Trading Small Caps with Russell 2000 Index Options

Interactive Brokers Webcast

May 30, 2018

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Disclosure

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Outline

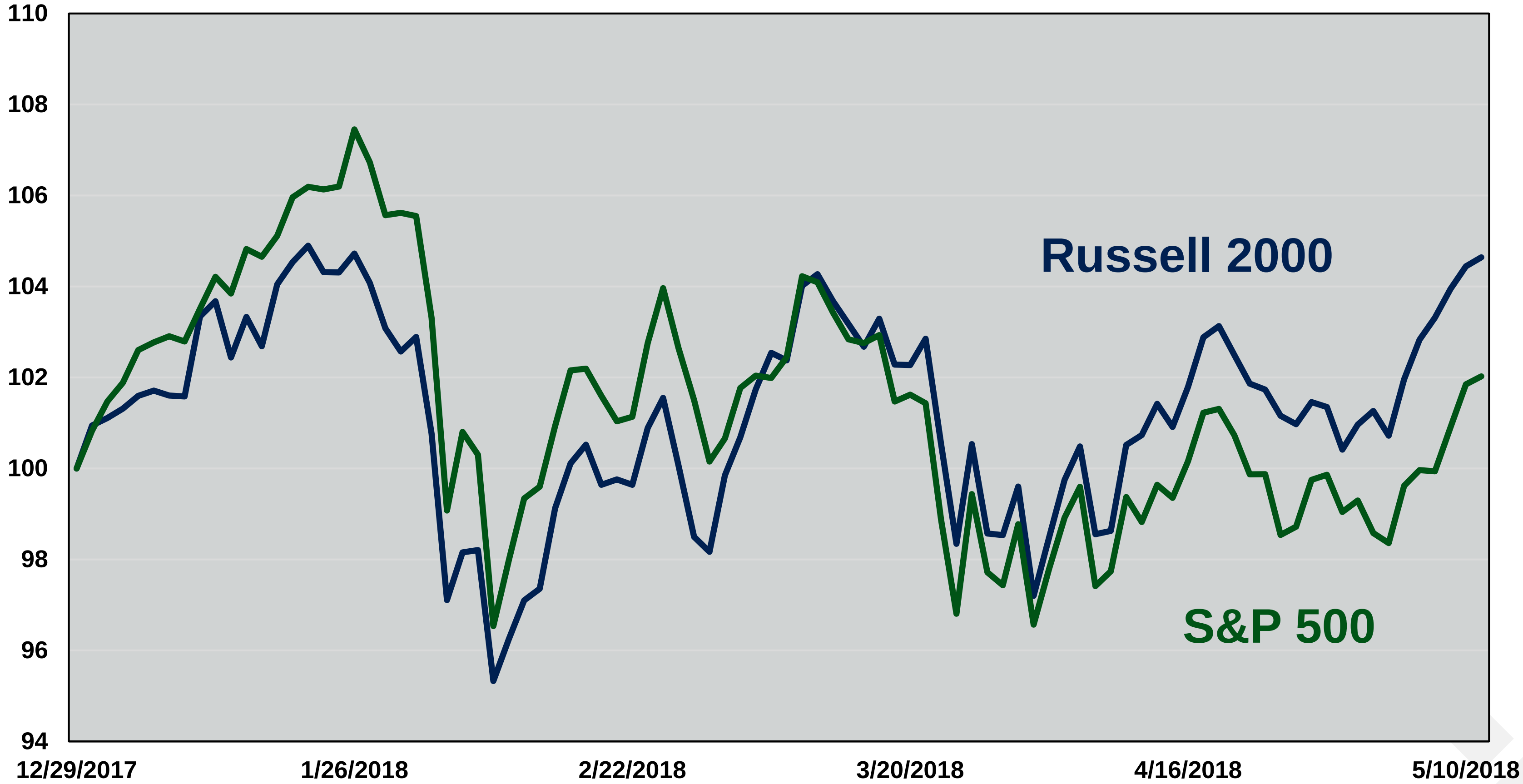
- Russell 2000 Index
- RUT Options
- Trading Examples
- Resources / Questions / Contact

Russell 2000 Index

- The Russell 2000 (RUT) is considered a benchmark for small cap stock performance in the US
- RUT options offer portfolio managers an efficient method of hedging portfolio risk or increasing income for a small cap portfolio
- Although both the S&P 500 and Russell 2000 are broad based benchmarks representing US stock market performance, the price behavior of the two often diverge

