

Gamma Trade Options With John Netto

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Background

- President of One Shot – One Kill Trading, LLC
- Author of “One Shot – One Kill Trading” (McGraw-Hill, 2004)
- Chief Investment Strategist NetBlack Capital, LLC

Questions for the class

- ◆ How many people currently trade options on stocks?
- ◆ How many people currently trade options on futures?

Class objective:

- ◆ Provide an introduction to the concepts and strategies of options trading.
- ◆ Understand the components and nomenclature that makeup of options futures

Outline of Presentation

- ◆ Basic Option Components
- ◆ Background of the Greeks
- ◆ Using Options Software TWS
- ◆ Mindset When Placing an Options Trade
- ◆ Review of Major Market Options Prices and Possible Strategies

Options Trading: The Concept

- ◆ The process of defining the risk metrics behind one's exposure to the market.
- ◆ Performed through the purchase or sale of a call, put, or combination thereof, using the same or different strike prices and dates

Options Trading: The Benefits

- ◆ Compartmentalization of risk
- ◆ Ability to withstand/potential to profit from larger than anticipated variances
- ◆ Maintain dynamic trading nature irrespective of underlying movement

Basic Option Components

- ◆ Calls
- ◆ Puts
- ◆ Strike Price
- ◆ Implied Volatility
- ◆ Expiration Month
- ◆ Intrinsic Value
- ◆ Tick Value

Basic Option Components

◆ Calls

- Gives the buyer the right, but not the obligation to purchase on or by a certain date at a specified price
- Long a call is a bullish position
- Short a call is a bearish position
- Long a 110 February Yen Globex Call gives me the right to purchase Yen Futures at 110 on or before Feb 6

JY6(Japanese Yen (Globex)) - Delta(Black)

JY6	JAN9 CALLS	JAN9 PUTS	FEB9 CALLS	FEB9 PUTS
UndPr	11019^	11019^	11019^	11019^
DTE	9	9	37	37
EXP	01/09/09	01/09/09	02/06/09	02/06/09
VOL	17.10	16.62	18.61	18.50
IVS	0.00	0.00	0.00	0.00
IR	1.27	1.27	1.14	1.14
10350	7420 98.55	250 _A -9.58	7570 91.08	350 _A -11.67
10400	6930 97.63	2000 _A -27.06	7130 88.89	400 _A -13.18
10450	6440 96.69	30 -3.12	5030 _B 80.88	250 _B -10.61
10500	5950 95.68	50 _A -3.94	6540 _A 74.47	540 _A -17.02
10550	5460 94.57	50 -5.28	5690 _A 75.99	630 _A -19.39
10600	4980 92.70	150 _A -9.41	5320 _A 73.71	580 _B -19.64
10650	4500 90.66	130 _A -9.32	4960 _A 71.33	870 _A -24.80
10700	4030 87.88	240 _A -14.79	4620 _A 68.80	1030 _A -27.91
10750	3500 _A 72.56	300 _A -18.14	3320 _B 75.11	1000 _B -29.33
10800	3100 _A 69.15	360 _A -21.67	4030 _A 63.37	1200 _B -33.08
10850	2650 _A 66.34	490 _A -27.30	2830 _B 64.63	1440 _B -36.88
10900	2030 _A 64.47	640 _A -33.19	2630 _B 60.35	1700 _B -40.56
10950	1320 _B 61.74	730 _B -38.97	2470 _B 56.08	2170 _A -44.44
11000	1160 _B 53.31	960 _B -46.64	2680 _A 52.28	2470 _A -47.60
11050	940 _B 45.95	1430 _A -53.29	2470 _A 49.25	2570 _B -50.89
11100	910 _A 40.54	1750 _A -59.18	2090 _B 45.87	2900 _B -54.01
11150	770 _A 35.19	2150 _A -63.95	1940 _B 42.94	3430 _A -56.31
11200	630 _A 30.00	2530 _A -68.48	1790 _B 40.13	3460 _B -60.44
11250	410 _B 23.40	2920 _A -72.61	1650 _B 37.48	4290 _A -60.70
11300	310 _B 18.56	3340 _A -76.01	1530 _B 35.03	4130 _B -66.34
11350	240 _B 15.06	3770 _A -79.00	1420 _B 32.74	5130 _A -64.54
11400	170 _B 11.60	3650 -82.72	1310 _B 30.53	5560 _A -66.22
11450	120 _B 8.73	-85.22	1210 _B 28.47	5200 _B -74.66
11500	260 _A 13.01	.....	1300 _A 28.18	5570 _B -77.34
11550	400 _A 15.68	.....	1040 _B 24.80	.....
11600	310 9.37	.....	1130 _A 24.83	.....

Basic Option Components

◆ Puts

- Gives the buyer the right, but not the obligation, to sell the underlying by a certain date at a specified price
- Long a put is a bearish position
- Short a put is a bullish position
- Long a 108 Feb Globex Put gives me the right to sell Yen Futures at 108 a on or before Feb 6

JY6(Japanese Yen (Globex)) - Delta(Black)

