

To put it into practice I

An investor sells 1 share MPS short at 70\$ and simultaneously writes one MPS 70 put at 3\$.

What is the maximum gain in this strategy?

- (a) \$73
- (b) \$70
- (c) \$67
- (d) \$3

What is the maximum loss?

- (a) Unlimited
- (b) \$3
- (c) \$70
- (d) \$63

Don't forget to justify your claims.



To put it into practice II

An investor has sold 1 share of FBN stock short at 62\$ and buys one FBN Jan 65 call at 2\$. If FBN stock rises to 70\$ and the investor exercises the call, what is the gain or loss in this position?

- (a) \$2/share
- (b) \$5/share
- (c) \$8/share
- (d) Unlimited

Don't forget to justify your claims.

To put it into practice III

Suppose that an investor has sold 100 shares of MNO stock short at \$75/share and feels confident that the stock's price will fall in the market in the near future. To protect against a sudden rise in price, which of the following strategies would you recommend?

- (a) Sell a MNO put.
- (b) Buy a MNO put.
- (c) Sell a MNO call.
- (d) Buy a MNO call

Don't forget to justify your claims.

