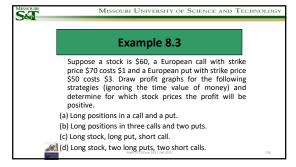


Example 8.2

Payoff from buying a European
Call
Put
Payoff from writing a European
Call
Put
Profit from positions in European options

125 126



** Assets underlying exchange-traded options:

- Stocks (~ 1000 different ones, usually 100 shares per contract)

- Foreign currency (size depends on currency, e.g., £31,250; 6.25 million yen)

- Stock indices (100×index, settlement in cash)

- Futures (option matures just before delivery period for futures)

Remark 8.4 (continued)

• Stock options specifications:
• Expiration date (Sat right after 3rd Fri of expiry month, 4:30 pm)
• Strike price (spacing \$2.50/5/10)

128 129 130

127

