

The background of the slide is a high-angle, wide shot of the Chicago skyline at sunset. The sky is a mix of orange, pink, and light blue. The city's skyscrapers are densely packed, with many windows glowing with interior lights. The Lake Michigan is visible in the distance, reflecting the sky's colors. A large, white, triangular graphic element is overlaid on the left side of the image, pointing towards the center.

# Short-Term Trading with SPX Options

Interactive Brokers Webcast

Russell Rhoads, CFA

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- ❖ S&P 500® Index Options
- ❖ Short Term Trading
- ❖ Resources / Questions / Contact



- ❖ S&P 500 Index Option (on a notional basis) are the most actively traded options in the United States
- ❖ They are a favorite hedging and income producing vehicle for institutional investors
- ❖ Average daily volume for SPX<sup>SM</sup> options was over 1.1 million contracts in 2017



# S&P 500 Index Options

## Available Contracts

<b>SPX Options Traditional</b>	<b>Ticker</b>	<b>Root Ticker</b>	<b>AM / PM Settlement</b>	<b>Settlement Date</b>	<b>Settlement Type</b>	<b>Exercise Style</b>	<b>ETH Available</b>
SPX	SPX	SPX	AM	3rd Fridays	Cash	European	Yes
<b>SPX Options Non Traditional</b>	<b>Ticker</b>	<b>Root Ticker</b>	<b>AM / PM Settlement</b>	<b>Settlement Date</b>	<b>Settlement Type</b>	<b>Exercise Style</b>	<b>ETH Available</b>
SPX Weeklys	SPX	SPXW	PM	Non 3rd Fridays	Cash	European	Yes
SPX End of Month	SPX	SPXW	PM	Last Trading Day of Month	Cash	European	Yes
SPX Monday Weeklys	SPX	SPXW	PM	Mondays	Cash	European	Yes
SPX Wednesday Weeklys	SPX	SPXW	PM	Wednesdays	Cash	European	Yes





# S&P 500 Index Options

Expirations Available (Jan 8, 2018)

1/8/2018		1/29/2018		2/28/2018		9/21/2018
1/10/2018		1/31/2018		3/2/2018		9/28/2018
1/12/2018		2/2/2018		3/16/2018		12/21/2018
1/16/2018		2/5/2018		3/29/2018		12/31/2018
1/17/2018		2/7/2018		4/20/2018		1/18/2019
1/19/2018		2/9/2018		4/30/2018		3/15/2019
1/22/2018		2/12/2018		5/31/2018		6/21/2019
1/24/2018		2/16/2018		6/15/2018		12/20/2019
1/26/2018		2/23/2018		6/29/2018		12/18/2020
<b>Key</b>		<b>PM Only</b>		<b>AM &amp; PM</b>		<b>AM Only</b>



## S&P 500<sup>®</sup> Options at Cboe

Average Daily Volume (A.D.V.)

*A.D.V. in 2017 rose 14% over the 2016 level*



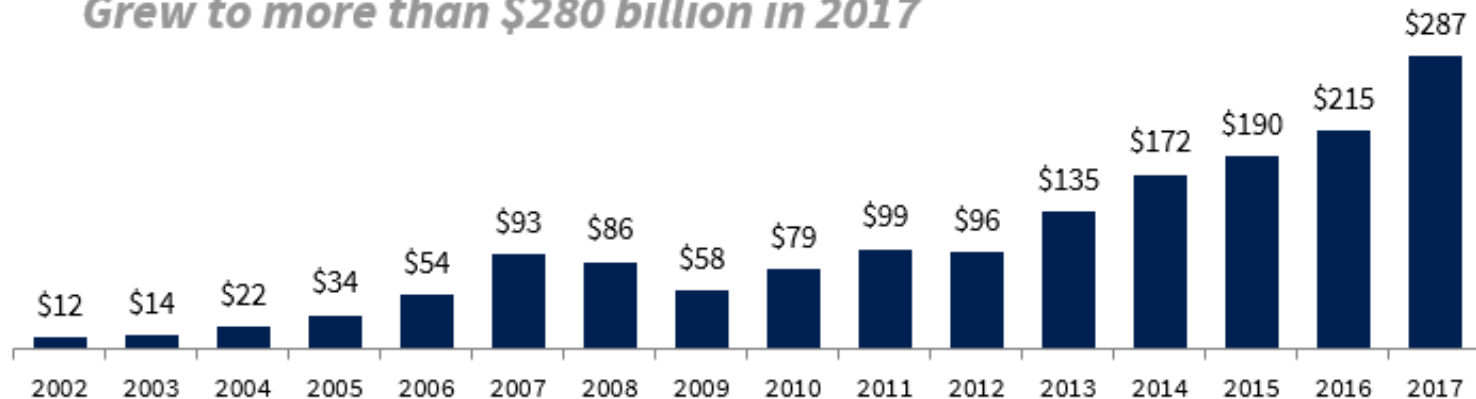
Source: Cboe (includes SPX a.m.-settled and SPXW p.m.-settled options)

