

# Industry / Sector options now listed

Options Listing Date*	Index	Ticker (Option and Underlying)	Ticker (Options Settlement)	Price of Index (at close on Feb. 6, 2019)	Notional Value Covered by 1 Options Contract (approx. on Feb. 6, 2019)
Feb. 7	Materials Select Sector Index	SIXB	SISB	566.15	\$56,615
Feb. 11	Energy Select Sector Index	SIXE	SISE	653.05	\$65,305
Feb. 11	Communication Services Select Sector Index	SIXC	SISC	239.92	\$23,992
Feb. 12	Financial Select Sector Index	SIXM	SISM	320.16	\$32,016
Feb. 12	Industrials Select Sector Index	SIXI	SISIN	736.5	\$73,650
Feb. 13	Consumer Staples Select Sector Index	SIXR	SISR	539.04	\$53,904
Feb. 13	Real Estate Select Sector Index	SIXRE	SISRE	166.21	\$16,621
Feb. 13	Technology Select Sector Index	SIXT	SIST	688.43	\$68,843
Feb. 14	Consumer Discretionary Select Sector Index	SIXY	SISY	1094.19	\$109,419
Feb. 14	Health Care Select Sector Index	SIXV	SISV	910.07	\$91,007
Feb. 14	Utilities Select Sector Index	SIXU	SISUT	553.07	\$55,307

Sources: S&P Dow Jones Indices, LLC, Bloomberg, and Cboe Options Exchange. Visit [www.cboe.com/sectors](http://www.cboe.com/sectors) for more information.

\* Listing dates are scheduled and are subject to regulatory approval.



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# Trader says he has 'no money at risk,' then promptly loses almost 2,000%