JY6	JAN9 CALLS		JAN9 PUTS		FEB9 CALLS		FEB9 PUTS	
UndPr	11019 ^A		11019 ^A		11019 ^A		11019 ^A	
DTE	9		9		37		37	
EXP	01/09/09		01/09/09		02/06/09		02/06/09	
VOL	17.10		16.62		18.61		18.50	
IVS	0.00		0.00		0.00		0.00	
IR	1.27		1.27		1.14		1.14	
10350	7420	98.55	250 _A	-9.58	7570	91.08	350 _A	-11.67
10400	6930	97.63	2000 _A	-27.06	7130	88.89	400 _A	-13.18
10450	6440	96.69	30	-3.12	5030 _B	80.88	250 _B	-10.61
10500	5950	95.68	50 _A	-3.94	6540 _A	74.47	540 _A	-17.02
10550	5460	94.57	50	-5.28	5690 _A	75.99	630 _A	-19.39
10600	4980	92.70	150 _A	-9.41	5320 _A	73.71	580 _B	-19.64
10650	4500	90.66	130 _A	-9.32	4960 _A	71.33	870 _A	-24.80
10700	4030	87.88	240 _A	-14.79	4620 _A	68.80	1030 _A	-27.91
10750	3500 _A	72.56	300 _A	-18.14	3320 _B	75.11	1000 _B	-29.33
10800	3100 _A	69.15	360 _A	-21.67	4030 _A	63.37	1200 _B	-33.08
10850	2650 _A	66.34	490 _A	-27.30	2830 _B	64.63	1440 _B	-36.88
10900	2030 _A	64.47	640 _A	-33.19	2630 _B	60.35	1700 _B	-40.56
10950	1320 _B	61.74	730 _B	-38.97	2470 _B	56.08	2170 _A	-44.44
11000	1160 _B	53.31	960 _B	-46.64	2680 _A	52.28	2470 _A	-47.60
11050	940 _B	45.95	1430 _A	-53.29	2470 _A	49.25	2570 _B	-50.89
11100	910 _A	40.54	1750 _A	-59.18	2090 _B	45.87	2900 _B	-54.01
11150	770 _A	35.19	2150 _A	-63.95	1940 _B	42.94	3430 _A	-56.31
11200	630 _A	30.00	2530 _A	-68.48	1790 _B	40.13	3460 _B	-60.44
11250	410 _B	23.40	2920 _A	-72.61	1650 _B	37.48	4290 _A	-60.70
11300	310 _B	18.56	3340 _A	-76.01	1530 _B	35.03	4130 _B	-66.34
11350	240 _B	15.06	3770 _A	-79.00	1420 _B	32.74	5130 _A	-64.54
11400	170 _B	11.60	3650	-82.72	1310 _B	30.53	5560 _A	-66.22
11450	120 _B	8.73		-85.22	1210 _B	28.47	5200 _B	-74.66
11500	260 _A	13.01			1300 _A	28.18	5570 _B	-77.34
11550	400 _A	15.68			1040 _B	24.80		
11600	310	9.37			1130 _A	24.83		

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Basic Option Components

◆ Strike Price

- The price at which one may purchase or sell the underlying vehicle
- On calls, the lower the strike the more valuable the option
- On puts, the higher the strike, the more valuable the option
- Looking to buy 10 of the Sep 91 Swiss Franc Calls

SF6	SEP8 CALLS	SEP8 PUTS	OCT8 CALLS	OCT8 PUTS
UndPr	9107	9107	9114	9114
DTE	13	13	41	41
EXP	09/05/08	09/05/08	10/03/08	10/03/08
VOL	12.10	12.10	11.50	11.50
IVS	0.00	0.00	0.00	0.00
IR	2.83	2.83	2.95	2.95
8000	.....	.....	.....	.....
8200	9070✓ 99.04	-0.01	.....	.....
8300	8070✓ 99.04	.....	.....	.....
8400	7070✓ 99.03	-0.24	.....	.....
8450	6570✓ 99.03	.....	.....	.....
8500	6070✓ 99.02	5✓ -0.80	.....	.....
8550	5570✓ 99.02	.....	.....	.....
8600	5080✓ 97.88	10✓ -1.53	.....	.....
8650	4580✓ 97.77	.....	.....	.....
8700	4090✓ 96.59	25✓ -3.43	.....	.....
8800	3140✓ 91.68	70✓ -8.03	.....	.....
8850	.....	110✓ -11.61	.....	.....
8900	2230✓ 83.88	160✓ -15.92	.....	540✓ -25.91
8950	1820✓ 77.55	250✓ -22.30	.....	690✓ -30.92
9000	1430✓ 70.30	360✓ -29.57	.....	870✓ -36.29
9050	1110✓ 61.22	540✓ -38.67	1720✓ 57.80	1080✓ -41.86
9100	830✓ 51.75	760✓ -48.15	1450✓ 52.19	1310✓ -47.48
9150	610✓ 42.32	1040✓ -57.57	1210✓ 46.54	1570✓ -53.13
9200	440✓ 33.64	1370✓ -66.24	1010✓ 41.07	1870✓ -58.58
9250	310✓ 26.02	1740✓ -73.83	840✓ 35.91	2200✓ -63.71
9300	220✓ 19.88	2150✓ -79.94	700✓ 31.21	2550✓ -68.52
9350	150✓ 14.73	2580✓ -85.06	570✓ 26.75	2920✓ -72.96
9400	100✓ 10.65	3030✓ -89.08	470✓ 22.90	-77.15
9450	70✓ 7.87	3500✓ -91.82	380✓ 19.35	-80.11
9500	50✓ 5.86	3980✓ -93.77	310✓ 16.34	-82.65
9550	40✓ 4.70	4470✓ -94.89	13.83	4610✓ -85.58
9600	30✓ 3.62	4960✓ -95.92	210✓ 11.67	5060✓ -87.81
9650	20✓ 2.56	5450✓ -96.90	180✓ 10.08	5530✓ -89.34
9700	15✓ 1.97	5940✓ -97.88	150✓ 8.55	6000✓ -90.80
9750	15✓ 1.86	6440✓ -97.95	120✓ 7.06	6470✓ -92.21
9800	10✓ 1.32	6940✓ -98.01	100✓ 5.98	-93.65
9850	10	7430✓ -98.95	5.09	-94.86
9900	5	7930✓ -98.94	4.34	
9950	5	8430✓ -98.94	60✓ 3.71	
10000	0.09	8930✓ -98.94	3.26	
10050	0.05	9430✓ -98.94	.....	.....
10100	.....	9930✓ -98.93	.....	.....
10150	.....	-98.93	.....	.....
10200	.....	10930✓ -98.93	.....	.....
10250	.....	.....	30✓ 1.82	.....
10300	.....	.....	.....	.....

