



Part 2

Going Long Volatility

Thursday February 27, 2020

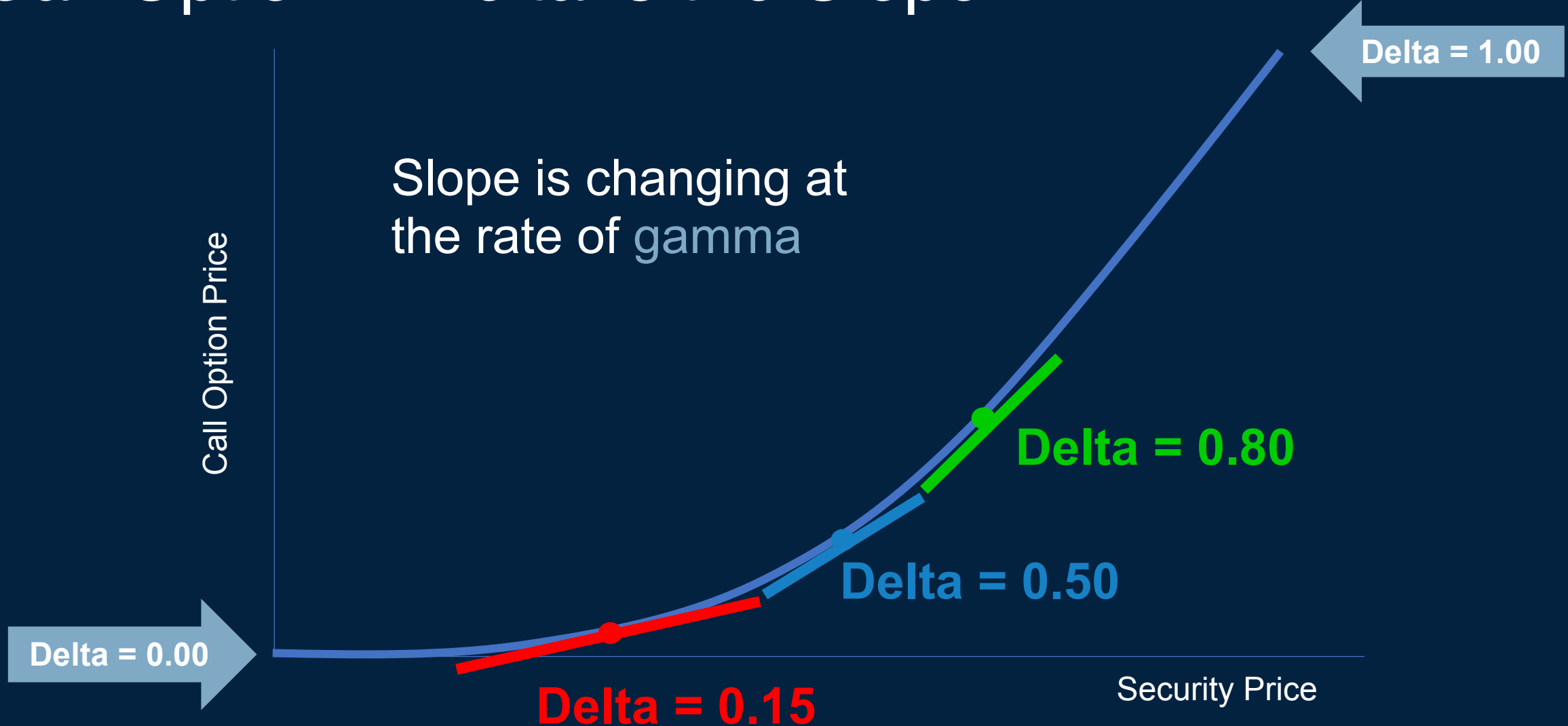
Long Volatility vs. Long Tail Risk Positions

Traditional Long Gamma in Options Trading

Delta is the Greek that measures the rate of change of the price of the option relative to the change in the underlying price.

Gamma is the Greek that measures the rate of change in the delta.

