



March 8, 2023

# MIAX Exchange Group

## Effective Hedging Techniques in the Current Environment

---

### **Matt McFarland**

VP, Derivative Products &  
Business Development  
MIAX Exchange Group

### **Gareth Ryan**

Founder & Managing Director  
IUR Capital

Exchange and Industry Sponsored Webinars are presented by unaffiliated third parties. Interactive Brokers LLC is not responsible for the content of these presentations. You should review the contents of each presentation and make your own judgment as to whether the content is appropriate for you.

Interactive Brokers LLC does not provide recommendations or advice. This presentation is not an advertisement or solicitation for new customers. It is intended only as an educational presentation.



## Disclosure:

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled [Characteristics and Risks of Standardized Options](#) by calling (312) 542-6901.

Any discussion or mention of an ETF is not to be construed as recommendation, promotion or solicitation. All investors should review and consider associated investment risks, charges and expenses of the investment company or fund prior to investing. Before acting on this material, you should consider whether it is suitable for your particular circumstances and as necessary, seek professional advice.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the [CFTC Risk Disclosure](#). For a copy visit [interactivebrokers.com](#).

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers LLC's Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

- IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.
- Interactive Brokers LLC is a member of [NYSE FINRA SIPC](#)

# Effective Hedging Techniques in the Current Environment

March 8, 2023



# About MIAX

- MIAX's parent holding company, Miami International Holdings, Inc. (MIH), owns Miami International Securities Exchange, LLC (MIAX®), MIAX Pearl, LLC (MIAX Pearl®) and MIAX Emerald, LLC (MIAX Emerald®), Minneapolis Grain Exchange, LLC (MGEX™), and Bermuda Stock Exchange (BSX™). MIAX, MIAX Pearl and MIAX Emerald are national securities exchanges registered with the Securities and Exchange Commission (SEC). Learn more about MIAX at [www.miaxoptions.com](http://www.miaxoptions.com).
- MGEX is a registered exchange with the Commodity Futures Trading Commission (CFTC) serves as the exclusive market for a variety of products including Hard Red Spring Wheat and SPIKES Futures. MGEX is a Designated Contract Market (DCM) and Derivatives Clearing Organization (DCO) under the CFTC, providing DCM, DCO and cash market services in an array of asset classes.
- BSX is a fully electronic, vertically integrated international securities market regulated by the Bermuda Monetary Authority (BMA) specializing in the listing and trading of capital market instruments such as equities, debt issues, funds, hedge funds, derivative warrants and insurance linked securities. BSX is globally recognized, including by the SEC.

# SPIKES Volatility Index

## SPIKES Index

- A measure of expected 30-day volatility of SPY
- Index and Settlement values priced from SPY ETF option, using the variance swap methodology
  - SPY options trade on all 16 exchanges.
  - SPY options offer tighter bid/offer spreads
- The index value publishes every 100 milliseconds and uses a proprietary price dragging methodology avoiding any erratic jumps in the index level.
- SPIKES makes for an excellent signal or indicator with reliable and stable index level, no erratic false moves.

## SPIKES Ecosystem: Futures, Options and ETFs

- SPIKES products can be a diversifier in a portfolio giving another access point to the implied volatility of the S&P 500 through the SPY ETF.
- Lower cost alternative with significantly lower fees for market participants.
- Offers a diversifier to the potential exposure to a single point of failure.

## SPIKES vs. VIX

<b>Volatility Index Comparisons</b>	<b>SPIKES®</b>	<b>VIX®</b>
Options prices used for calculation	SPY	SPX
# of exchanges that list the options used in calculation	All (~16)	One
Option bid/ask method used	Price Dragging	Mid-Point
Time of Settlement	8:30 CT	8:30 CT
<b>Expirations used in daily Index calculations</b>	<b>First two monthly with at least two full days until expiry</b>	<b>Monthly and weekly between 23 &amp; 37 days</b>
Includes Weekly options in calculation	No	Yes
Overnight Index levels available	No	Yes
Index price dissemination	Every 100 milliseconds	Every 15 seconds
Data subscription needed	MIAX Product Feed (MPF) <sup>1</sup> & OPRA	CBOE
Options truncation for Index calculation	Exclude strikes below/above <sup>2</sup> two consecutive \$0.05 CRPs <sup>3</sup>	Exclude strikes with and below/above <sup>2</sup> two consecutive zero bids
<p><sup>1</sup> Data feed available to market participants providing real-time updates for MIAX Options proprietary products. Contact MIAX.</p> <p><sup>2</sup> Below/above as it relates to puts/calls</p> <p><sup>3</sup> \$0.05 on SPY would be the equivalent of \$0.50 in SPX. CRP = Cash Reference Price</p>		