Published: Jan 22, 2019 2:43 p.m. ET



Aa





UVXY

**2,000**

Contracts

**-\$287,500.00**

Value

Cash collateral

**\$250,000.00**

Today's return

**+\$8,641.93 (+4.2%)**

Total return

**+\$9,340.95  
(+3.15%)****\$15 Call**

01/15/21 Exp • 500 Buys

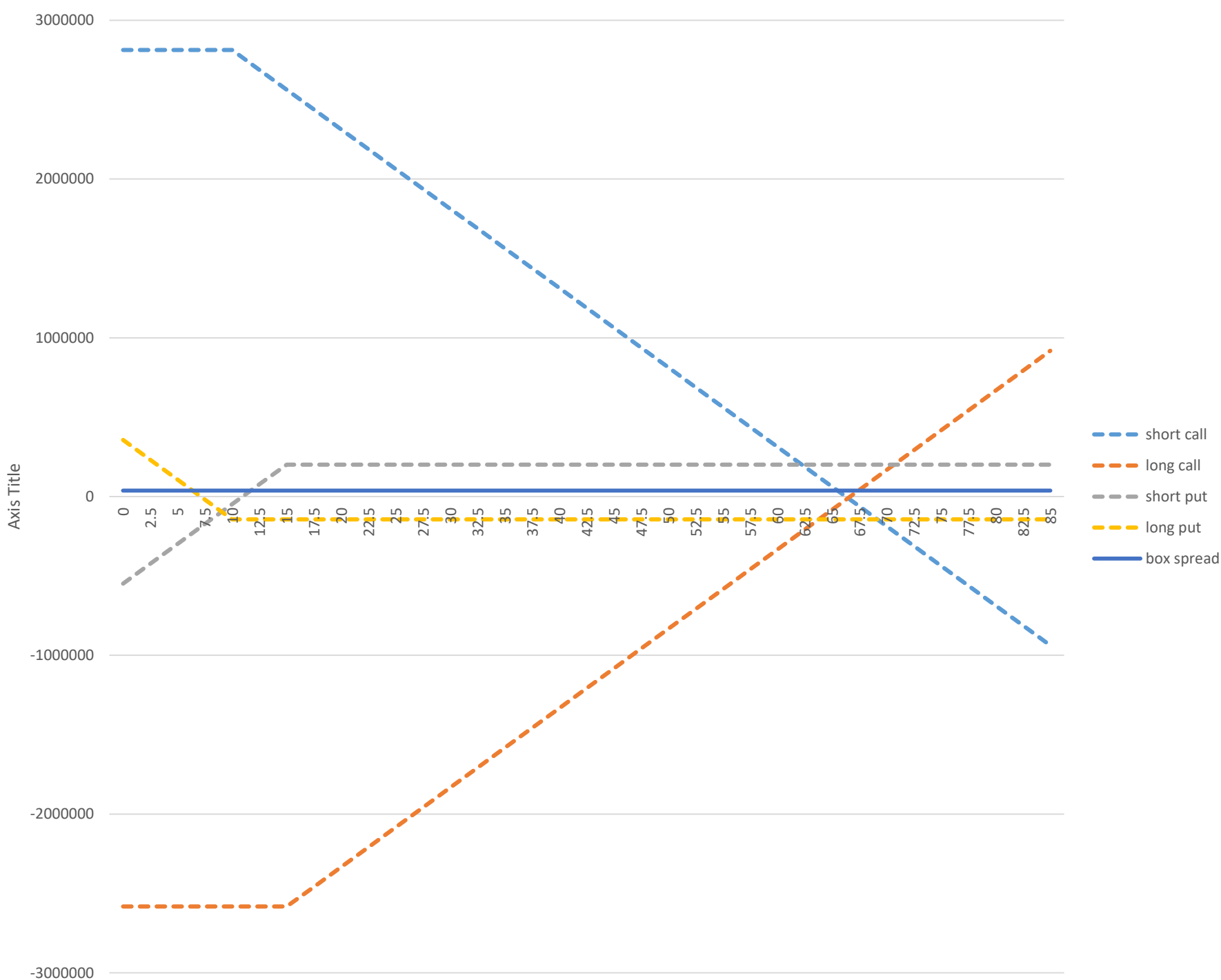
**\$51.65****\$10 Call**

01/15/21 Exp • 500 Sells

**\$56.25****\$10 Put**

01/15/21 Exp • 500 Buys

**\$2.88**



Net cash inflow: \$287,500

Margin required: **\$250,000**  
 [\$5 strike difference x 500 contracts x \$100 contract size]  
*Fully covered by the cash inflow.*

Net cash flow at expiry: \$37,500

Not bad for 2 years!

Problem: all of the above only guaranteed if trade held to expiry (Jan 2021) ...

...and these are American options which can be exercised early 😞

**Arbitrage is usually an illusion.**

# Ten different ways to trade volatility

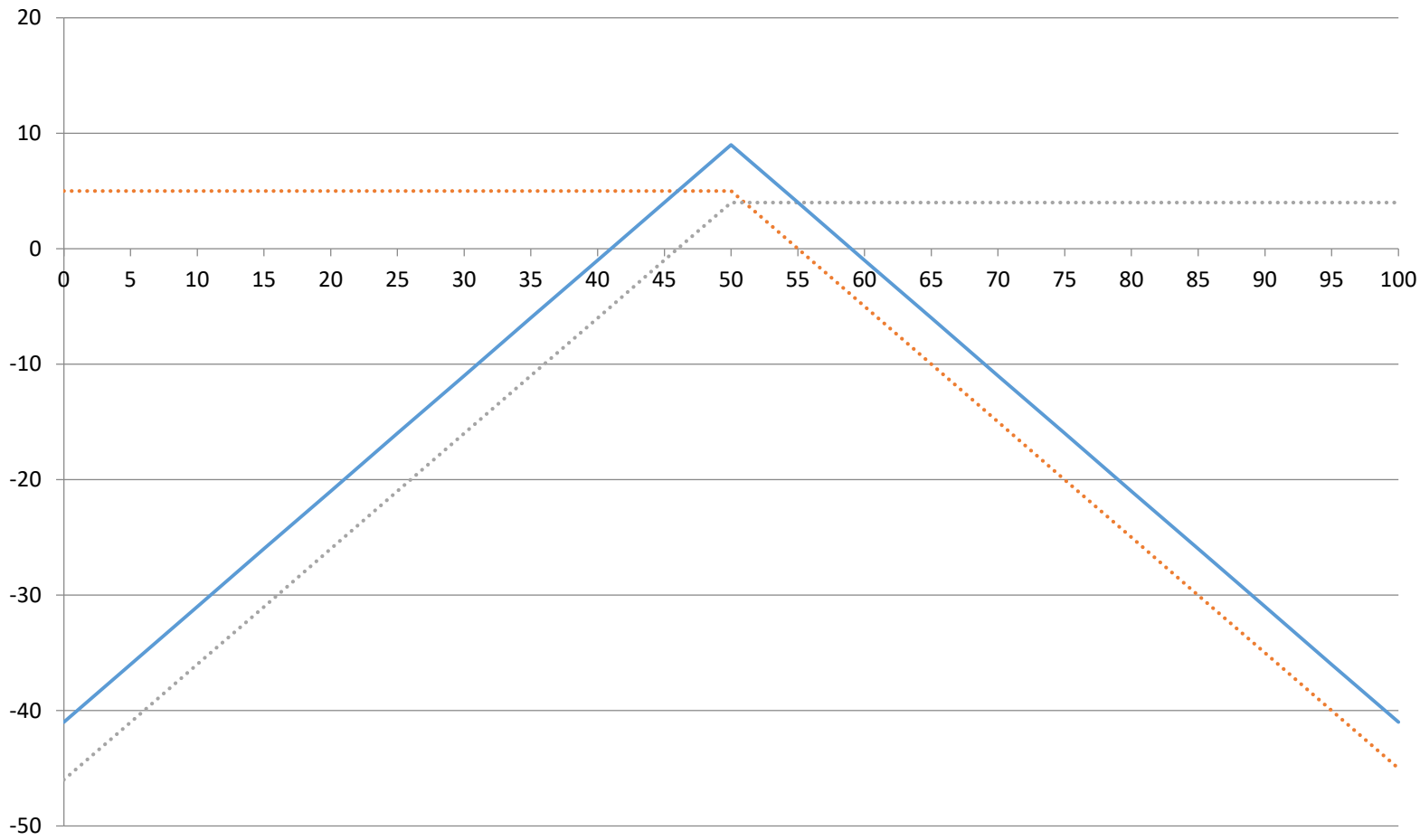
- Straddles
- Strangles
- Spread trades
- Butterfly spreads
- Iron Condors
- Buy / Sell on implied volatility
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- ETFs: UVXY

# Straddles

Very large margin requirements on short straddles!