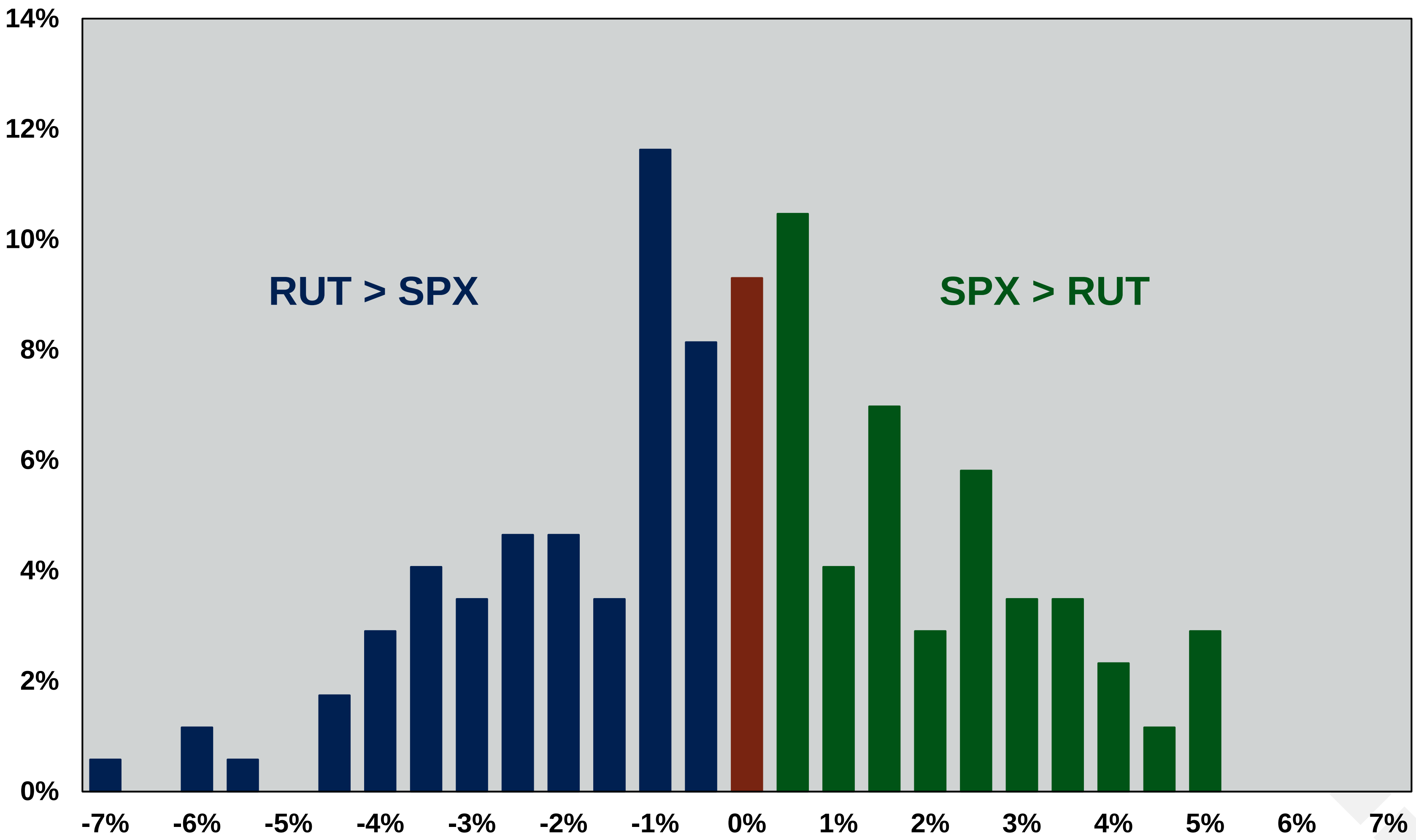
Russell 2000 Index

Russell 2000 vs. S&P 500 Indexed to 100 for 2018 through May 11



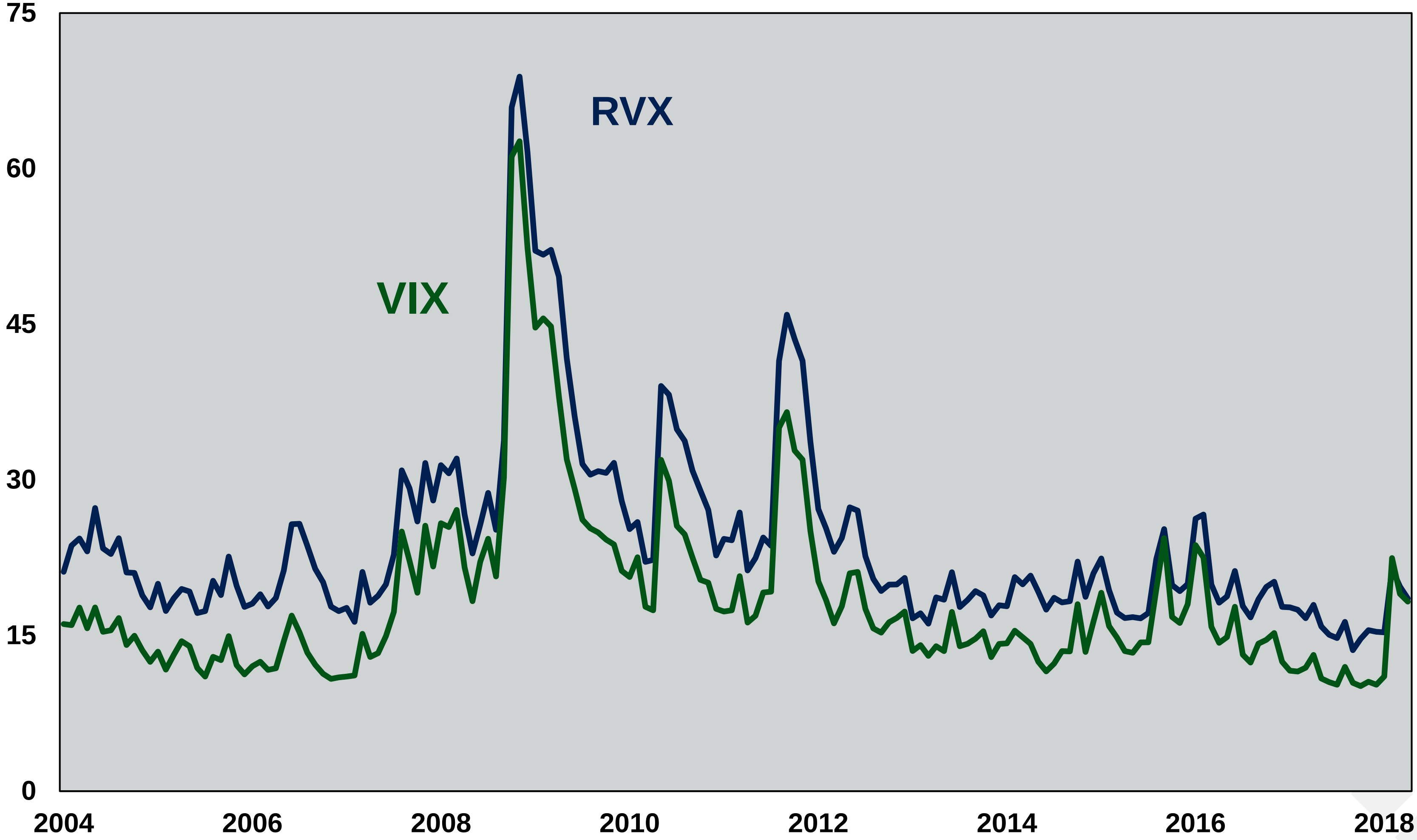
Data Source: Bloomberg