## SPIKES and VIX Options Exchange Fee Comparison: “Customer”

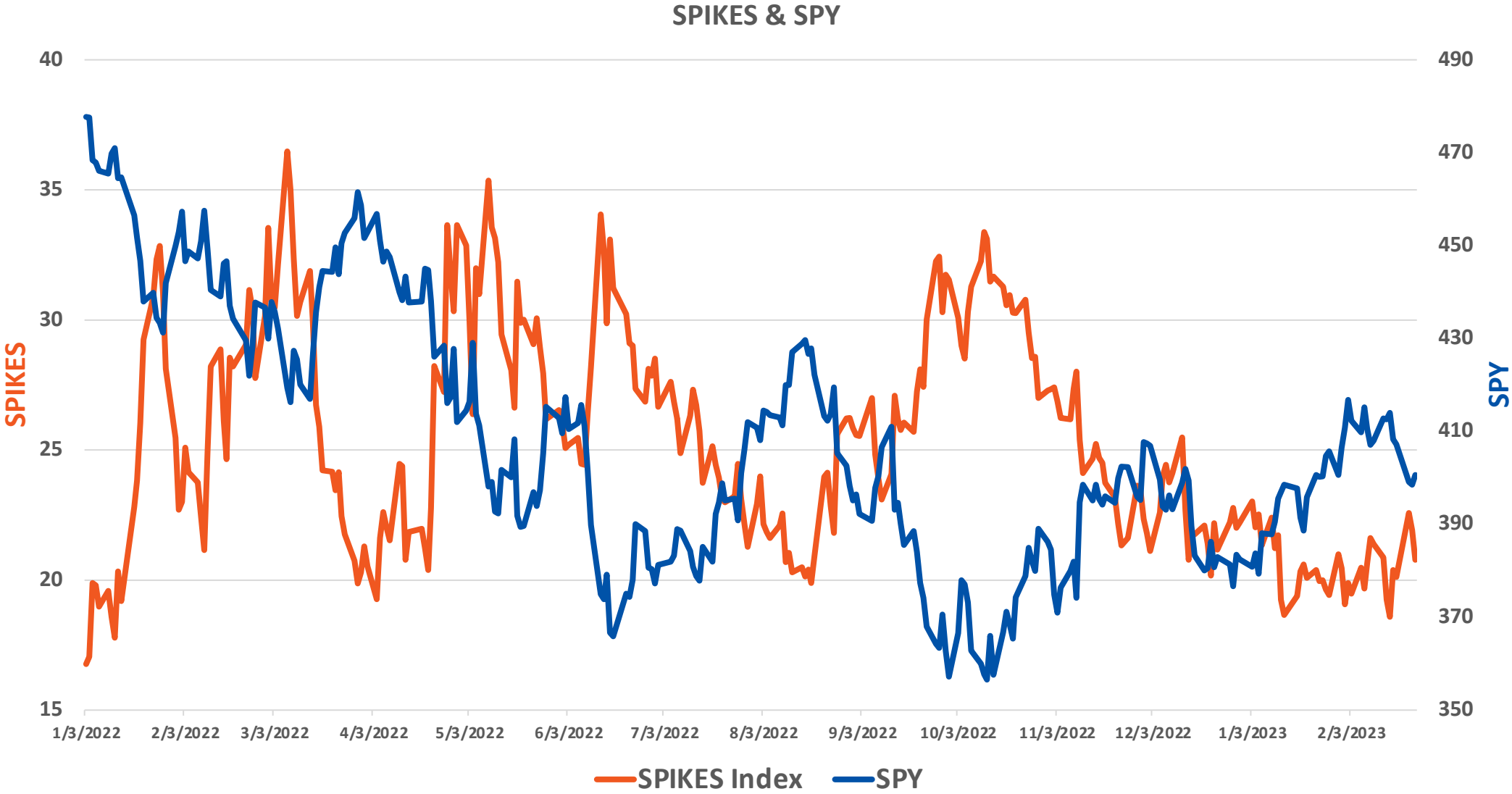
Exchange Fee Comparison, Customer			
Order	Option Premium	SPIKES <sup>1</sup>	VIX
Simple	\$0.00 - \$0.10	\$0	\$0.10
	\$0.11 - \$0.99	\$0	\$0.25
	\$1.00 - \$1.99	\$0	\$0.40
	\$2.00+	\$0	\$0.45
Complex	\$0.00 - \$0.10	\$0	\$0.05
	\$0.11 - \$0.99	\$0	\$0.17
	\$1.00 - \$1.99	\$0	\$0.30
	\$2.00+	\$0	\$0.45

