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# EQDerivatives

## Digging Into Small Caps

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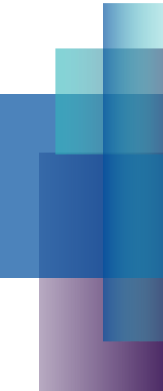
EQDerivatives

# Digging Into Small Caps

Russell Rhoads, PhD, CFA  
head of research

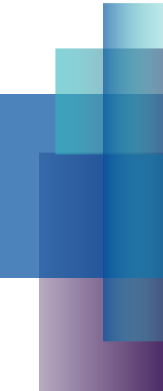
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## Overview

- **Russell 2000 Index**
- **Option Trading Examples**
- **Contact / Q&A**



## Russell 2000 Index

- **The Russell 2000 is considered the benchmark for small cap stock performance in the US**
- **Smaller companies generally derive more revenue domestically**
- **The index is also the most diversified, based on industry breakdown, of the three major benchmarks**



## Broad Based Index Comparisons

<b>Russell 2000</b>	<b>Weight</b>	<b>S&amp;P 500</b>	<b>Weight</b>	<b>Nasdaq-100</b>	<b>Weight</b>
Financials	21.63%	Technology	34.85%	Technology	63.55%
Healthcare	17.23%	Consumer Cyclical	15.54%	Consumer Cyclical	21.80%
Technology	14.68%	Financials	13.62%	Healthcare	5.91%
Industrials	13.17%	Healthcare	12.71%	Consumer Non Cyclical	3.25%
Consumer Cyclical	12.54%	Industrials	8.57%	Industrials	2.99%
Energy	4.75%	Consumer Non Cyclical	5.33%	Telecommuncation	0.96%
Basic Materials	3.70%	Energy	2.95%	Utilities	0.86%
Consumer Non Cyclical	2.95%	Utilities	2.41%		
Utilities	2.24%	Basic Materials	2.32%		
Telecommunication	1.02%	Telecommunication	1.20%		

## Broad Based Index Comparisons

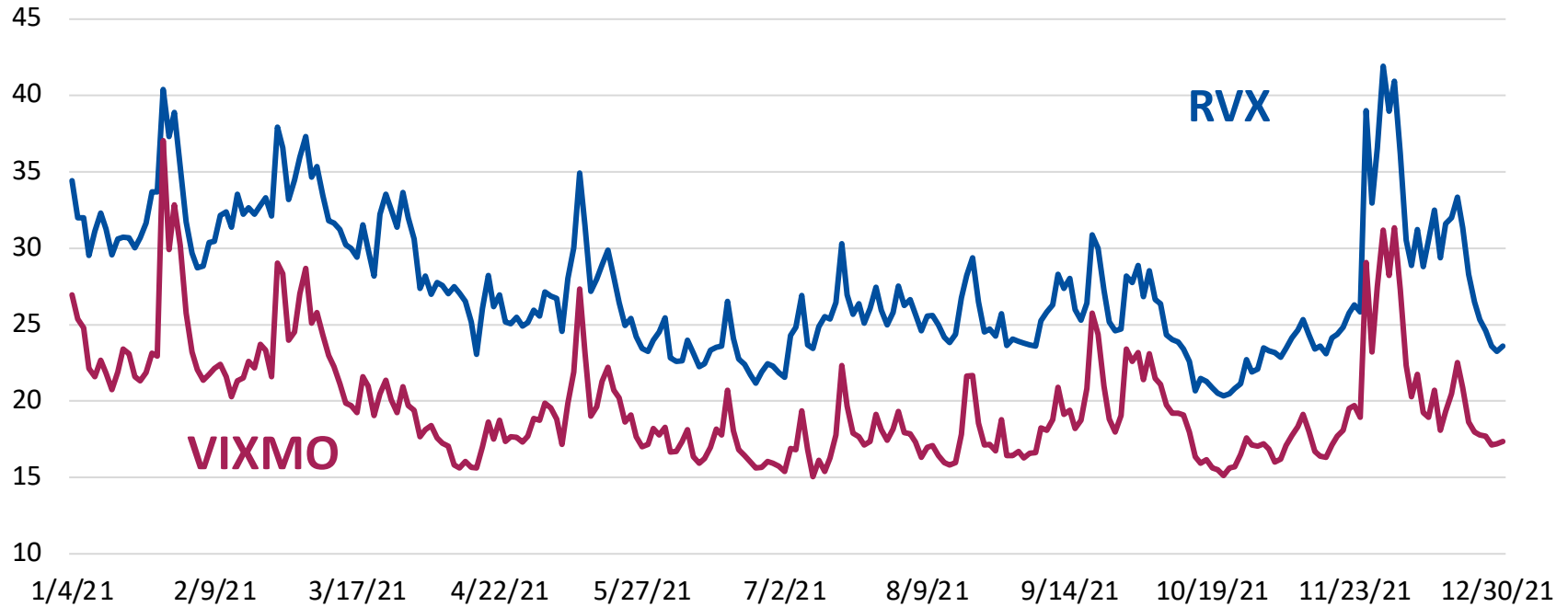
- **Both the S&P 500 and Russell 2000 have similar volatility indices**
- **VIXMO uses the same methodology as RVX which makes it better suited for side by side comparisons**
- **The majority of trading days expected Russell 2000 volatility is higher than that of S&P 500**





