

# 2. Trading Strategies Involving Options

Hull: Chapter 10

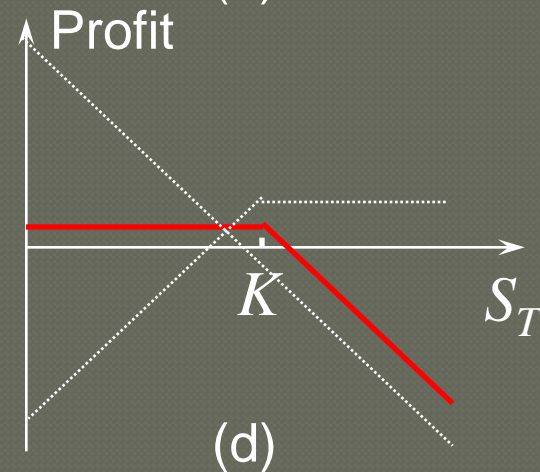
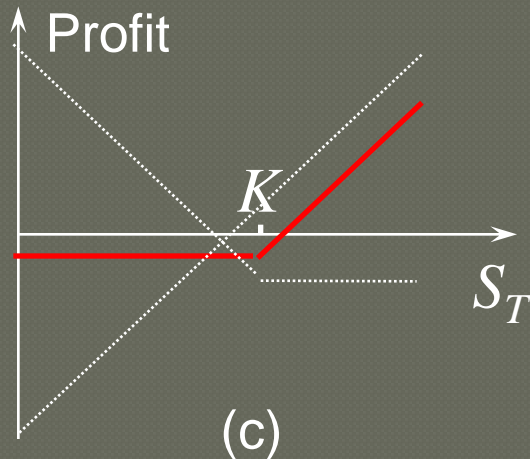
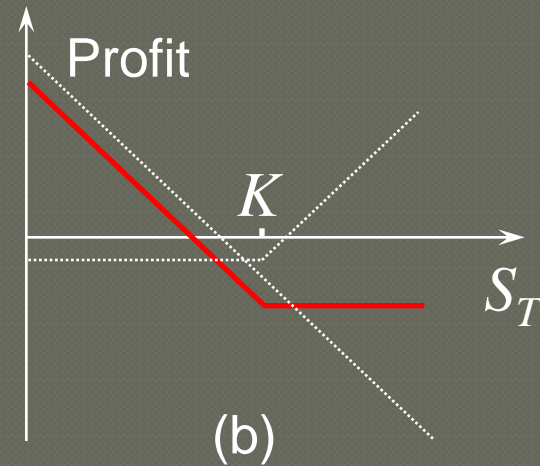
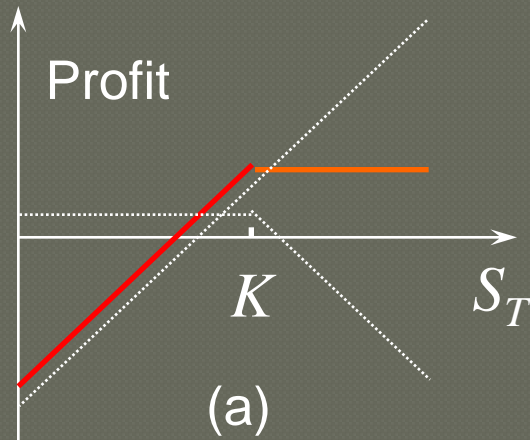
# Types of Strategies

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- Take a position in the option and the underlying.
- Take a position in 2 or more options of the same type (A spread) .
- Combination: Take a position in a mixture of calls & puts (A combination)

