

Iron Condor Index Strategies w. Nasdaq-100[®] Reduced-Value NQX Index Options

Reduced Value. Increased Options.

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Disclosure

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Agenda

Nasdaq-100 Index

- Description
- Products

Introducing NQX Options

- Key Features
- Trading Example

Reaching Out for Additional Information

Nasdaq-100 Index: Overview

Top 100 Non-Financial Companies listed on NASDAQ

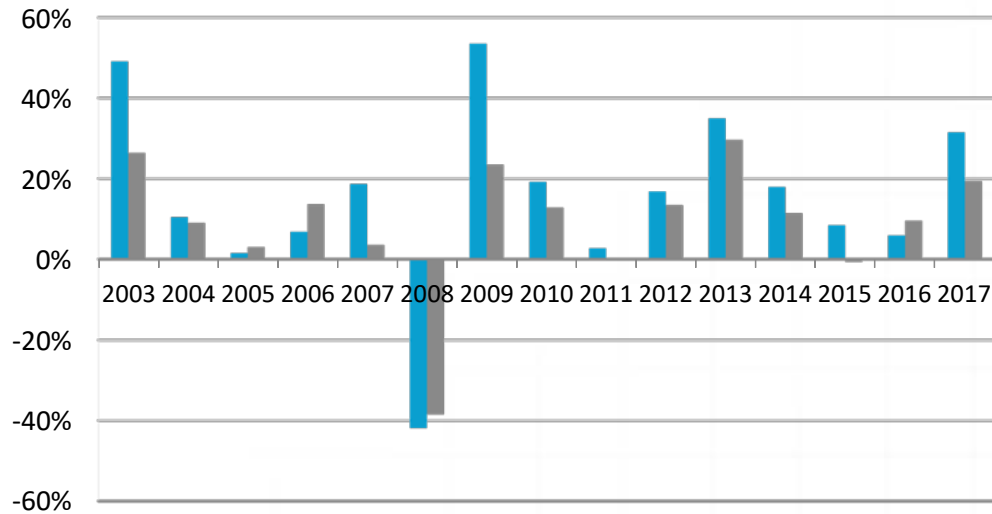
Technology stocks have evolved from creating new and niche consumer products to a group of companies upon which every industry and sector have become dependent. From day-to-day tasks to social interaction, each has an important influence on everyday life.

- GE, Chicago Gas Company, American Sugar Company, and the other original Dow Industrials helped spur the economic growth of the US economy in 1896.
- Today, Apple, Amazon, Intel, and Microsoft have become global leaders in the technology sector by helping create products which continue to be in high demand from consumers. From computers to cell phones, all of these products will continue to become more advanced in the future.
- From a social perspective, Facebook has become a quick and efficient way of interacting with friends around the globe. Starbucks also continues to improve its efficiency to customers by utilizing advanced technology.