SPX vs. RUT Relative Monthly Returns Jan ‘04 – Apr ‘18



Data Source: Bloomberg

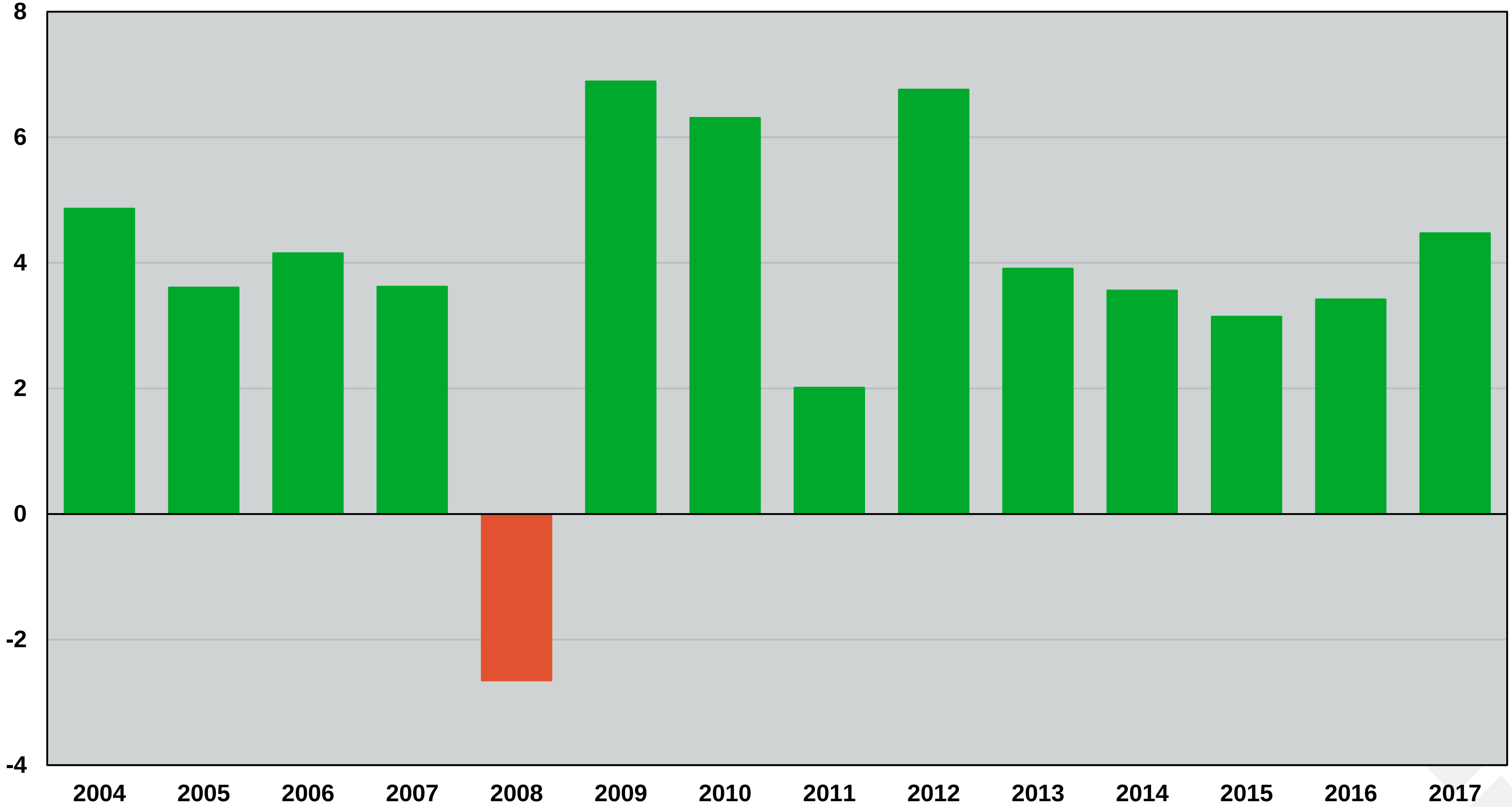
RVX vs. VIX Average Monthly Close Jan ’04 – Apr ‘18