[www.cboe.com/SPX](http://www.cboe.com/SPX)



## Notional Value of Avg. Daily Volume for SPX Options at Cboe (in \$billions)

*Grew to more than \$280 billion in 2017*



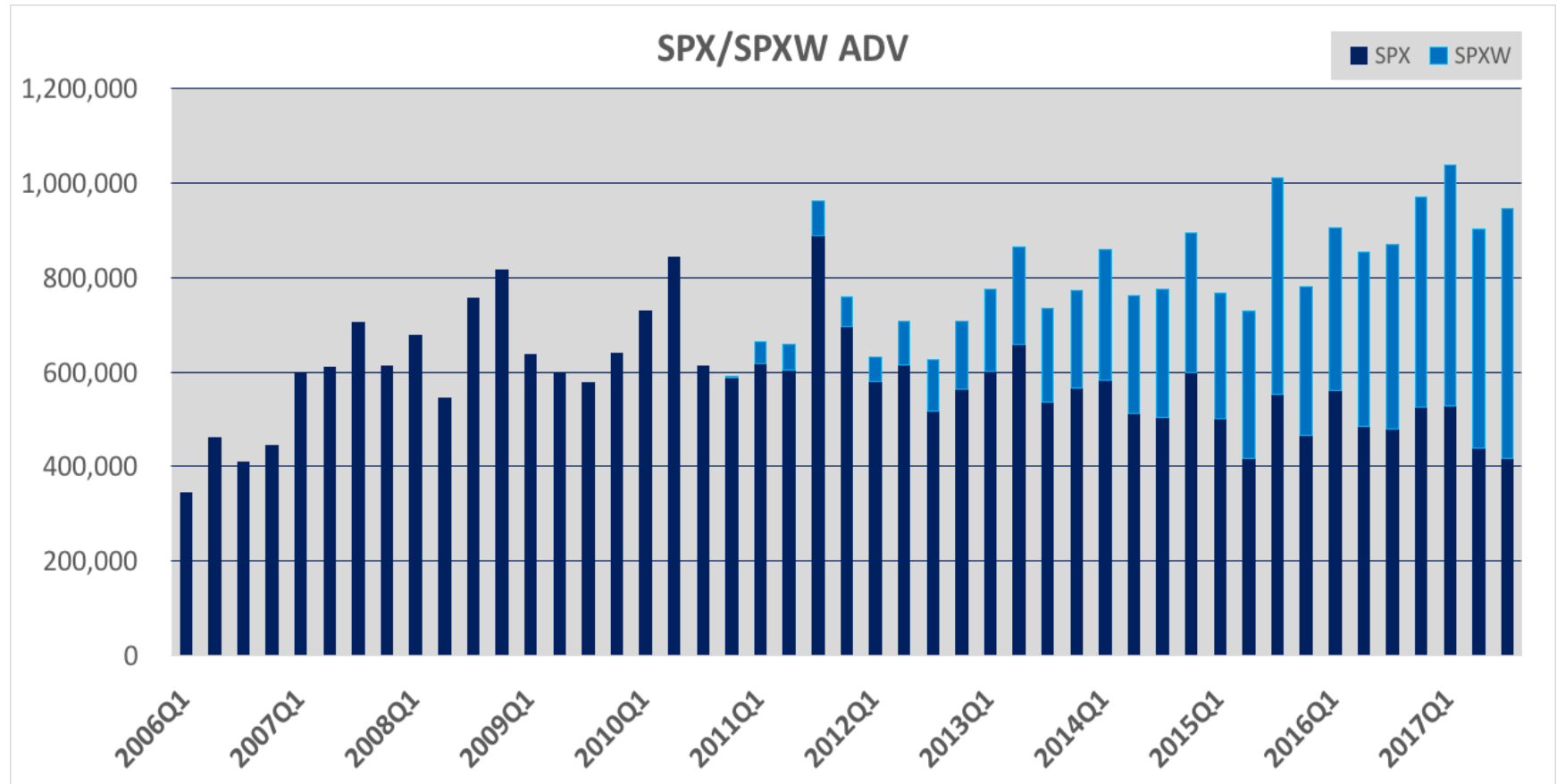
Source: Rough estimates of notional volume (in \$billions) by Cboe Options Exchange. Some analysts use a delta-weighting multiplier to develop more conservative estimates. Figures include SPX weeklys.

