

An aerial view of a city skyline at sunrise, with several prominent skyscrapers in the foreground and a river winding through the city. The sky is a mix of orange and blue, and there are clouds at the bottom of the frame. A large red graphic element is overlaid on the right side of the image.

# OPTIONS STRATEGIES

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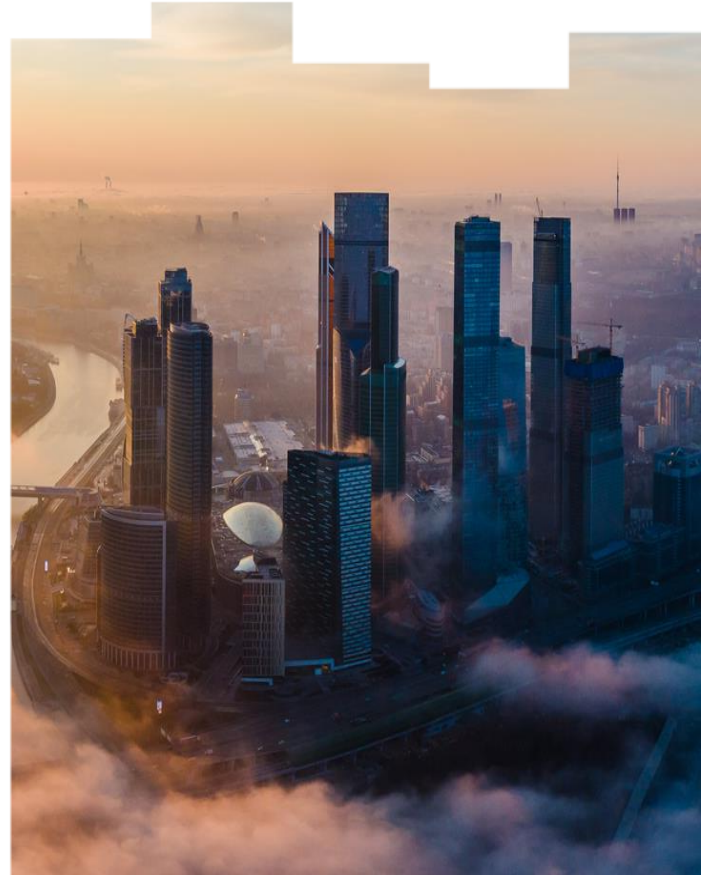
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# Derivatives Market Moscow Exchange

Moscow Exchange's Derivatives Market is a leading venue for derivatives trading in Russia and worldwide. The Derivatives Market features robust infrastructure, reliability, guarantees from the Central Counterpart, and state-of-the-art technologies to trade futures and options.

At present, the Derivatives Market offers trades in derivatives whose underlying assets are equity indices, Russian and foreign stocks, foreign currency, interest rates and commodities (oil, precious and industrial metals, agricultural products)



# TERMS AND DEFINITIONS

**Option** is a derivative instrument that offers the option holder the right to buy or sell the chosen underlying asset at a present date and price. Option sellers are obligated to transact on the terms set out in the options contract.

**Call option** is an option contract that offers the option buyer the right to buy the underlying asset at a specified price (strike price) within a specific time period. At the same time, the option seller undertakes to sell the underlying asset on the same terms.

**Put option** is an option contract that offers the option buyer the right to sell the underlying asset at a specified price (strike price) within a specific time period. At the same time, the option seller undertakes to buy the underlying asset on the same terms.

**Premium** is the amount of money the options buyer pays to the party selling the option.

**Underlying asset** is an instrument that a derivative contract is based on.

**Strike** is the price at which at which an option contract can be bought or sold when it is exercised.

**Initial Margin** — is a minimum amount of cash a client needs to have on the brokerage account to enter and/or maintain positions.

**Expiration (expiration date)** in options contracts is the date passing which the option contract is no longer valid (the buyer has no right to claim the seller's obligations be fulfilled).