Can also be long straddle

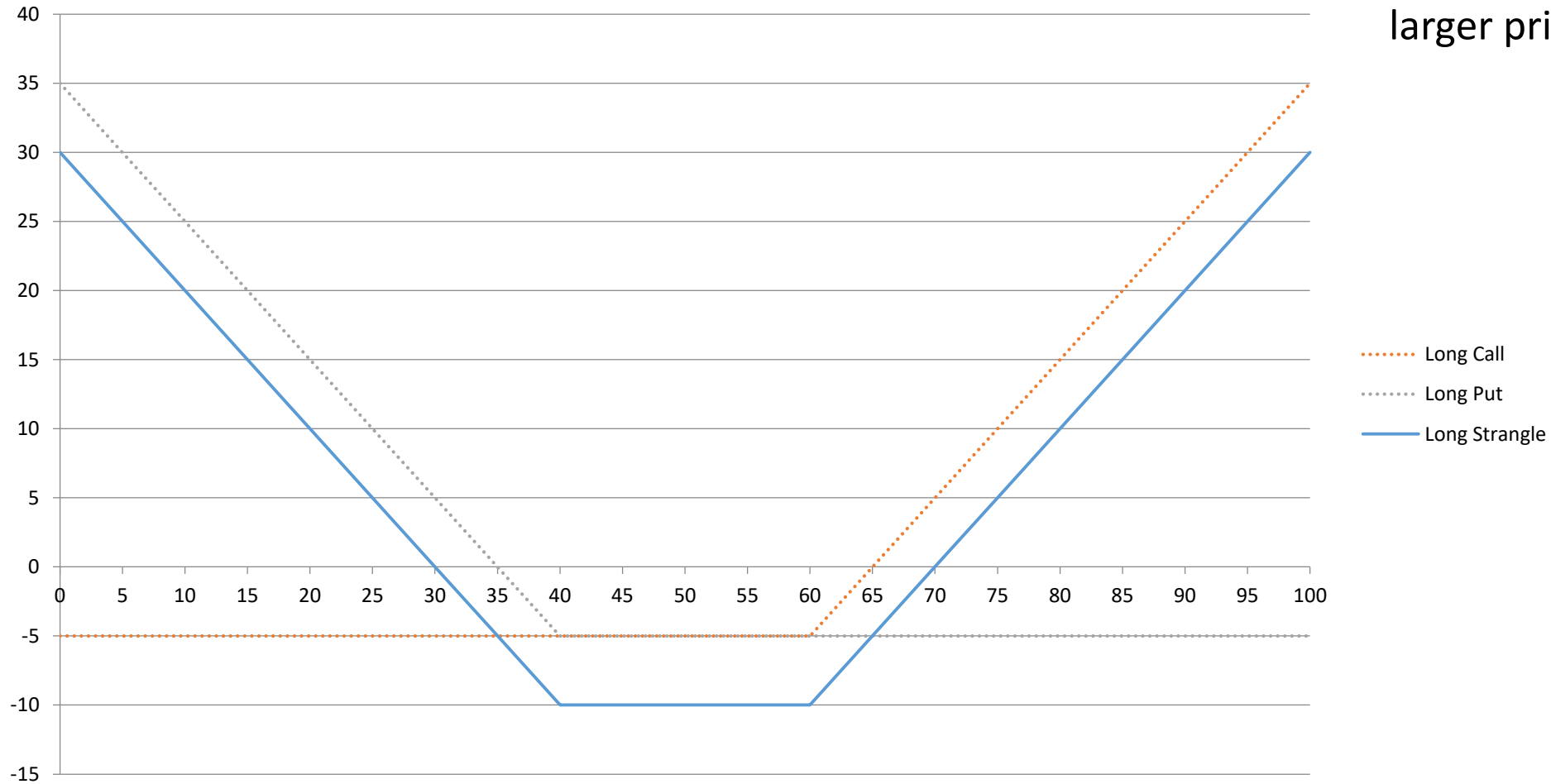
Take care to close out the “losing” leg for a loss to recoup some money on long straddle.