As of October 31, 2022

There are a few carve outs where VIX options customer exchange fees can be lower than what is displayed in the table. Specifically:

- VIX options customer exchange fees are waived during non-US trading hours through December 31, 2022 (Note – SPIKES options only trade during US trading hours)
- VIX option customer exchange fees are waived for customers on combination orders (i.e. a synthetic future where a call is bought (sold) vs a put that is sold (bought) at the same strike price and same expiration)
- There is a large trade discount where only the first 15,000 contracts incur exchange fees Cboe has a Frequent Trader Program where clients that opt-in can earn small discounts on exchange fees if certain monthly volume thresholds are met

# SPIKES Volatility Index





# Disclaimer

This information contained herein is meant to provide an introduction to SPIKES Options and Futures, CTAX and CGT Futures, and Crypto Derivative Products (together “Products”). This information has been prepared for informational and/or educational purposes only without regard to any particular user’s investment objectives, financial situation or means. Neither the Company or the Third-Party Providers nor any of their respective Representatives are soliciting any action based on it. This information is not to be construed as a recommendation or offer to buy or sell or the solicitation of an offer to buy or sell any security, future, or other financial product or instrument; or to participate in any particular trading strategy in any jurisdiction in which such an offer or solicitation, or trading strategy would be illegal. Market participants and investors interested in learning more about the Products are encouraged to visit [www.MGEX.com](http://www.MGEX.com) and [www.miaxoptions.com](http://www.miaxoptions.com). Any information provided by a participant who registered for this presentation shall only be shared with the host and shall not be shared with other participants. This presentation is being recorded, but no video or audio of any participant shall be recorded, only that of the host and all audio and video of participants will be muted and switched off during the presentation. Participants may be contacted by the host and/or host organization for marketing purposes after the conclusion of the presentation.

The risk of loss in trading equity options, commodity futures contracts, and crypto derivative products can be substantial. You should carefully consider the risks of trading equity options, commodity futures contracts, and crypto derivative products generally and the unique risks of trading the Products, in particular before entering into any trade. There are unknown tax implications and tax treatments associated with trading certain contracts. No federal guidance has been issued as to whether certain of these Products will qualify for treatment as a hedging transaction. Furthermore, no federal law or guidance exists on the deductibility of the costs incurred in trading certain of these Products, whether for speculative or hedging purposes. Likewise, the tax treatment related to certain of these Products for realizing, recognizing or offsetting gains or losses, whether capital or ordinary, is not known. Any of the above risks may result in adverse consequences, including non-deductibility of expenses or losses, and non-favorable tax treatment of gains or losses. **EACH MARKET PARTICIPANT WHO CHOOSES TO TRADE ANY OF THESE PRODUCTS DOES SO AT THEIR OWN RISK, AND IS RESPONSIBLE FOR ANY TAX CONSEQUENCES AND REPORTING OF THEIR TRADE ACTIVITY UNDER RELEVANT GOVERNMENT AUTHORITIES AND JURISDICTIONS. THEREFORE, IT IS HIGHLY RECOMMENDED THAT EACH MARKET PARTICIPANT CONSULT THEIR PROFESSIONAL TAX ACCOUNTANT OR ATTORNEY BEFORE TRADING ANY OF THESE PRODUCTS.**