[www.cboe.com/SPX](http://www.cboe.com/SPX)





# S&P 500 Index Options



- ❖ December 18, 2017 – Market Closing
- ❖ SPX finished the day at 2690.16, up almost 15 points on the day
- ❖ A trader may consider the move will stall out for the next couple of days and sells a call spread

	Bid	Offer
<b>Dec 20<sup>th</sup> 2690 Call</b>	<b>6.20</b>	<b>6.70</b>
<b>Dec 20<sup>th</sup> 2695 Call</b>	<b>3.60</b>	<b>3.90</b>
<b>Dec 20<sup>th</sup> 2700 Call</b>	<b>2.00</b>	<b>2.20</b>

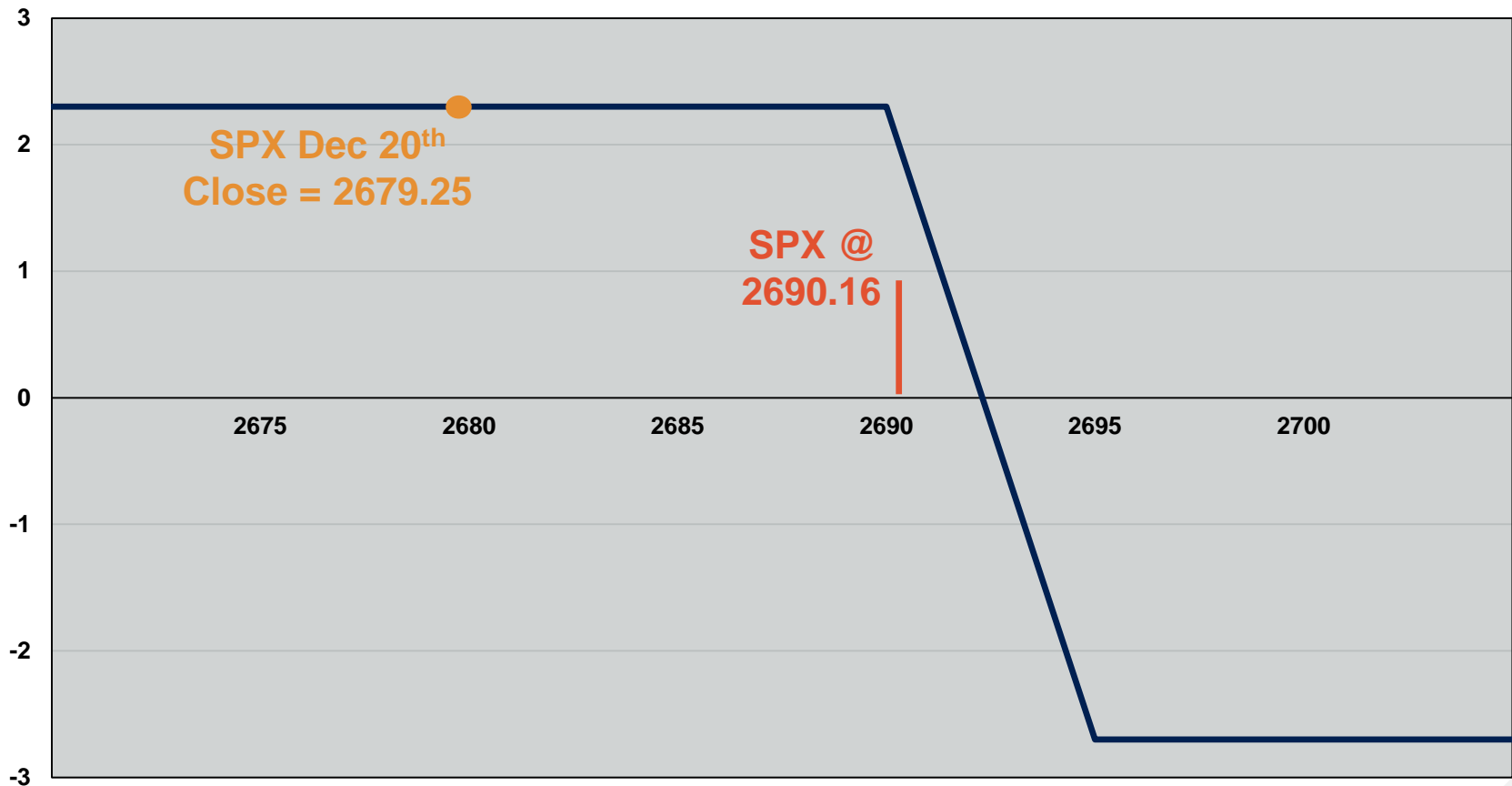
**Sell 1 SPX Dec 20<sup>th</sup> 2690 Call at 6.20**