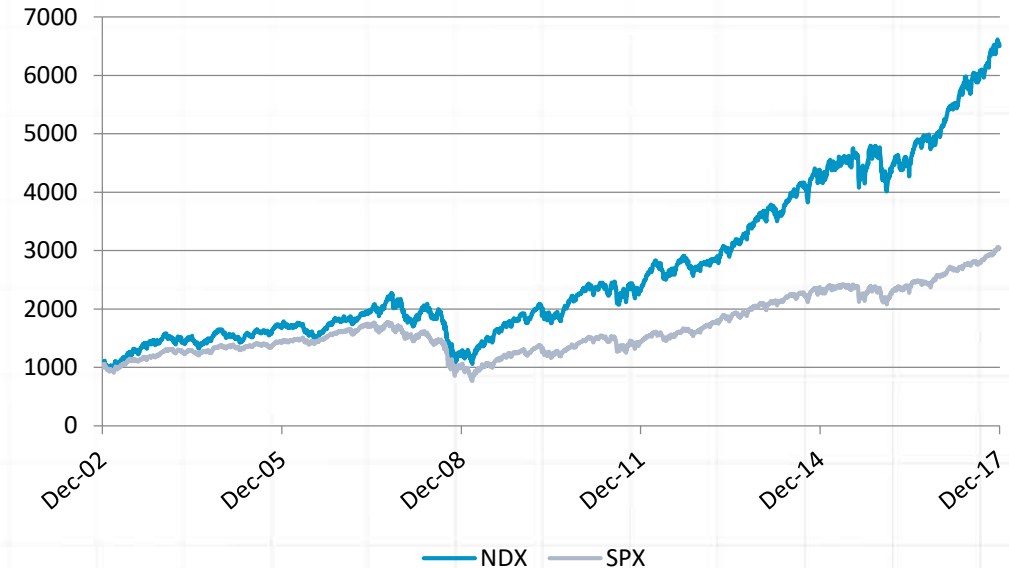
Nasdaq-100 Index: Performance

INDEX ANNUAL RETURNS



- NDX has been marked by both the growth and maturation of the companies in the index over the years.
- Through the financial crisis, in the subsequent market rebound and the following bull market, NDX's P/E has stabilized.
- NDX's 2017 annual P/E of 28.73 is slightly higher than SPX's 25.03.

INDEX PERFORMANCE FROM 2003



- NDX realized volatilities for 2013, 2014, 2015, 2016 and 2017 were 12.5%, 14.0%, 17.9%, 16.1%, and 10.28%, respectively.
- NDX yield increased most years between 2003 and 2016, and finished 2017 with a yield of 1.04%.
- There were substantial increases in market cap along with earnings in NDX from year-end 2012 to 2017 (from \$3.1T to \$7.1T in market cap and from \$137B in earnings to \$247B).

Nasdaq-100 Index (NDX)



Nasdaq-100 Reduced-Value Index (NQX)



Introducing NQX: Reduced Value. Increased Options.

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

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

PM Expiry, European Style and Cash Settled

Minimum tick: below 3.00 is 0.05 (\$5.00) **Minimum tick:** above 3.00 is 0.10 (\$10.00)

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

Monthly and **Weekly** Options available

* 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.

The 50/50 Iron Condor: Generating Income with Defined Risk



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.
- How much “direction”?
Target price. Percent move.
- How long?
Days...Weeks...Months.
- Volatility?
Increasing. Decreasing.

Setting Up an NQX Options Trade

- Direction
 - Expect index movement not too much higher or lower “range-bound”
- How much
 - 7% Index Range Target: from 1350 to 1450
- How Long
 - 6 weeks
- Volatility
 - Slight decrease over current levels

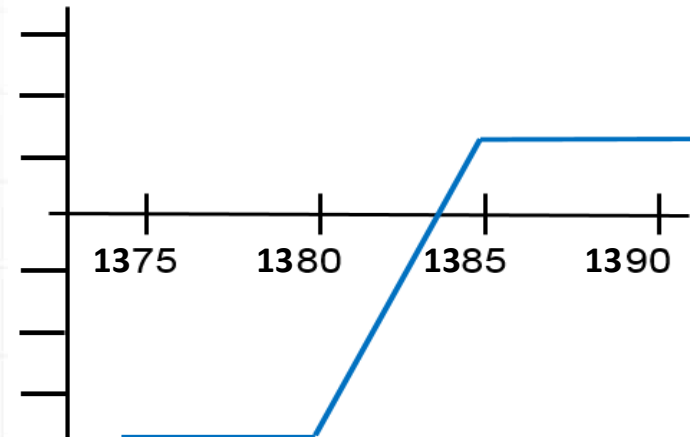
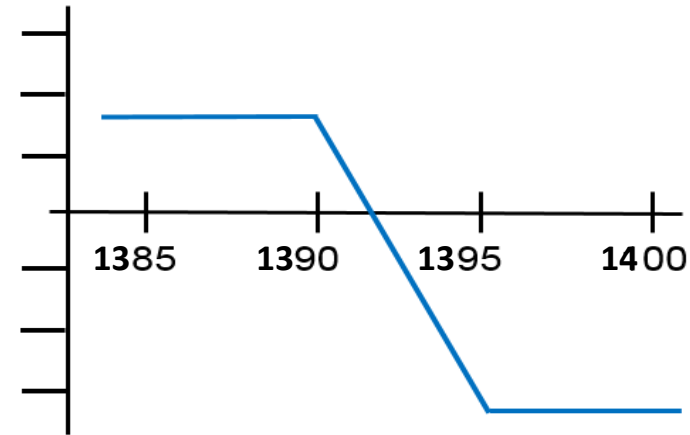
What is an NQX Iron Condor?