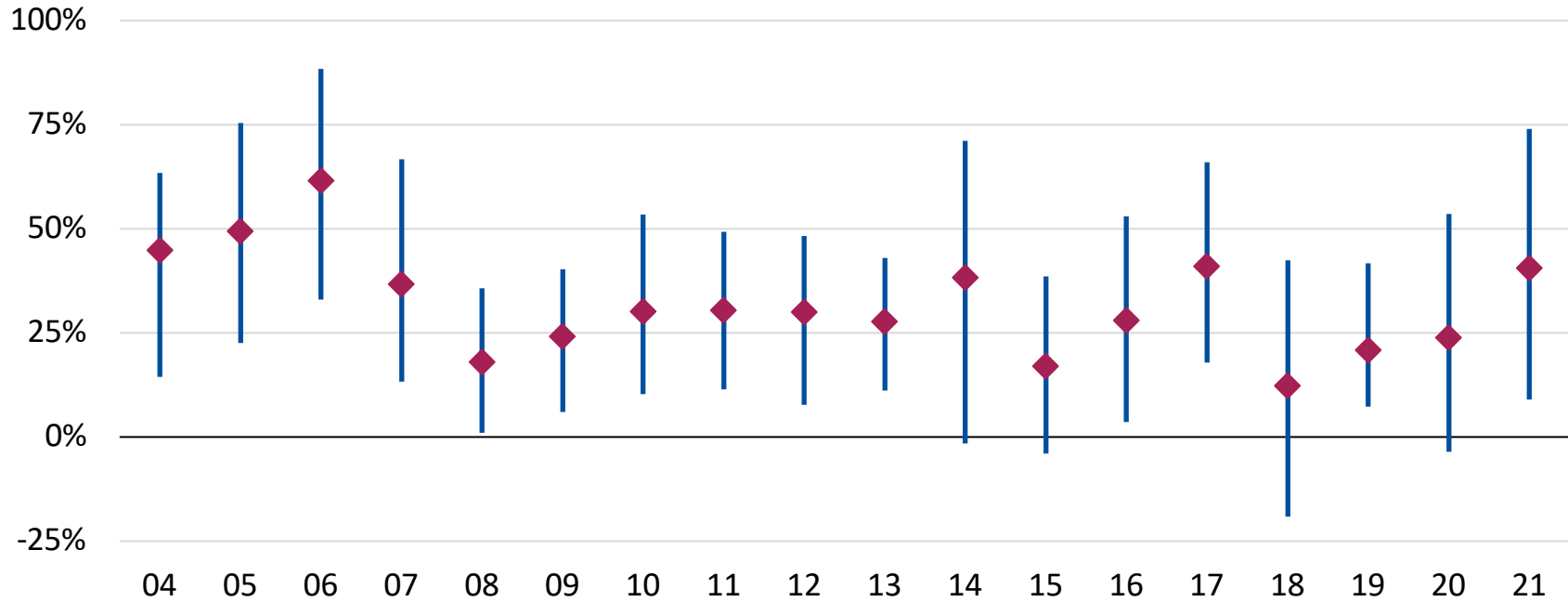
# Broad Based Index Comparison

RVX vs. VIXMO Daily 2021



# Broad Based Index Comparison

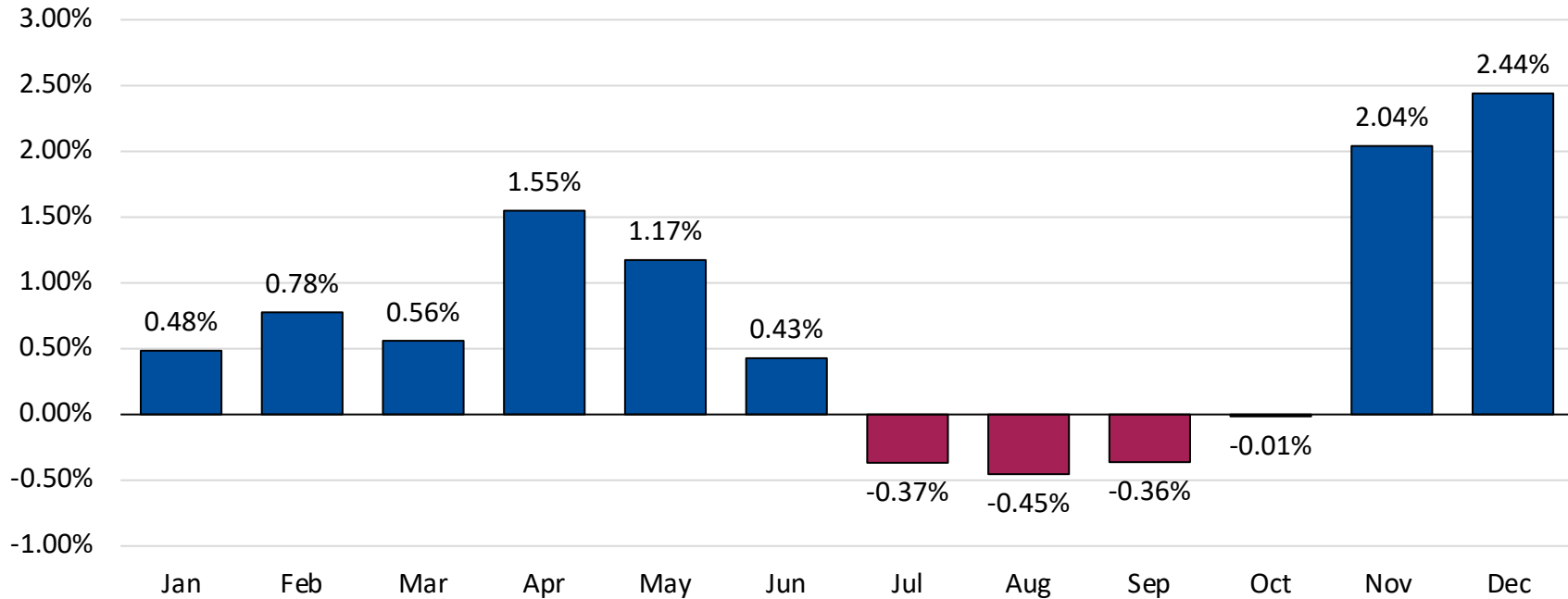
**RVX / VIX(MO) Annual Premium 2004 - 2021**



