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EQDerivatives

The Index Option Universe – Making Sense Of All The Choice

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The Index Option Universe – Making Sense Of All The Choices

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Outline

- Markets
- Use Of Short Dated Options
- One-Day Options in 2022
- Questions / Contact

Markets

S&P 500		Nasdaq-100		Russell 2000
SPX		NDX		RUT
XSP		NQX		MRUT
E-Mini ES		XND		E-Mini RUT
Micro ES		E-Mini NQ		
		Micro NQ		

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S&P 500 – Typical Week Expirations

Market	Mon	Tue	Wed	Thu	Fri
SPX Index					
XSP Index					
Mini ES Futures					
Micro ES Futures					

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Nadaq-100 – Typical Week Expirations

Market	Mon	Tue	Wed	Thu	Fri
NDX Index					
NQX Index					
XND Index					
Mini NQ Futures					
Micro NQ Futures					

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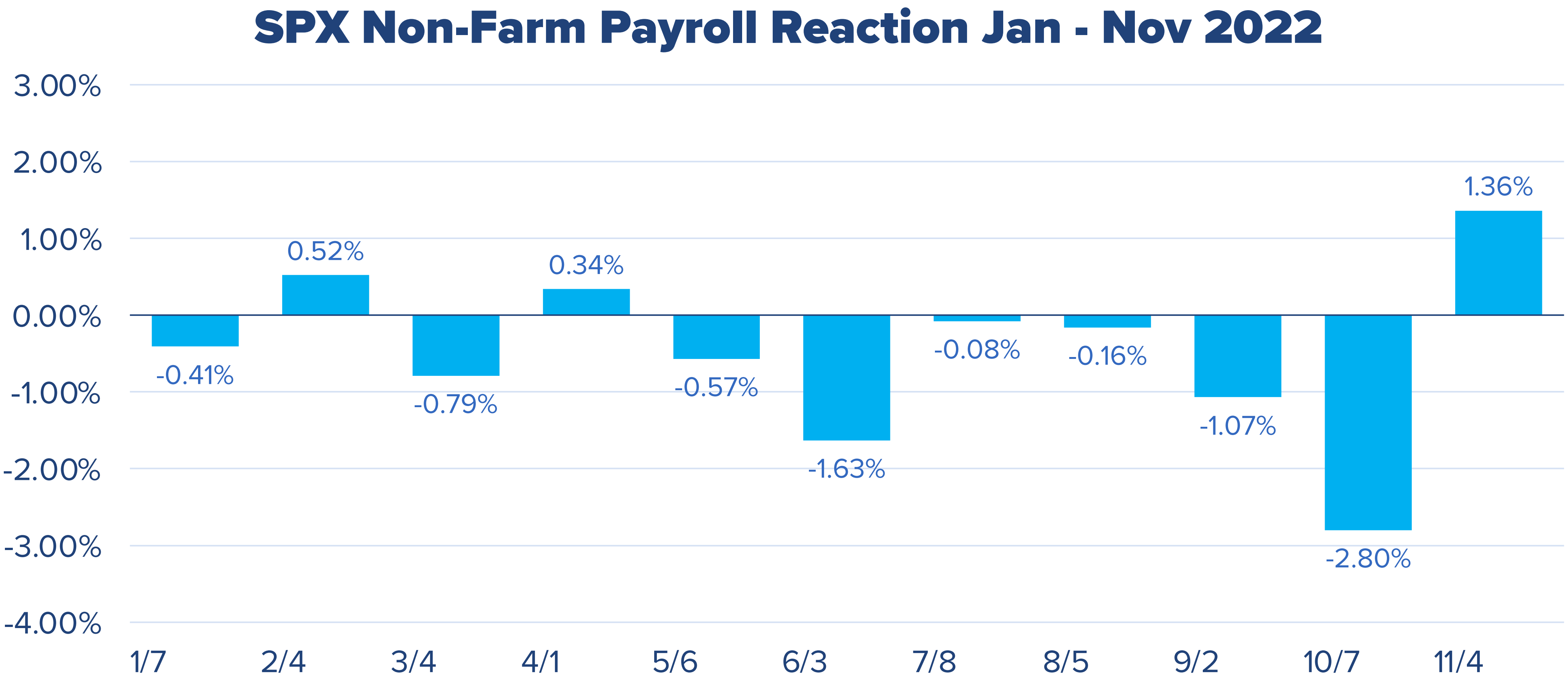
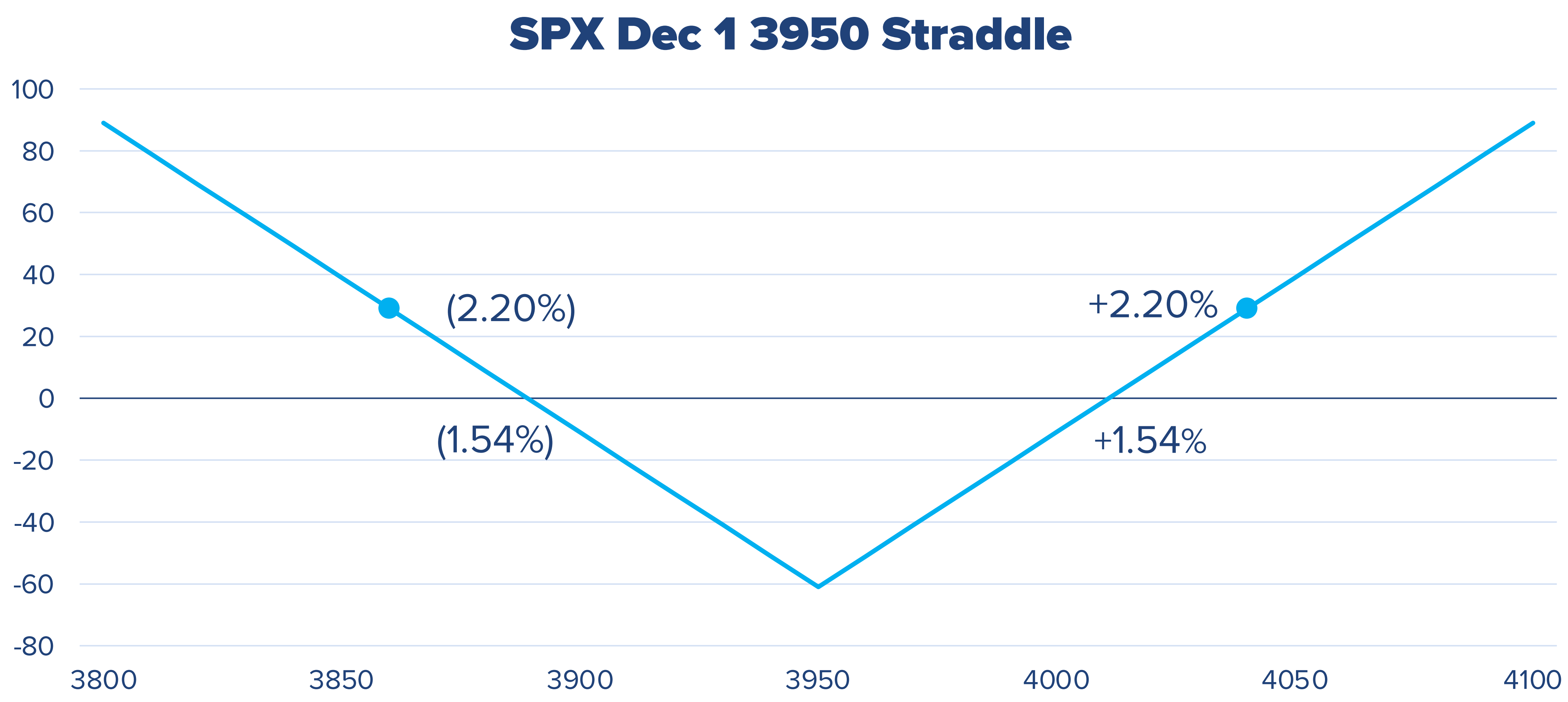
Russell 2000 – Typical Week Expirations