Data Source: Bloomberg

Russell 2000 Index

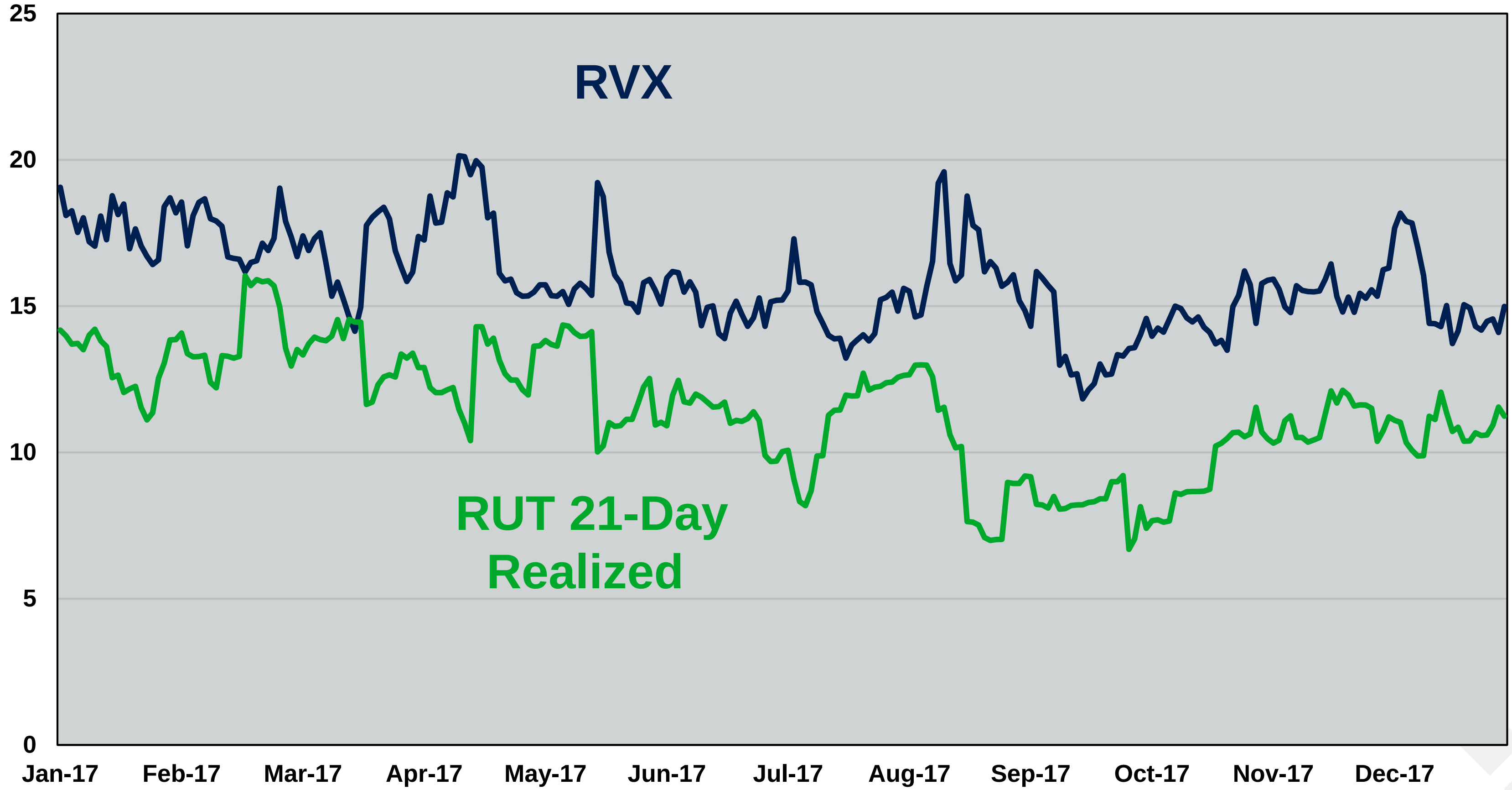
RVX vs RUT Realized by Year



Data Sources: Cboe Global Markets and Bloomberg

Russell 2000 Index

RVX vs. Russell 2000 Realized Volatility



Data Sources: Cboe Global Markets and Bloomberg

Russell 2000 Index Options

Expirations Available – May 14, 2018

5/18/2018	**7/20/2018**	**12/31/2018**
5/25/2018	**7/31/2018**	**1/18/2019**
5/31/2018	**8/31/2018**	**3/15/2019**
6/1/2018	**9/21/2018**	**3/29/2019**
6/8/2018	**9/28/2018**	**6/21/2019**
6/15/2018	**10/31/2018**	**12/20/2019**
6/22/2018	**12/21/2018**	**12/18/2020**
6/29/2018		