Data Source: Barchart.com & EQD Calculations

# Russell 2000 Seasonality

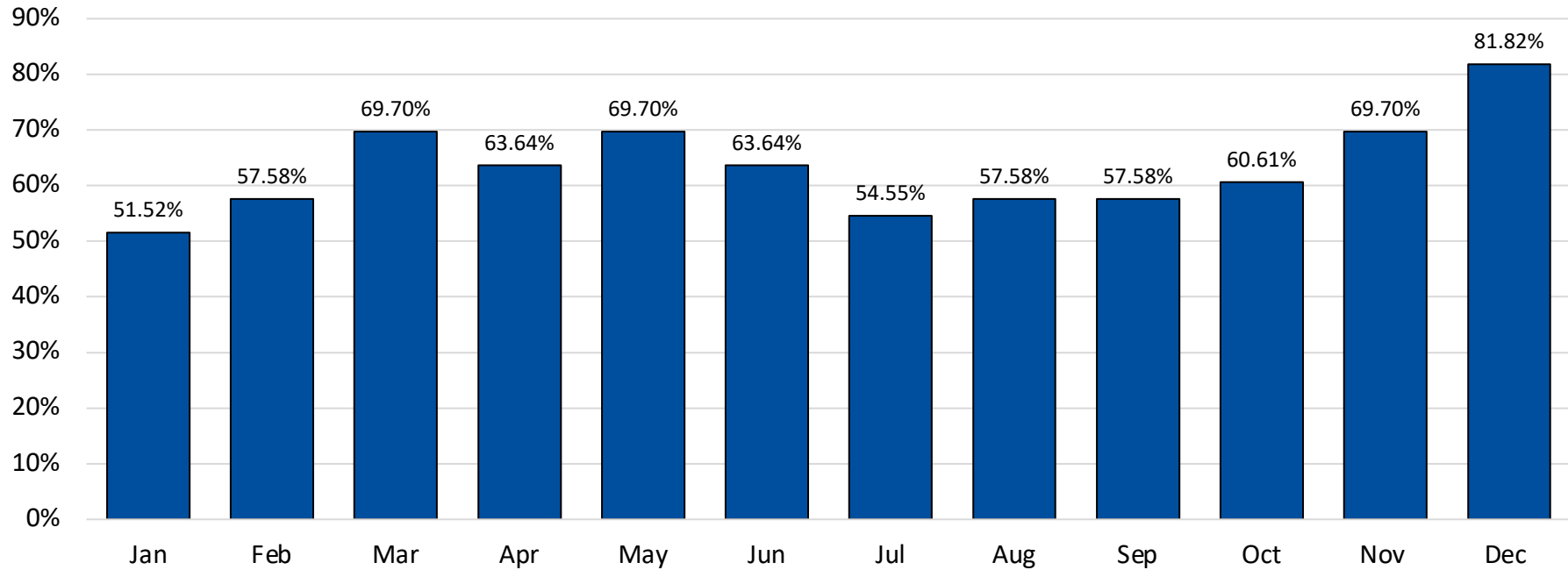
Average Monthly Russell 2000 Performance 1989 - 2021



Data Sources: Barchart.Com & EQD Calculations

# Russell 2000 Seasonality

Positive Russell 2000 Performance By Month 1989 - 2021

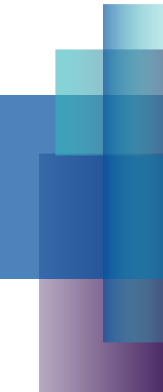


Data Sources: Barchart.Com & EQD Calculations