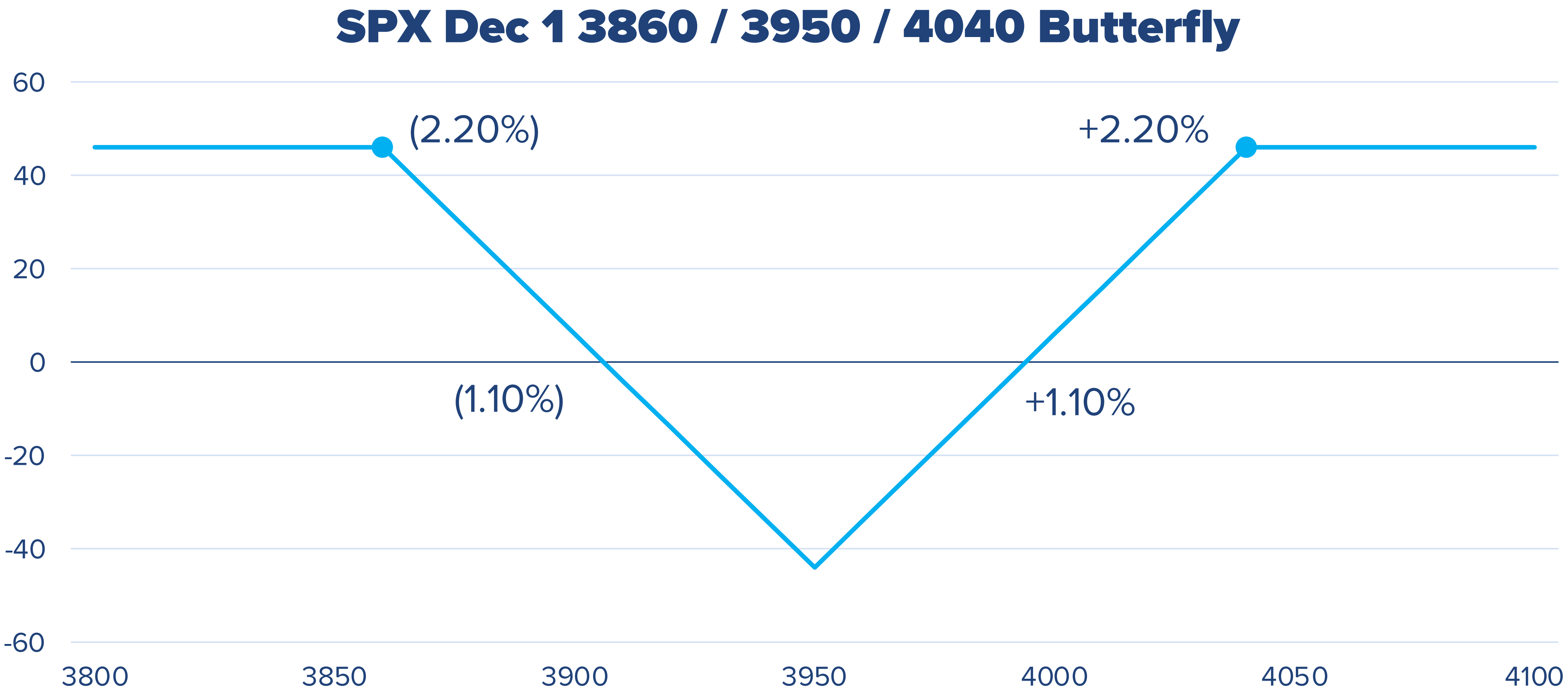
Market	Mon	Tue	Wed	Thu	Fri
RUT Index					
MRUT Index					
Mini RUT Futures					