Blue = PM Settlement

Red = AM Settlement

Short Term Outlook

Thursday Jan 11th – RUT at 1586

Bull Call Spread

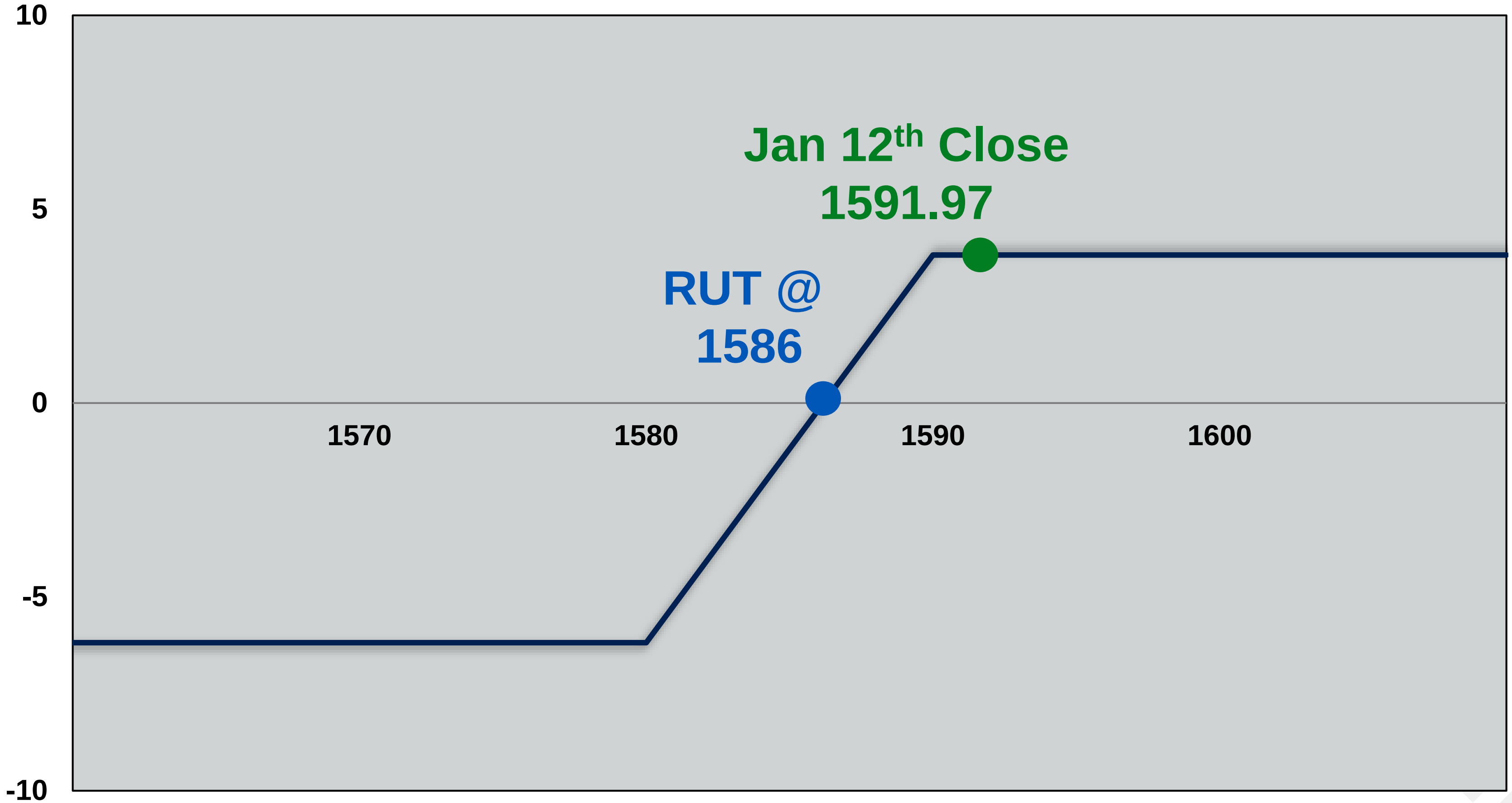
Buy RUT Jan 12th 1580 Call at 9.18

Sell RUT Jan 12th 1590 Call at 3.00

Net Cost 6.18

Short Term Outlook

RUT Jan 12th 1580 / 1590 Bull Call Spread – Payoff at Expiration



Short Term Outlook

January 2nd – RUT @ 1542

Bullish Ratio Spread