Basic Option Components

- ◆ Implied Volatility- (IV)
 - Perception of the future standard deviation of the underlying
 - The higher the implied vol, the greater the risk premium
 - The lower the implied vol, the lower the risk premium
 - Higher volatility is associated w/ greater risk
 - Implied Vol on Gold is around 37
 - Implied Vol changes depending on month and strike

GCE(Gold (Globex)) - IV(Black)

GCE	FEB9 CALLS	FEB9 PUTS	MAR9 CALLS	MAR9 PUTS
UndPr	8811 _A	8811 _A	8821 _A	8821 _A
DTE	27	27	55	55
EXP	01/27/09	01/27/09	02/24/09	02/24/09
VOL	36.00	38.44	41.23	38.28
IVS	0.00	0.00	0.00	0.00
IR	1.14	1.14	1.04	1.04
815	7860 _A 40.12	1000 _B 35.85	.....	.....
820	7500 _A 40.12	1110 _B 35.94	9280 _A 43.27	2440 _B 37.56
825	7120 _A 40.02	1510 _A 39.41	.....	.....
830	6780 _A 39.95	1380 _B 35.78	8640 _A 43.12	2790 _B 37.44
835	6040 _B 34.90	1520 _B 35.66	.....	.....
840	6100 _A 39.73	1930 _A 38.74	8040 _A 43.07	3180 _B 37.51
845	5420 _B 35.46	2100 _A 38.65	.....	.....
850	5120 _B 35.90	2030 _B 35.91	7470 _A 43.05	3610 _B 37.85
855	4800 _B 35.74	2480 _A 38.58	.....	.....
860	4530 _B 36.01	2690 _A 38.58	6630 _A 40.82	4090 _B 37.88
865	4250 _B 36.03	2930 _A 38.80	.....	.....
870	4250 _A 38.79	3150 _A 38.67	6150 _A 41.00	4590 _B 38.05
875	3730 _B 35.96	3130 _B 35.91	.....	.....
880	3500 _B 35.93	3660 _A 38.98	5690 _A 41.20	5120 _B 38.25
885	3270 _B 36.22	3940 _A 39.00	.....	.....
890	3060 _B 36.53	4230 _A 39.17	5260 _A 41.40	5690 _B 38.48
895	2860 _B 36.53	4260 _B 36.71	.....	.....
900	2930 _A 39.38	4440 _B 35.55	4500 _B 38.98	6910 _A 43.53
910	2600 _A 39.92	5220 _B 37.22	4500 _A 41.98	7540 _A 43.81
915	2450 _A 40.21	5560 _B 37.38	.....	.....
920	2050 _B 37.50	5910 _B 37.54	3800 _B 39.61	8190 _A 44.06
925	2160 _A 40.70	6270 _B 37.33	.....	.....
930	2040 _A 41.05	6670 _B 38.25	3490 _B 39.80	7940 _B 36.94
940	1810 _A 41.55	7100 _B 33.69	3590 _A 43.13	11650 _A 60.12
945	1700 _A 41.77	7500 _B 33.81	.....	.....
950	1600 _A 42.04	7900 _B 33.81	.....	.....

Basic Option Components

- ◆ Expiration Month
 - Days Until Expiration (DTE)
 - Plays upon the time component of an options value (Theta)
 - Owning Feb 900 Gold Puts gives me the option to sell at 900 on or before January 27, 2009

GCE(Gold (Globex)) - IV(Black)

GCE	FEB9	CALLS	FEB9	PUTS	MAR9	CALLS	MAR9	PUTS
UndPr	8811		8811		8821		8821	
DTE	27		27		55		55	
EXP	01/27/09		01/27/09		02/24/09		02/24/09	
VOL	36.00		38.44		41.23		38.28	
IVS	0.00		0.00		0.00		0.00	
IR	1.14		1.14		1.04		1.04	
815	7860	40.12	1000	35.85				
820	7500	40.12	1110	35.94	9280	43.27	2440	37.56
825	7120	40.02	1510	39.41				
830	6780	39.95	1380	35.78	8640	43.12	2790	37.44
835	6040	34.90	1520	35.66				
840	6100	39.73	1930	38.74	8040	43.07	3180	37.51
845	5420	35.46	2100	38.65				
850	5120	35.90	2030	35.91	7470	43.05	3610	37.85
855	4800	35.74	2480	38.58				
860	4530	36.01	2690	38.58	6630	40.82	4090	37.88
865	4250	36.03	2930	38.80				
870	4250	38.79	3150	38.67	6150	41.00	4590	38.05
875	3730	35.96	3130	35.91				
880	3500	35.93	3660	38.98	5690	41.20	5120	38.25
885	3270	36.22	3940	39.00				
890	3060	36.53	4230	39.17	5260	41.40	5690	38.48
895	2860	36.53	4260	36.71				
900	2930	39.38	4440	35.55	4500	38.98	6910	43.53
910	2600	39.92	5220	37.22	4500	41.98	7540	43.81
915	2450	40.21	5560	37.38				
920	2050	37.50	5910	37.54	3800	39.61	8190	44.06
925	2160	40.70	6270	37.33				
930	2040	41.05	6670	38.25	3490	39.80	7940	36.94
940	1810	41.55	7100	33.69	3590	43.13	11650	60.12
945	1700	41.77	7500	33.81				
950	1600	42.04	7900	33.81				

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Wed Dec 31 2008 11:31:54

January 7, 2009

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Basic Option Components

◆ Intrinsic Value

- The value of the option if it expired immediately
- Canadian Dollar 82 Calls with 6C trading at 8224 has 24 ticks of intrinsic value
- In-The-Money (ITM)
- At-The-Money (ATM)
- Out-of-The-Money (OTM)