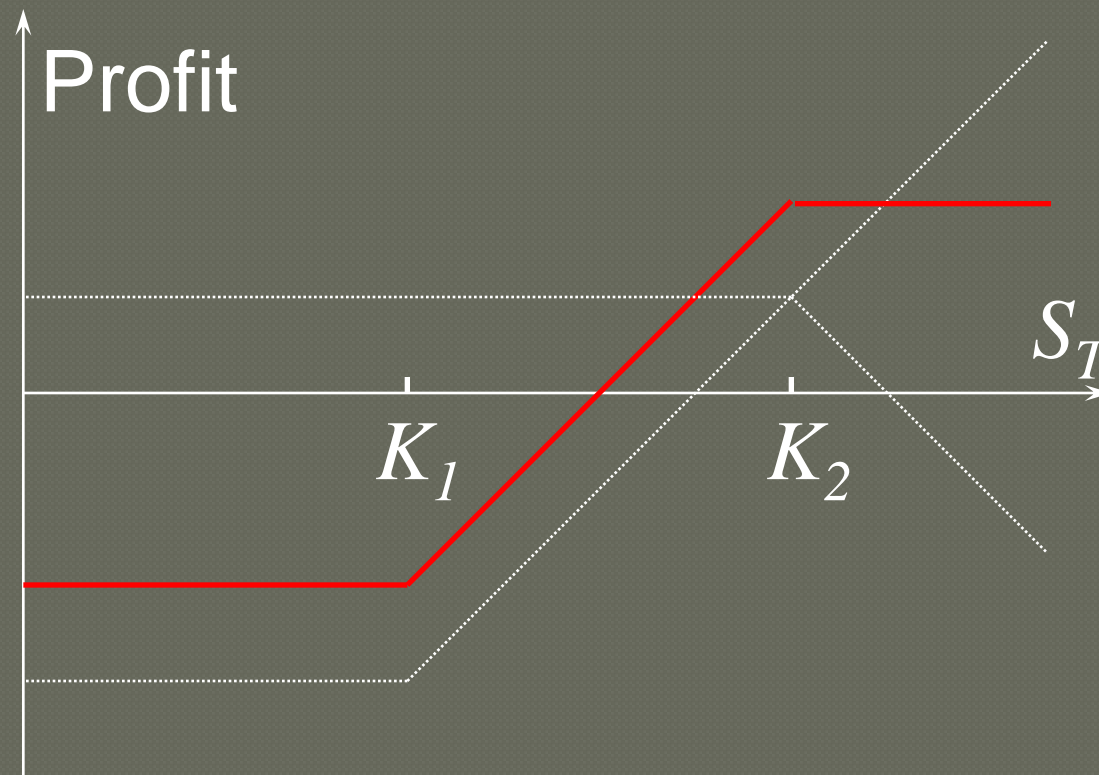
# Positions in an Option & the Underlying

(Figure 10.1, page 220)



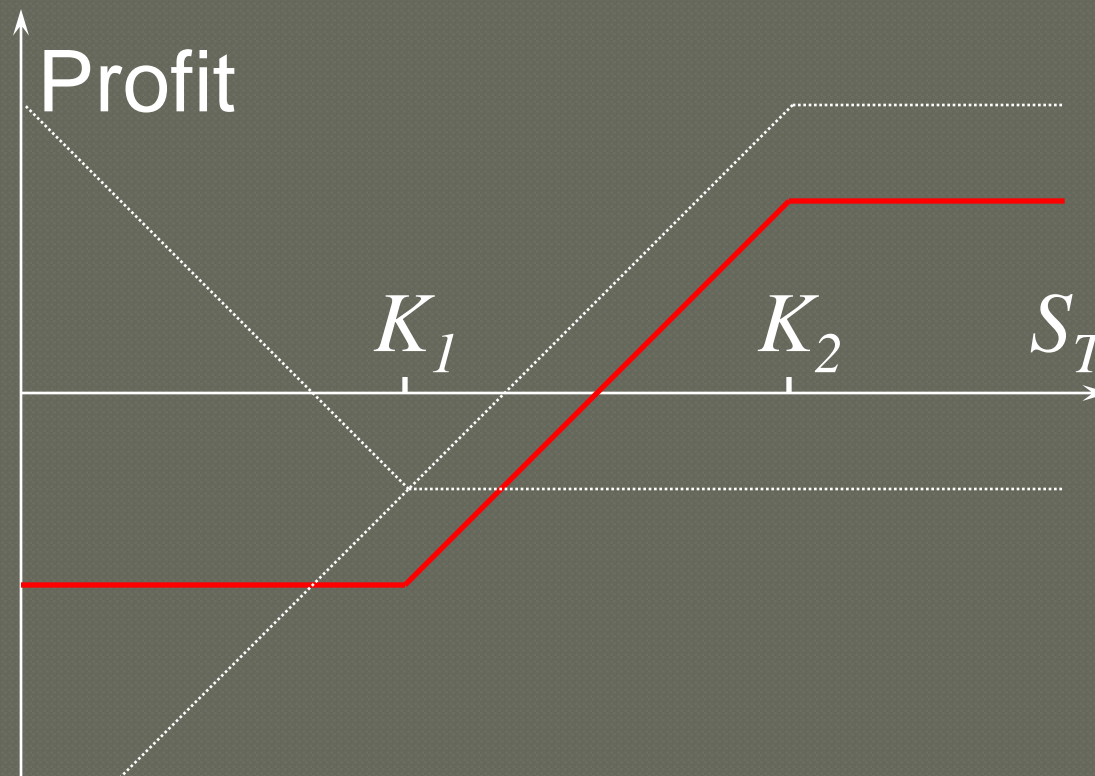
# Bull Spread Using Calls

(Figure 10.2, page 221)