**ITM, In The Money** refers to an option that possesses intrinsic value. For in-the-money call options it means that the current underlying asset price is above the strike price. For in-the-money put options it means, vice versa, that the underlying asset price is below the strike price.

**OTM, Out of The Money** refers to an option with zero intrinsic value. For out-of-the-money calls it means that the current underlying asset price is below the option strike price. For out-of-the-money puts it means, vice versa, that the underlying asset price is above the option strike price.

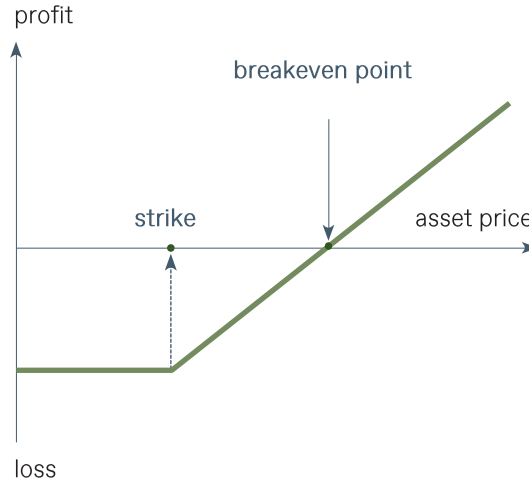
**ATM, At The Money** refers to an option whose strike price is identical to the current price of an underlying asset. ATM options possess no intrinsic value at this point of time.

**Secured put option** — refers to a combination of an asset and put option for such asset. Whatever happens to the stock price, a put option gives the investor the right to sell the stock at the option strike price.



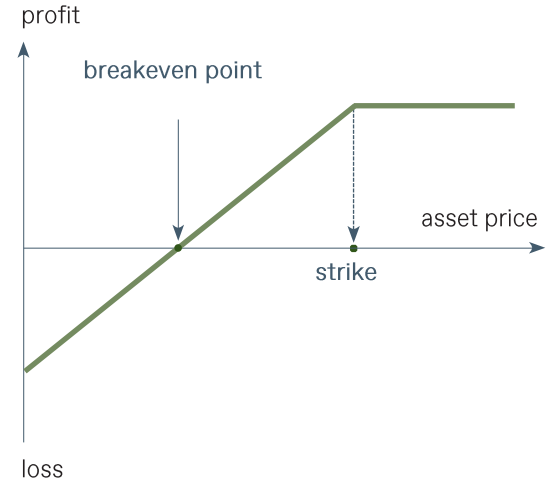
# BULLISH STRATEGIES

## BUYING CALL OPTIONS



**Strategy:** buying a call option  
**Expectations:** the market will grow  
**Loss potential:** limited  
**Profit potential:** unlimited

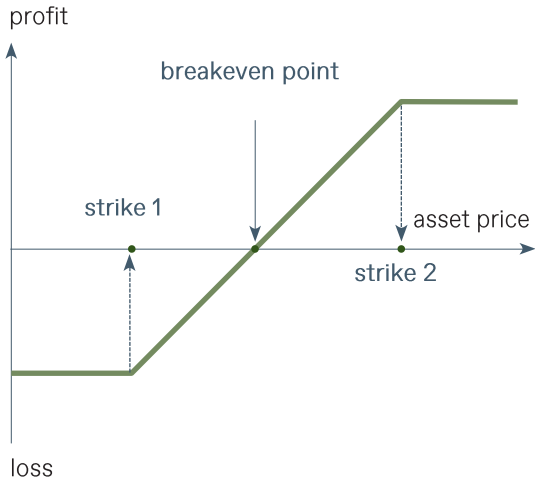
## COVERED CALL OPTION



**Strategy:** buying a stock; selling a call option  
**Expectations:** the market will grow or will stay neutral  
**Loss potential:** unlimited  
**Profit potential:** limited

