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**OPTIONS
INSTITUTE**

Interactive Brokers Webcast

Introducing Index Options

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CBOE Electronic Pits of Today



Introducing Index Options

Outline

- **Index Option vs. ETF Options**
- **SPX Options**
- **RUT Options**
- **Trading Examples**

Index Options

Index vs. ETF

Comparison

Size	SPX and RUT 10x SPY and IWM
Settlement	Index = Cash / ETF = Physical
Expirations	Several Available for Both

Index Options

Fed Trade

- **Tuesday September 20, 2016 – day before fed announcement**
- **Bullish on the reaction (because when Janet speaks the market rallies)**

S&P 500 at 2139.75

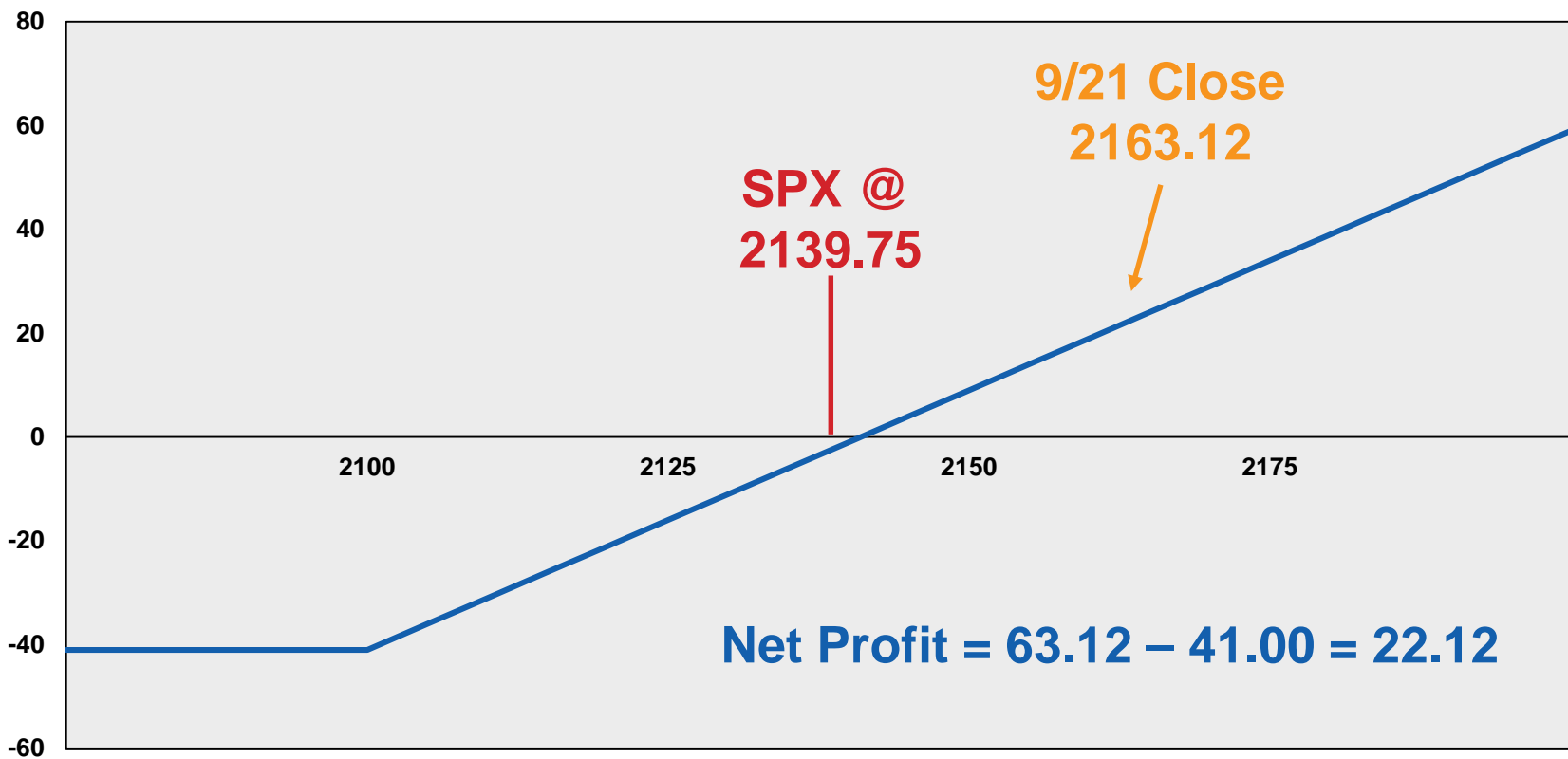
Buy 1 SPX Sep 21st 2100 Call at 41.00

Time Value of 1.25

Index Options

Fed Trade

Long 1 SPX Sep 21st 2100 Call at 41.00



Index Options

Fed Trade

- You can also reduce your option cost by selling another option
- Tuesday September 20, 2016 – day before fed announcement
- Bullish on the reaction (because when Janet speaks the market rallies)

