



(DJX) Dow Jones Industrials
(QQQ) Nasdaq-100 Shares
(OEF) iShares S&P 100
(VIX) CBOE Volatility Index
(UXN) CBOE Nasdaq Volatility Index
(UIX) CBOE Volatility Index

(SPX) S&P 500
(OEX) S&P 100
(RUT) Russell 2000
(NDX) Nasdaq-100
(MNX) Mini-NDX

OEX[®] Bear Put Spread

INDEX STRATEGY PAPER Be.1

Example

In this example, the S&P 100[®] Index (OEX) is at a level of 672.42. You believe that an interest rate increase may occur in the next six weeks, possibly causing the market to fall.

Outlook

You are Bearish on the OEX in the short term.

Possible Strategy

Bear Put Spread. Buy 1 OEX September 670 put at 18.50. Sell 1 OEX September 660 put at 14.50. Net debit of 4, or \$400.00.

*All values shown below are at the time of expiration.

Index Change	OEX at expiration	Long 670 put value	Short 660 put value	Spread Cost	Net P/(L)
+ 1.13%	680.00	\$0.00	\$0.00	(\$400.00)	(\$400.00)
+/- 0.00%	672.42**	\$0.00	\$0.00	(\$400.00)	(\$400.00)
- 0.36%	670.00***	\$0.00	\$0.00	(\$400.00)	(\$400.00)
- 0.95%	666.00*	\$400.00	\$0.00	(\$400.00)	\$0.00
- 1.85%	660.00****	\$1,000.00	\$0.00	(\$400.00)	\$600.00
- 3.33%	650.00	\$2,000.00	\$1,000.00	(\$400.00)	\$600.00

- ◆ At September expiration the break-even point (*) for this Bear Put Spread on the OEX is 666.00 or a - 0.95% change in the underlying index value.
- ◆ If the OEX remained unchanged (**) a loss of \$400.00 would be incurred.
- ◆ The maximum loss (***) is \$400.00 if OEX is greater than or equal to 670.00 (- 0.36%).
- ◆ The maximum gain (****) is \$600.00 if OEX is less than or equal to 660.00 (- 1.85%).

In Short: The \$400.00 cost establishes a bearish position with the possibility of yielding a \$600.00 profit if OEX is at/lower than 660.00 at expiration. Unchanged, at or above 670.00 results in a loss of \$400.00, the maximum risk. OEX between 666 and 700 results in partial loss of initial investment.

For more information on the OEX options, please visit <http://www.cboe.com/oex>

For more examples of options strategies, please visit <http://www.cboe.com/strategies/>

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