# BULLISH STRATEGIES

## BULL CALL SPREAD



**Strategy:** buying a call; selling a higher

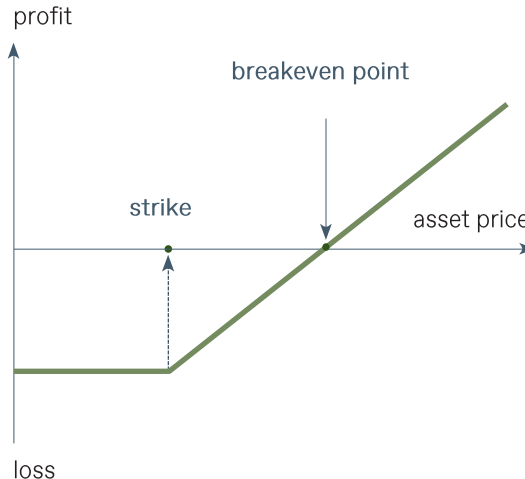
strike call of the same expiration

**Expectations:** the market will be neutral or growing

**Loss potential:** limited

**Profit potential:** limited

## PROTECTIVE PUT



**Strategy:** buying a put, an investor owns stocks

**Expectations:** the market will be growing

**Loss potential:** limited

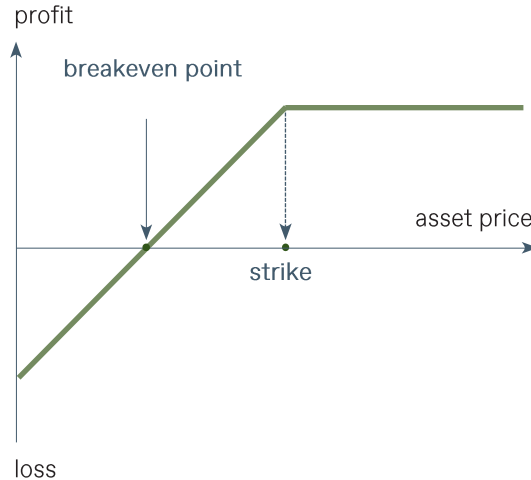
**Profit potential:** unlimited





# BULLISH STRATEGIES

## CASH-SECURED PUT



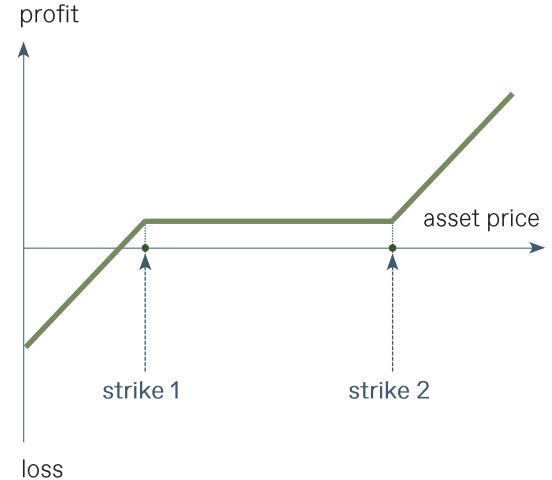
**Strategy:** selling a put option;  
an investor owns cash equivalent to the  
stock price

**Expectations:** the market will grow or will stay  
neutral

**Loss potential:** unlimited

**Profit potential:** limited

## BULL BACKSPREAD



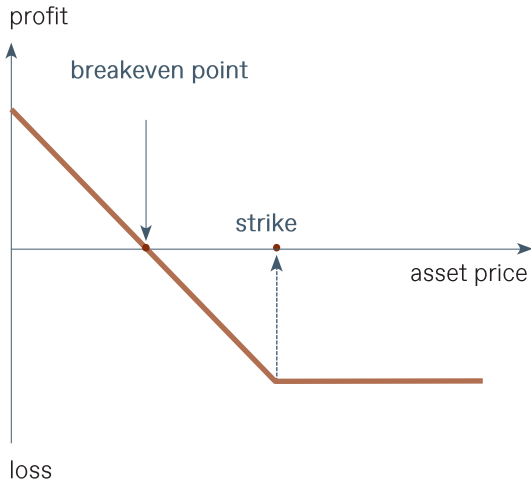
**Strategy:** selling a put, buying a higher  
strike call. **Expectations:** the market will  
grow or will stay neutral.

