

Bullish and Bearish Strategies for 2023

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Presentation Outline

- Selecting a Strategy
- Speculating with Long Options
 - Bullish (Calls)
 - Bearish (Puts)
- Vertical Spreads
 - Bullish
 - Call Spread (Debit)
 - Put Spread (Credit)
 - Bearish
 - Call Spread (Credit)
 - Put Spread (Debit)



Selecting a Strategy



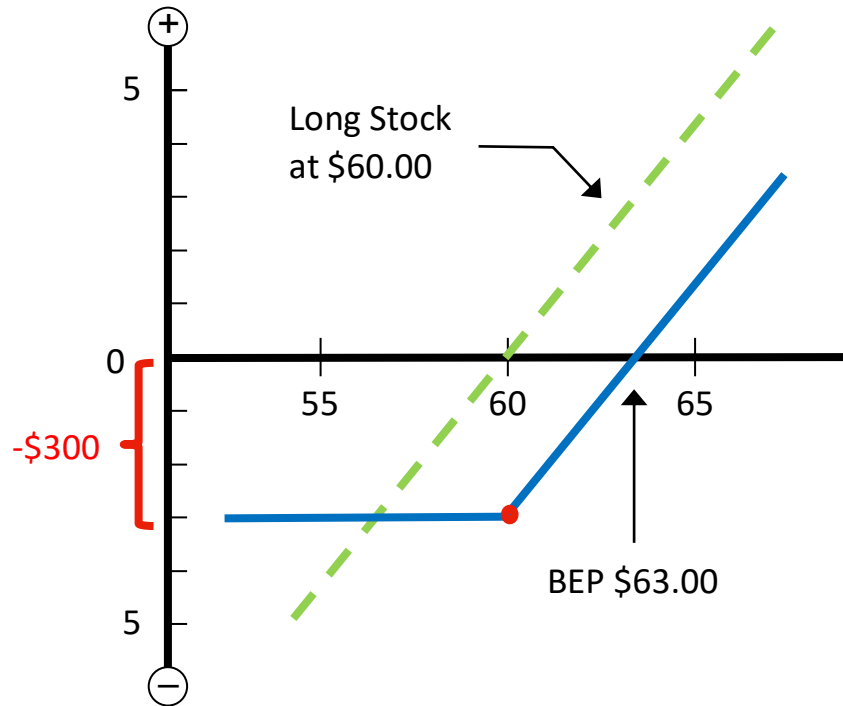
What to Think About

- Market outlook (technical studies, fundamental analysis, etc.)
- Know the underlying (earnings, major announcements, etc.)
- Magnitude of anticipated move
- Timing of anticipated move
- Various motivations for options use:
 - **Directional bias**
 - **Risk Reduction**
 - **Income Generation**
 - **Stock Acquisition**