DUE TO THE NUMBER OF SOURCES FROM WHICH THE INFORMATION CONTAINED HEREIN IS OBTAINED, AND THE INHERENT HAZARDS OF ELECTRONIC DISTRIBUTION, THERE MAY BE DELAYS, OMISSIONS, ERRORS OR INACCURACIES IN THE INFORMATION, AND ALTHOUGH THE INFORMATION HAS BEEN OBTAINED FROM SOURCES BELIEVED TO BE RELIABLE, IT IS PROVIDED TO YOU ON AN “AS IS” AND “AS AVAILABLE” BASIS WITHOUT WARRANTIES OF ANY KIND. THE COMPANY, ITS OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AFFILIATES, SUBSIDIARIES, AGENTS, (COLLECTIVELY, “REPRESENTATIVES”), THIRD-PARTY PROVIDERS, LICENSORS, LICENSEES AND THEIR RESPECTIVE ASSIGNS CANNOT AND DO NOT MAKE ANY REPRESENTATIONS AND, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY DISCLAIM WITH RESPECT TO THIS INFORMATION ALL WARRANTIES, EITHER EXPRESSED, IMPLIED, OR STATUTORY TO YOU AND/OR TO ANY THIRD-PARTY, INCLUDING WITHOUT LIMITATION ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, TIMELINESS, COMPLETENESS, CURRENTNESS, RELIABILITY, NON-INFRINGEMENT, OR ANY REPRESENTATIONS OR WARRANTIES ARISING FROM USAGE OR CUSTOM OR TRADE OR BY OPERATION OF LAW. ACCORDINGLY, IN NO EVENT SHALL THE COMPANY, ITS REPRESENTATIVES, THIRD-PARTY PROVIDERS, LICENSORS, LICENSEES, AND THEIR RESPECTIVE ASSIGNS BE RESPONSIBLE OR LIABLE TO YOU OR ANY THIRD-PARTY FOR ANY DAMAGES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, LOST PROFITS OR LOST OPPORTUNITIES, EVEN IF THE COMPANY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES FOR (A) ANY ERRORS OR OMISSIONS IN THE INFORMATION OR OTHER RESOURCES AND DOCUMENTS WHICH ARE REFERENCED BY OR LINKED TO THE MATERIALS; (B) ANY DELAYS, ERRORS OR INTERRUPTIONS IN THE TRANSMISSION OF ANY INFORMATION; OR (C) LOSS OR DAMAGE ARISING THEREFROM OR OCCASIONED THEREBY, OR BY ANY REASON OF NONPERFORMANCE. THE FOREGOING LIMITATION SHALL BE APPLICABLE TO YOU WHETHER OR NOT A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE.

YOU ARE HEREBY ADVISED TO SEEK THE ADVICE OF QUALIFIED FINANCIAL AND/OR SECURITIES PROFESSIONALS REGARDING THE EVALUATION OF ANY SPECIFIC SECURITY, INDEX, REPORT, OPINION, ADVICE OR OTHER MATERIALS.