**Loss potential:** unlimited

**Profit potential:** unlimited

# BEARISH STRATEGIES

## BUYING PUT OPTIONS



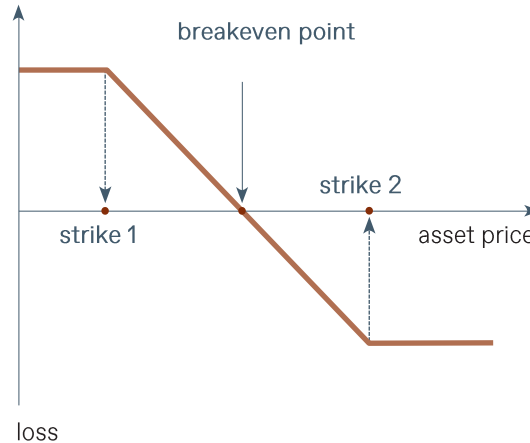
**Strategy:** buying a put

**Expectations:** the market will grow

**Loss potential:** limited

**Profit potential:** unlimited

## BEAR PUT SPREAD



**Strategy:** selling a put; buying a higher strike put

**Expectations:** the market will be falling

**Loss potential:** limited

**Profit potential:** limited

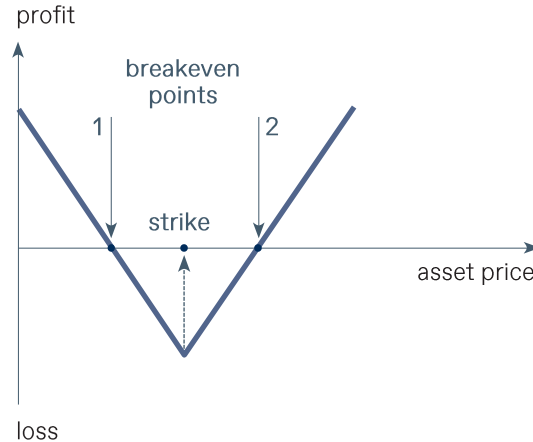






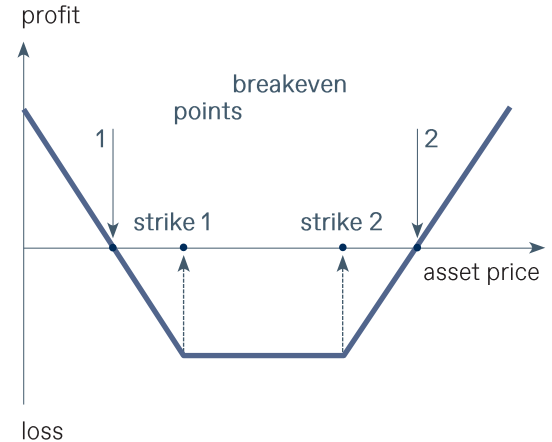
# STRATEGIES FOR A VOLATILE MARKET

## LONG STRADDLE



**Strategy:** buying a call option;  
buying a same strike put  
**Expectations:** the market will be  
volatile  
**Loss potential:** limited  
**Profit potential:** unlimited

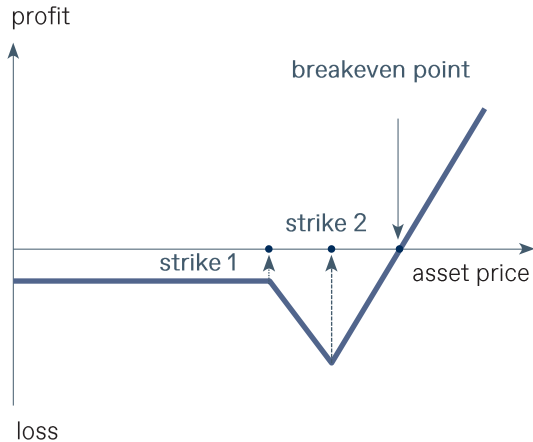
## LONG STRANGLE



**Strategy:** buying a higher strike call;  
buying a lower strike put  
**Expectations:** the market will be highly  
volatile  
**Loss potential:** limited  
**Profit potential:** unlimited