- Short Call
- Short Put
- Short Straddle

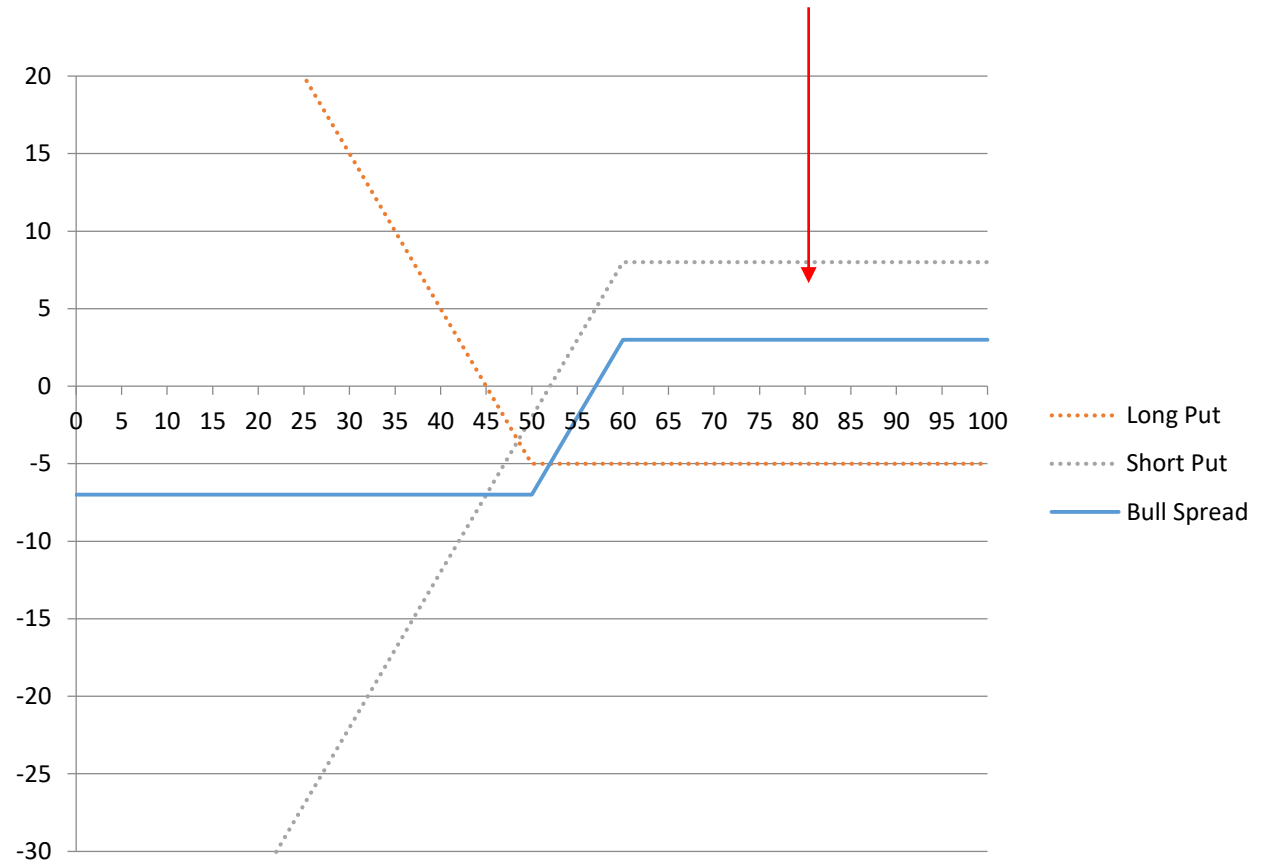
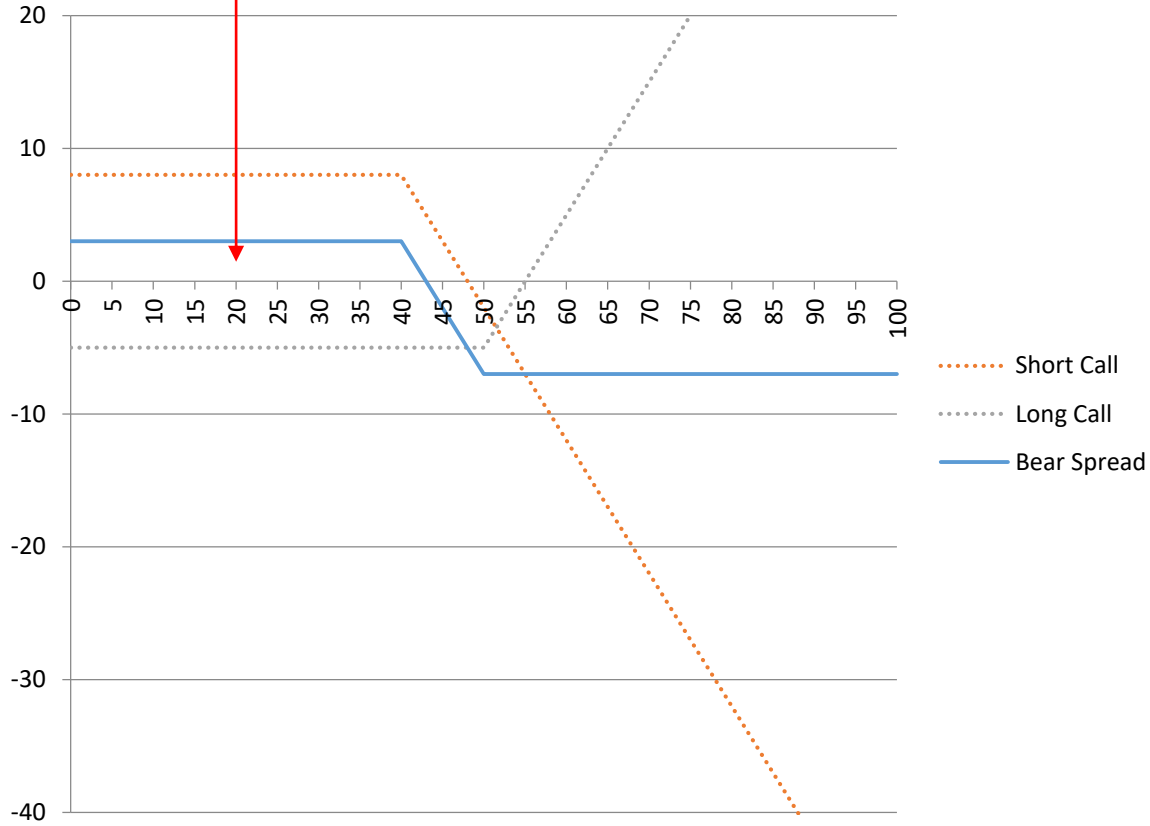
# Strangles