Speculating with Long Options

Call Buying Example

Buy 60.00 strike call at \$3.00

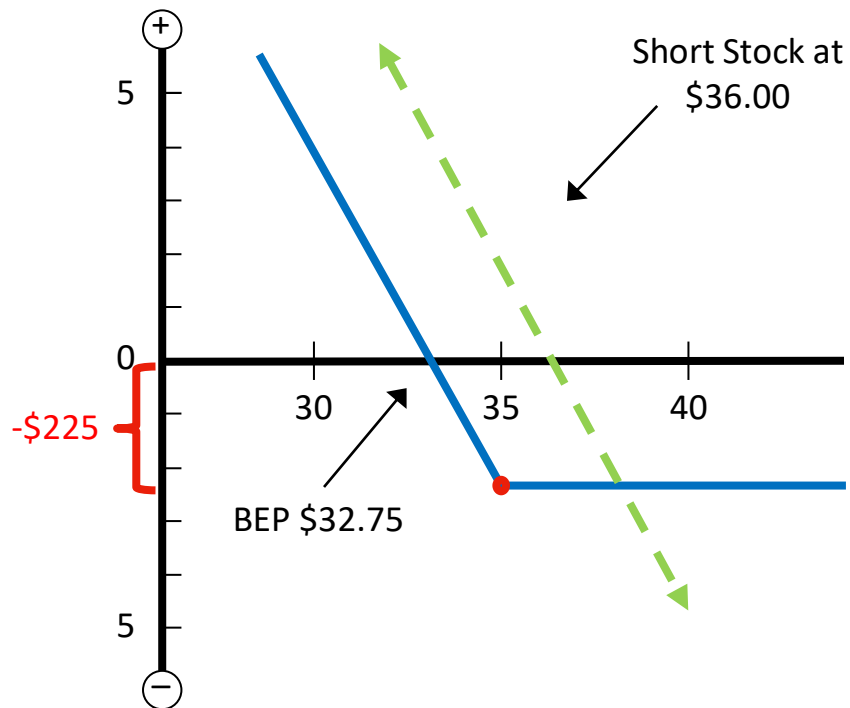


Break-even at Expiration:
Strike Price + Call Premium Paid
 $\$60.00 + \$3.00 = \$63.00$

Maximum Loss:
\$3.00 Call Premium Paid
\$300.00 Total

Put Buying Example

Buy 35.00 strike put at \$2.25



Break-even at Expiration:
Strike Price – Put Premium Paid
 $\$35.00 - \$2.25 = \$32.75$

Maximum Loss:
\$2.25 Put Premium Paid
\$225.00 Total

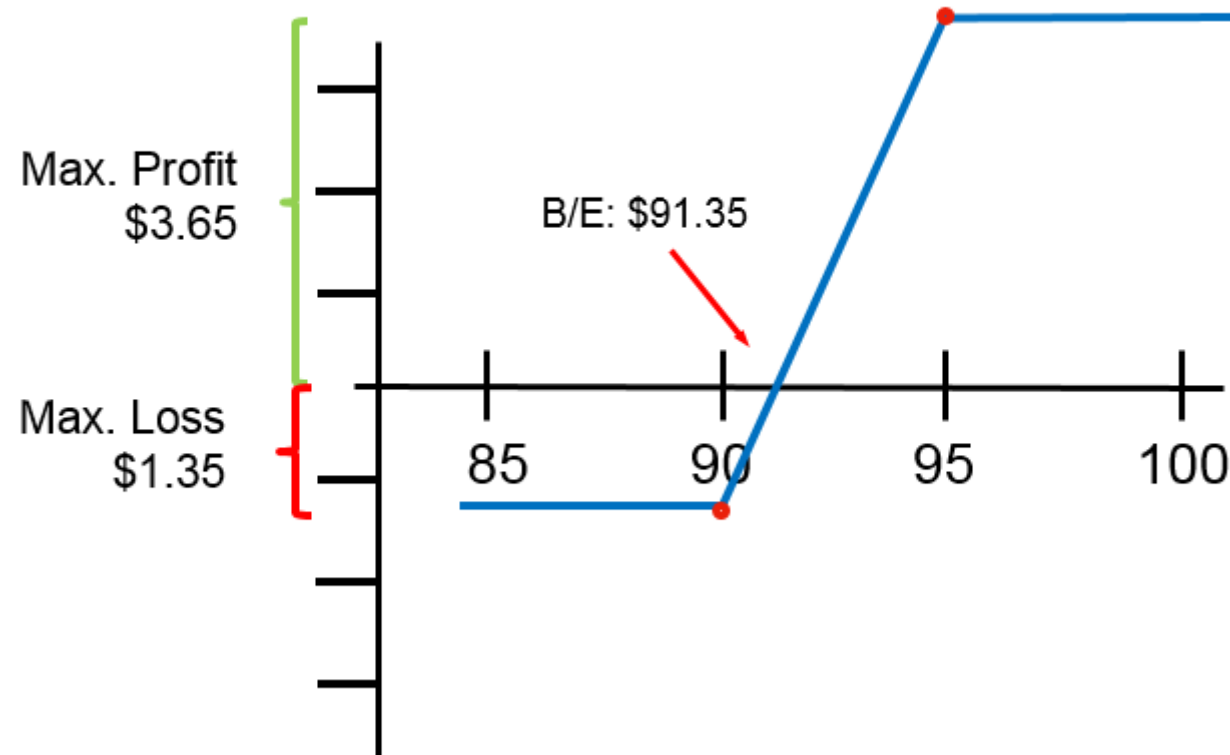
Vertical Spreads - Bullish



Bull Call Spread (Debit)