The sale of an NQX call credit spread

and

The sale of a NQX put credit spread

The same underlying and the same expiration month, with both spreads employing out-of-the-money options



NQX Iron Condor Example

NQX @ 1399.40 6 Weeks to Expiration

Expected price range: 1350 to 1450

Sell the 1450 – 1500 call credit spread at \$12.50

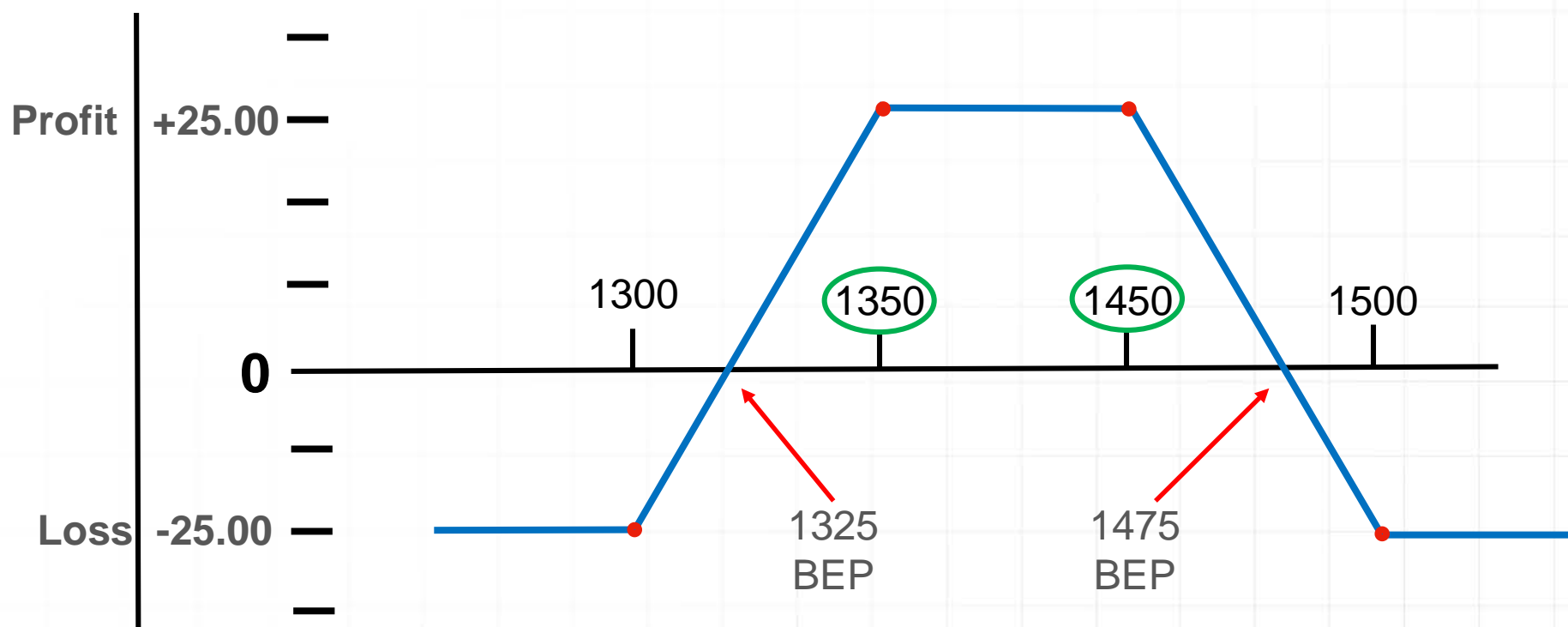
Sell the 1350 – 1300 put credit spread at \$12.50