Typically cheaper to set up than a straddle ... but does require larger price movement.



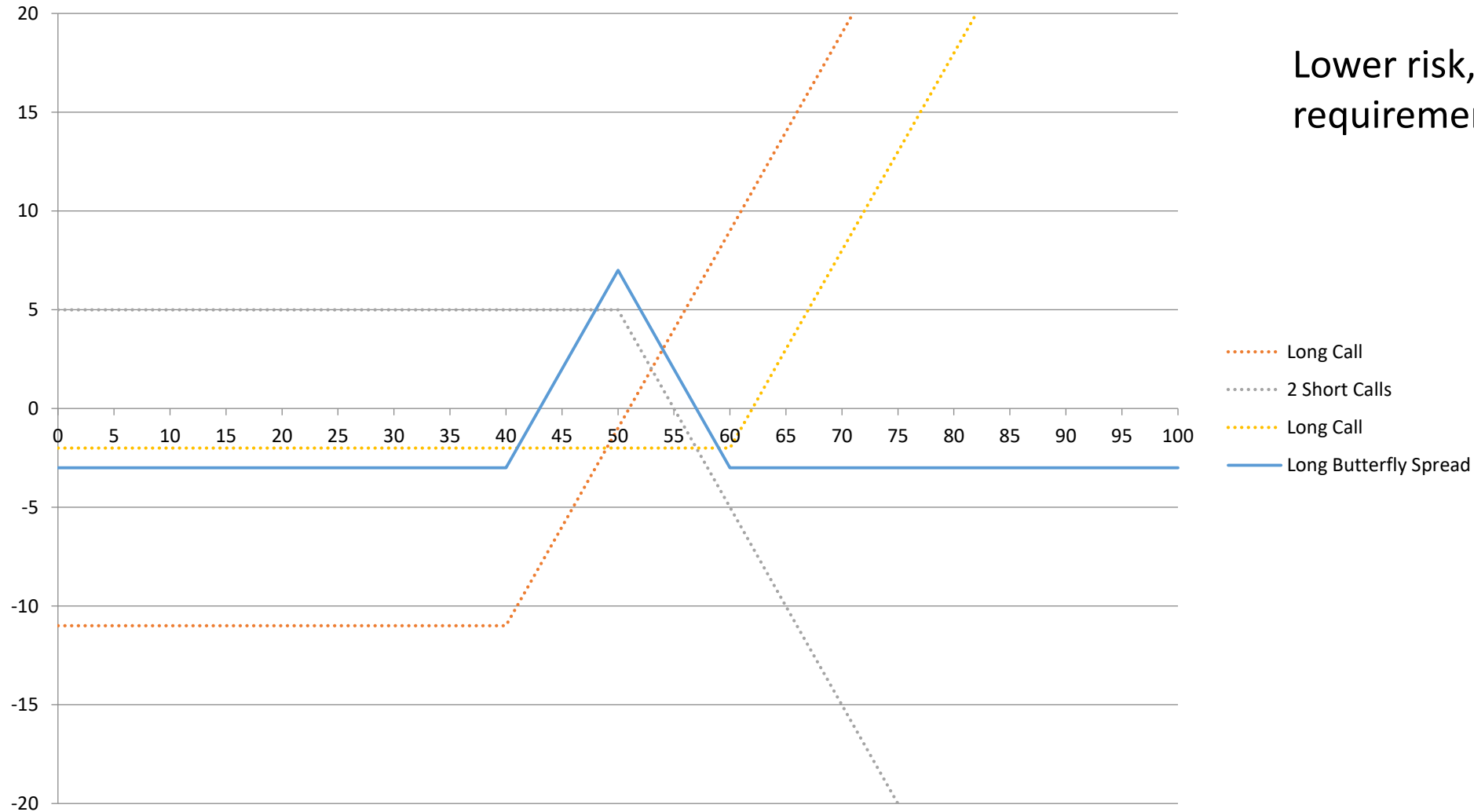
# Spread trades

Typically have to wait all the way to expiry for max profit.