CA6(Canadian Dollar (Globex)) - Price (Bid,Ask,Trade,Y_Close) and Delta (Black model, percent)							
CA6	JAN9 CALLS	JAN9 PUTS	FEB9 CALLS	FEB9 PUTS	MAR9 CALLS	MAR9 PUTS	
UndPr	8224✓	8224✓	8224✓	8224✓	8224✓	8224✓	
DTE	8	8	36	36	64	64	
EXP	01/09/09	01/09/09	02/06/09	02/06/09	03/06/09	03/06/09	
VOL	25.56	25.56	25.06	25.06	23.85	23.85	
IVS	0.00	0.00	0.00	0.00	0.00	0.00	
IR	1.27	1.27	1.14	1.14	1.04	1.04	
7550	.....	-3.06	.....	540✓-14.55	.....	1000✓-19.55	
7600	.....	60✓-3.92	.....	610✓-16.18	.....	1100✓-21.17	
7650	.....	70✓-4.65	.....	700✓-18.10	.....	1210✓-22.88	
7700	5330✓ 94.03	90✓-5.88	.....	790✓-20.04	6570✓ 75.06	1340✓-24.76	
7750	4860✓ 92.32	120✓-7.60	.....	900✓-22.22	73.17	1470✓-26.66	
7800	4390✓ 90.53	150✓-9.39	5260✓ 75.31	1020✓-24.53	5840✓ 71.20	1610✓-28.63	
7850	3940✓ 87.91	200✓-12.03	4890✓ 72.90	1150✓-26.96	5490✓ 69.15	1760✓-30.68	
7900	3510✓ 84.56	270✓-15.39	4530✓ 70.37	1290✓-29.49	5150✓ 67.03	1920✓-32.81	
7950	3090✓ 80.85	350✓-19.10	4190✓ 67.68	1450✓-32.19	4840✓ 64.77	2100✓-35.03	
8000	2690✓ 76.53	450✓-23.43	3860✓ 64.91	1620✓-34.97	4530✓ 62.51	2290✓-37.30	
8050	2320✓ 71.49	580✓-28.48	3550✓ 62.02	1810✓-37.87	4240✓ 60.18	2500✓-39.63	
8100	1980✓ 65.91	740✓-34.06	3260✓ 59.04	2020✓-40.84	3950✓ 57.84	2710✓-41.97	
8150	1670✓ 59.95	930✓-40.02	2990✓ 56.02	2250✓-43.86	3680✓ 55.46	2940✓-44.35	
8200	1370✓ 53.80	1130✓-46.17	2710✓ 52.99	2470✓-46.90	3400✓ 53.06	3160✓-46.75	
8250	1110✓ 47.39	1370✓-52.58	2440✓ 49.90	2700✓-49.99	3130✓ 50.62	3390✓-49.19	
8300	900✓ 41.09	1660✓-58.88	2220✓ 46.84	2980✓-53.05	2900✓ 48.20	3660✓-51.62	
8350	720✓ 35.08	1980✓-64.89	2020✓ 43.85	-56.08	2690✓ 45.81	3950✓-54.00	
8400	570✓ 29.50	2330✓-70.46	1830✓ 40.91	.....	2480✓ 43.42	4240✓-56.39	
8450	440✓ 24.31	2700✓-75.65	1650✓ 38.04	.....	2290✓ 41.09	4550✓-58.71	
8500	340✓ 19.84	3100✓-80.12	1490✓ 35.29	.....	2110✓ 38.80	4870✓-60.99	
8550	270✓ 16.29	3530✓-83.65	1330✓ 32.55	.....	1950✓ 36.62	5200✓-63.22	
8600	210✓ 13.16	3970✓-86.77	1190✓ 29.97	.....	1790✓ 34.44	5540✓-65.40	
8650	160✓ 10.46	4420✓-89.47	1060✓ 27.48	.....	1650✓ 32.39	5900✓-67.45	
8700	120✓ 8.18	4880✓-91.74	940✓ 25.10	.....	1520✓ 30.42	6270✓-69.41	
8750	90✓ 6.37	5350✓-93.54	830✓ 22.83	.....	1390✓ 28.45	6640✓-71.37	
8800	70✓ 5.06	5830✓-94.83	730✓ 20.68	1280✓ 26.66	7030✓-73.16	
8850	50✓ 3.78	6310✓-96.10	650✓ 18.81	1170✓ 24.87	7420✓-74.93	

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Thu Jan 01 2009 11:25:29

Basic Option Components

- ◆ Tick Value of the option matches the tick value of the underlying
- ◆ Euro FX options have tick value of \$12.50
- ◆ Euro FX moves from 139.50 to 139.70 equals 20 tick move or \$250
- ◆ Euro FX Jan 139.00 call moves from 95 to 105, a 10 tick move, or \$125

Background of the Greeks

- ◆ Delta
- ◆ Gamma
- ◆ Theta
- ◆ Vega

Background of the Greeks

◆ Delta

- The ratio comparing the change in the price of the underlying asset to the corresponding change in the price of the option
- For example, a call with a delta of .55 would see the option rise 55 cents for every dollar the future rose