Net Credit \$25.00

Payoff profile is 50/50 (can win or lose 25 points)

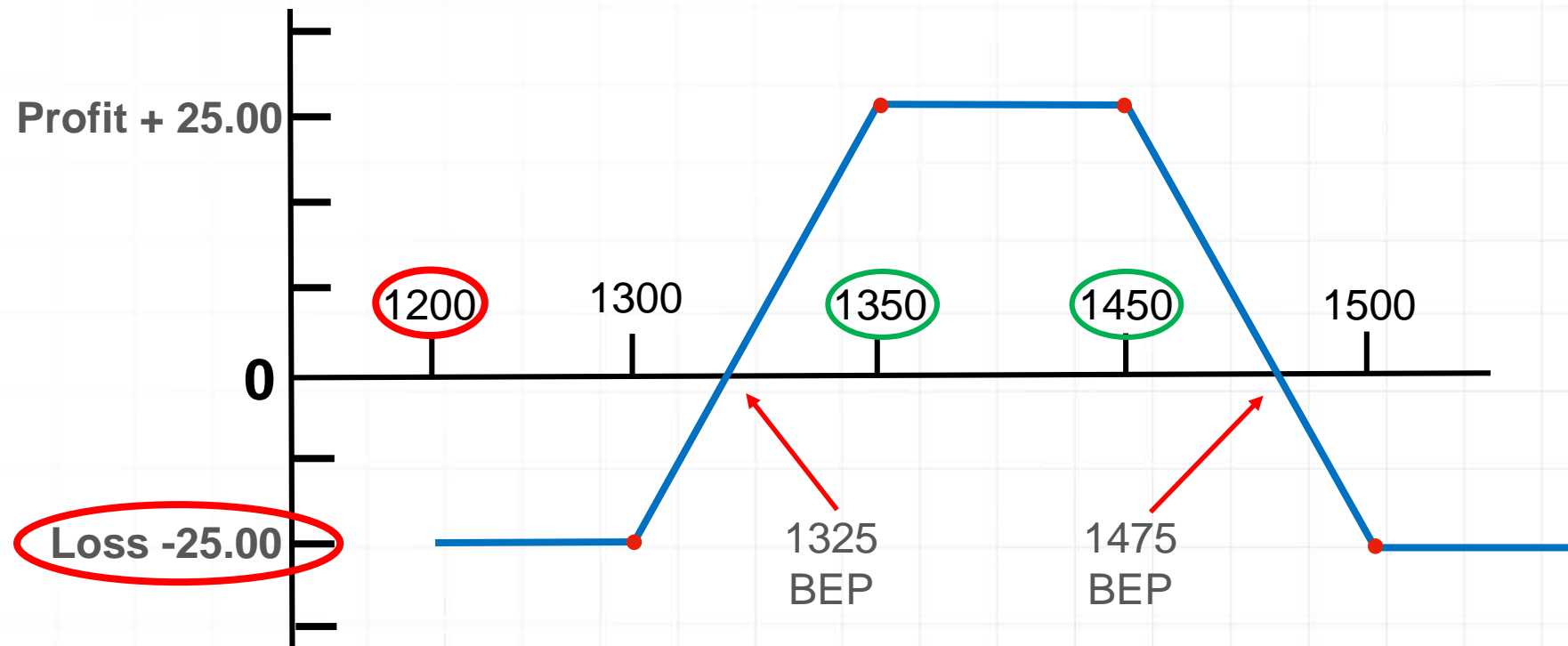
What is the NQX Iron Condor Risk/Reward?