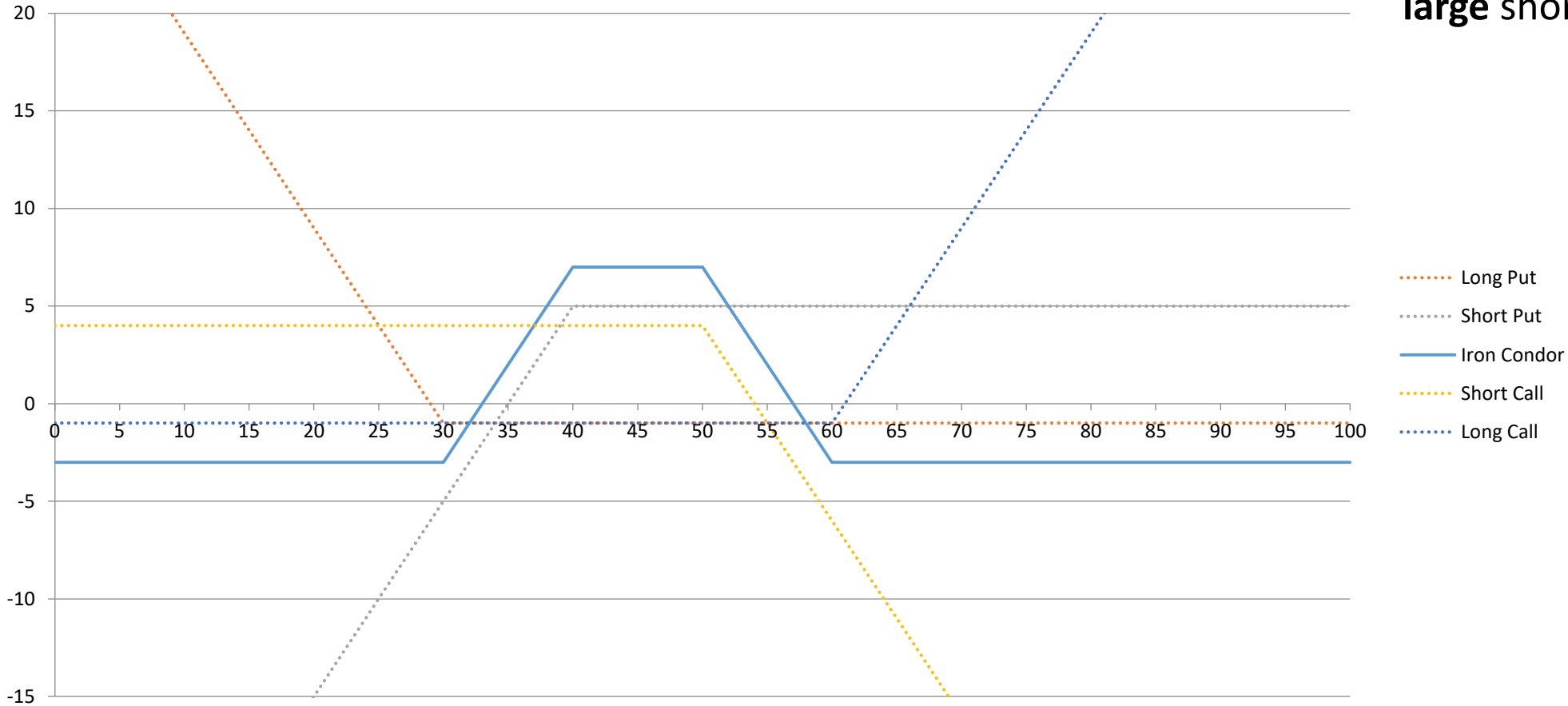
# Butterfly spreads



# Iron Condors

Betting against the extremes.

Often results in steady profits over time ... followed by **very large** short-term losses!



# Buy / Sell on implied volatility

- Track implied volatility for the asset you know
- Buy when IV is low, sell when IV is high
- Changes in IV often swamped by directional movement
  - Example: buy call option when IV low ... if this *is* followed by a large spike in IV it's very, very likely also associated with a large *decrease in asset price*.
- Can work better for buying puts ... get your protection in place when it's cheap (calm before the storm!)
- IV is the market forecast of likely future price ranges, so you need to be right and market wrong to profit from this.