**Buy 1 SPX Dec 20<sup>th</sup> 2695 Call at 3.90**

**Net Credit = 2.30**



## SPX Dec 20<sup>th</sup> 2690 / 2695 Bear Call Spread



- ❖ December 20, 2017 – SPX closes at 2679.25
- ❖ Trader now thinks the market will resume moving to higher levels

	Bid	Offer
<b>Dec 22<sup>nd</sup> 2680 Put</b>	<b>5.90</b>	<b>6.40</b>
<b>Dec 22<sup>nd</sup> 2670 Put</b>	<b>2.90</b>	<b>3.20</b>

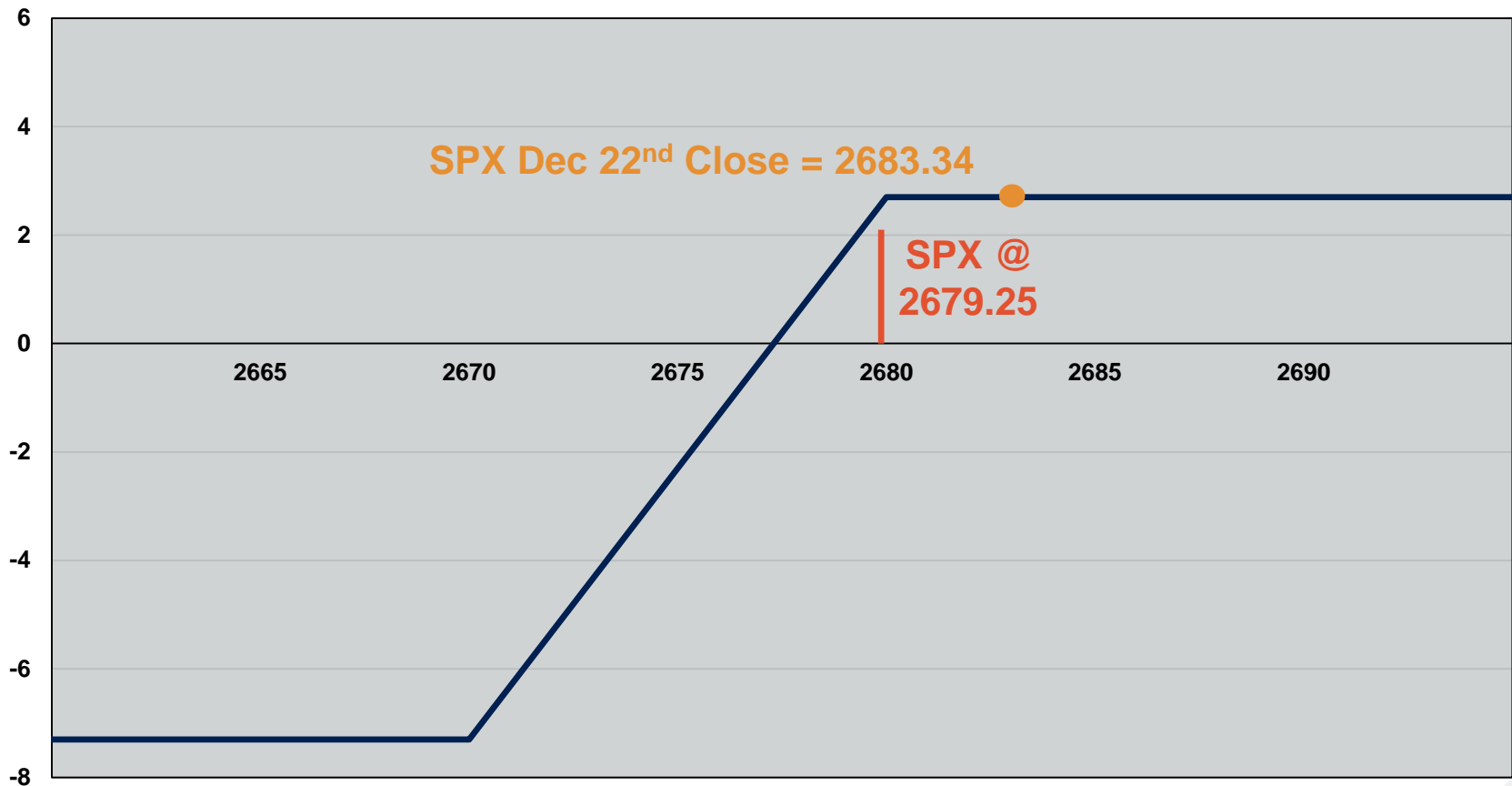
**Sell 1 SPX Dec 22<sup>nd</sup> 2680 Put at 5.90**

