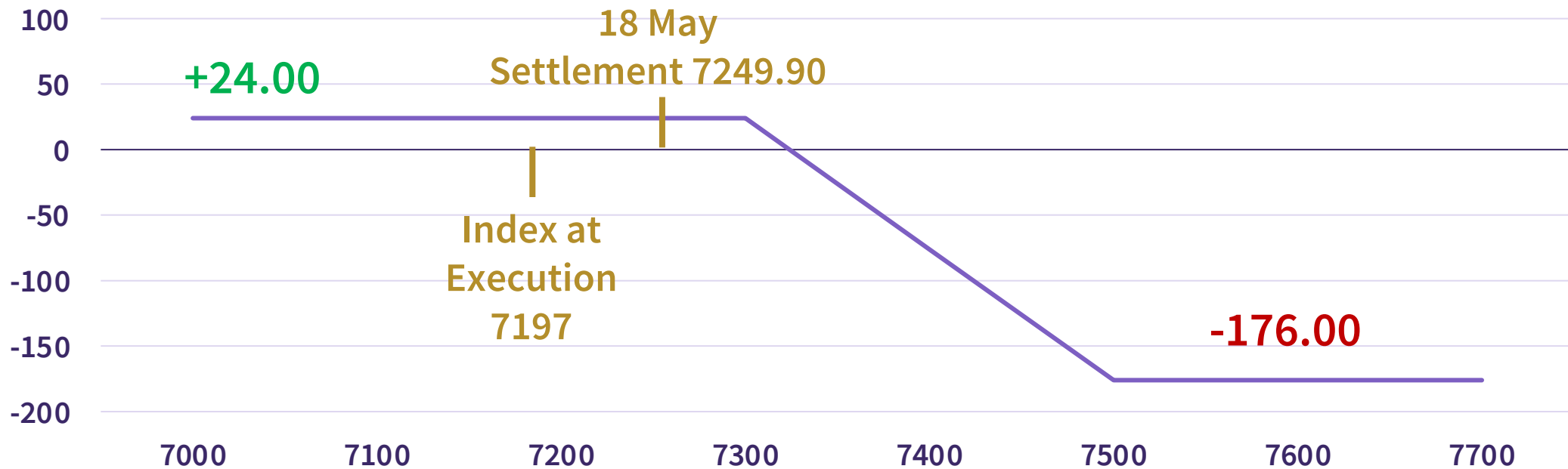
Net Credit = 24.00



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Speculative Trade #1

S&P/ASX 200 18 May 7300 / 7500 Bear Call Spread



Speculative Trade #2

Bull Put Spread

4 May – XJO at 7197

Sell 18 May 7000 Put @ 39.00

Buy 18 May 6800 Put @ 15.00

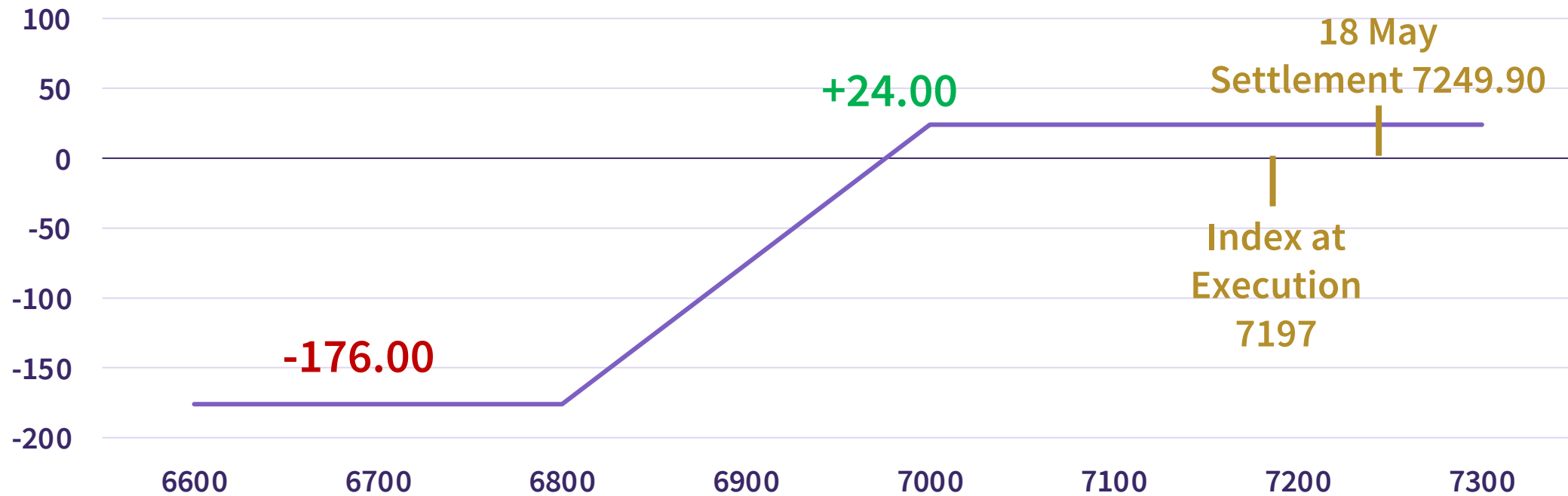
Net Credit = 24.00



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Speculative Trade #2

S&P/ASX 200 18 May 6800 / 7000 Bull Put Spread



Speculative Trade #3

Short Strangle

4 May – XJO at 7170

Sell 15 Jun 6975 Put @ 71.00

Sell 15 Jun 7400 Call @ 35.00

Net Credit = 106.00

Speculative Trade #3

S&P/ASX 200 15 Jun 6975 / 7400 Short Strangle



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Questions / Contact

Questions?
Suggestions?

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