Delta

EU6(EuroFX (Globex)) - Price (Bid,Ask,Trade,Y_Close) and Delta (Black model, percent)							
EU6	JAN9 CALLS	JAN9 PUTS	FEB9 CALLS	FEB9 PUTS	MAR9 CALLS	MAR9 PUTS	
UndPr	13921✓	13921✓	13921✓	13921✓	13921✓	13921✓	
DTE	8	8	36	36	64	64	
EXP	01/09/09	01/09/09	02/06/09	02/06/09	03/06/09	03/06/09	
VOL	24.95	24.95	24.37	24.37	24.25	24.25	
IVS	0.00	0.00	0.00	0.00	0.00	0.00	
IR	10.00	10.00	10.00	10.00	10.00	10.00	
13250	6960✓ 89.73	250✓ -9.71	8400✓ 73.76	1700✓ -24.96	9520✓ 68.66	2820✓ -29.30	
13300	6500✓ 88.36	290✓ -11.13	8020✓ 72.38	1820✓ -26.39	9180✓ 67.47	2980✓ -30.53	
13350	6060✓ 86.51	350✓ -13.02	7650✓ 70.92	1950✓ -27.89	8840✓ 66.28	3140✓ -31.77	
13400	5640✓ 84.25	430✓ -15.32	7300✓ 69.36	2100✓ -29.49	8510✓ 65.05	3310✓ -33.03	
13450	5220✓ 81.99	510✓ -17.62	6970✓ 67.71	2260✓ -31.14	8190✓ 63.79	3490✓ -34.33	
13500	4810✓ 79.52	600✓ -20.12	6640✓ 66.05	2430✓ -32.83	7870✓ 62.52	3670✓ -35.63	
13550	4420✓ 76.72	710✓ -22.95	6310✓ 64.39	2600✓ -34.53	7560✓ 61.22	3860✓ -36.96	
13600	4040✓ 73.76	830✓ -25.94	5990✓ 62.68	2780✓ -36.26	7250✓ 59.92	4050✓ -38.29	
13650	3680✓ 70.55	970✓ -29.17	5690✓ 60.91	2980✓ -38.06	6970✓ 58.57	4260✓ -39.65	
13700	3340✓ 67.12	1130✓ -32.62	5390✓ 59.13	3180✓ -39.85	6690✓ 57.21	4480✓ -41.02	
13750	3020✓ 63.54	1310✓ -36.22	5110✓ 57.32	3400✓ -41.68	6410✓ 55.85	4700✓ -42.40	
13800	2710✓ 59.88	1500✓ -39.89	4830✓ 55.49	3620✓ -43.52	6150✓ 54.47	4940✓ -43.79	
13850	2420✓ 56.10	1710✓ -43.68	4570✓ 53.65	3860✓ -45.37	5890✓ 53.09	5180✓ -45.17	
13900	2150✓ 52.25	1940✓ -47.53	4310✓ 51.80	4100✓ -47.22	5640✓ 51.70	5430✓ -46.56	
13950	1910✓ 48.39	2200✓ -51.39	4070✓ 49.95	4360✓ -49.07	5400✓ 50.32	5690✓ -47.94	
14000	1680✓ 44.54	2470✓ -55.24	3840✓ 48.10	4630✓ -50.91	5170✓ 48.93	5960✓ -49.32	
14050	1480✓ 40.79	2770✓ -58.98	3620✓ 46.26	4910✓ -52.73	4940✓ 47.55	6230✓ -50.69	
14100	1290✓ 37.09	3080✓ -62.66	3400✓ 44.43	5190✓ -54.56	4720✓ 46.17	6510✓ -52.06	
14150	1120✓ 33.54	3410✓ -66.20	3200✓ 42.62	5490✓ -56.34	4510✓ 44.80	6800✓ -53.40	
14200	970✓ 30.17	3760✓ -69.55	3000✓ 40.82	5790✓ -58.12	4310✓ 43.45	7100✓ -54.73	
14250	840✓ 27.03	4130✓ -72.66	2830✓ 39.10	6120✓ -59.81	4120✓ 42.11	7400✓ -56.06	
14300	720✓ 24.03	4510✓ -75.64	2660✓ 37.40	6450✓ -61.49	3940✓ 40.80	7720✓ -57.34	
14350	620✓ 21.33	4910✓ -78.30	2490✓ 35.69	6780✓ -63.16	3760✓ 39.49	8040✓ -58.61	
14400	530✓ 18.81	5320✓ -80.79	2340✓ 34.07	7130✓ -64.74	3590✓ 38.21	8370✓ -59.86	
14450	450✓ 16.49	5740✓ -83.07	2200✓ 32.51	7480✓ -66.31	3430✓ 36.95	8710✓ -61.07	
14500	390✓ 14.57	6180✓ -84.95	2060✓ 30.95	7840✓ -67.83	3280✓ 35.74	9060✓ -62.24	
14550	330✓ 12.68	6620✓ -86.80	1930✓ 29.45	8210✓ -69.28	3130✓ 34.52	9410✓ -63.41	

Background on the Greeks

- ◆ Vega - Measures impact of a Change in Volatility
 - The amount the option price changes w/ a 1% change in volatility
 - Can increase or decrease w/o a change in the underlying price
 - Vega of -81.90 means call will lose 8 ticks for every 1% drop in implied volatility