Buy a lower strike call and **sell** a higher strike call

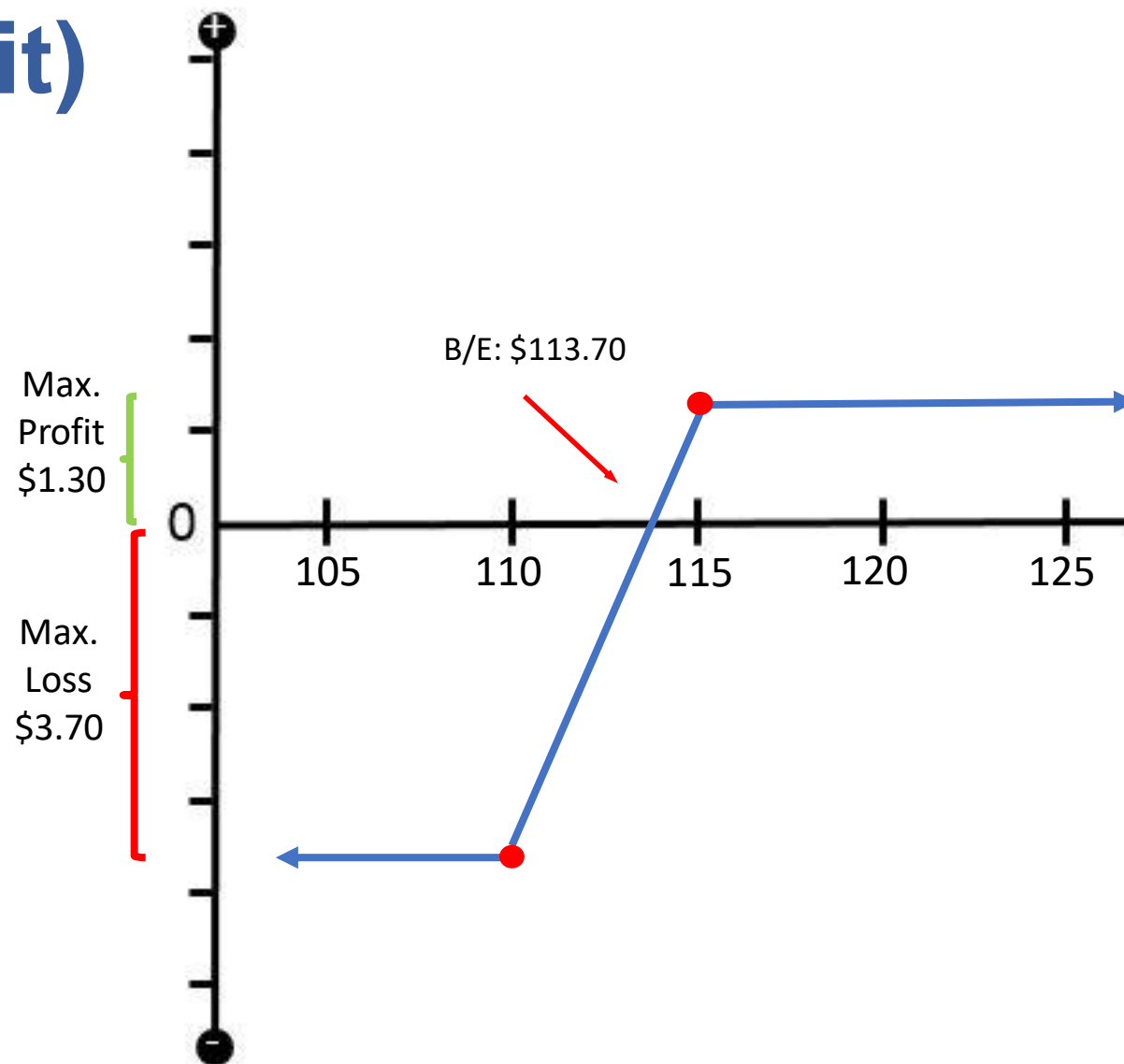
- Stock @ \$90
 - Buy 1 90 Call \$2.05
 - Sell 1 95 Call \$0.70
- Net Debit \$1.35**



