

Financial derivatives, winter term 2014/2015
Extra credit 1: Option strategies

- You can buy and sell call options on Yahoo stocks, listed on the following page (but not stocks themselves); recall the difference between bid and ask price. All of them expire on 12th December 2014. You can buy and sell an arbitrary integer number of the options.
- Construct a strategy, based on your expectation about Yahoo stock price in future. The only requirement is, that your loss cannot be higher than 100 USD, regardless of the stock price at the time of expiration of the options.
- This extra credit homework can be solved individually or in pairs.
- Submission:
 - By e-mail to beata.ulohy@gmail.com, with subject **derivatives 2014 – extra credit 1 – name(s)/nick**. In case you want to use a nick in the list of strategies, don't forget to write the name(s) in the body of the e-mail.
 - Submit: description of the strategy (which options do you buy/sell and in what amount) and a Scilab script which plots your profit diagram
 - Deadline: Monday 17th November 2014
- Grading:
 - 1 point for a strategy satisfying the given condition on a possible loss.
 - 1 additional point for a strategy which yields a profit at expiration time (so we need to wait for about a month with this...)
 - 3 additional points (i.e., together 5 points) for a strategy with a highest profit. This, naturally, applies only if there is a strategy with a positive profit among the submitted strategies. But so far, it has always been the case. If there are more strategies sharing the first place, these 3 points are splitted among them.

48.06 **+0.13 (+0.27%)** NasdaqGS - As of 10:17AM EST



December 12, 2014 ▾

In The Money

List Straddle

Lookup Option



Calls

Strike	Contract Name	Last	Bid	Ask	Change	%Change	Volume	Open Interest	Implied Volatility
39.00	YHOO141212C00039000	7.95	8.60	9.45	0.00	0.00%	1	32	53.47%
40.00	YHOO141212C00040000	6.30	7.60	8.35	0.00	0.00%	4	4	44.53%
40.50	YHOO141212C00040500	5.95	7.15	8.00	0.00	0.00%	32	32	47.90%
43.50	YHOO141212C00043500	3.80	4.55	5.10	0.00	0.00%	8	8	35.65%
44.00	YHOO141212C00044000	3.90	4.30	4.75	0.00	0.00%	50	101	36.67%
44.50	YHOO141212C00044500	3.16	3.90	4.30	0.00	0.00%	3	143	34.96%
46.00	YHOO141212C00046000	2.27	2.76	3.15	0.00	0.00%	15	60	32.84%
47.00	YHOO141212C00047000	2.05	2.23	2.46	0.00	0.00%	3	37	31.42%
47.50	YHOO141212C00047500	1.65	1.95	2.20	0.00	0.00%	10	11	31.67%
48.00	YHOO141212C00048000	1.76	1.70	1.79	0.00	0.00%	1	44	29.08%
48.50	YHOO141212C00048500	1.41	1.44	1.59	0.00	0.00%	2	9	29.64%
49.00	YHOO141212C00049000	1.40	1.15	1.41	0.15	+12.00%	2	102	30.15%