# Russell 2000 Index Options

## Choices

	RUT	MRUT
Quote	RUT	RUT/10
Multiplier	\$100	\$100
Expirations	MWF	MWF



# Russell 2000 Index Options

## Buffer Hedge Trading Example

**Dec 31, 2021**

**MRUT @ 225.01**

**Buy MRUT Jan 21<sup>st</sup> 225 Put @ 3.98**

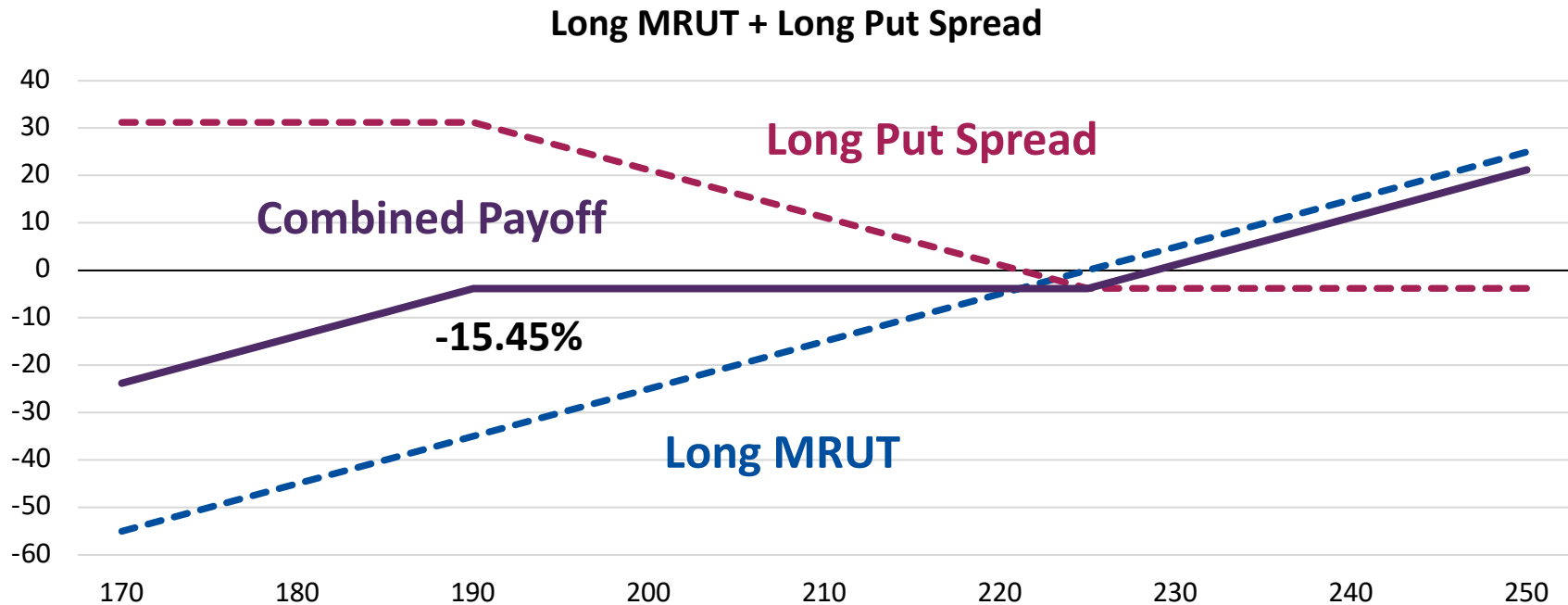
**Sell MRUT Jan 21<sup>st</sup> 190 Put @ 0.20**