Bull Put Spread (Credit)

Sell a higher strike put and
buy a lower strike put

- Stock @ \$115
 - Sell 1 115 Put \$2.00
 - Buy 1 110 Put \$0.70
- Net Credit \$1.30**



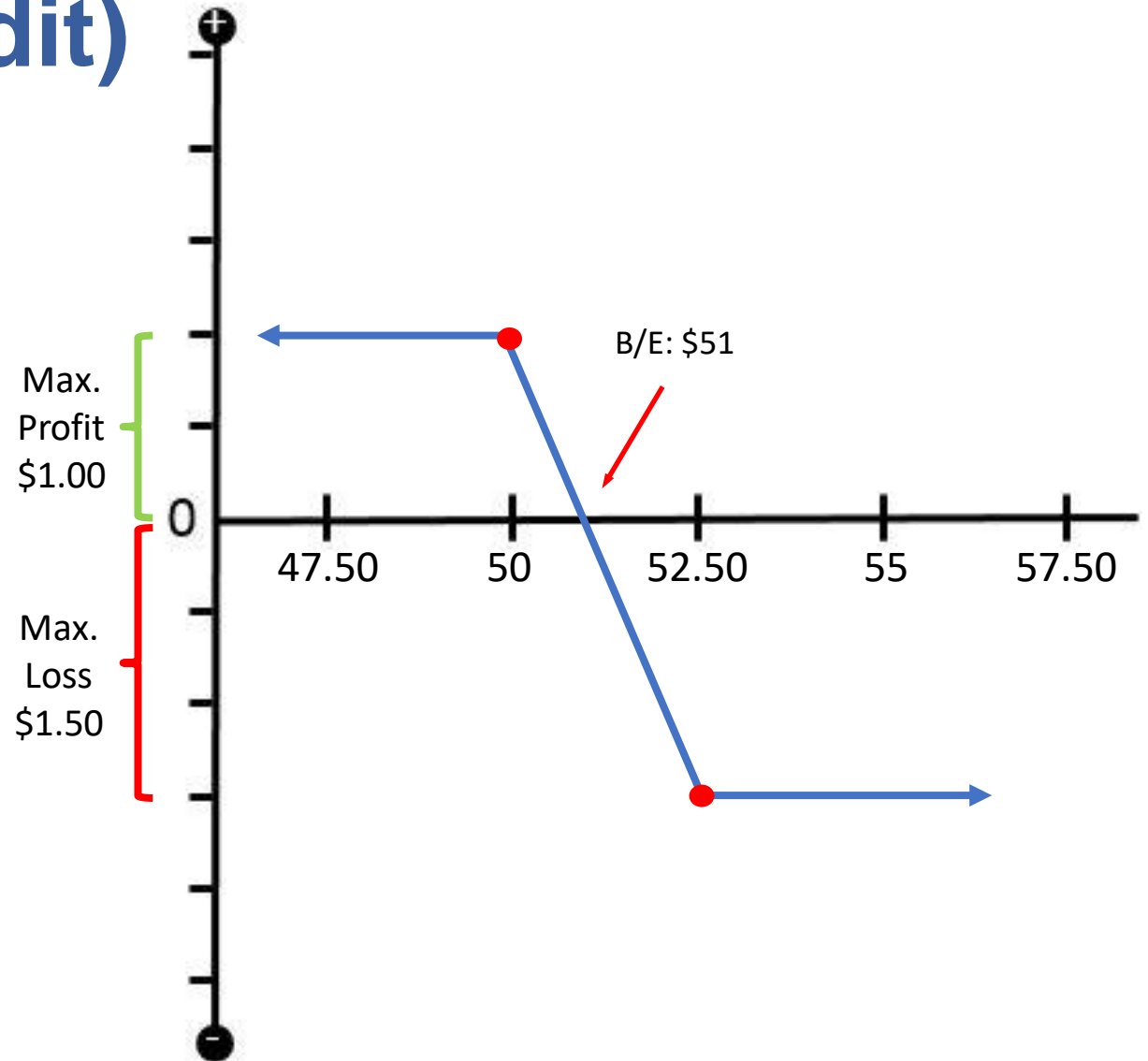
Vertical Spreads - Bearish



Bear Call Spread (Credit)