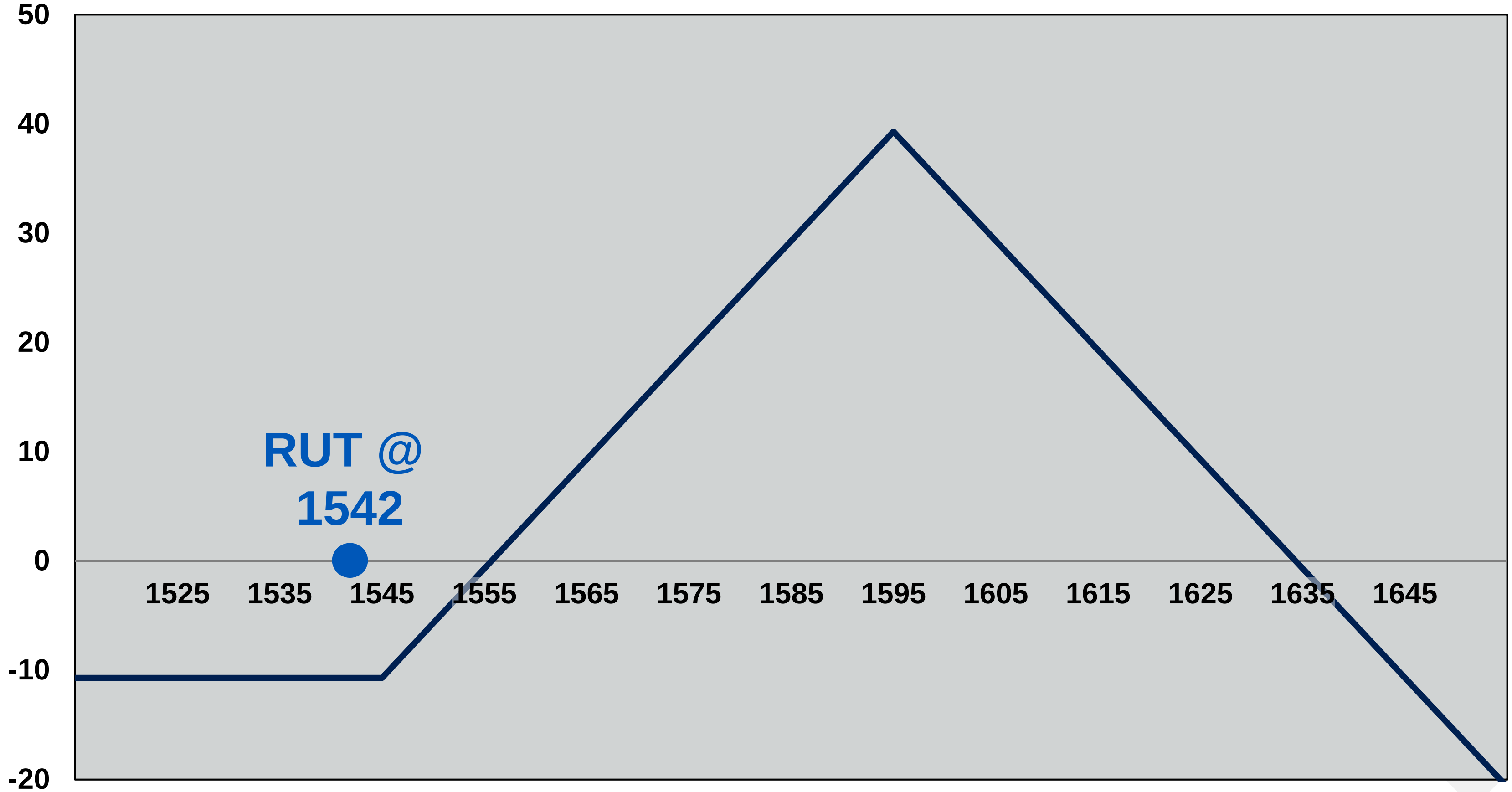
Buy 1 RUT Jan 12th 1545 Calls at 11.80

Sold 2 RUT Jan 12th 1595 Calls for 0.55 Each

Net Cost of 10.70

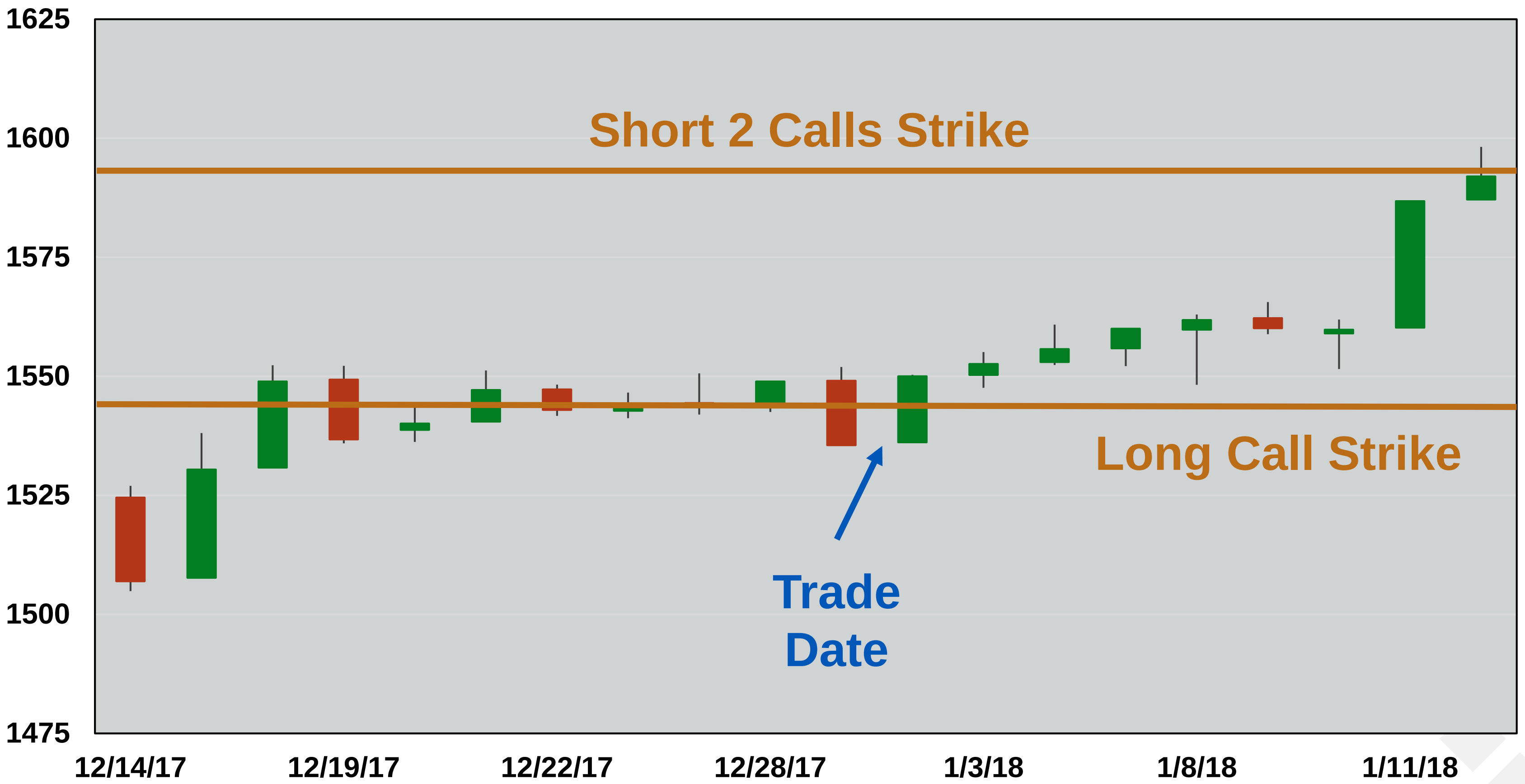
Short Term Outlook

Jan 12th Long 1545 – Short 2 1595 Call Spread – Payoff at Expiration



Short Term Outlook

RUT Price Action



Short Term Outlook

Wednesday Jan 17th – RUT at 1590