**Net Cost = 3.78**



# Russell 2000 Index Options

## Buffer Hedge Payoff



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# Russell 2000 Index Options

## Collar

**Dec 30, 2021**

**RUT @ 2262.79**

**Sell RUT Sep 16<sup>th</sup> 2500 Call @ 68.06**

**Buy RUT Sep 16<sup>th</sup> 2000 Put @ 89.94**

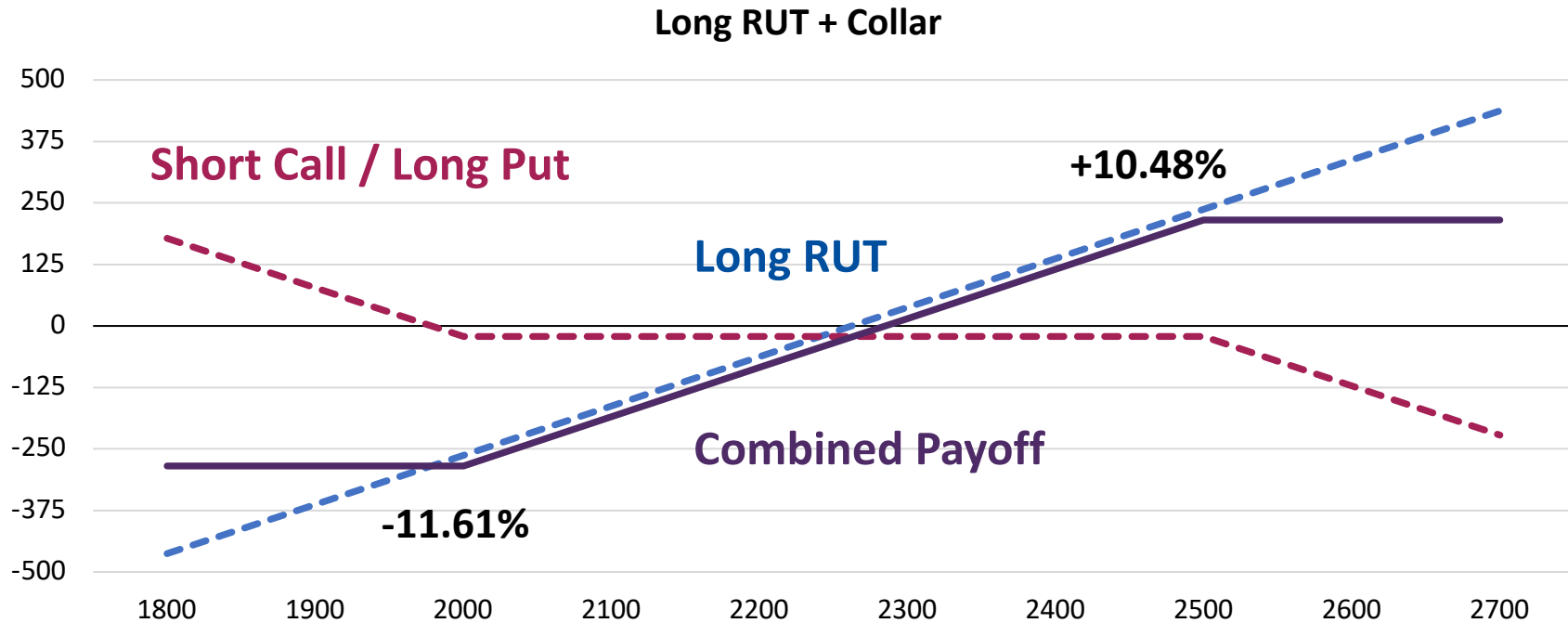
**Net Cost = 21.88**





# Russell 2000 Index Options

## Collar Payoff



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## Russell 2000 Index Options

