



Introducing

NQX

Reduced Value. Increased Options.

7/11/2018

Options Disclosure

For the sake of simplicity, the examples that follow do not take into consideration commissions and other transaction fees, tax considerations, or margin requirements, which are factors that may significantly affect the economic consequences of a given strategy. An investor should review transaction costs, margin requirements and tax considerations with a broker and tax advisor before entering into any options strategy.

Options involve risk and are not suitable for everyone. Prior to buying or selling an option, a person must receive a copy of *Characteristics and Risks of Standardized Options*. Copies may be obtained from your broker, one of the exchanges or The Options Clearing Corporation, One North Wacker Drive, Suite 500, Chicago, IL 60606 or call 1-888-OPTIONS or visit www.888options.com.

Any strategies discussed, including examples using actual securities and price data, are strictly for illustrative and education purposes and are not to be construed as an endorsement, recommendation or solicitation to buy or sell securities.

Agenda

Nasdaq-100 Index

Description

Products

Introducing NQX Options

Key Features

Trading Example

Reaching Out for Additional Information

Nasdaq-100 Index

100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization.

Top 10 Securities by Weight

TICKER	SECURITY	WEIGHT
AAPL	APPLE INC.	11.34%
MSFT	MICROSOFT CORP	9.36%
AMZN	AMAZON.COM INC	9.34%
FB	FACEBOOK INC	5.10%
GOOG	ALPHABET CL C CAP	4.81%
GOOGL	ALPHABET CL A CMN	4.13%
INTC	INTEL CORP	3.24%
CSCO	CISCO SYSTEMS INC	2.75%
CMCSA	COMCAST CORP A	2.11%
NVDA	NVIDIA CORPORATION	1.87%

The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology.

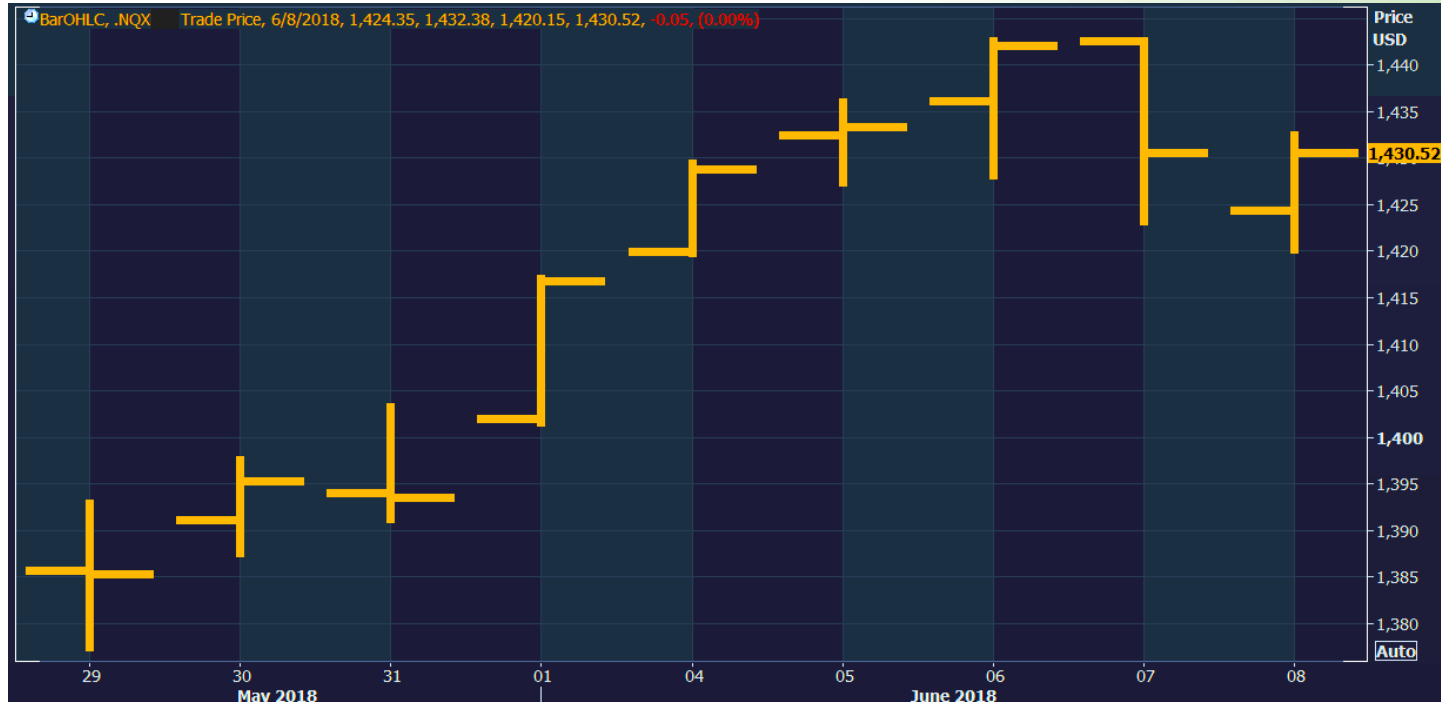
Industry Breakdown

Technology (37 securities)	56.53%
Consumer Services (27 securities)	24.51%
Healthcare (19 securities)	9.36%
Industrials (10 securities)	4.39%
Consumer Goods (8 securities)	4.33%
Telecommunications (2 securities)	0.87%

Nasdaq-100 Index (NDX)



Nasdaq-100 Reduced Value Index (NQX)





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NQX

Reduced Value. Increased Options.