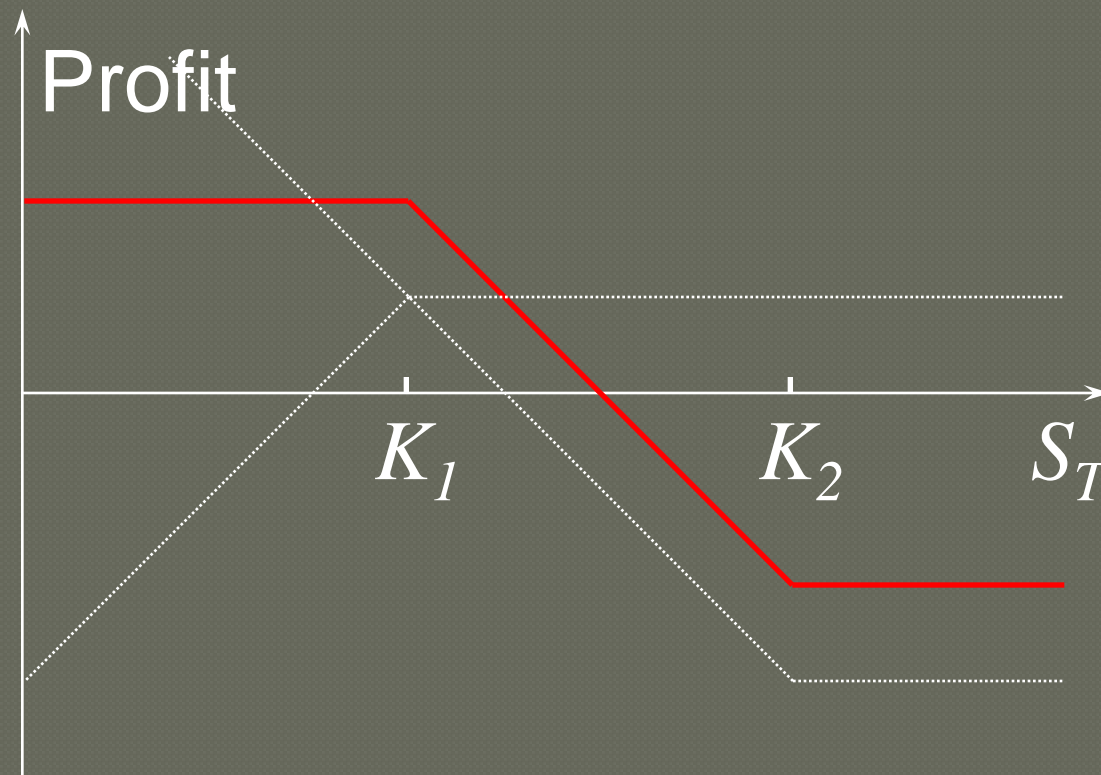
# Bull Spread Using Puts

Figure 10.3, page 222



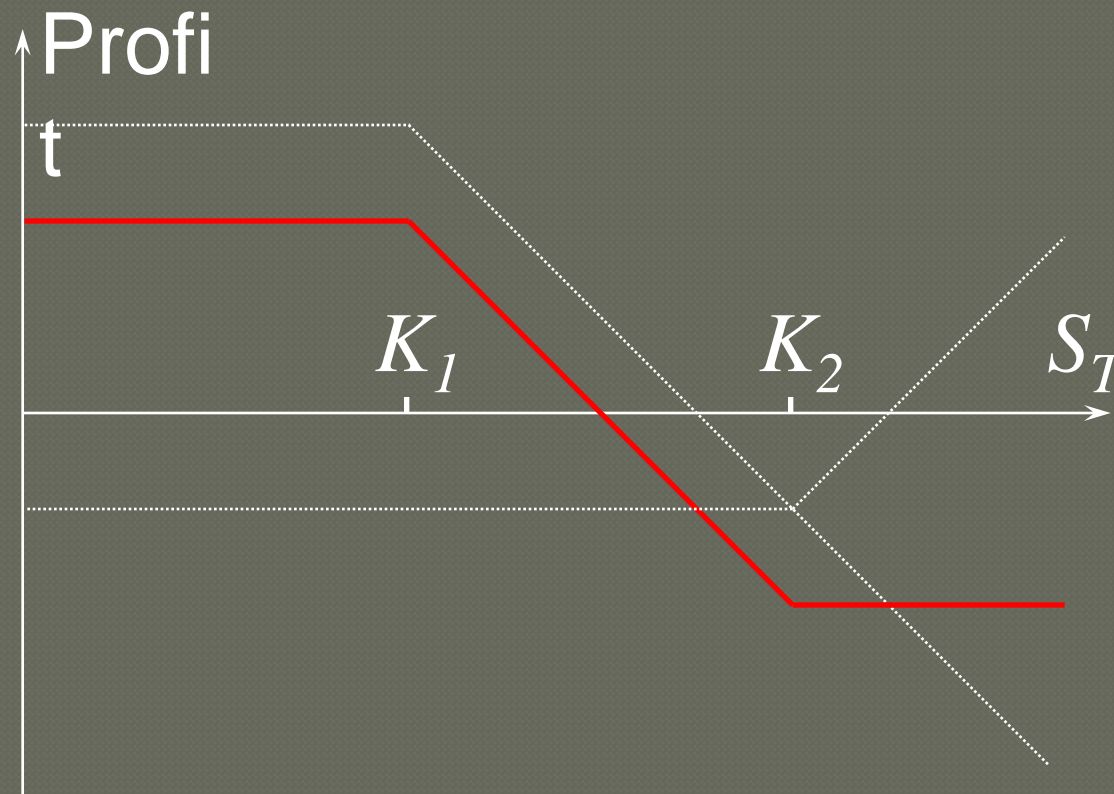