Sell the 1450–1500 call credit spread and the 1350–1300 put credit spread for a net credit of 25.00



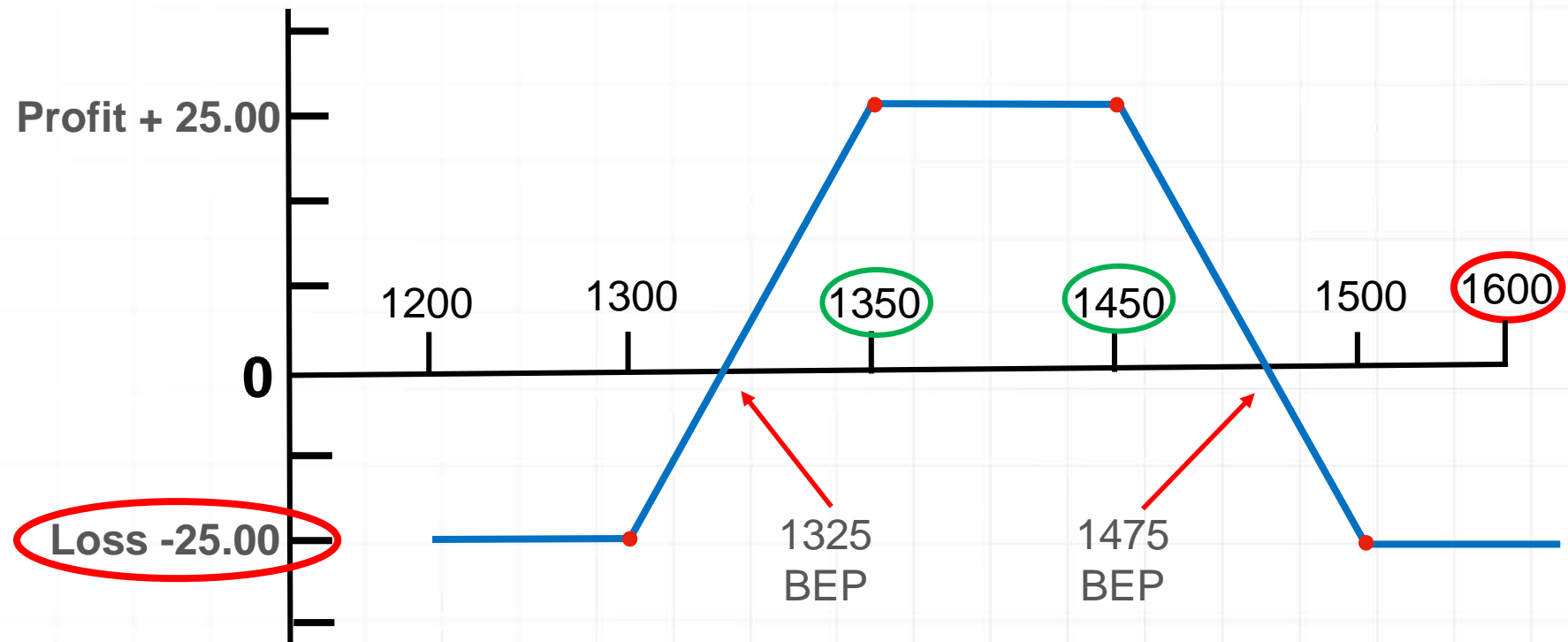
NQX Iron Condor at Expiration = 1200

- *Call spread expires worthless*
- *Short 1350 put gets cash settled (debit for \$150)*
- *Long 1300 put gets cash settled (credit for \$100)*
- *Max. Loss = $-\$150 + \$100 + \$25$ premium = $\$25.00$ loss*
- *No resulting options position*