One Day Expirations

- On a typical trading day approximately 40% of index option trading is focused on contracts with less than 24 hour to expiration
- Traders are using very short dated options for income as well as to hedge or speculate on the reaction to economic numbers


SPX Non-Farm Payroll Reaction Jan - Nov 2022
3.00%
2.00%
1.00%
0.00%
-1.00%
-2.00%
-3.00%
-4.00%
-0.41%
0.52%
-0.79%
0.34%
-0.57%
-1.63%
-0.08%
-0.16%
-1.07%
-2.80%
1.36%
1/7
2/4
3/4
4/1
5/6
6/3
7/8
8/5
9/2
10/7
11/4


SPX Dec 1 3950 Straddle
100
80
60
40
20
0
-20
-40
-60
-80
3800
3850
3900
3950
4000
4050
4100
(2.20%)
+2.20%
(1.54%)
+1.54%


SPX Dec 1 3860 / 3950 / 4040 Butterfly
60
40
20
0
-20
-40
-60
(2.20%)
+2.20%
(1.10%)
+1.10%
3800
3850
3900
3950
4000
4050
4100

One-Day Option Pricing

- The day before expiration we priced at-the-money straddles for SPX and NDX that expired the following day for all of 2022
- The average SPX straddle cost 1.17% of notional while the average one-day move for SPX was +/- 1.29%
- The average NDX straddle cost 1.52% of notional while the average one-day move for NDX was +/-1.60%

One-Day Option Pricing – SPX

Statistic	Count
Observations	220
Close Inside Straddle	56.36%
Close Outside Straddle	43.64%
Hypothetical Short Straddle P/L	-191.32

Data Sources: Bloomberg and EQDerivatives Calculations

One-Day Option Pricing – SPX

Expiration Day	Observations	Inside Straddle	% Inside	% Outside	Short P/L
Monday	45	29	64.44%	35.56%	264.52
Tuesday	38	23	60.53%	39.47%	97.57
Wednesday	52	28	53.85%	46.15%	-18.27
Thursday	34	18	52.94%	47.06%	-180.43
Friday	51	26	50.98%	49.02%	-354.71

Data Sources: Bloomberg and EQDerivatives Calculations

One-Day Option Pricing – NDX

Statistic	Count
Observations	182
Close Inside Straddle	52.20%
Close Outside Straddle	47.80%
Hypothetical Short Straddle P/L	-2891.61

Data Sources: Bloomberg and EQDerivatives Calculations

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One-Day Option Pricing – NDX

Expiration Day	Observations	Inside Straddle	% Inside	% Outside	Short P/L
Monday	45	28	62.22%	37.78%	716.27
Tuesday	25	14	56.00%	44.00%	-750.65
Wednesday	52	25	48.08%	51.92%	-753.60
Thursday	19	9	47.37%	52.63%	-501.78
Friday	41	19	46.34%	53.66%	-1601.85

Data Sources: Bloomberg and EQDerivatives Calculations

Questions / Contact

Questions?

(Any market related topic is fine)

Contact

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