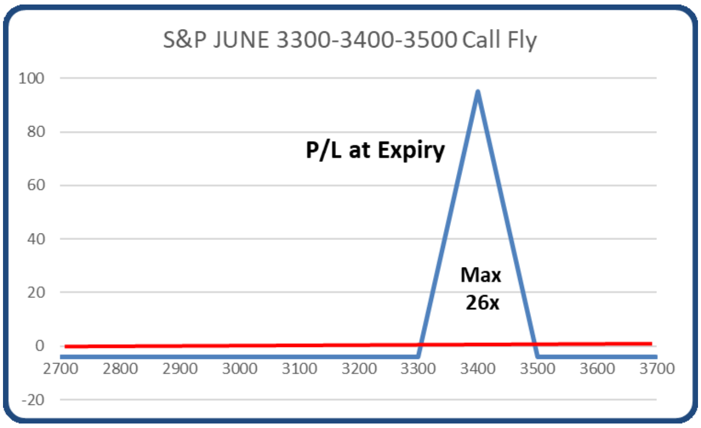
Managing Volatility

Now is the time

At C&S we have decades of experience in managing volatility through the use of options. The current high vol environment provides a wealth of opportunity to employ option combinations for hedging or for profit. Each day we screen more than 5,000 options to identify optimal combinations. Carefully constructed positions can earn superior returns per unit of risk as compared to vanilla strategies, such as simply buying call options or put options.

Example – Equity Upside Capture



Data 2020.03.09

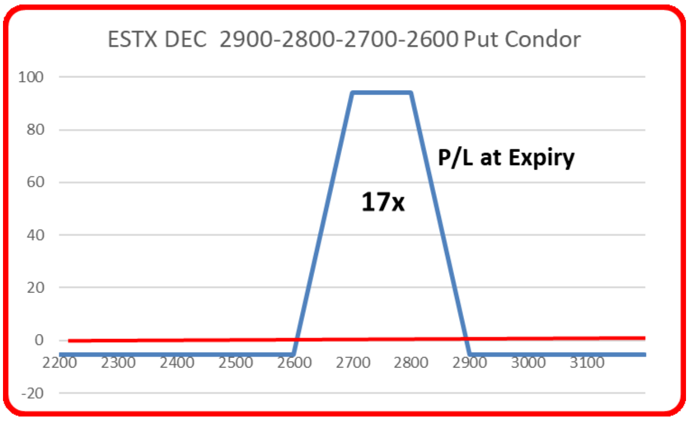
Equity investors who suspect that governments will support the markets with large fiscal and monetary measures may wish to participate in the upside.

Trade Example - Call Butterfly
S&P June 3300-3400-3500

Net Cost	3.75
Max Value at Expiry	100
Max Multiple	26x

Example – Equity Hedging

Eurostoxx



Data 2020.03.06

Equity investors who are concerned about further market decline may wish to hedge.

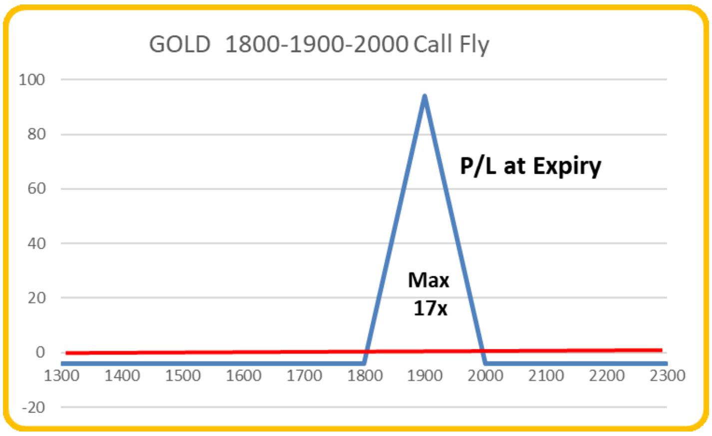
Trade Example - Put Condor
Eurostoxx December 2900-2600

Net Cost	5.80
Max Value at Expiry	100
Max Multiple	17x

Similar opportunities exist in FTSE, DAX and S&P.

Example – Gold

Gold



Data 2020.03.06

Should Gold continue the current trend toward $1900 per ounce, a call butterfly can capture this move on small net premium outlay. The vol difference between the 1800 and 1900 strikes is 2.5 vol points; this reduces the cost of the combination.

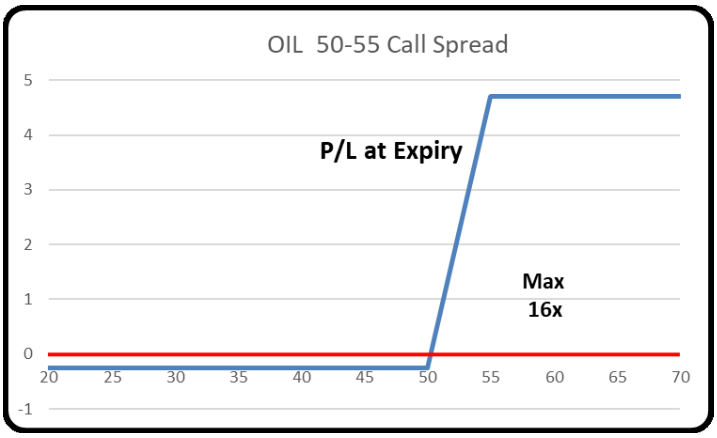
<u>Trade Example - Call Fly</u>
Gold June 1800-1900-2000

Net Cost	5.90
Max Value at Expiry	100
Max Multiple	17x

At May 26 expiry, the profit range is $1806 to $1994

Example – Oil

OIL WTI



Data 2020.03.09

In the event that WTI Oil would recover to the previous trading range by August, a low priced call spread in September WTI will capture this move. The vol difference between the 50 and 55 strikes is 0.9 vol points; this reduces the net price of the spread.

<u>Trade Example - Call Spread</u>
Oil Sept 50-55 Call Spread

Net Cost	0.31
Max Value at Expiry	5.00
Max Multiple	16x

In the construction of option combinations, the key is to carefully study and position along volatility surfaces and term structures. The objective is to maximize the potential return per unit of risk. All options are exchange traded.

If you are wondering what you can do in these volatile markets, you are welcome to connect with us to discuss trading and hedging ideas.

Larry Jones
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