# Bear Spread Using Puts

Figure 10.4, page 223



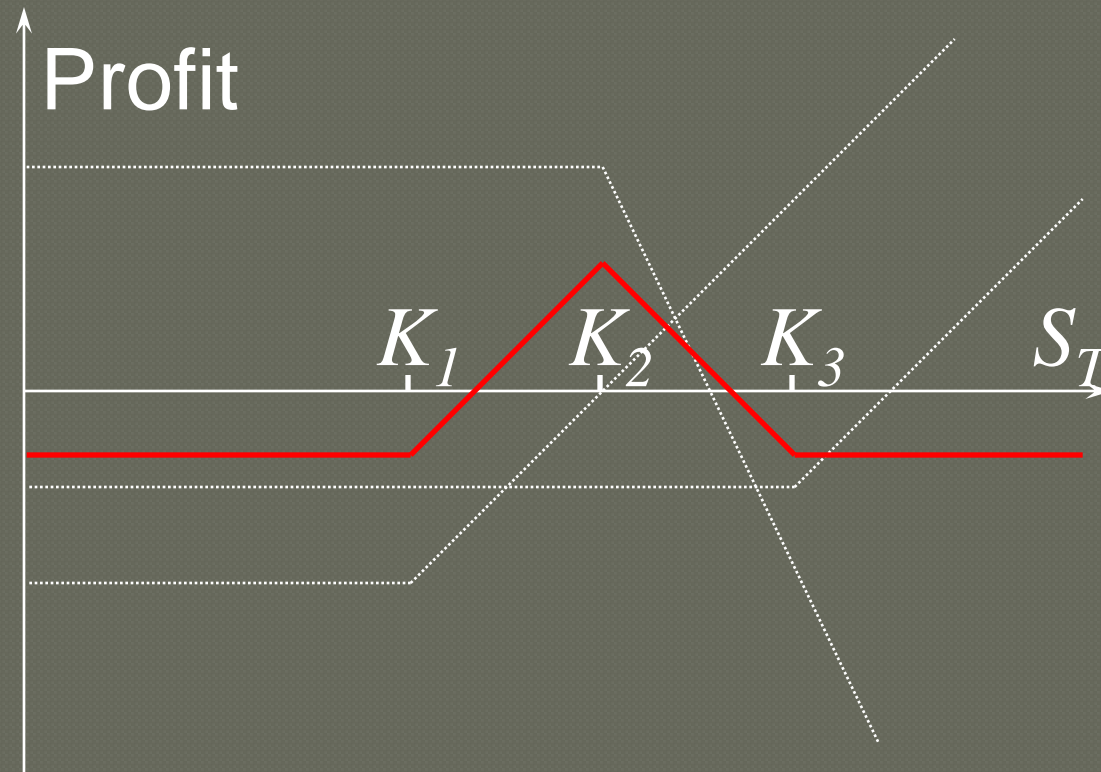
# Bear Spread Using Calls

Figure 10.5, page 225



