



# STRATEGY FUTURES & OPTIONS GUIDE

# Introduction

Using futures and options, whether separately or in combination, can offer countless trading opportunities. The 21 strategies in this publication are not intended to provide a complete guide to every possible trading strategy, but rather a starting point. Whether the contents will prove to be the best strategies and follow-up steps for you will depend on your knowledge of the market, your risk-carrying ability and your trading objectives.

Interested in learning more about futures? The Chicago Mercantile Exchange® (CME®) Education Department offers a full range of courses and seminars designed to meet your needs, whether you're still learning the basics or looking for advanced instruction in options strategies or technical analysis. Courses are offered in classrooms at the Exchange as well as online. Please visit the Education section of the CME Web site, [www.cme.com](http://www.cme.com), to see current educational offerings and upcoming class schedules. You may also call the Education Department at 312-930-6937 or e-mail us at [edu@cme.com](mailto:edu@cme.com).



# How to Use This Guide

This publication was designed, not as a complete guide to every possible scenario, but rather as an easy-to-use manual that suggests possible trading strategies. One way to use it effectively is to follow these simple steps:

## **1. Determine Your Market Outlook.**

Are you generally bullish, bearish, or undecided on future market moves?

## **2. Determine Your Volatility Outlook.**

Do you feel that volatility will rise, fall, or are you undecided?

## **3. Look Up the Corresponding Strategy on the Appropriate Table.**

Whether you are initiating a position or trying to follow up a current position, line up the correct row and column on the proper table to find a strategy that will help you make the most of your outlook.

## **4. Determine the “Best” Strike Price.**

By analyzing your market and volatility outlook further you should be able to select the option strike that provides the best opportunity. The Guide does not go into detail on selecting the best strikes. You can do this by calculating a few “What-If” scenarios.

### **Some Things You Should Be Aware Of:**

- In addition to breaking down market analysis into two main questions (“What is your market outlook?” and “What is your volatility outlook?”), you must also consider margin requirements, commission costs, taxes and execution costs, as well as other possible factors.
- The follow-up strategies in this Guide are usually “One Trade” changes. In other words, we asked: “How can a trader transform a position into a more desirable position with just one trade?” We did, however, bend this rule a little when one trade produced no acceptable strategy.
- Although you may be able to transform a trade with just one transaction, the resulting position can contain options at strikes that may or may not be appropriate for your new outlook.
- The ratio spreads and ratio backspreads are strategies that do not fit neatly into one of the nine scenarios. Therefore, a trader **MUST** analyze these strategies in greater depth. The strikes chosen bear greatly on the resulting profit/loss. Do several “What-If” scenarios before using these strategies.
- There are many other strategies, such as: calendar spreads, condors, Christmas trees, and option strips that are not addressed here. While they are all valid strategies, they do not fit neatly into this approach.
- The suggested strategies on the following pages are just that—suggestions. Because of limited space, the strategies suggested may or may not be the “best” ones for your trading plan.