\$100 Multiplier (One point = \$100)

PM Expiry, European Style and Cash Settled

Minimum tick: below 3.00 is 0.05 (\$5.00)

Minimum tick for all series is 0.10 (10.00)

Have the same 1256 **tax advantage** as full-value NDX Options*

* Under section 1256 of the Internal Revenue Code, firms trading certain exchange-traded options, such as NQX, may receive favorable tax treatment. Investors should consult with their tax advisors for more information.

1/5 the notional size of full-value
Nasdaq-100 Index Options (NDX and
NDXP)

Monthly and Weeklies Today:

Monthly Options: 3rd Friday, PM Settled

On July 19: Weekly Options: Friday,
PM Settled

- July 27
- August 3
- August 10
- August 24
- August 31

4-Pillar Options Trading Strategy

When selecting reduced value Nasdaq-100 index options based strategies – narrow your focus as you set up your trade:

- What is the direction of the underlying?
Strengthening or weakening against US Equities
- How much “direction”?
Target price. Percent move.
- How long?
Weeks...months...days
- Volatility?
Increasing. Decreasing.

Setting Up an NQX Options Trade

- Direction
 - Potential weakness in large-cap growth stocks
- How much
 - 15% Target: from 1430 to low 1200s (-15%)
- How Long
 - 5 months
- Volatility
 - Slight increase over current levels

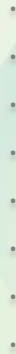
Trading an NQX Bear Call Spread

- Risk limited to difference between strikes and credit received plus brokerage commissions
- Can have moderate or very Bearish outlook **Leverage is bounded by strike range**
- Break-even at Expiry **Low strike plus credit received less commissions**

Trading consideration re: an in-the-money call will likely have a higher delta – (changes in options value more closely correspond to changes in underlying)

- Best case: Underlying index moves below low strike
- Worst case: Underlying index moves above high strike

High Strike
BUY a Call



Low Strike
SELL a Call

Trading an NQX Bear Call Spread

Spot NQX Index on June 29 is 1430.52

Short December 2018 1300/1400 Call Spread – Analysis

■ Example

Buy 1 NQX Dec 1400 Call @ 155.10

Sell 1 NQX Dec 1300 Call @ 233.20

} **78.10 points net credit**

■ Result

Long 1 Dec 1400 Call & short 1 Dec 1300 Call

Or “Short 1 Dec 1300/1400 Call spread”

■ Consistent credit spread

Long Call has a higher strike and will cost less than received for short

Note: This is a hypothetical example for illustration purposes only. All examples do not include commissions and are not intended to be recommendations.

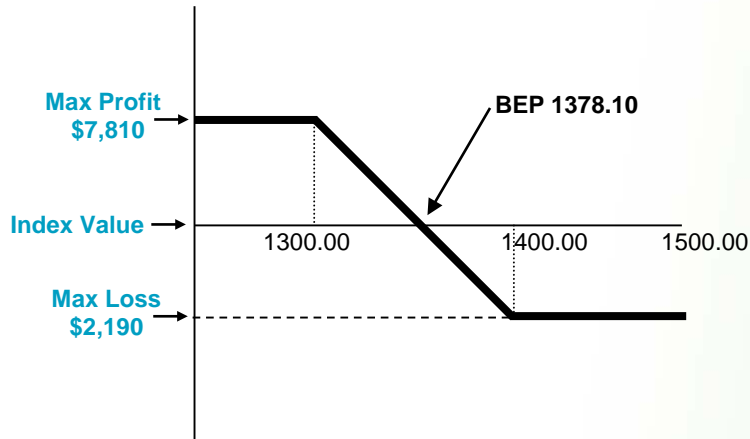
Bear Call Spread Example*

Buy 1 NQX DEC 1400 call @ 155.10

Sell 1 NQX DEC 1300 call @ 233.20

Breakeven Point = lower strike + net credit received

Breakeven example: lower strike of 1300 + \$78.10 credit = **1378.10**



*This is a hypothetical example for illustration purposes only. All examples do not include commissions and are not intended to be recommendations.

Bear Call Spread Example*

Moderately bearish...on the downside

- long & short calls decrease in value as spot declines
- Targets an index decline of almost 4% to breakeven point
- Targets an index decline of almost 10% to max profit

Hedge

- long call covers & reduces upside risk of short
- tradeoff = limited profit potential
- risk per contract is capped

*This is a hypothetical example for illustration purposes only. All examples do not include commissions and are not intended to be recommendations.

Complex Orders Allow for TEN Legs

Here are a few options strategies we can consider:

- Bull Call or Put Vertical Spread
- Long Ratio Call or Put Spread
- Calendar Call or Put Spread
- Butterfly
- Iron Condor

What's in your wallet?

- Choose your contract size
- Leverage hedging opportunities
- Arbitrage more with cash-settled index options

Full-Value NDX

Max Profit = \$39,050

Max Loss = \$10,950

Reduced-Value NQX

Max Profit = \$7,810

Max Loss = \$2,190

E-Mini

Nasdaq-100 Futures

Looking for more on NQX Options?
We're here for you.

sales@nasdaq.com

Thank you

7/11/2018