# Options on VIX

U.S. MARKETS CLOSE IN 2:07:33

Show:  More  Mar 19 2019 (W)

VOLATILITY S&P 500 ( VIX ) Last 17.22 Change 0.63 Bid 0.00 Ask 0.00 Volume 2,479,000 Trade | News | Chart

March 19 2019 Calls

VIX @ 17.22  
11 Days to Exp

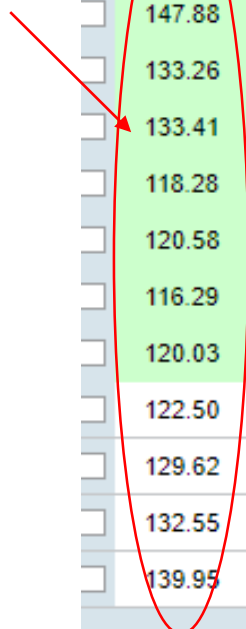
March 19 2019 Puts

Choose a Strategy    [Clear Selections](#)

IV	Delta	Open Int	Vol	Change	Last	Bid	Ask	Strike	Bid	Ask	Last	Change	Vol	Open Int	Delta	IV
162.86	0.898	20	0	0.00	4.40	4.90	5.10	12.50	0.00	0.05	0.03	0.01	4	5,170	-0.022	95.17
147.88	0.889	1,160	29	0.78	4.68	4.40	4.60	13.00	0.00	0.05	0.01	-0.03	59	46,534	-0.025	85.09
133.26	0.878	792	18	0.70	4.20	3.90	4.10	13.50	0.00	0.10	0.05	-0.05	476	71,066	-0.044	85.85
133.41	0.843	2,575	121	0.65	3.60	3.50	3.70	14.00	0.05	0.10	0.07	-0.08	22,642	139,036	-0.065	82.48
118.28	0.826	3,519	18	0.60	3.10	3.00	3.20	14.50	0.15	0.20	0.15	-0.10	6,130	81,558	-0.121	90.60
120.58	0.777	23,827	921	0.55	2.70	2.70	2.80	15.00	0.25	0.30	0.27	-0.13	20,602	177,888	-0.172	91.67
116.29	0.680	71,250	1,468	0.50	2.10	2.00	2.10	16.00	0.55	0.65	0.59	-0.26	4,777	93,336	-0.299	95.87
120.03	0.568	164,334	22,868	0.40	1.55	1.50	1.60	17.00	1.05	1.10	1.10	-0.25	14,415	68,458	-0.434	99.67
122.50	0.462	86,609	5,847	0.30	1.20	1.10	1.20	18.00	1.65	1.75	1.75	-0.38	4,136	60,647	-0.558	104.43
129.62	0.376	87,030	1,634	0.25	1.00	0.85	0.95	19.00	2.35	2.45	2.36	-0.54	410	41,505	-0.668	106.01
132.55	0.299	251,716	20,461	0.10	0.65	0.65	0.70	20.00	3.10	3.30	3.10	-0.60	48	29,345	-0.754	108.71
139.95	0.247	143,976	46,848	0.16	0.56	0.50	0.60	21.00	4.00	4.20	4.02	-0.68	6	16,546	-0.808	116.04

Choose a Strategy    [Clear Selections](#)

Implied volatility of VIX!!??



# Futures on VIX

Margin requirements.  
Highly volatile.

## Futures Quote Detail

Summary News

VXJ19 Go Option | Futures | Find Symbol



Symbol	Last	Today's Change	Bid	Ask	Open	Prev Close	High	Low	Volume
VXJ19	17.40	+0.52 ▲ (+3.11%)	17.40	17.45	16.85	16.875	17.70	16.40	66,998

## VXJ19 - Volatility Index APR 2019

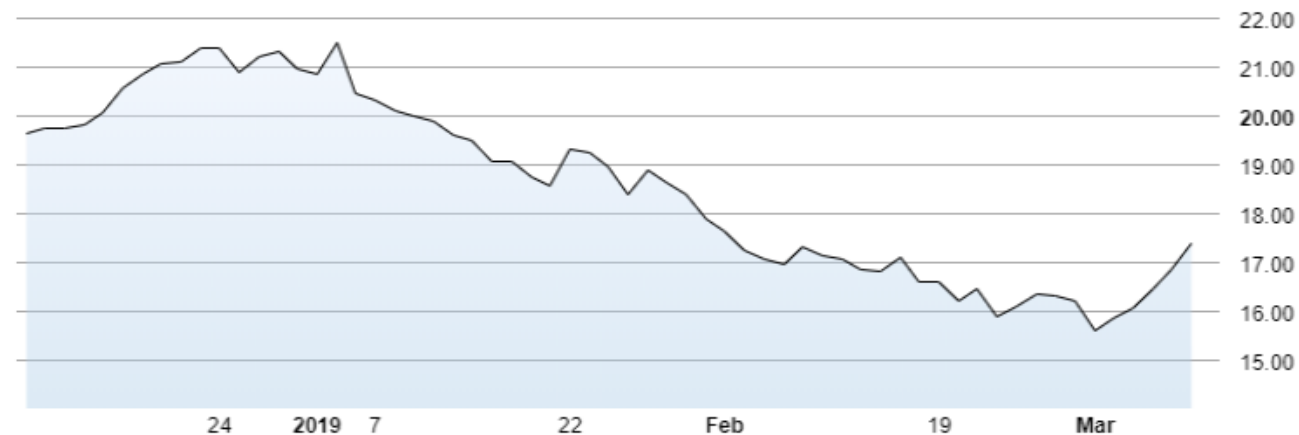
Bid Size	269
Ask Size	898
Day Range	16.4 - 17.7
Primary Ex	CFE
Volume	66,998
Open Interest	122,471