Bull Put Spread

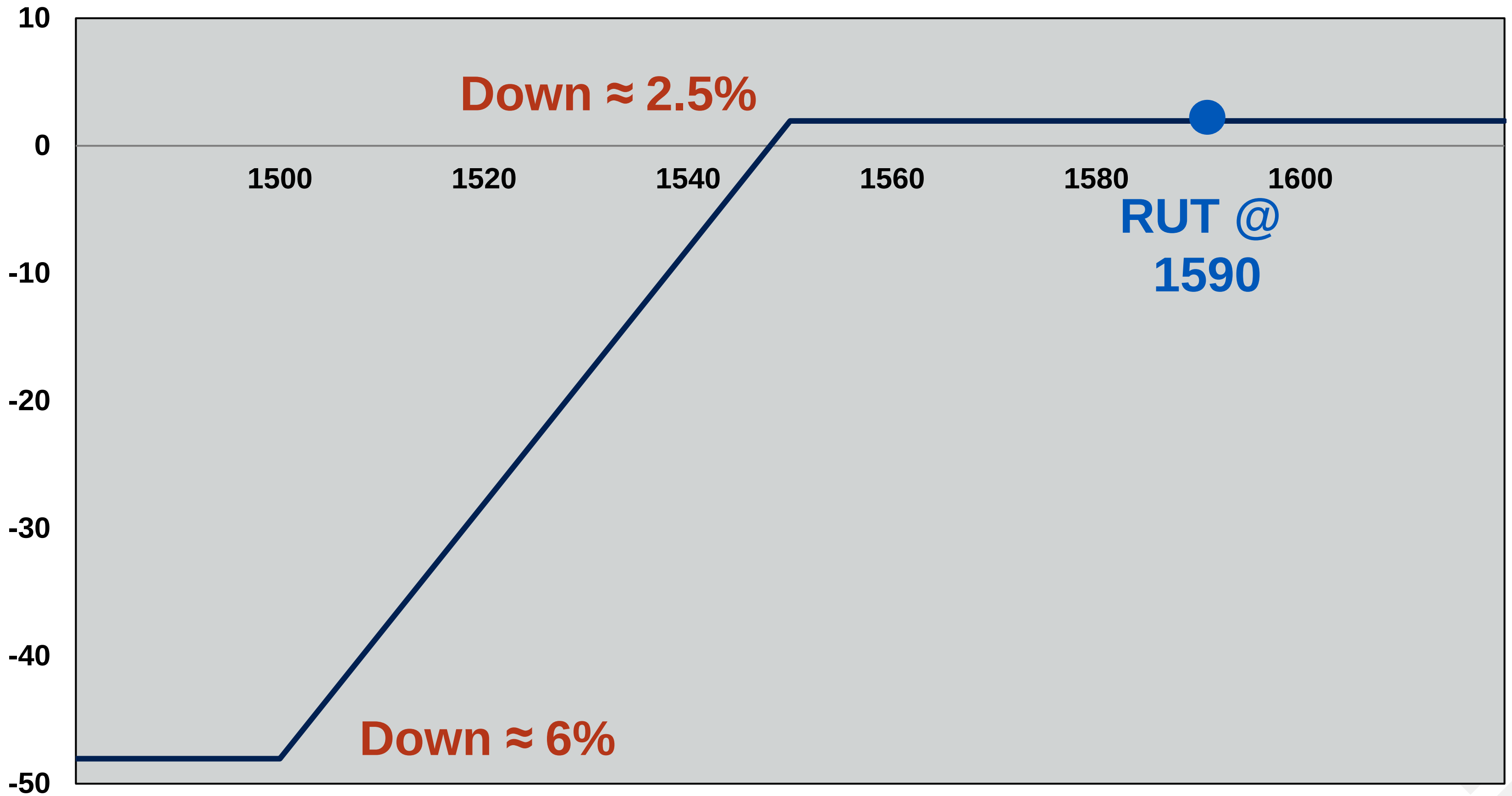
Sell Jan 26th RUT 1550 Put at 2.88

Buy Jan 26th RUT 1500 Put at 0.93

Net Credit = 1.95

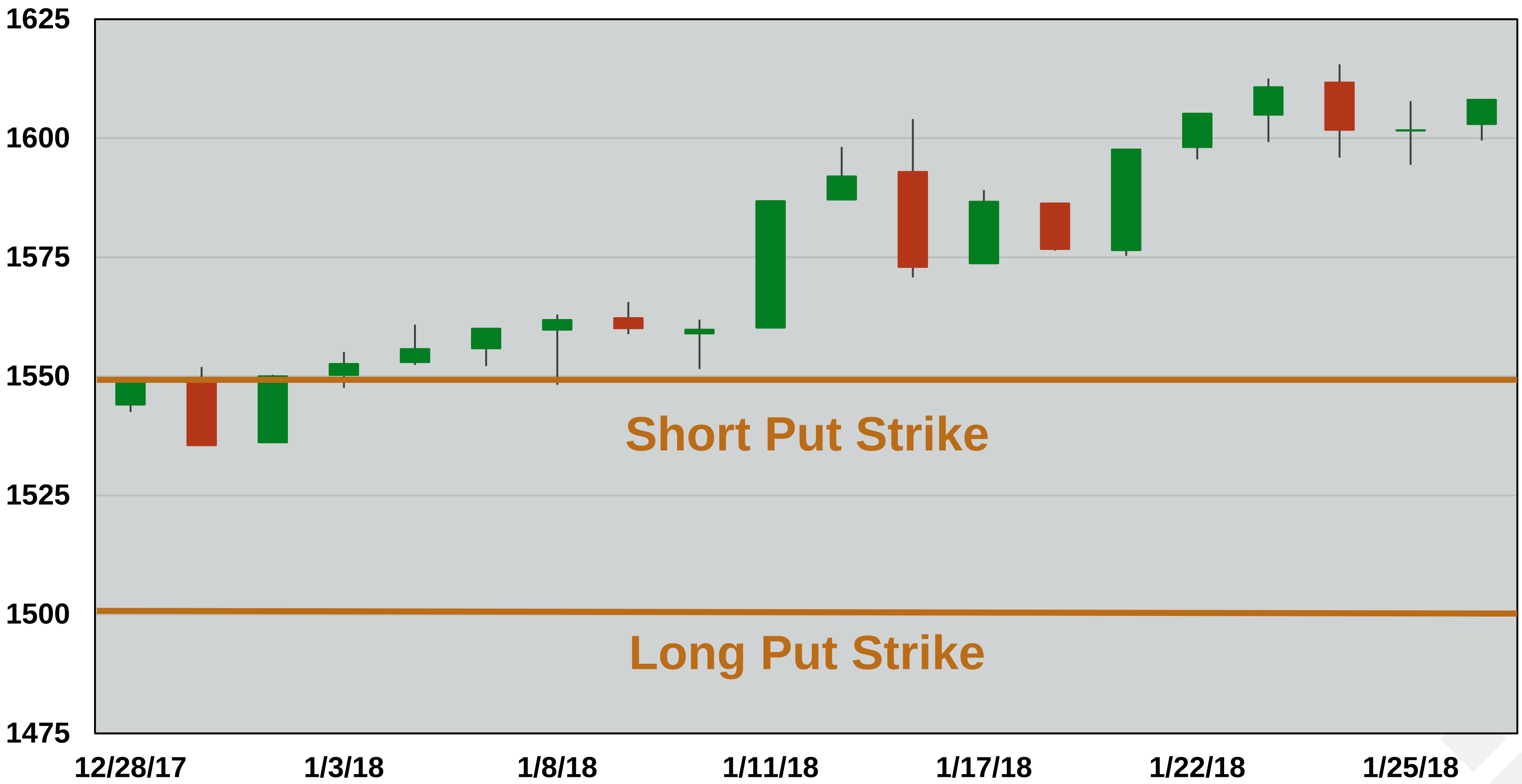
Short Term Outlook

Jan 26th 1550 / 1500 Bull Put Spread



Short Term Outlook

RUT Price Action



Longer Term Outlook

Late Friday February 9th – RUT at 1477

Iron Condor

Buy Mar 29th 1360 Put @ 18.84