# Butterfly Spread Using Calls

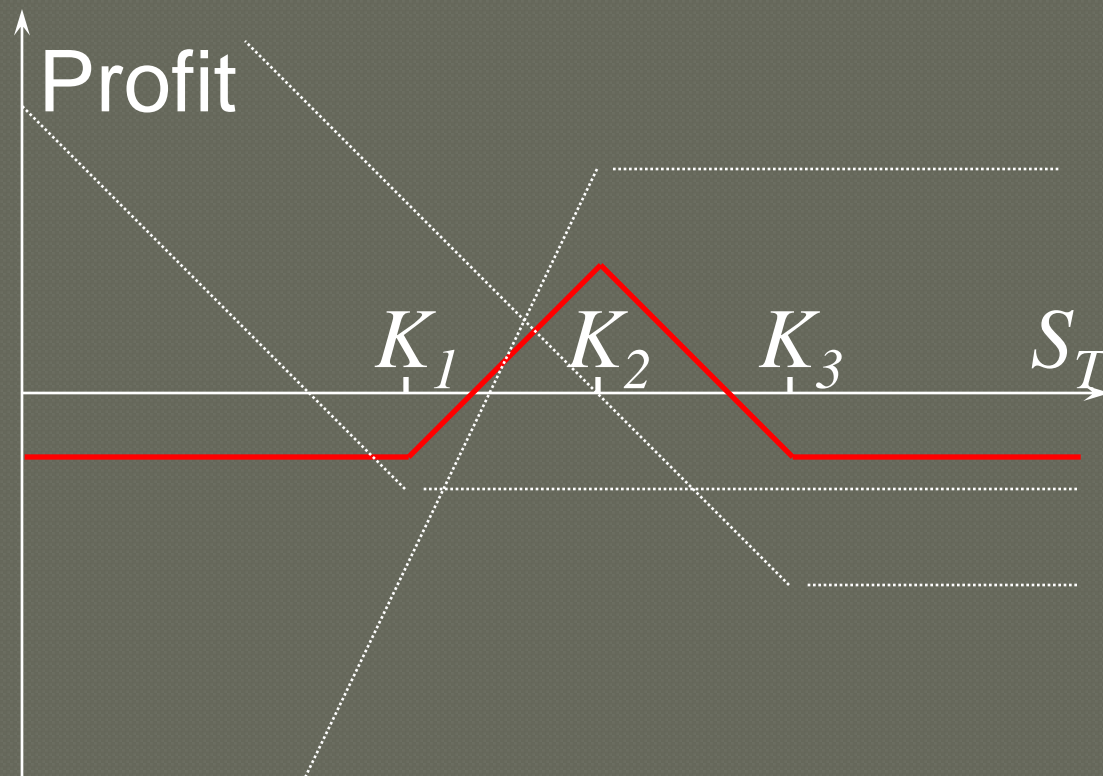
Figure 10.6, page 227





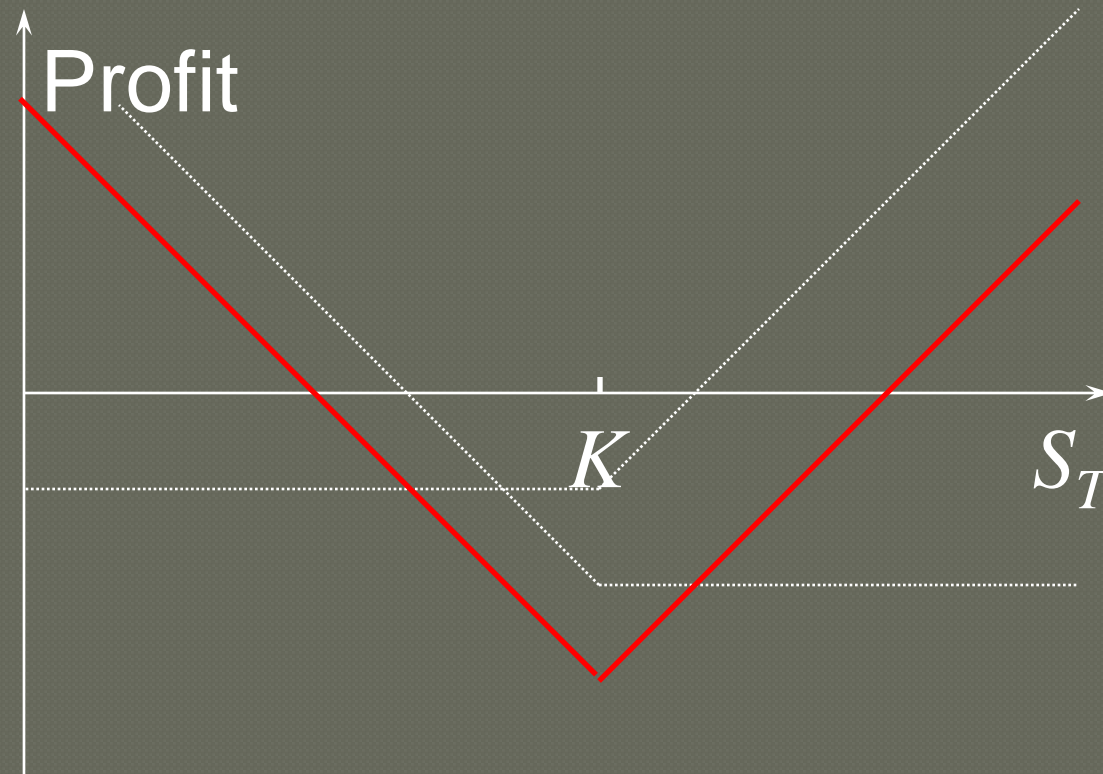
