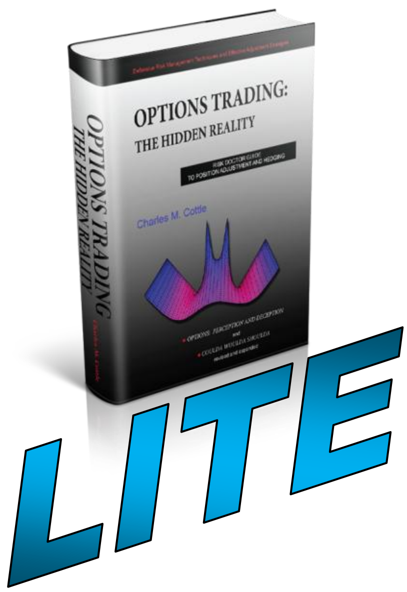
Options Trading:
The Hidden Reality *LITE*
5 Part Training Course

Part 4



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Risk Doctor Exercise for Part 3

1. You are long 10oo Underlying shares of EBAY going for 93.40 ($93,400). The purchase of 10 October 90 Puts can provide a floor, limiting your downside risk.

If you buy 10 Puts for .80 each (each $80 for a total of $800);

A. What will you then want to happen to the Underlying stock?

B. What will be the most you can lose between now and expiration?

C. What is your break-even point(s) in terms of the Underlying price?

D. What is the simplest trade you can make to stop the exposure (locking in the gain or the loss, whatever it may be)?

A government estimate will be announced in one minute. Which one (only one) vehicle (futures or calls, or puts) would you like or buy or sell, and in what quantity in order to neutralize to a safe exposure (Hint: Card up and dissect position.) Remember to check your Net Call Units and Net Put Units.

A. The DJX is at 102.80. You are short 16 futures, long 27 of the 104 calls and short 16 of the 104 puts.

B. The Bonds are at 103.02. You are short 15 of the 103 calls and long 13 of the 103 Puts.

C. The Bonds are at 102.30. You are short 58 futures, long 61 of the 103 calls and short 35 of the 103 puts.

D. The DJX is at 104.42. You are short 24 of the 102 calls and long 32 of the 102 Puts.

Congratulations! You've completed the final exam!.
On Part 5 I'll give you the answers and
I'll show you a case study on how it all comes together!