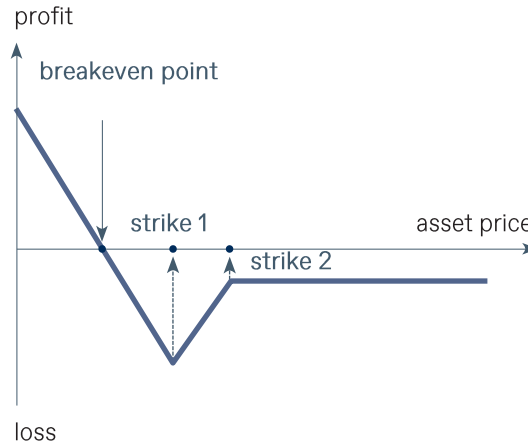
# STRATEGIES FOR A VOLATILE MARKET

## CALL BACKSPREAD



**Strategy:** selling a call option;  
buying two higher strike calls  
**Expectations:** the market will grow or  
will stay neutral for a time  
**Loss potential:** limited  
**Profit potential:** unlimited

## PUT BACKSPREAD



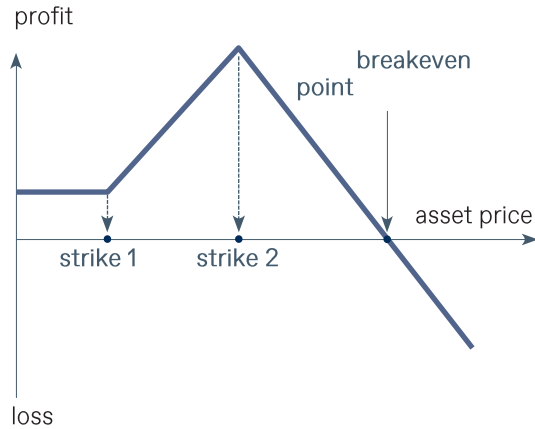
**Strategy:** selling a put option;  
buying two lower strike puts  
**Expectations:** the market will fall or will  
stay neutral for a time  
**Loss potential:** limited  
**Profit potential:** limited





# STRATEGIES FOR A VOLATILE MARKET

## CALL RATIO SPREAD



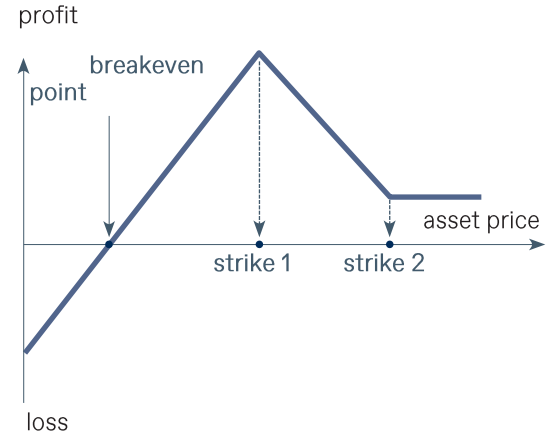
**Strategy:** selling and buying calls of the same expiration but at different strikes. The strategy involves buying a lower strike call and then selling two higher strike calls.

**Expectation:** the price of an underlying asset won't move, volatility will move lower

**Potential loss:** unlimited

**Profit potential:** limited

## PUT RATIO SPREAD



**Strategy:** selling and buying puts of the same expiration but at different strikes. The strategy involves selling two lower strike puts

and buying one higher strike put.