### Details

Contract Size	\$1000 X VIX Index
Contract Months	All Months
Settlement	Cash Settled
Daytrading Margin	n/a
First Notice Day	n/a
Tick	0.05 = \$50.00
Trading Hours	6:00 PM - 5:00 PM ET
Initial Margin	\$12,585.00
Maintenance Margin	\$11,441.00
Last Trading Day	4/17/2019

3 Months Daily

Mon, 10 Dec 2018 O:19.80, H:20.48, L:19.61, C:19.68



Charts

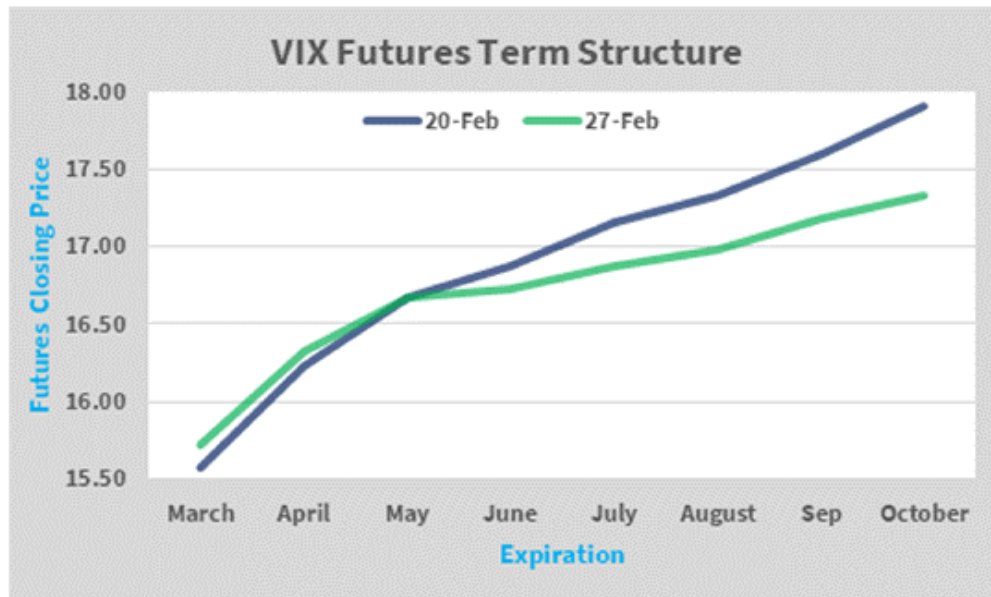
# Term structure of futures on VIX

MAR 5, 2019, 13:50 PM

Inside Volatility Trading: March 5, 2019

BY CBOE BLOG

## Flattening of VIX Futures Term Structure



The Cboe Volatility Index® ("VIX") futures term structure flattened at the end of February due to some sizeable spread trades. These trades appear to be positioned to benefit from a shift in the term structure curve from contango (upward sloping) to backwardation (downward sloping), which tends to happen when there is a volatility spike.

Bet on curve to flatten / invert:  
long short-term / short long-term

Bet on curve to steepen:  
short short-term / long long-term

Lower margin requirements than outright directional trade in futures.

# ETFs: UVXY, EXIV, XVZ



CREDIT SUISSE AG - VELOCITYSHARES DAILY INVERSE VIX SHORT TERM ETN (NASDAQ:XIV)

veryevilone PRO Feb 16, 2018



CREDIT SUISSE AG - VELOCITYSHARES DAILY INVERSE VIX SHORT TERM ETN, 1D, BATS 06.10 H6.12 L5.80 C6.04 +0.11 (+1.85%)

Yellow candles

EMA (20, close) 61.5129

Dark candles



ProShares Ultra VIX Short-Term Futures (UVXY) ☆

NYSEArca - Nasdaq Real Time Price. Currency in USD

49.76 +2.67 (+5.67%)

As of 12:24PM EST. Market open.



Open an i  
E\*TR

Indicators Comparison Events Date Range 1D 5D 1M 3M 6M YTD 1Y 2Y 5Y Max Interval 1D Line Draw



# Bottom Line

- Potentially high risk trading
- Many strategies involve margin requirements
- Most strategies are short-term, speculative. Buy-and-hold not typically a part of volatility trading.