S&P 500 at 2139.75

Buy 1 SPX Sep 21st 2100 Call at 41.00

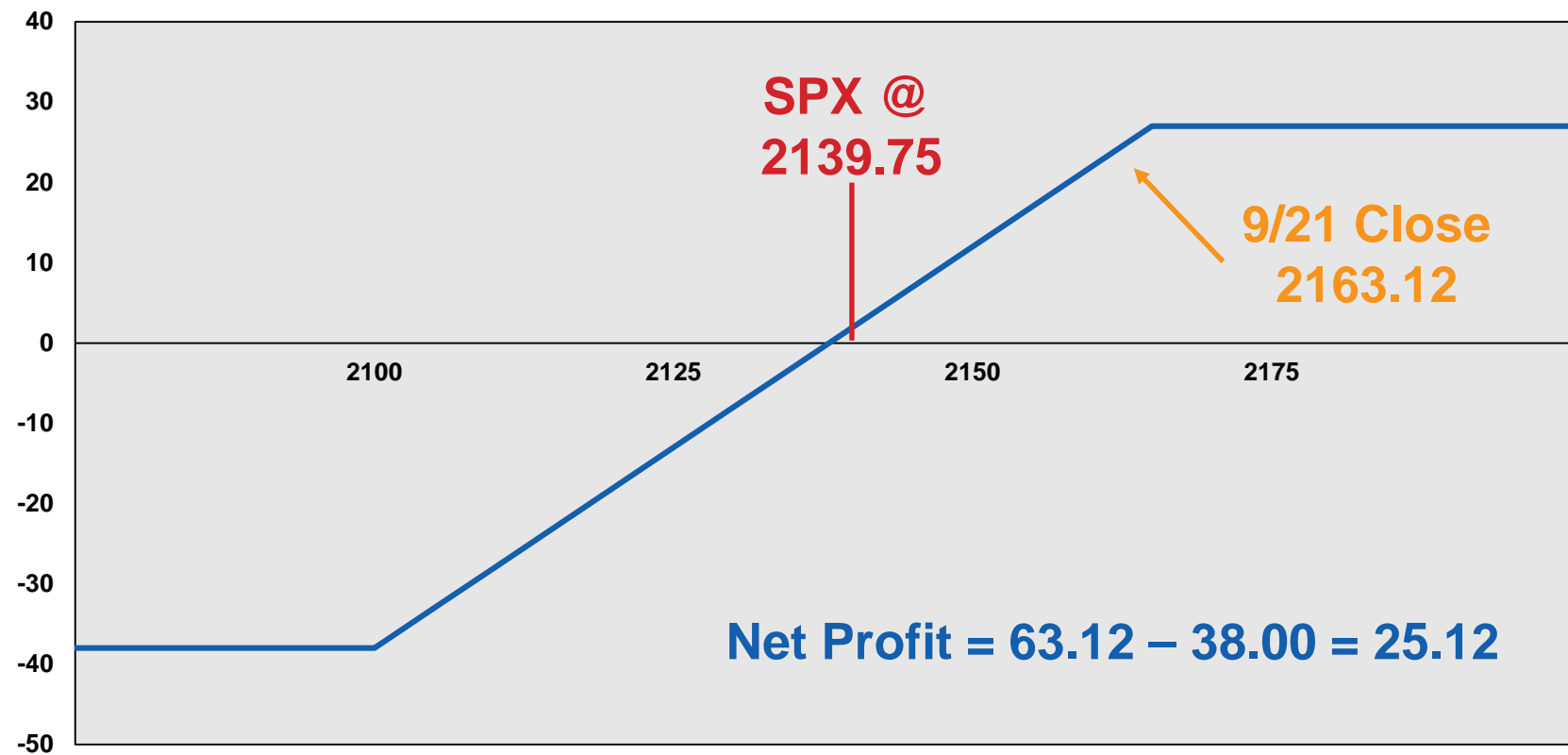
Sell 1 SPX Sep 21st 2165 Call at 3.00

Net Cost = 38.00

Index Options

Fed Trade

Long 1 SPX Sep 21st 2100 Call at 41.00 + Short 2165 Call at 3.00



Index Options

Fed Trade Number 2

Tuesday March 15th

SPX @ 2015

Bullish on SPX into FOMC

Buy 1 SPX Mar 16th 2015 Call at 9.00

