



TMX

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S&P/TSX 60 Index Options



Toronto Stock Exchange | TSX Venture Exchange | **Montréal Exchange** | Natural Gas Exchange | Montréal Climate Exchange | Boston Options Exchange

Canadian Derivatives Clearing Corporation | TMX Datalinx | Equicom | PC Bond | Shorcan

SXO Options



- Options on the S&P/TSX 60 Index.
- Can be used to:
 - Gain market exposure
 - Hedge a well-diversified portfolio

SXO Trading Parameters



- Types of contract
 - Call options
 - Put options
- Strike prices and expiration months
- Pricing variables
 - The underlying
 - Strike Price
 - Time to expiry
 - Volatility
 - Risk free rate of interest

SXO Trading Parameters



- Contract multiplier is C\$10.
- European-style exercise.
- Cash settlement in Canadian dollars.
- Settlement price is the Official Opening Level of the underlying index on the expiration day.
- Last trading day is the day prior to the expiration day.

SXO Price Quotation



- Premium
 - Premium X C\$10 X Number of contracts

Action	Option	Bid	Ask	Premium
Buy	1 Call July 2012 675	9.80	11.60	\$116.00
Sell	2 Calls August 2012 670	19.95	21.60	\$399.00
Buy	1 Put September 2012 625	8.90	10.65	\$106.50
Sell	4 Puts July 2012 685	8.15	9.55	\$326.00

Settlement Example – Call Option



- At expiration, S&P/TSX 60 = 690.
- Strike is 680.
- Settlement value = Index value - Call strike
- $690 - 680 = 10.00$ points per contract

Settlement Example – Call Option



- 10 points X C\$10.00 = C\$100.00
- The SXO call option holder receives a credit of C\$100.00.
- The SXO call option writer's trading account will be debited by C\$100.00.
- No shares are delivered, the position is cash settled.

Settlement Example – Put Option



- At expiration, S&P/TSX 60 = 665
- Strike is 680.
- Settlement value = Put strike - Index value
- $680 - 665 = 15.00$ points per contract

Settlement Example – Put Option



- $15 \text{ points} \times \text{C}\$10.00 = \text{C}\$150.00$
- The SXO put option holder will receive a credit of C\$150.00.
- The SXO put option writer's trading account will be debited by C\$150.00.
- No shares are sold, the position is cash settled.

Why Use SXO Options



- Gain market exposure
 - Does not require stock picking
 - Cost efficiency
- Hedge a well-diversified portfolio
 - Does not require the sale of assets
 - Cost efficiency