*Thank you.*

*Learn more at [mioxoptions.com/spikes](https://mioxoptions.com/spikes)*

---

miox<sup>®</sup>

# Host Profile (Gareth Ryan)

**Founded IUR Capital Ltd in 2007, IUR Capital LLC in 2010**

**IUR Capital is an investment advisor for institutional and retail investors**

**Focusing in exchange-traded option strategies**

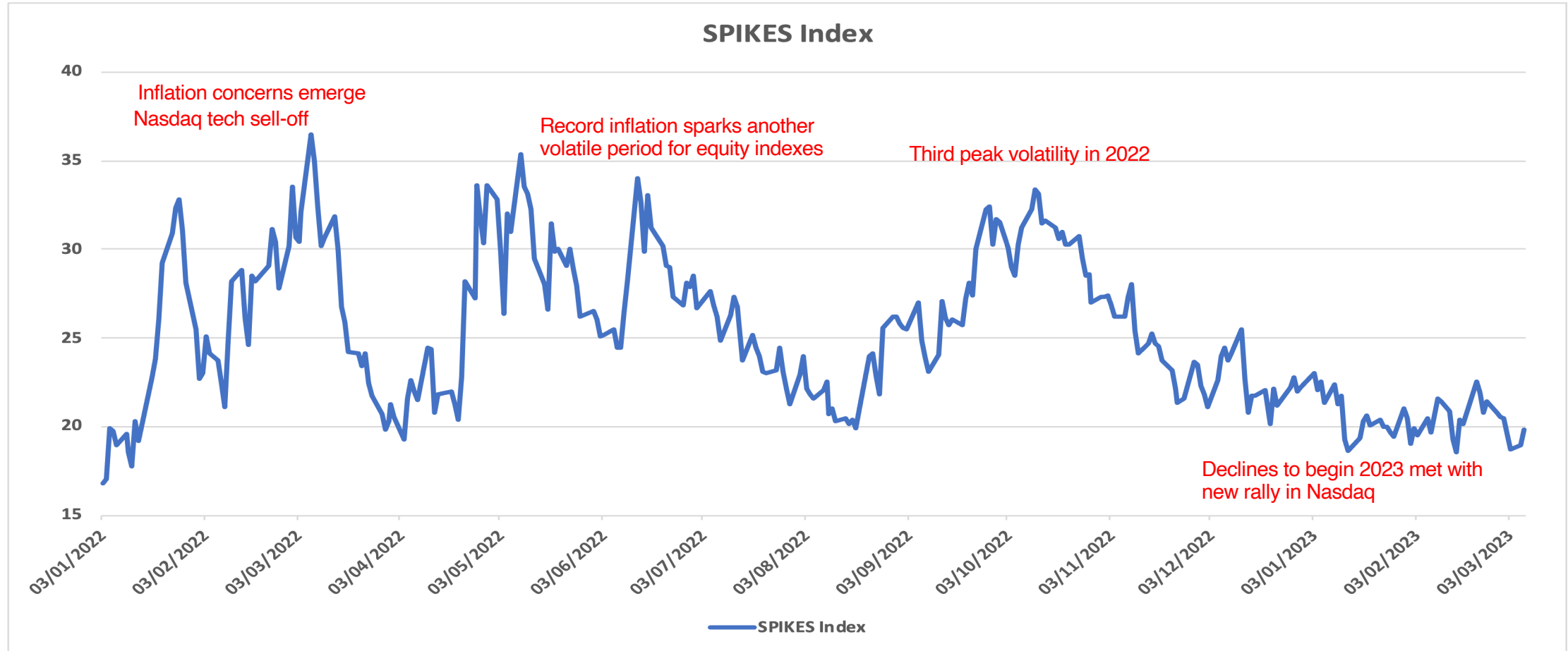
# 2023....some upside action in Q1

- US equity markets coming off their worst year since 2008 GFC
- Nasdaq +9% YTD / S&P 500 +4% YTD
- 2022's biggest losers are 2023's biggest gainers (NVDA/TSLA/AMD)
- 10Y Treasury yields have peaked once again in recent trading sessions
- But March is a busy month – Jobs Report / CPI / Fed meeting
- Are we really out of the woods yet?

*(As of March 8<sup>th</sup>, 2023)*

*Source: Bloomberg / Trader Workstation*

# SPIKES tells its own story about *implied* market moves...



Source: MIAX

Indexes are unmanaged, and one cannot invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. Index pricing information does not reflect dividend income, withholding taxes, commissions, or fees that would be incurred by an investor pursuing the index return

# Am I "long vol" or "short vol"?

Strategy	Vega	Rise in IV	Fall in IV
Long Call	Positive/Long	Gain	Loss
Short Call	Negative/Short	Loss	Gain
Long Put	Positive/Long	Gain	Loss
Short Put	Negative/Short	Loss	Gain

*Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs*

# Am I long vol or short vol? (Spreads)

Strategy	Vega	Rise in IV	Fall in IV
Long Strangle	Positive / Long	Gain	Loss
Long Straddle	Positive / Long	Gain	Loss
Credit Spread	Negative / Short	Loss	Gain
Debit Spread	Positive / Long	Gain	Loss
Butterfly Spread	Negative / Short	Loss	Gain
Calendar Spread	Positive / Long	Loss	Gain

*Options involve risk and are not suitable for all investors. Multiple leg strategies, including spreads, will incur multiple transaction costs*