### Speculative Trade

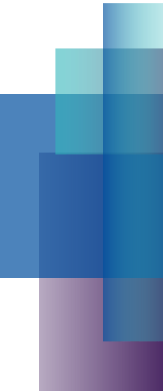
**Dec 31, 2021**

**RUT @ 2245.52**

**Buy RUT Jan 7<sup>th</sup> 2260 Call @ 16.05**

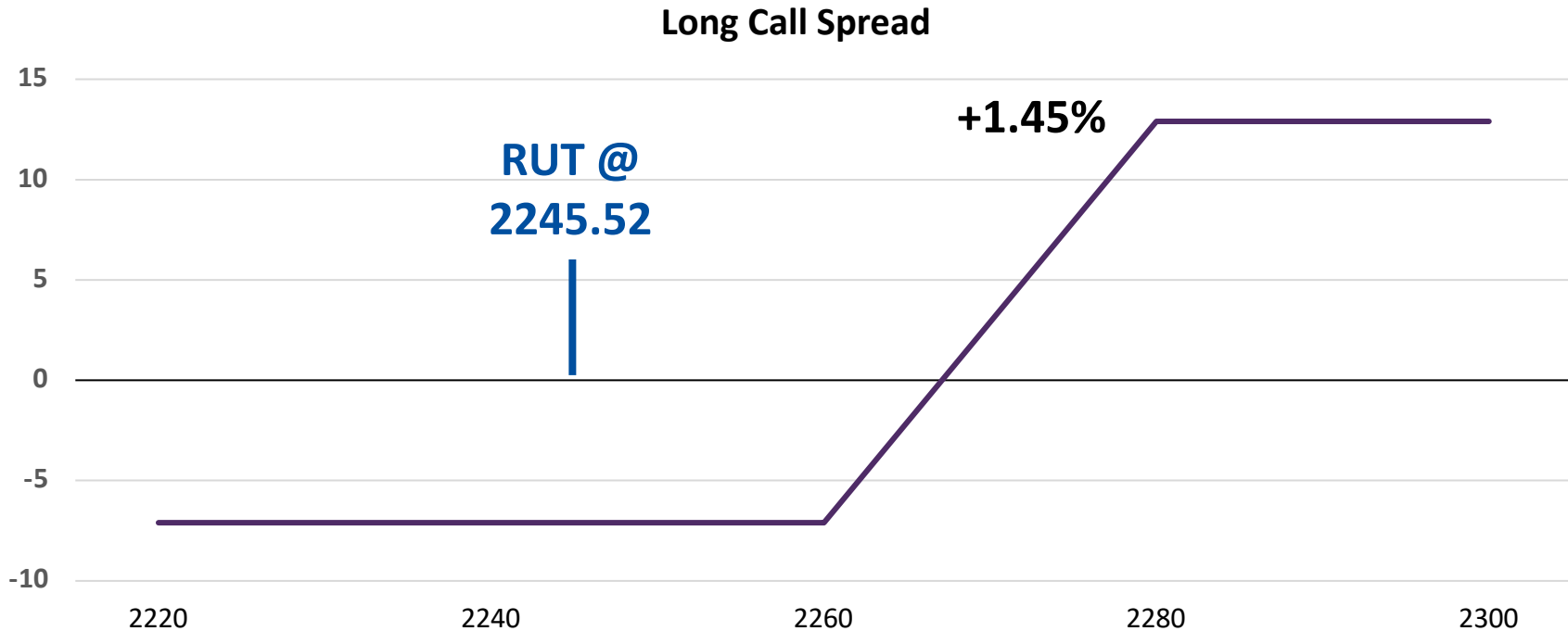
**Sell RUT Jan 7<sup>th</sup> 2280 Call @ 8.95**

**Net Cost = 7.10**



# Russell 2000 Index Options

## Speculative Trade Payoff



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## Questions / Contact

Questions?

Contact Info

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