Sell Mar 29th 1365 Put @ 19.56

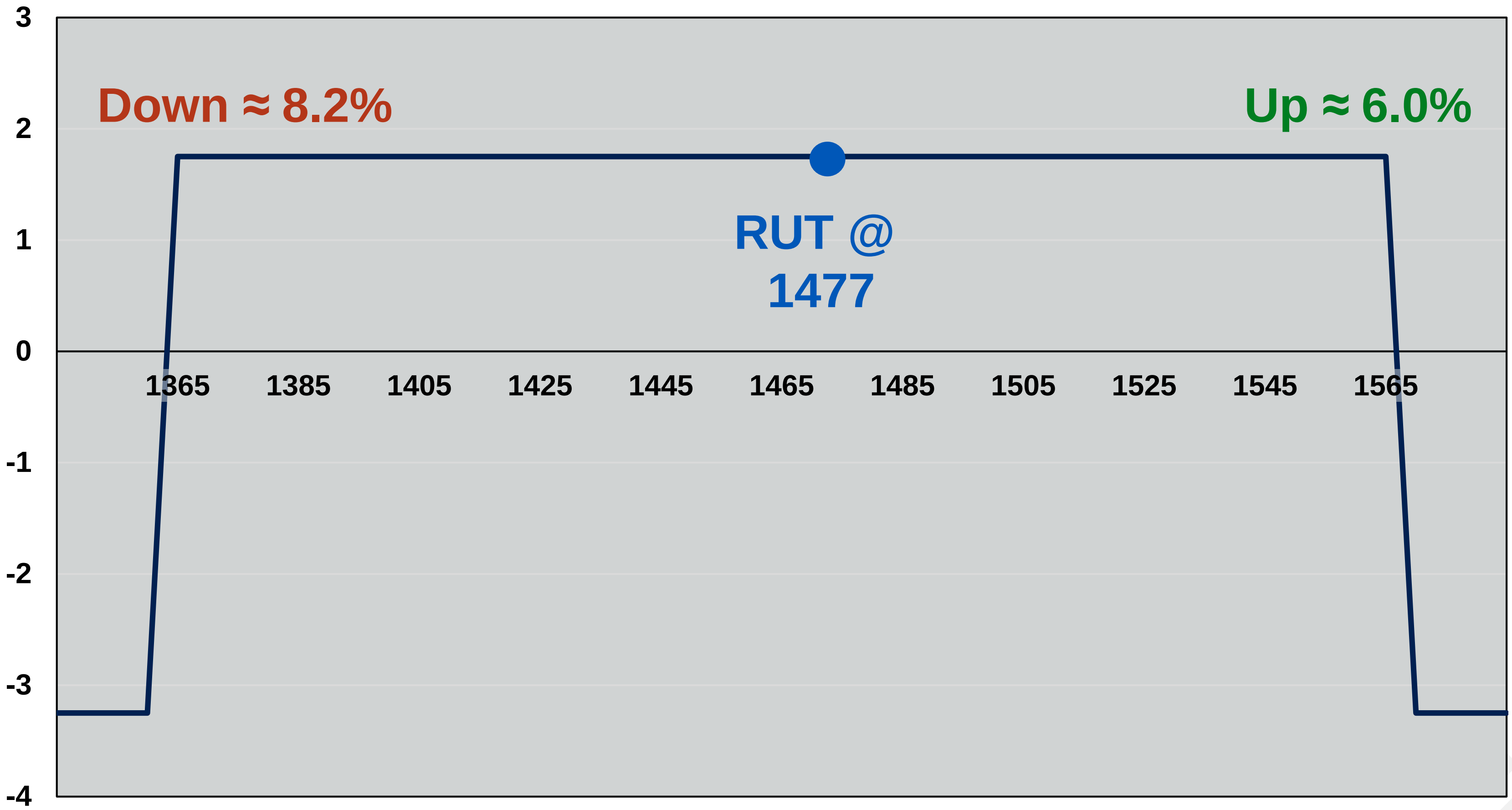
Sell Mar 29th 1565 Call @ 11.21

Buy Mar 29th 1570 Call @ 10.08

Net Credit = 1.75

Longer Term Outlook

Mar 29th 1360 – 1365 – 1565 – 1570 Iron Condor Payoff at Expiration



Longer Term Outlook

RUT Price Action

Resources

Questions / Comments?

Cboe Resources

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