



Options Volatility Trading - Evening

This "real time" options trading course focuses on volatility trading. The class deals primarily with functioning as a Market Maker/Specialist, but also covers options as a means of expressing market opinions. The course begins with a notional amount of capital that the class trades. One portfolio is a volatility trading account, where participants act as options market makers. The other portfolio trades in a more speculative nature, using technical and fundamental analysis to make their trading decisions.

Available Session(s):

13-OCT-2008 -- 1-DEC-2008	New York	USD \$1975
NY Institute of Finance - Midtown	5:45pm - 8:15pm	Mon
Instructor(s):[McCabe Hurley;]		

Targeted Audience

Traders, assistant traders, sales professionals, financial analysts, cash/money managers, auditors and compliance professionals.

Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email uscirculation@ft.com. US and Canada enrollees only.

Advance Preparation

No advance preparation required.

Prerequisites

Understand basic option position payoff profiles (hockeysticks), have a general understanding of delta, gamma, theta, vega and rho and be familiar with Microsoft Excel©.

Learning Objectives

Students will be able to:

- Describe the differences between option models
- Estimate the probability statements made by a volatility figure
- Compare the risk profiles of option trades with the synthetic equivalent position
- Discuss how changes in different variables will affect the value of calls and puts (delta, gamma, theta, vega, & rho)
- Discuss the principles of volatility trading and how this type of trading can be profitable (Identify ways to make money trading both a long and a short gamma position)
- Differentiate the various risk profiles created in choosing one hedge over another
- Calculate historical volatility and evaluate the resulting data
- Describe skew and kurtosis
- Outline how skew and kurtosis affect the prices of OTM options
- Define implied volatility curves over time and price: the term structure of implied volatility & the implied volatility

Alumni Comments

"Great instructor - superb content"

Follow-Up Courses

Technical Analysis - Day

Fusion Analysis Suite

Level: Advanced

CPE Credits: 15.0

Instructional Method: Group-Live

Detailed Outline

Session 1: Option Pricing Models, Put-Call Parity & Synthetics

Structure of the Course

Review of Option Payoff Profiles

Volatility

- Normal distribution
- Lognormal distribution
- Interpreting volatility

Option Pricing

Session 2: Strategy Review

Put-Call Parity

- The relationship between option prices and the underlying assets

Strategy Review & Market Participants

- Yield Enhancement Trades
- Portfolio Insurance
- Vertical Spreads
- Butterflies

Synthetic Positions

- What the options premium is telling us
- An overview of the Black-Scholes Option Pricing Model
- An overview of the Binomial Option Pricing Model

Homework: Review of Synthetics

Session 3: Risk Sensitivity Numbers - "The Greeks"

The Greeks

- Changes in the stock price (delta)
- Changes in the delta (gamma)
- Changes in time to maturity (theta)
- Changes in volatility (vega)
- Changes in interest rates (rho)

Homework: Review of Greeks

Session 4: Volatility Trading - Defined

Volatility Trading: Remaining delta neutral

- Long Volatility using Calls
- Long Volatility using Puts
- Short Volatility using Calls

Other Ways to Hedge

Homework: Review of Volatility Trading

Session 5: Historical Volatility Analysis

Estimating Volatility

- Calculating historical volatility
- "Chunking" time to discover the historical volatility characteristics of an underlying asset
- Working with the HIST VOL spreadsheet
- Frequency distribution
- Comparing the Real Distribution of an asset versus Normal Distribution

Homework: Compiling Historical Volatility Research

Session 6: Implied Volatility

Volatility Skew

- Implied Volatility for Out-of-the-Money Options
- Measuring the difference between Real Distribution versus Normal Distribution
- -- Skew and Kurtosis
- Incorporating volatility smile into your trading plan

Session 7: Term Structure of Implied Volatility

Plotting Implied Volatility over different expirations

Plotting Implied Volatility over different strike prices

Session 8: Trading in the Real World

Putting it all together to derive our Forecast Volatility

Designing a trading plan

Managing a Volatility Book

Measuring Relative Volatility

Dispersion Trades and RelVol trades

Scheduling Note

There will be no class on Thursday, March 20th.

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.