Sell a lower strike call and
buy a higher strike call

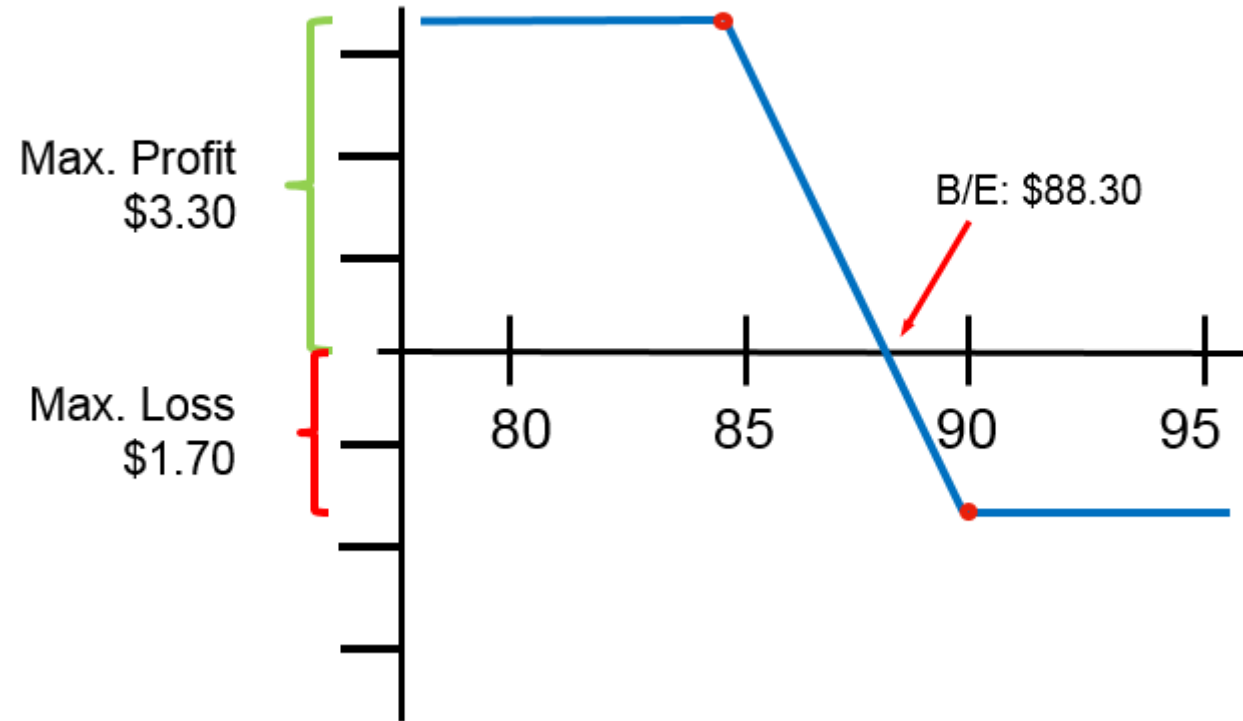
- Stock @ \$50
 - Sell 1 50 Call \$1.65
 - Buy 1 52.50 Call \$0.65
- Net Credit \$1.00**



Bear Put Spread (Debit)

Buy a higher strike put and **sell** a lower strike put

- Stock @ \$90
- Buy 1 90 put \$3.50
- Sell 1 85 put \$1.80
Net Debit \$1.70





Greeks are mathematical calculations used to determine the effect of various factors on options.

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