OPTIONS

Your portfolio is the following

* You bought 1 share of company A at 30 euro per share
* You bought a 1 put option with strike price 20 euro per share, expiration date 1 of march 2017 for which you paid 1 euro.

What will be your cumulated profit (or loss) including the cost of the put on 1st March 2017 if the price of the stock is 40, 30, 20 ,15 or 10 euros?

Draw a diagram excluding the premium paid

Company A is a pharmaceutical company and they have just patented a new blockbuster drug. Your expectation now is that the stock will perform extremely well in the future. In light of this new development you are considering implementing your view through an option strategy. The new prices of the share and of the two options available are:

Expiration 1 year

Share price 35

Call option strike price 40 premium 2 euros

Put option strike price 20 premium 1 euro

You have additional capital of 1 million to invest. Discuss a possible strategy consistent with your new view.