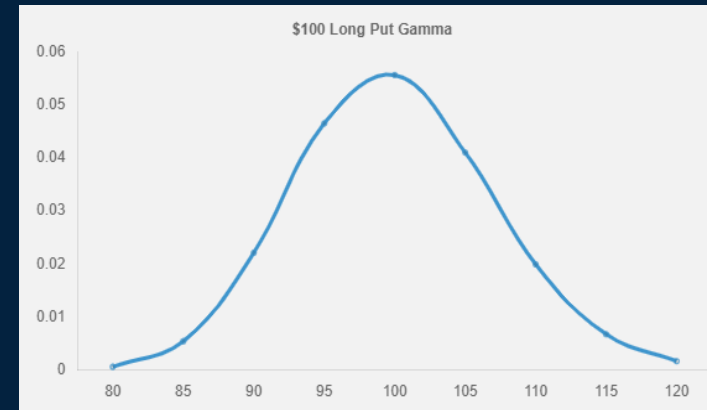
Call Option – Delta is the Slope



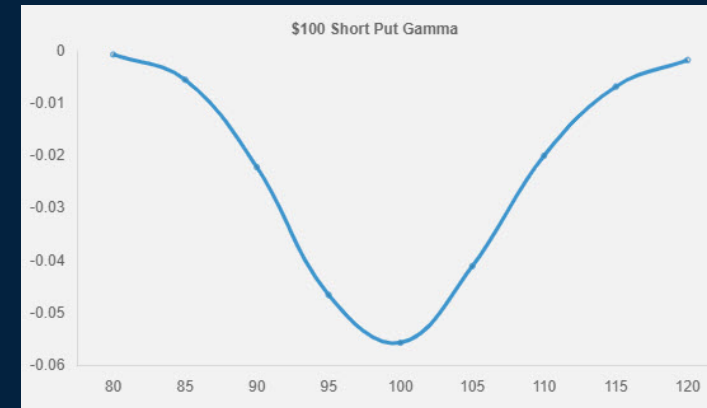
Gamma on Call and Put Options

Stock: \$100.00
Strike: \$100.00
Days: 30
IV: 25.00%

Long options = positive Gamma



Short options = negative Gamma



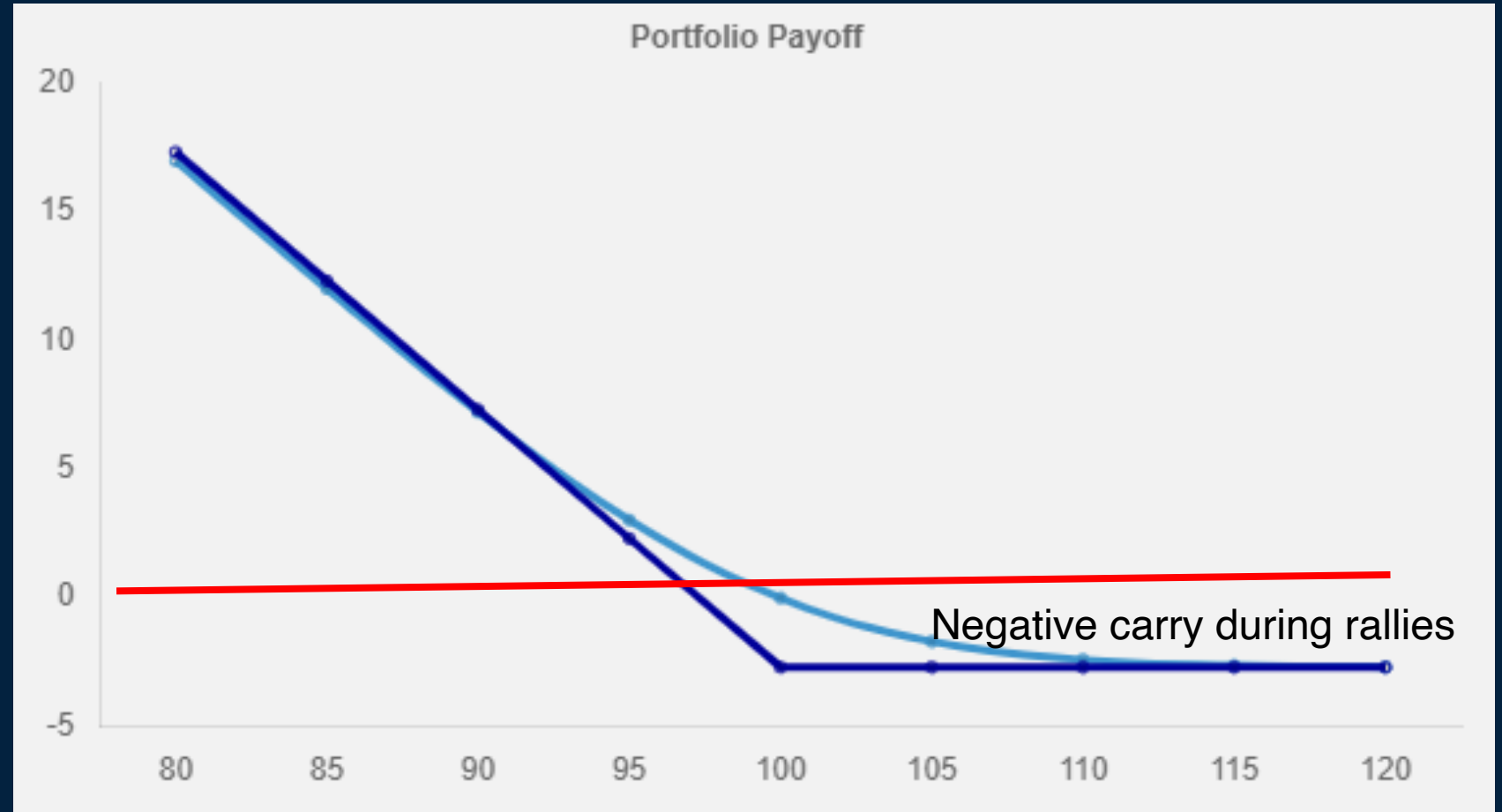
Traditional Long Put

Stock: \$100.00

Strike: \$100.00

