

# Bull Call Spread with Nasdaq-100<sup>®</sup> (NDX<sup>™</sup>) Options

## Example

In this example, the Nasdaq-100 (NDX) Index is at 1550.

## Outlook

You are neutral to bullish on this index for the next five weeks.

## Possible Strategy

Bull Call Spread. Buy one NDX June 1540 call for 113 and Sell 1 NDX June 1580 Call at 85. Net debit of 28, or \$2,800.00.

## Possible Outcomes

Some of the many possible outcomes of this Bull Call Spread are shown in the accompanying table. The values shown in the table are at the time of expiration. (Taxes, commission costs and other transactions costs, have been omitted for the sake of simplicity.)

| Index Change | NDX @ exp. | Long 1540 call | Short 1580 call | Spread Value | Spread Cost  | Net P/(L)    |
|--------------|------------|----------------|-----------------|--------------|--------------|--------------|
| + 7.10%      | 1660.00    | \$12,000.00    | - \$ 8,000.00   | \$ 4,000.00  | - \$2,800.00 | \$1,200.00   |
| + 1.93%      | 1580.00    | \$ 4,000.00    | \$ 0.00         | \$ 4,000.00  | - \$2,800.00 | \$1,200.00   |
| + 1.16%      | 1568.00    | \$ 2,800.00    | \$ 0.00         | \$ 2,800.00  | - \$2,800.00 | \$ 0.00      |
| +/- 0.00%    | 1550.00    | \$ 1,000.00    | \$ 0.00         | \$ 1,000.00  | - \$2,800.00 | - \$1,800.00 |
| - .65%       | 1540.00    | \$ 0.00        | \$ 0.00         | \$ 0.00      | - \$2,800.00 | - \$2,800.00 |

At June expiration the break-even point for this Bull Call Spread on the NDX is 1568 or a +1.16% change in the underlying index value. If the NDX remained unchanged a loss of \$1,800.00 would be incurred. The maximum loss is \$2,800.00 if the NDX is less than 1540, however the maximum gain is \$1,200.00 if the NDX is greater than 1580.00.

In Short: The \$2,800.00 cost establishes a bullish position that may return \$1,200.00 if the NDX rises above 1580 by June Expiration. If NDX is at or below 1540, there is a loss of \$2,800.00.



|        |                              |       |              |
|--------|------------------------------|-------|--------------|
| (DJX)  | Dow Jones Industrials        | (SPX) | S&P 500      |
| (QQQ)  | Nasdaq-100 Shares            | (OEX) | S&P 100      |
| (OEF)  | iShares S&P 100              | (RUT) | Russell 2000 |
| (VIXN) | CBOE Nasdaq Volatility Index | (NDX) | Nasdaq-100   |
| (VIX)  | CBOE Volatility Index        | (MNX) | Mini-NDX     |

## INDEX STRATEGY PAPER BU.4

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