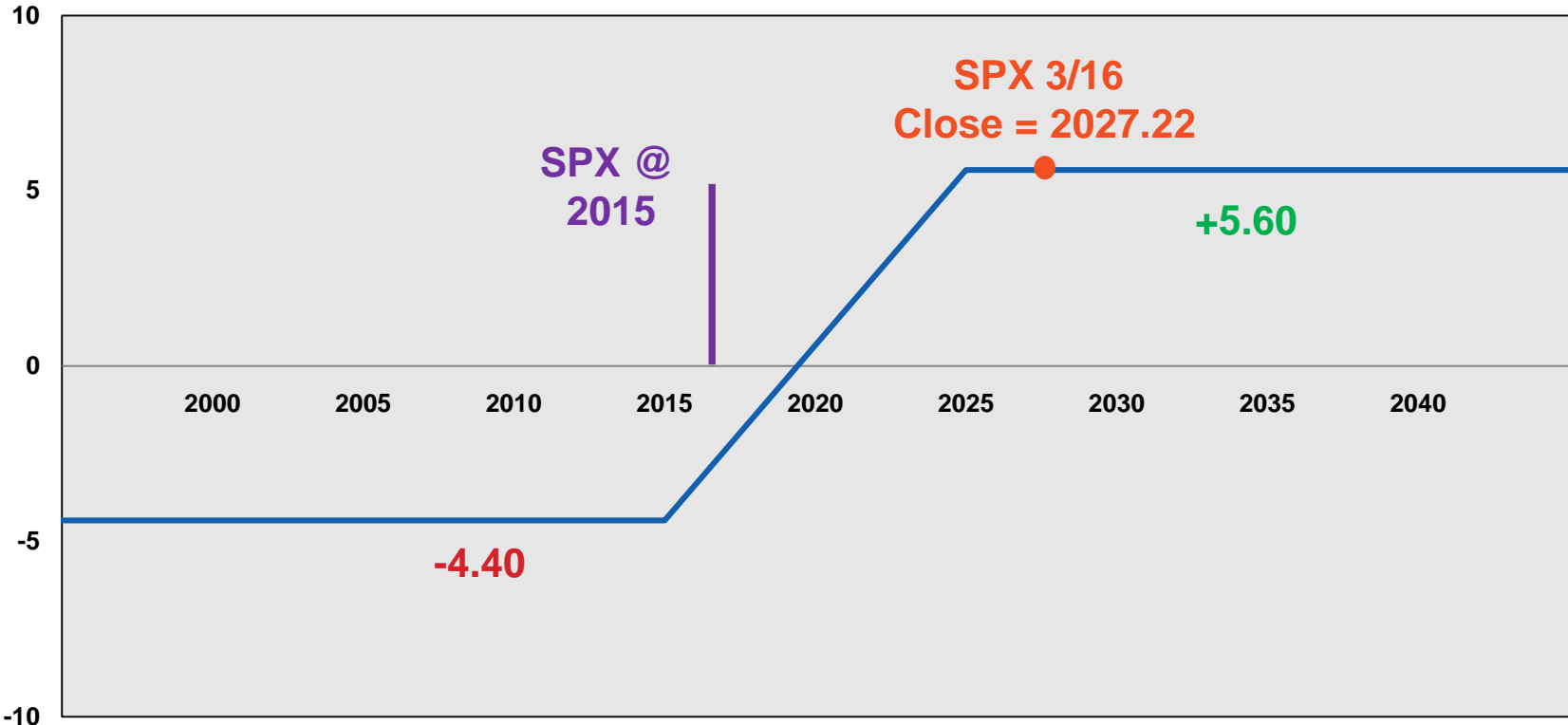
Sell 1 SPX Mar 16th 2025 Call at 4.60

Net Cost = 4.40

Index Options

Fed Trade Number 2

Long SPX 2015 Call + Short SPX 2025 Call



Index Options

Fed Trade Number 3

FOMC Minutes Trade –

About 12:00 April 6th

SPX at 2058

Bullish into FOMC Minutes

Buy SPX Apr 6th 2055 Put at 1.80

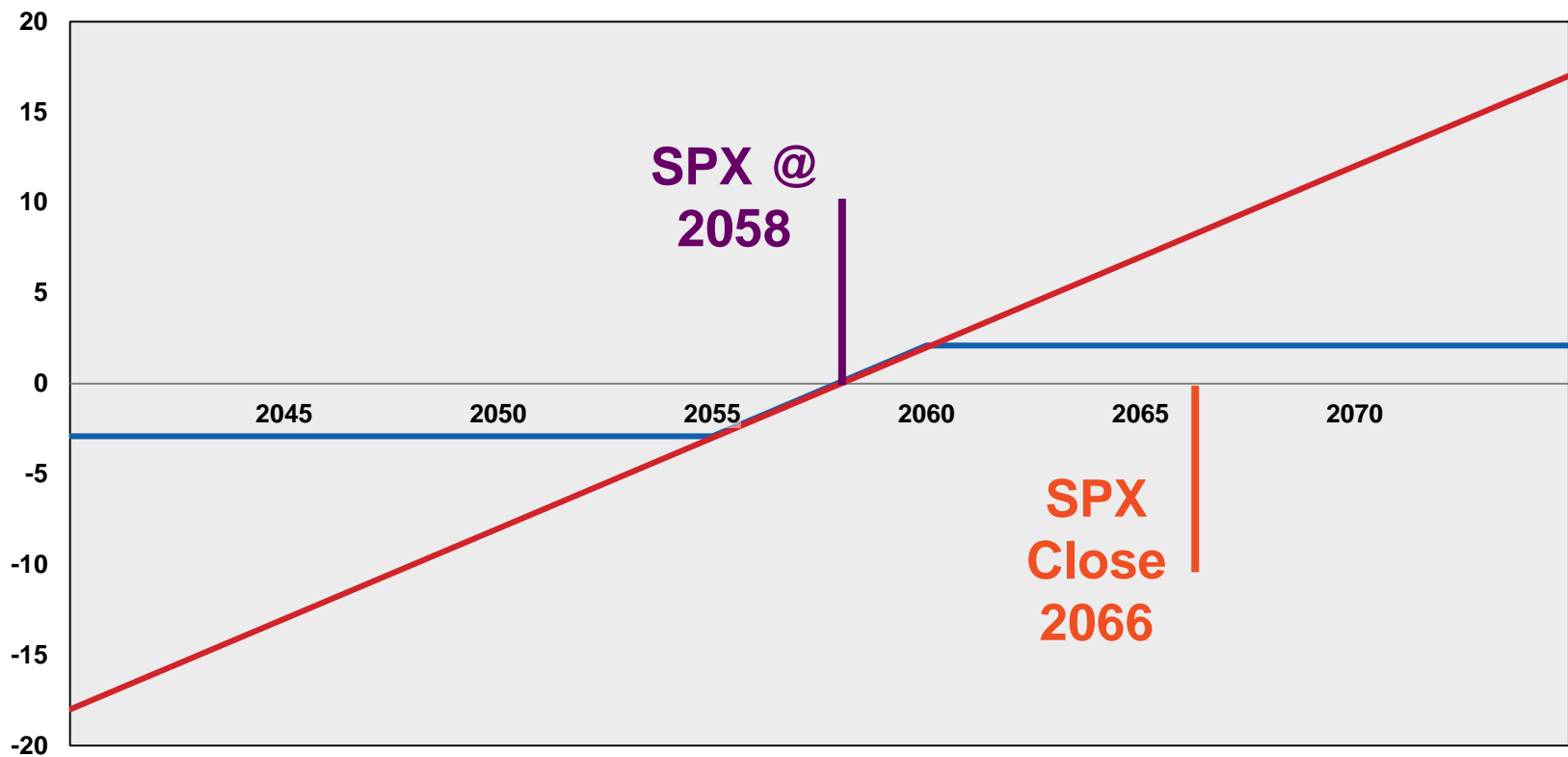