Vega

EU6(EuroFX (Globex)) - Price (Bid,Ask,Trade,Y_Close) and Vega (Black model, norm.price per percent)							
EU6	JAN9 CALLS	JAN9 PUTS	FEB9 CALLS	FEB9 PUTS	MAR9 CALLS	MAR9 PUTS	
UndPr	13921✓	13921✓	13921✓	13921✓	13921✓	13921✓	
DTE	8	8	36	36	64	64	
EXP	01/09/09	01/09/09	02/06/09	02/06/09	03/06/09	03/06/09	
VOL	24.95	24.95	24.37	24.37	24.25	24.25	
IVS	0.00	0.00	0.00	0.00	0.00	0.00	
IR	10.00	10.00	10.00	10.00	10.00	10.00	
13250	6960✓ 36.27	250✓ 35.37	8400✓ 139.03	1700✓ 138.17	9520✓ 199.54	2820✓ 198.59	
13300	6500✓ 39.79	290✓ 39.05	8020✓ 142.89	1820✓ 142.21	9180✓ 203.02	2980✓ 202.27	
13350	6060✓ 44.20	350✓ 43.61	7650✓ 146.67	1950✓ 146.14	8840✓ 206.28	3140✓ 205.71	
13400	5640✓ 49.13	430✓ 48.69	7300✓ 150.42	2100✓ 150.02	8510✓ 209.40	3310✓ 208.97	
13450	5220✓ 53.65	510✓ 53.32	6970✓ 154.04	2260✓ 153.67	8190✓ 212.34	3490✓ 212.02	
13500	4810✓ 58.10	600✓ 57.86	6640✓ 157.33	2430✓ 157.07	7870✓ 215.05	3670✓ 214.82	
13550	4420✓ 62.61	710✓ 62.45	6310✓ 160.31	2600✓ 160.13	7560✓ 217.55	3860✓ 217.40	
13600	4040✓ 66.80	830✓ 66.69	5990✓ 163.02	2780✓ 162.90	7250✓ 219.81	4050✓ 219.71	
13650	3680✓ 70.73	970✓ 70.66	5690✓ 165.46	2980✓ 165.39	6970✓ 221.86	4260✓ 221.80	
13700	3340✓ 74.23	1130✓ 74.19	5390✓ 167.55	3180✓ 167.52	6690✓ 223.64	4480✓ 223.61	
13750	3020✓ 77.17	1310✓ 77.15	5110✓ 169.32	3400✓ 169.30	6410✓ 225.15	4700✓ 225.13	
13800	2710✓ 79.45	1500✓ 79.44	4830✓ 170.72	3620✓ 170.71	6150✓ 226.39	4940✓ 226.39	
13850	2420✓ 81.04	1710✓ 81.04	4570✓ 171.75	3860✓ 171.75	5890✓ 227.35	5180✓ 227.35	
13900	2150✓ 81.90	1940✓ 81.90	4310✓ 172.41	4100✓ 172.41	5640✓ 228.02	5430✓ 228.02	
13950	1910✓ 81.98	2200✓ 81.98	4070✓ 172.69	4360✓ 172.69	5400✓ 228.41	5690✓ 228.41	
14000	1680✓ 81.30	2470✓ 81.30	3840✓ 172.59	4630✓ 172.60	5170✓ 228.51	5960✓ 228.51	
14050	1480✓ 79.88	2770✓ 79.89	3620✓ 172.12	4910✓ 172.13	4940✓ 228.33	6230✓ 228.33	
14100	1290✓ 77.76	3080✓ 77.78	3400✓ 171.27	5190✓ 171.29	4720✓ 227.86	6510✓ 227.88	
14150	1120✓ 75.02	3410✓ 75.06	3200✓ 170.07	5490✓ 170.11	4510✓ 227.12	6800✓ 227.15	
14200	970✓ 71.75	3760✓ 71.82	3000✓ 168.51	5790✓ 168.58	4310✓ 226.10	7100✓ 226.18	
14250	840✓ 68.10	4130✓ 68.22	2830✓ 166.68	6120✓ 166.80	4120✓ 224.84	7400✓ 224.93	
14300	720✓ 64.04	4510✓ 64.21	2660✓ 164.52	6450✓ 164.70	3940✓ 223.33	7720✓ 223.48	
14350	620✓ 59.88	4910✓ 60.13	2490✓ 162.03	6780✓ 162.29	3760✓ 221.56	8040✓ 221.79	
14400	530✓ 55.54	5320✓ 55.87	2340✓ 159.34	7130✓ 159.71	3590✓ 219.58	8370✓ 219.90	
14450	450✓ 51.09	5740✓ 51.53	2200✓ 156.45	7480✓ 156.84	3430✓ 217.39	8710✓ 217.83	
14500	390✓ 47.10	6180✓ 47.65	2060✓ 153.27	7840✓ 153.79	3280✓ 215.04	9060✓ 215.61	
14550	330✓ 42.83	6620✓ 43.54	1930✓ 149.93	8210✓ 150.59	3130✓ 212.45	9410✓ 213.18	

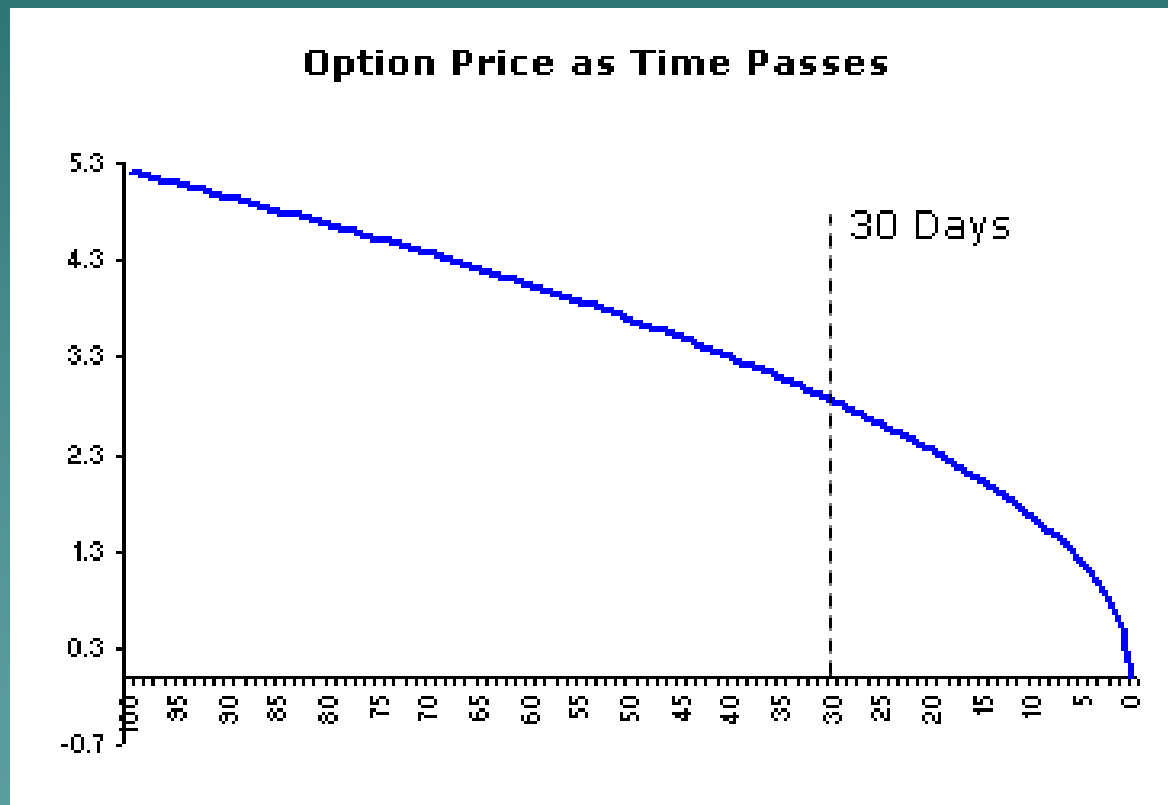
Background of the Greeks

◆ Theta

- Theta measures the rate of decline of time-premium resulting from the passage of time.
- Option premium that is not intrinsic value will decline at an increasing rate as expiration nears.
- Calls on USA (30 Year Bonds) decline at theta rates of T+6 at .20 cents, T+14 at .45 cents, and T+20 (expiration) at .75 cents