**Buy 1 SPX Dec 22<sup>nd</sup> 2670 Put at 3.20**

**Net Credit = 2.70**



## SPX Dec 22<sup>nd</sup> 2680 / 2670 Bull Put Spread



- ❖ December 22, 2017 – Market Open
- ❖ SPX at 2684.20 – think it's going to be a fairly quiet day

	Bid	Offer
<b>Dec 22<sup>nd</sup> 2675 Put</b>	<b>0.40</b>	<b>0.55</b>
<b>Dec 22<sup>nd</sup> 2680 Put</b>	<b>1.20</b>	<b>1.30</b>
<b>Dec 22<sup>nd</sup> 2685 Call</b>	<b>2.90</b>	<b>3.10</b>
<b>Dec 22<sup>nd</sup> 2690 Call</b>	<b>1.00</b>	<b>1.10</b>

**Buy SPX Dec 22<sup>nd</sup> 2675 Put at 0.55**

**Sell SPX Dec 22<sup>nd</sup> 2680 Put at 1.20**

**Sell SPX Dec 22<sup>nd</sup> 2685 Call at 2.90**

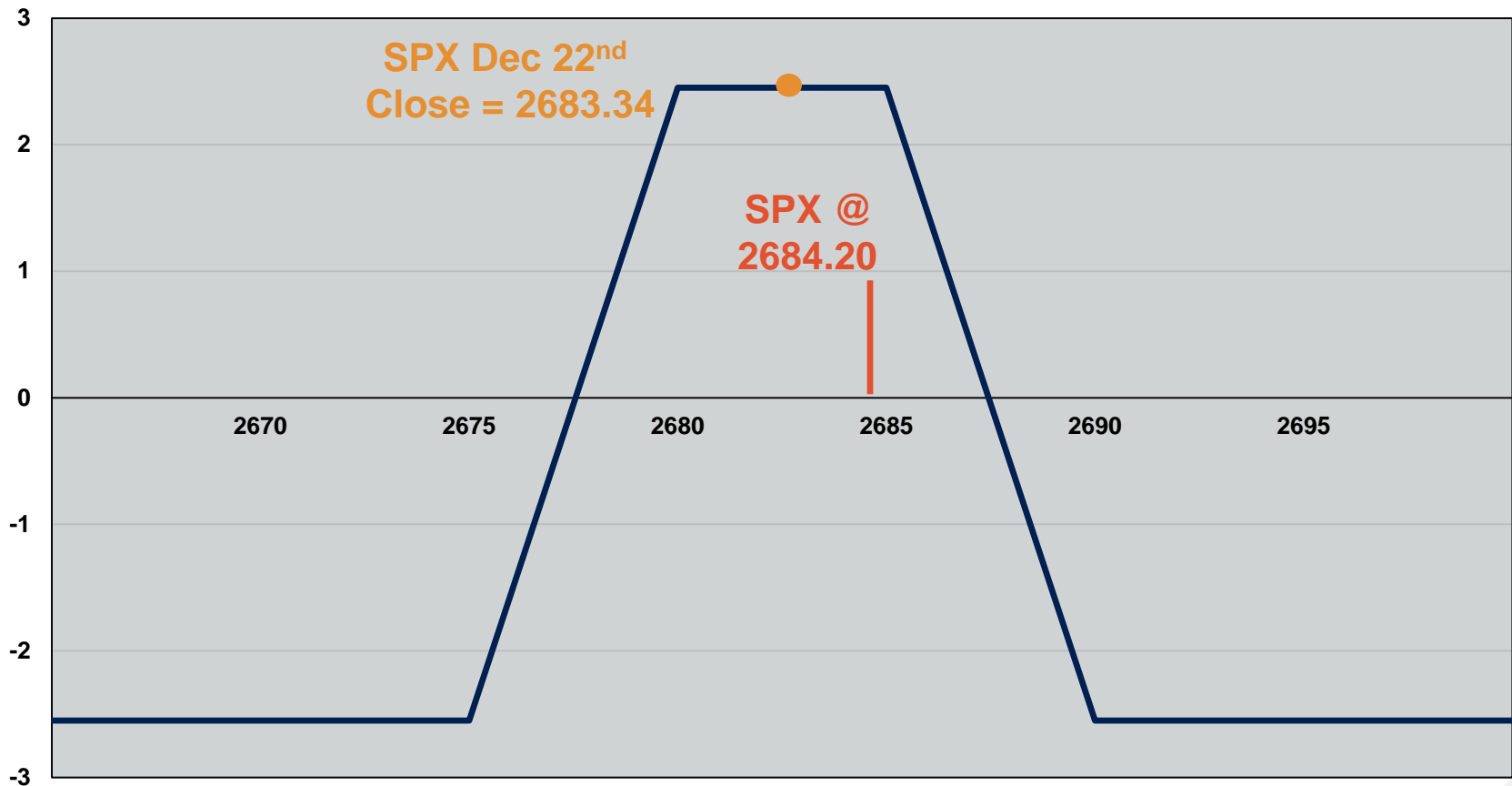
**Buy SPX Dec 22<sup>nd</sup> 2690 Call at 1.10**