Sell SPX Apr 6th 2060 Put at 3.90

Credit = 2.10

Index Options

Fed Trade Number 3

Payoff Diagram –



Index Options

Short Term Bull Put Spread

➤ January 14, 2015 – RUT at 1177

Sell RUT Jan 23rd 1070 Put @ 1.15

Buy RUT Jan 23rd 1060 Put @ 1.00

Net Credit = 0.15

Index Options

Historical Context

Rolling RUT Performance

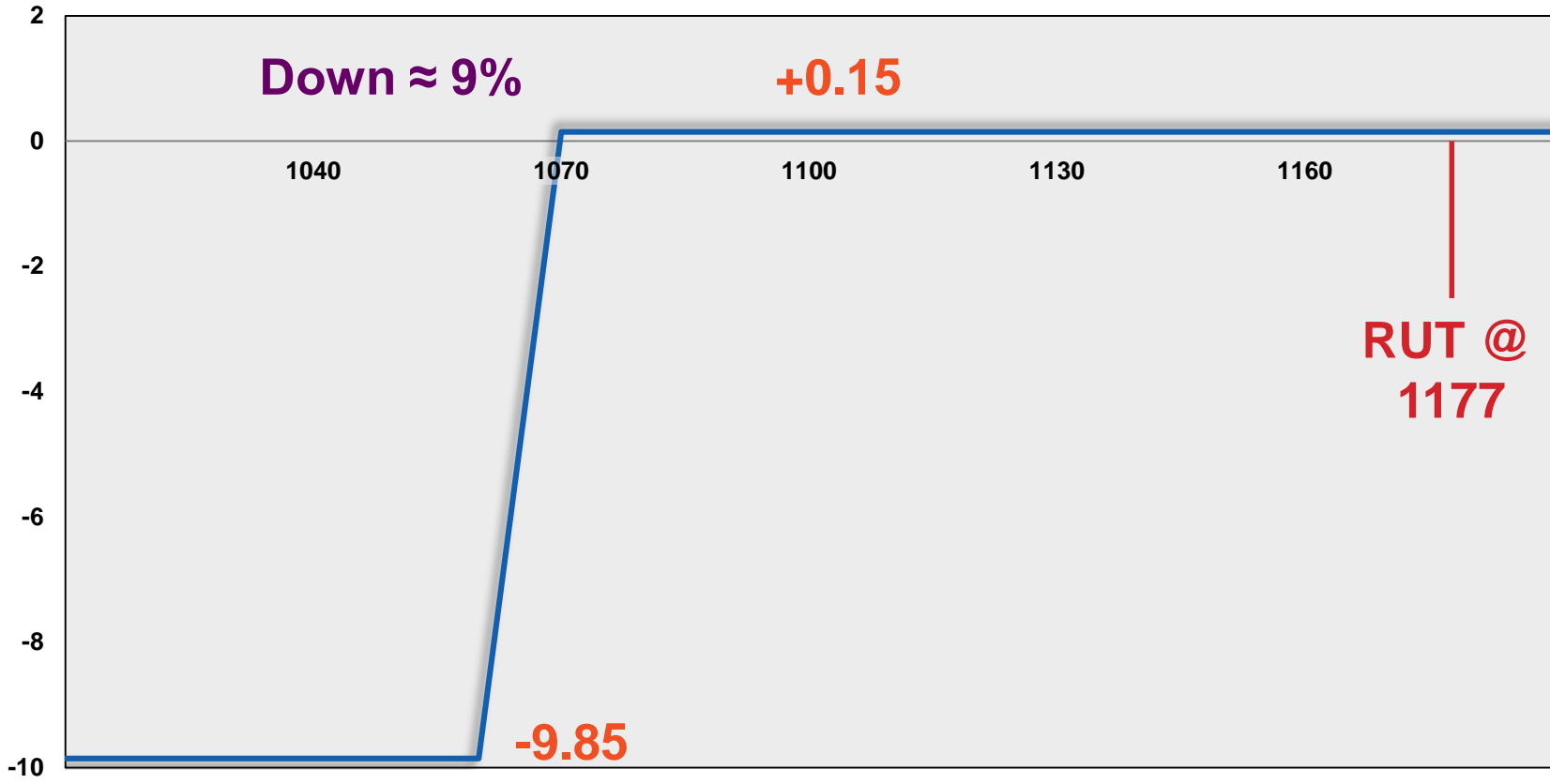
	Number of Periods	Down More than 9%	Percent
5 Days	3782	39	1.03%
6 Days	3782	51	1.35%

Data Source: Bloomberg

Index Options

Short Term Bull Put Spread

Payoff Diagram –



Summary

Option traders need a 3- part forecast: Underlying Price, Time and Implied Volatility

RUT volatility higher than SPX creating different opportunities

➤ Thank you for attending!