Background of the Greeks

◆ Theta



Theta

USA(30 Yr US Treasury Bonds (Globex)) - Theta(Black)							
USA	FEB9 CALLS	FEB9 PUTS	MAR9 CALLS	MAR9 PUTS	APR9 CALLS	APR9 PUTS	
UndPr	138015✓	138015✓	138015✓	138015✓	136235✓	136235✓	
DTE	22	22	50	50	85	85	
EXP	01/23/09	01/23/09	02/20/09	02/20/09	03/27/09	03/27/09	
VOL	20.87	20.87	20.39	20.39	19.17	19.14	
IVS	0.00	0.00	0.00	0.00	0.00	0.00	
IR	1.14	1.14	1.04	1.04	1.05	1.05	
11700	2430 -0.97	4✓ -0.62	2123✓ -0.98	22✓ -1.02	.....	.....
11800	2007✓ -0.68	5✓ -0.74	2025✓ -1.03	24✓ -1.07	.....	10 -0.50	
11900	2232 -1.29	5✓ -0.73	1929✓ -1.14	27✓ -1.15	.....	12 -0.56	
12000	2132 -1.30	6✓ -0.83	1832✓ -1.21	30✓ -1.23	.....	50✓ -1.02	
12100	2033 -1.44	8✓ -1.02	1735✓ -1.28	33✓ -1.29	.....	19 -0.74	
12200	1934 -1.58	10✓ -1.20	1639✓ -1.36	37✓ -1.38	.....	23 -0.83	
12300	1514✓ -1.29	12✓ -1.35	1543✓ -1.44	41✓ -1.46	.....	105✓ -1.20	
12400	1737 -1.94	14✓ -1.49	1449✓ -1.55	47✓ -1.57	.....	34 -1.02	
12500	1319✓ -1.63	16✓ -1.61	1355✓ -1.65	53✓ -1.67	.....	41 -1.12	
12600	1222✓ -1.80	19✓ -1.79	1262✓ -1.76	60✓ -1.78	.....	50 -1.23	
12700	1125✓ -1.95	22✓ -1.94	1205✓ -1.85	103✓ -1.87	1402 -1.33	59 -1.32	
12800	1030✓ -2.20	27✓ -2.19	1113✓ -1.94	111✓ -1.96	1312 -1.41	105 -1.41	
12900	936✓ -2.45	33✓ -2.44	1024✓ -2.06	122✓ -2.08	1224 -1.50	117 -1.50	
13000	843✓ -2.70	40✓ -2.70	935✓ -2.15	133✓ -2.17	1138 -1.58	131 -1.58	
13100	751✓ -2.93	48✓ -2.93	847✓ -2.23	145✓ -2.25	1053 -1.66	146 -1.65	
13200	661✓ -3.17	58✓ -3.18	763✓ -2.34	160✓ -2.35	1006 -1.72	163 -1.72	
13300	610✓ -3.44	107✓ -3.44	717✓ -2.44	214✓ -2.44	924 -1.77	217 -1.77	
13400	525✓ -3.66	122✓ -3.66	638✓ -2.53	235✓ -2.54	845 -1.82	238 -1.82	
13500	443✓ -3.85	140✓ -3.85	559✓ -2.58	256✓ -2.59	803 -1.85	260 -1.85	
13600	401✓ -4.01	162✓ -4.01	519✓ -2.62	316✓ -2.63	727 -1.88	320 -1.87	
13700	326✓ -4.10	223✓ -4.10	446✓ -2.65	343✓ -2.65	653 -1.89	346 -1.88	
13800	254✓ -4.10	251✓ -4.10	411✓ -2.65	408✓ -2.65	617 -1.88	410 -1.88	
13900	223✓ -4.04	320✓ -4.04	345✓ -2.64	442✓ -2.64	547 -1.87	440 -1.86	
14000	160✓ -3.92	357✓ -3.92	316✓ -2.60	513✓ -2.60	515 -1.85	508 -1.84	
14100	136✓ -3.71	433✓ -3.71	252✓ -2.53	549✓ -2.52	449 -1.81	542 -1.80	
14200	116✓ -3.46	513✓ -3.46	228✓ -2.44	625✓ -2.44	421 -1.77	614 -1.76	
14300	63✓ -3.15	560✓ -3.15	209✓ -2.37	506 -2.37	359 -1.72	652 -1.71	

Background of the Greeks

◆ Gamma

- The rate of change for delta with respect to the underlying asset's price. (usually 1%)
- Gamma shows how volatile an option is relative to movements in the underlying asset. Watching your gamma will let you know how large your delta (position risk) changes.
- First derivative of the delta, used when trying to gauge price of option relative to the amount it is in or out of money
- Options deep in or out of money experience nominal gamma change, at-the-money see greatest