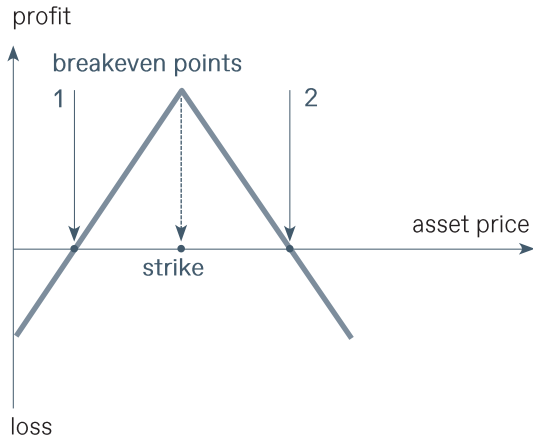
**Expectation:** the price of an underlying asset won't move, volatility will move lower

**Loss potential:** unlimited

**Profit potential:** limited

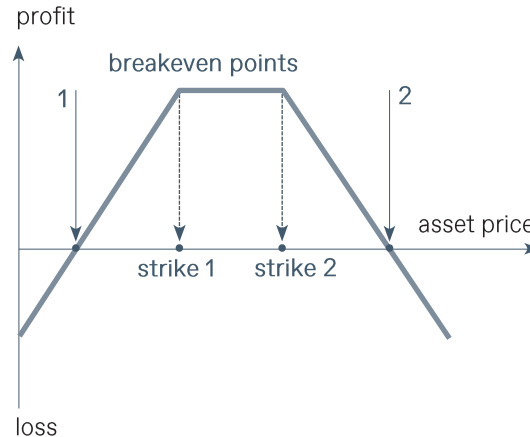
# STRATEGIES FOR A NEUTRAL MARKET

## SHORT STRADDLE



Strategy: selling a call; selling a same strike put  
Expectations: the market will be neutral  
Loss potential: unlimited  
Profit potential: limited

## SHORT STRANGLE



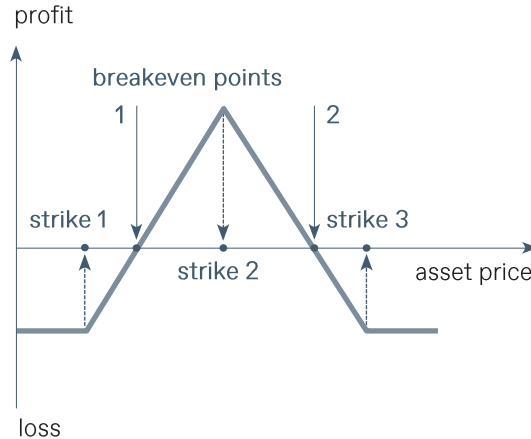
Strategy: selling a higher strike call; selling a lower strike put  
Expectations: the market will be neutral  
Loss potential: unlimited  
Profit potential: limited





# STRATEGIES FOR A NEUTRAL MARKET

## BUTTERFLY



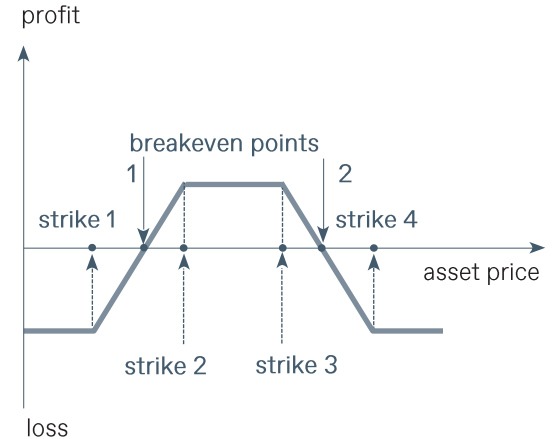
Strategy: selling two calls; buying a near lower strike call; buying a near higher strike call

Expectations: the market stays neutral

Loss potential: limited

Profit potential: limited

## CONDOR



Strategy: buying a call, selling a higher strike call, selling a near higher strike call and buying a near higher strike call


Expectations: the underlying security's price won't move, volatility will move higher.

Loss potential: limited


Profit potential: limited

# CONTACT DETAILS

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