Days: 30

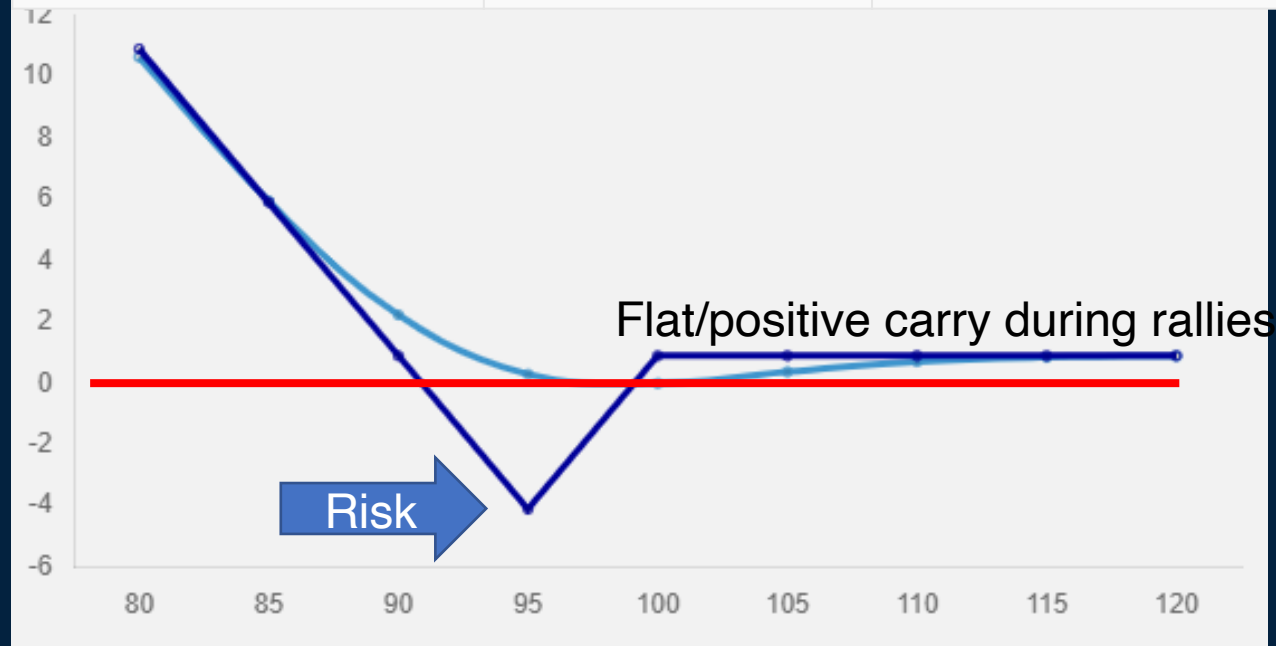
IV: 25.00%



Using a ratio put spread to go Long Tail Risk

Stock: \$100.00
Short Strike: \$100.00
2x Long Strike: \$95.00
Days: 30
IV: 25.00%

	Short \$100 Put	2x Long \$95 Put	Net
Theoretical Price	\$2.85 credit	\$1.94 debit (\$0.97 x2)	\$0.91 credit



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