Gamma Graph

USA(30 Yr US Treasury Bonds (Globex)) - Gamma(Black)						
USA	FEB9 CALLS	FEB9 PUTS	MAR9 CALLS	MAR9 PUTS	APR9 CALLS	APR9 PUTS
UndPr	138015✓	138015✓	138015✓	138015✓	136235✓	136235✓
DTE	22	22	50	50	85	85
EXP	01/23/09	01/23/09	02/20/09	02/20/09	03/27/09	03/27/09
VOL	20.87	20.87	20.39	20.39	19.17	19.14
IVS	0.00	0.00	0.00	0.00	0.00	0.00
IR	1.14	1.14	1.04	1.04	1.05	1.05
11700	2430 0.002	4✓ 0.001	2123✓ 0.002	22✓ 0.002	.....	.....
11800	2007✓ 0.001	5✓ 0.001	2025✓ 0.003	24✓ 0.003	.....	10 0.003
11900	2232 0.002	5✓ 0.002	1929✓ 0.003	27✓ 0.003	.....	12 0.003
12000	2132 0.002	6✓ 0.002	1832✓ 0.003	30✓ 0.003	.....	50✓ 0.004
12100	2033 0.003	8✓ 0.002	1735✓ 0.003	33✓ 0.003	.....	19 0.004
12200	1934 0.003	10✓ 0.003	1639✓ 0.004	37✓ 0.004	.....	23 0.004
12300	1514✓ 0.003	12✓ 0.003	1543✓ 0.004	41✓ 0.004	.....	105✓ 0.005
12400	1737 0.004	14✓ 0.004	1449✓ 0.005	47✓ 0.005	.....	34 0.005
12500	1319✓ 0.004	16✓ 0.004	1355✓ 0.005	53✓ 0.005	.....	41 0.006
12600	1222✓ 0.005	19✓ 0.005	1262✓ 0.006	60✓ 0.006	.....	50 0.006
12700	1125✓ 0.006	22✓ 0.006	1205✓ 0.006	103✓ 0.006	1402 0.007	59 0.007
12800	1030✓ 0.007	27✓ 0.007	1113✓ 0.007	111✓ 0.007	1312 0.007	105 0.007
12900	936✓ 0.008	33✓ 0.008	1024✓ 0.007	122✓ 0.007	1224 0.008	117 0.008
13000	843✓ 0.009	40✓ 0.009	935✓ 0.008	133✓ 0.008	1138 0.008	131 0.008
13100	751✓ 0.010	48✓ 0.010	847✓ 0.009	145✓ 0.009	1053 0.009	146 0.009
13200	661✓ 0.011	58✓ 0.011	763✓ 0.009	160✓ 0.009	1006 0.009	163 0.009
13300	610✓ 0.013	107✓ 0.013	717✓ 0.010	214✓ 0.010	924 0.009	217 0.009
13400	525✓ 0.014	122✓ 0.014	638✓ 0.010	235✓ 0.010	845 0.009	238 0.010
13500	443✓ 0.015	140✓ 0.015	559✓ 0.011	256✓ 0.011	803 0.010	260 0.010
13600	401✓ 0.016	162✓ 0.016	519✓ 0.011	316✓ 0.011	727 0.010	320 0.010
13700	326✓ 0.017	223✓ 0.017	446✓ 0.012	343✓ 0.012	653 0.010	346 0.010
13800	254✓ 0.018	251✓ 0.018	411✓ 0.012	408✓ 0.012	617 0.010	410 0.010
13900	223✓ 0.018	320✓ 0.018	345✓ 0.012	442✓ 0.012	547 0.010	440 0.010
14000	160✓ 0.017	357✓ 0.017	316✓ 0.012	513✓ 0.012	515 0.010	508 0.010
14100	136✓ 0.017	433✓ 0.017	252✓ 0.012	549✓ 0.012	449 0.009	542 0.009
14200	116✓ 0.016	513✓ 0.016	228✓ 0.012	625✓ 0.012	421 0.009	614 0.009
14300	63✓ 0.014	560✓ 0.014	209✓ 0.011	506 0.011	359 0.009	652 0.009

One Shot – One Kill Trading Products & Services

www.osoktrading.com

info@osoktrading.com

- ◆ Trading Conference Schedule
 - New York Traders Expo (Feb. 21-23)
- ◆ One Shot – One Kill Trading Book
- ◆ Options Trading Webinar
- ◆ SniperScope – Live Trading Room
- ◆ Live Hedge Fund Trade Along
 - March 4-6, (8 AM – 5 PM)

Trading Conference Schedule

New York Traders Expo: Feb. 21-23

- ◆ CME Group Panel (Ask the FOREX Experts)
- ◆ Panel on "Going Pro: Using Your Trading Success to Start Your Own Hedge Fund"
- ◆ Live Hedge Fund Trading Tactics Unplugged

SniperScope Live Trading Room

- ◆ SniperScope – Live Trading Room
 - Real Time Positions, Working Orders, Profit and Loss Statements, Trade Confirms
 - Charts, Analysis, Trader Commentary, News
 - (\$395 a month)
 - Free one-day pass on Thursday, Jan 15 – info@osoktrading.com

Webinar

- ◆ Options Strategies for a Volatile Market
 - Dynamic strategies for 2009 (spreads, position management, market outlook, volatility compression/expansion etc.)
 - Equities, Fixed Income, Energies, Currencies, Metals
 - Saturday, January 24, 10 am ET – 1 PM ET
 - sign up of \$79 if you sign up by January 12, otherwise \$99
 - info@osoktrading.com

Trading Workshops

- ◆ Live Hedge Fund Trade Along -
 - Wed. Mar 4 – Fri. Mar 6 (8 AM – 5 PM)
 - Full multi-monitor computer setup, high speed internet, data, trading access
 - Hosted at NetBlack Capital's office in Manhattan
 - Cost – Normally \$4,500 reduced to \$2,500 (sign up by Jan 12 only \$1,950)
 - Limited to six people
 - 650-589-3450 for more info

Current Options Prices and Market Views

January 7, 2009

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A stylized, dark teal mountain range graphic is positioned in the bottom right corner of the slide, extending from the right edge towards the center.

Preview of Part II

Options Strategies

- ◆ Synthetic Calls/Puts
- ◆ Straddles
- ◆ Strangles
- ◆ Calendar Spreads
- ◆ Collars
- ◆ Call Spreads and Put Spreads

Review of Presentation

- ◆ Basic Option Components
- ◆ Background of the Greeks
- ◆ Using Options Software
- ◆ Placing an Options Trade
- ◆ Key Options Prices in Market