# Butterfly Spread Using Puts

Figure 10.7, page 228



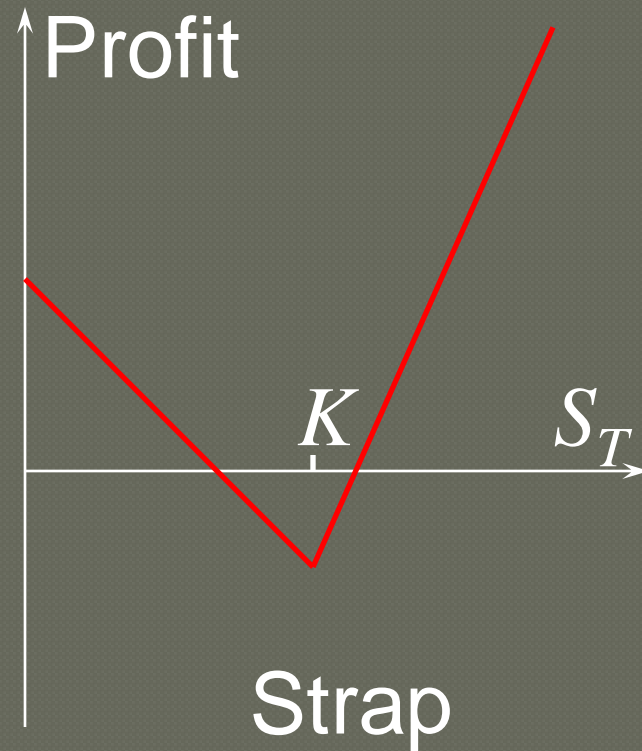
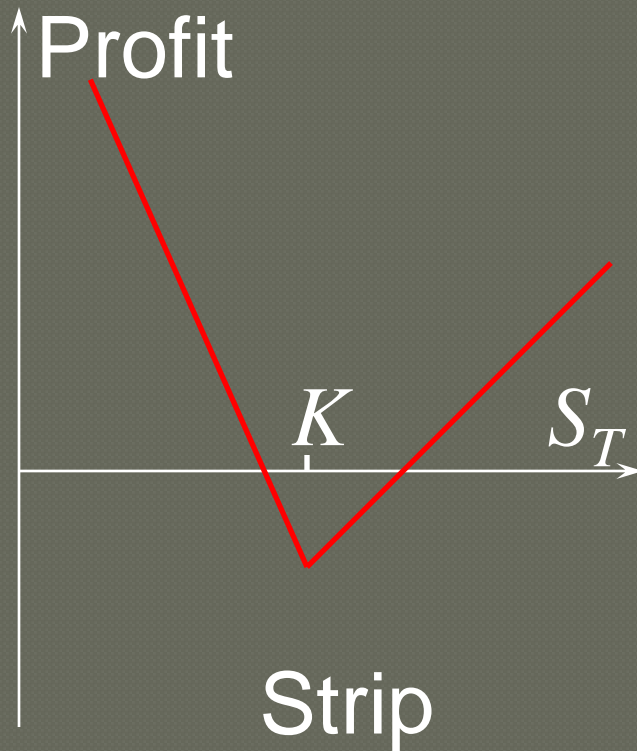
# A Straddle Combination

