



OPTION DEFINITION AND TERMINOLOGY

4 Possible Actions/Combinations

Options	Side	Terms (of the contract)	Outlook (of the underlying)
Calls	Buyer (Long)	Right to buy the underlying at a specific price on or before a specific date	Bullish
	Seller (Short)	Obligation to sell the underlying at a specific price on or before a specific date	Neutral to Bearish
Puts	Buyer (Long)	Right to sell the underlying at a specific price on or before a specific date	Bearish
	Seller (Short)	Obligation to buy the underlying at a specific price on or before a specific date	Neutral to Bullish



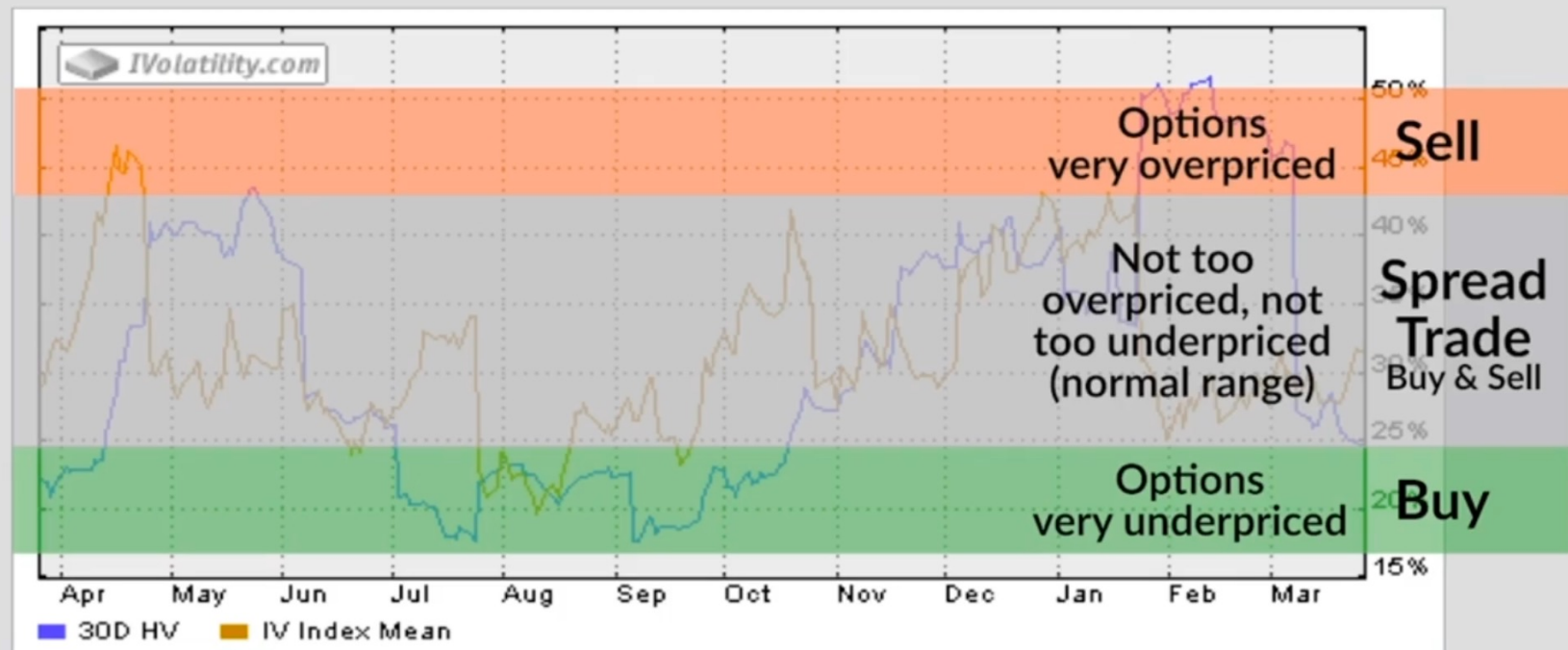
23.56
7869.32
1235.98
1078.31
13.01
2.56
4099.23
01.00

Outlook Scale						
Very Bearish	Bearish	Slightly Bearish	Neutral	Slightly Bullish	Bullish	Very Bullish
-3	-2	-1	0	+1	+2	+3
						

240.89
43869.5
29035.0
24578.0
324.10
90.75
34935.0
301.96



VOLATILITY CHART



VOLATILITY LOCATIONS

IV Upper 20%	Sell Options (<u>Short</u>)
Middle 60%	Bull Put <u>Credit</u> Spreads Bear Call <u>Credit</u> Spreads Bull Call <u>Debit</u> Spreads Bear Put <u>Debit</u> Spreads
IV Lower 20%	Buy Options (<u>Long</u>) Diagonal Calendar Spreads



STRATEGY SELECTION

Stock Outlook	Volatility Region	Strategy Selection	Timeframe	Net Delta	Risk	Reward
+3, +2	NA	Long Stock	NA	NA	Limited to Zero	Unlimited
-3, -2	NA	Short Stock	NA	NA	Unlimited	Limited to Zero
+3	Lower 20%	Long Call	>60 Days	> 0.5	Predefined	Unlimited
0, -1	Upper 20%	Short Call	<45 Days	< 0.35	Unlimited	Predefined
-3	Lower 20%	Long Put	>60 Days	> 0.5	Predefined	Limited to Zero
0, +1	Upper 20%	Short Put	<45 Days	< 0.35	Limited to Zero	Predefined
+2	Lower 20%	Married Put	>45 Days	Varies	Predefined	Unlimited
+1, 0	Upper 20%	Covered Call	<45 Days	< 0.5	Limited to Zero	Predefined
+2, +1	Middle 60%	Bull Call Spread	>45 Days	> 0.25	Predefined	Predefined
-2, -1	Middle 60%	Bear Put Spread	>45 Days	> 0.25	Predefined	Predefined
-1, 0	Middle 60%	Bear Call Spread	<45 Days	NA	Predefined	Predefined
+1, 0	Middle 60%	Bull Put Spread	<45 Days	NA	Predefined	Predefined
0, +1, -1	Middle 60%	Iron Condor	<45 Days	NA	Predefined	Predefined
+1	Middle 60%	Call Calendar Spread	<45 Days	> 0.25	Unlimited	Unlimited
-1	Middle 60%	Put Calendar Spread	<45 Days	> 0.25	Limited to Zero	Limited to Zero
0	Middle 60%	Butterfly	<45 Days	NA	Predefined	Predefined
+3	Lower 20%	Call Ratio Spread	>60 Days	> 0.25	Predefined	Unlimited
+2	Lower 20%	Put Ratio Spread	>60 Days	> 0.25	Predefined	Unlimited
+3, -3	Lower 20%	Straddle	>60 Days	> 0.5	Predefined	Unlimited
+3, -3, +2, -2	Lower 20%	Strangle	>60 Days	> 0.5	Predefined	Unlimited

INVESTOR'S BUSINESS DAILY