**Net Credit = 2.45**





## SPX Dec 22<sup>nd</sup> 2675 – 2680 – 2685 – 2690 Iron Condor



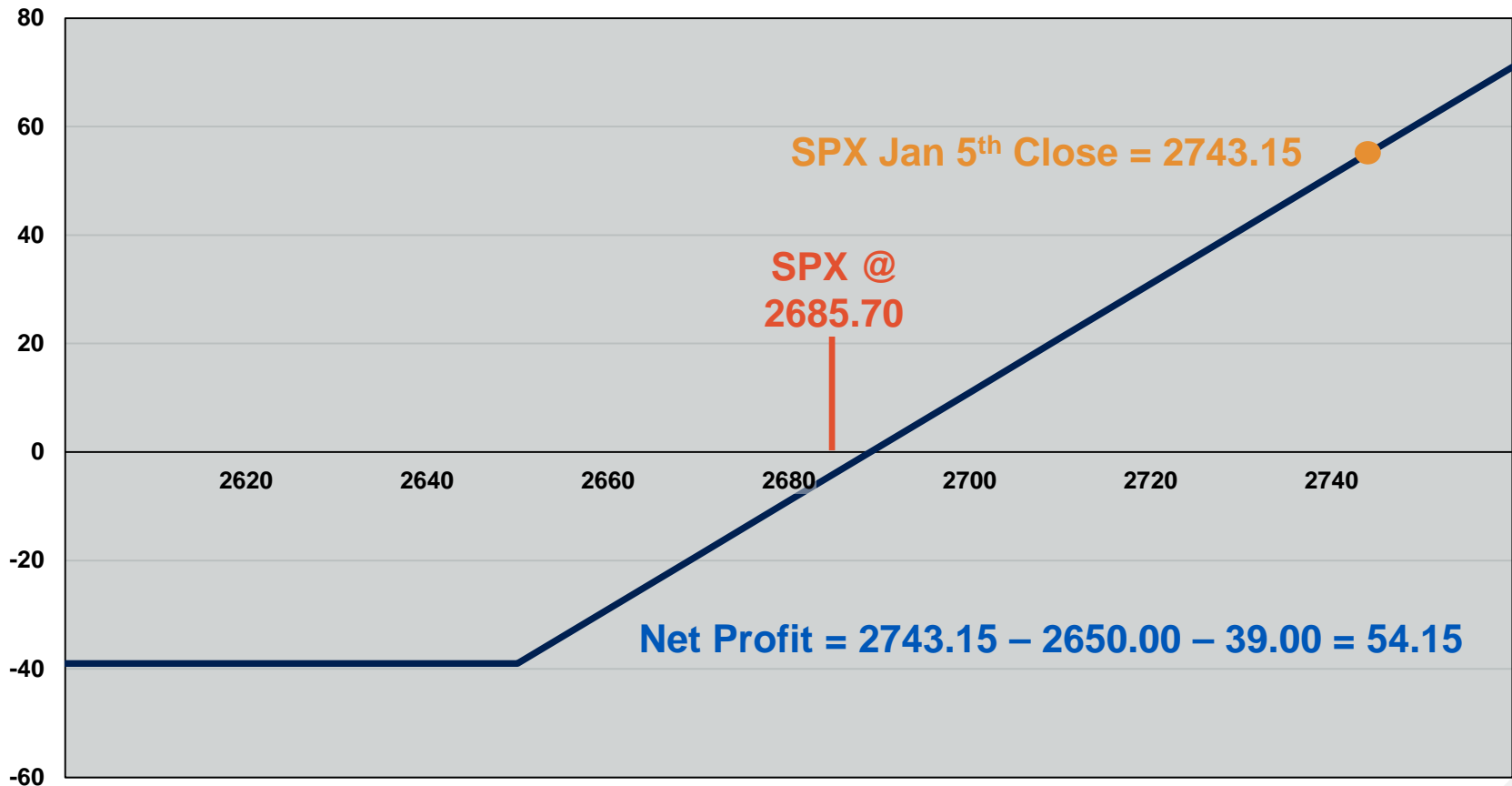
- ❖ Tuesday January 2<sup>nd</sup>
- ❖ Very bullish on the first week of the year for the S&P 500
- ❖ 10 minutes into the trading day SPX at 2685.70
- ❖ Decided to take a look at deep in the money SPX options expiring that Friday

	Offer Price	Time Value
<b>Jan 5<sup>th</sup> 2640 Call</b>	<b>48.10</b>	<b>2.40</b>
<b>Jan 5<sup>th</sup> 2650 Call</b>	<b>39.00</b>	<b>3.30</b>
<b>Jan 5<sup>th</sup> 2660 Call</b>	<b>29.60</b>	<b>3.90</b>

**Buy 1 SPX Jan 5<sup>th</sup> 2650 Call at 39.00**



Long SPX Jan 5<sup>th</sup> 2650 Call at 39.00



## S&P 500 Futures Alternative

**Jan 2<sup>nd</sup> 8:40 AM**  
**Buy 1 Mar ES at 2685.25**

**Jan 5<sup>th</sup> 3:00 PM**  
**Sell 1 Mar ES at 2741.00**

**Net Profit = 2741.00 – 2685.25 = 55.75**



## SPX Option vs. ES Future

	<b>Option Trade</b>	<b>ES Trade</b>
<b>Trade Profit</b>	54.15	55.75
<b>Contract Multiplier</b>	\$100	\$50
<b>Dollar Profit</b>	\$5,415.00	\$2,787.50
<b>Trade Cost*</b>	\$3,900	\$8,000*
<b>Maximum Loss</b>	\$3,900	???

*\*Assumes Overnight Margin of \$8000*



Questions / Comments?

Cboe Resources

[www.cboe.com/spx](http://www.cboe.com/spx)

[www.cboe.com/benchmarks](http://www.cboe.com/benchmarks)

[www.cboe.com/blogs](http://www.cboe.com/blogs)

Twitter - @Cboe

Contact – rhoads@cboe.com

Twitter – @RussellRhoads