Figure 10.10, page 230



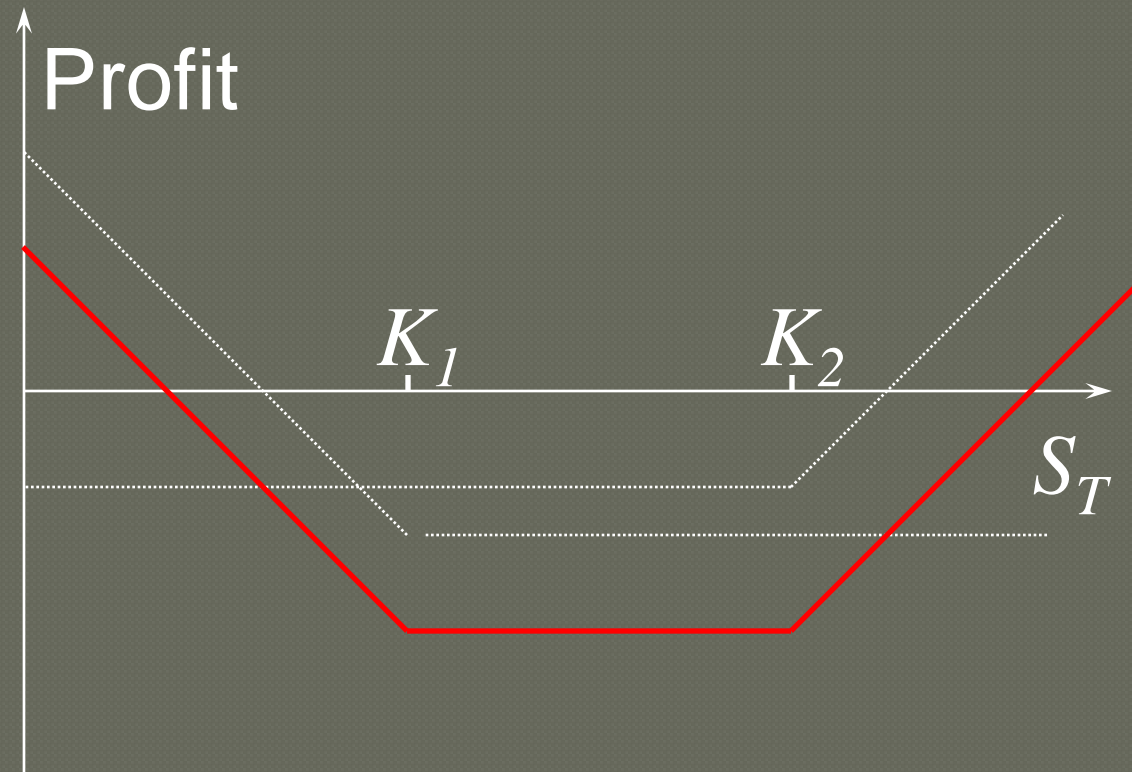
# Strip & Strap

Figure 10.11, page 231



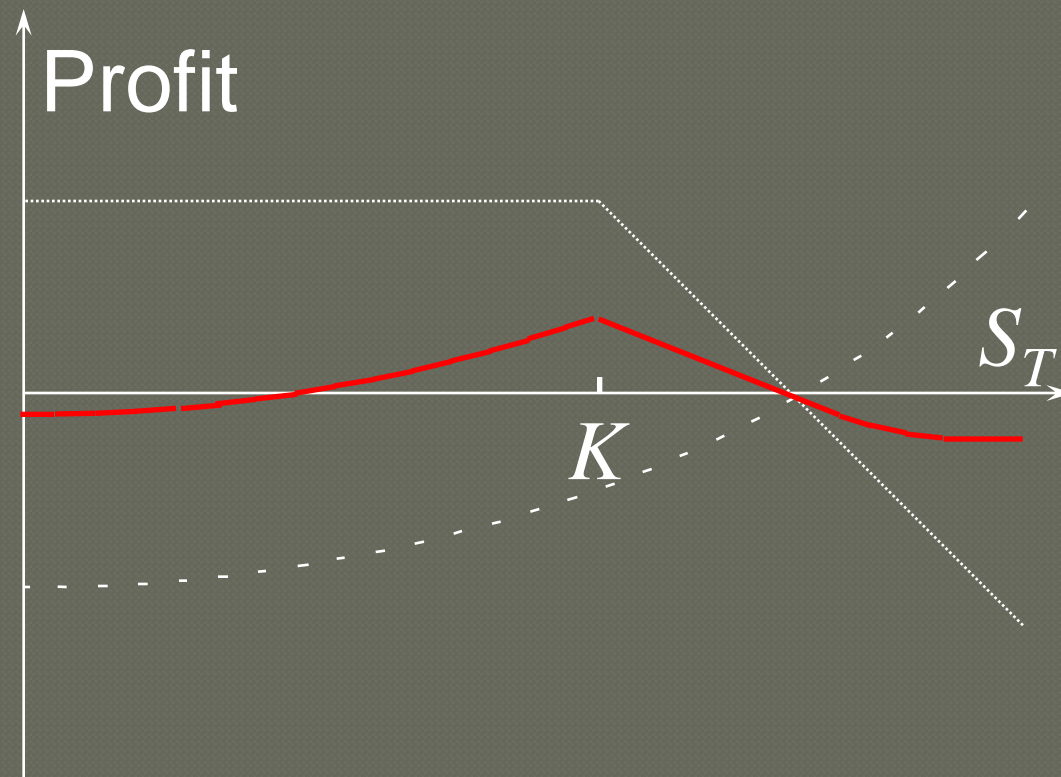
# A Strangle Combination

Figure 10.12, page 232



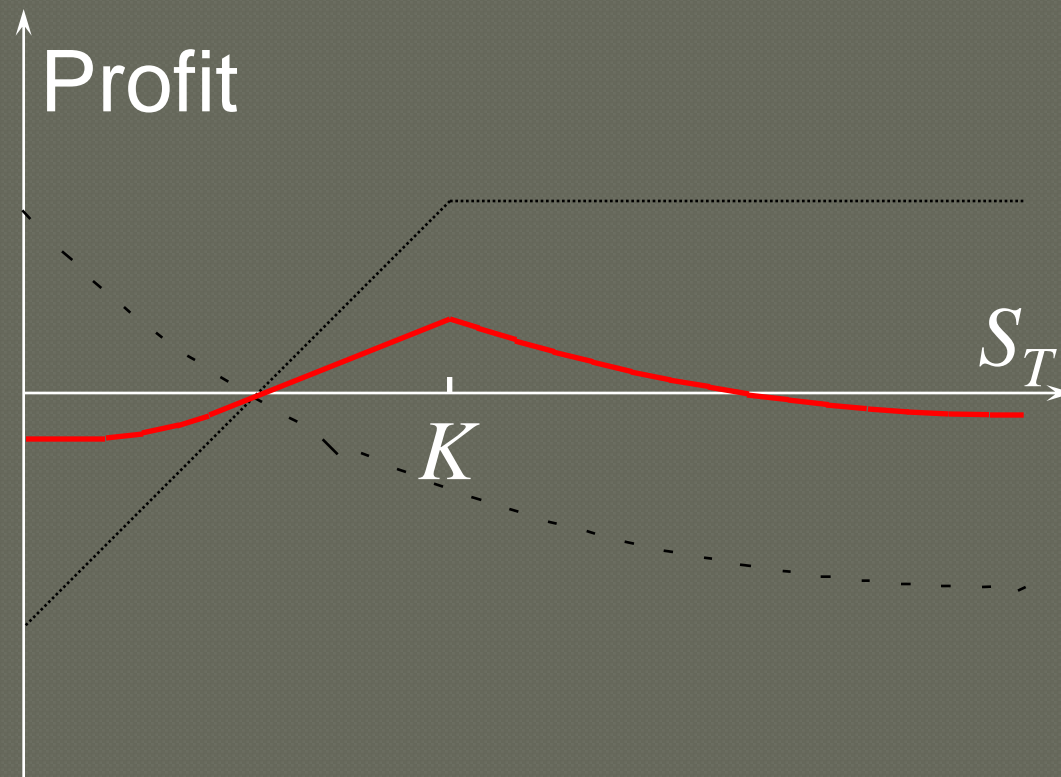
# Calendar Spread Using Calls

Figure 10.8, page 228



# Calendar Spread Using Puts

Figure 10.9, page 229



# Box Spread

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- A combination of a bull call spread and a bear put spread.
- If all options are European a box spread is worth the present value of the difference between the strike prices.
- If they are American this is not necessarily so. (See Business Snapshot 10.1).