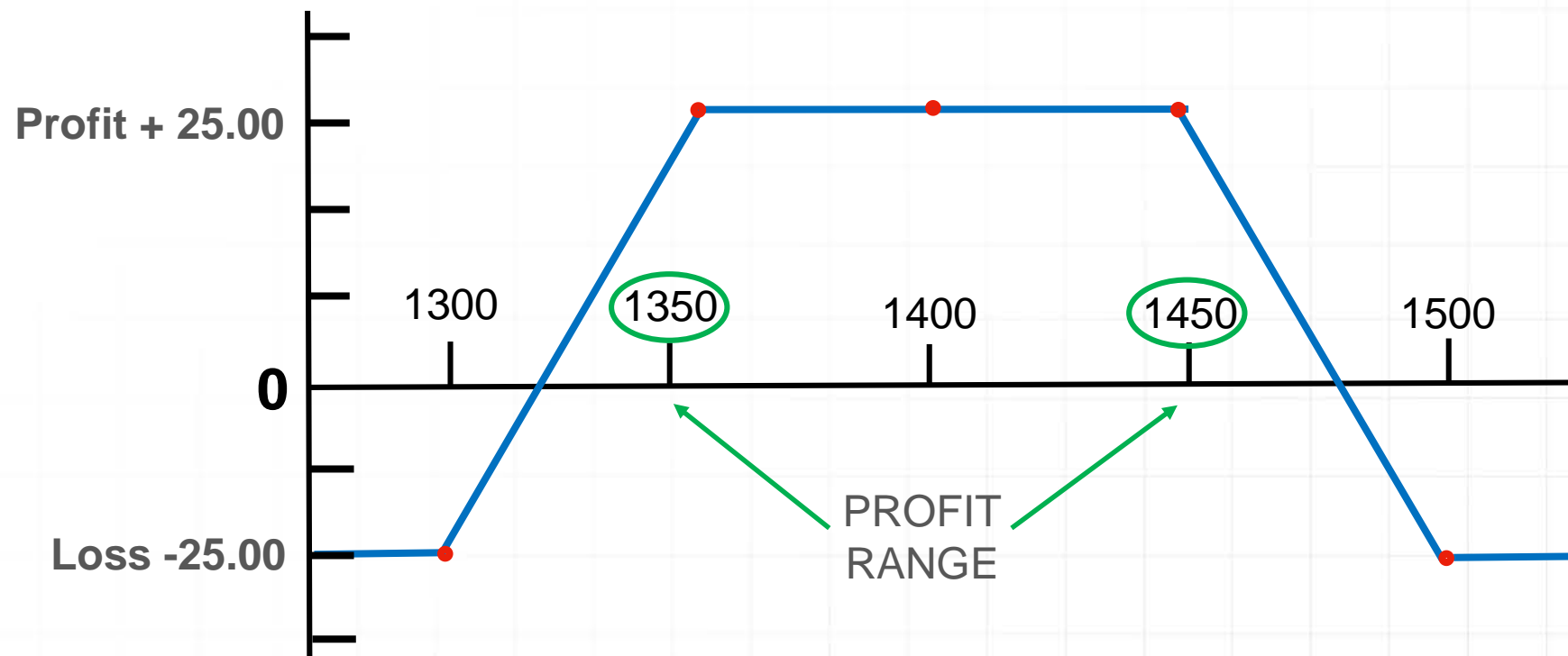
NQX Iron Condor at Expiration = 1600

- *Put spread expires worthless*
- *Short 1450 call gets cash settled (debit for \$150)*
- *Long 1500 call gets cash settled (credit for \$100)*
- *Max. Loss = $-\$150 + \$100 + \$25$ premium = $\$25.00$ loss*
- *No resulting options position*



NQX Iron Condor at Expiration = $>1350 <1450$

Sell the 1450–1500 call credit spread and the 1350–1300 put credit spread for a net credit of 25.00



50/50 Iron Condor

Conclusions:

- Lower risk than selling naked short index options
- Limited profit and loss potential
- More commissions (four legs)
- Must have a specific time and price forecast
- Two chances to lose; only one chance to win

What's in your wallet?

- Choose your contract size
- Leverage retail portfolio trading opportunities
- Deploy Iron Condors with smaller sized cash-settled index options

Full-Value NDX Options
6750/6500 Put Spread
7250/7500 Call Spread

Max Profit = \$12,500
Max Loss = \$12,500

Reduced-Value NQX Options
1350/1300 Put Spread
1450/1500 Call Spread

Max Profit = \$2,500
Max Loss = \$2,500

Iron Condors at reduced value

Thank You!

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

Contact: sales@nasdaq.com