



Long Gamma on the Wings

Thursday June 11, 2020

Ratio Backspreads

- Selling at-the-money options (large premiums)
- Proceeds used to buy a larger amount of out-of-the-money options
- Often the goal is to open the trade a zero cost (still requires margin to carry)
- Long gamma on the wings to capture big trend moves
- Small loss if the trade moves against you

Call Backspread on Bonds

30-Year Treasury Bond Yield



iShares 20+Year Treasury Bond ETF (TLT)



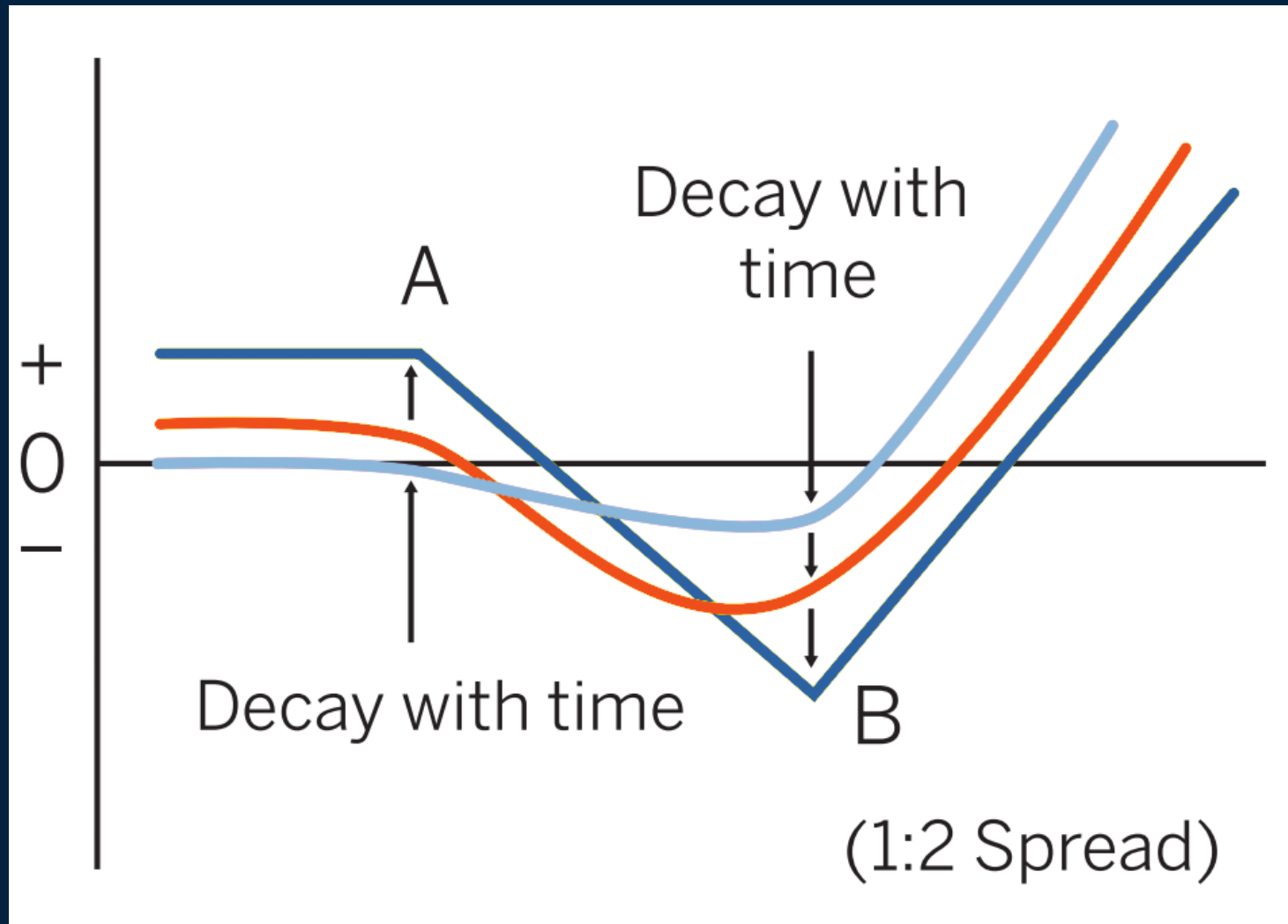
Call Backspread on Treasury Bonds

AUG 21 '20 71 DAYS	SEP 18 '20 99 DAYS	OCT 16 '20 127 DAYS	NOV 20 '20 162 DAYS	MORE ▼						
CALLS										STRIKE
BID x ASK	LAST	IMPLD	VL. %	VLM	OPTN...	DELTA	GMM	VEGA	THETA	
3.55 x 3.70	3.55		16.8%	16	252	0.357	0.024	0.350	-0.025	170
7.80 x 7.95	7.91		16.5%	22	80	0.605	0.025	0.371	-0.027	160

Oct16'20 \$170 calls - 2 x \$3.70 x 100 = \$740.00 debit

Oct16'20 \$160 call - -1 x \$7.80 x 100 = \$780.00 credit
\$ 40.00 credit

Call Backspread



Put Backspread on Oil

United States Oil Fund (USO)



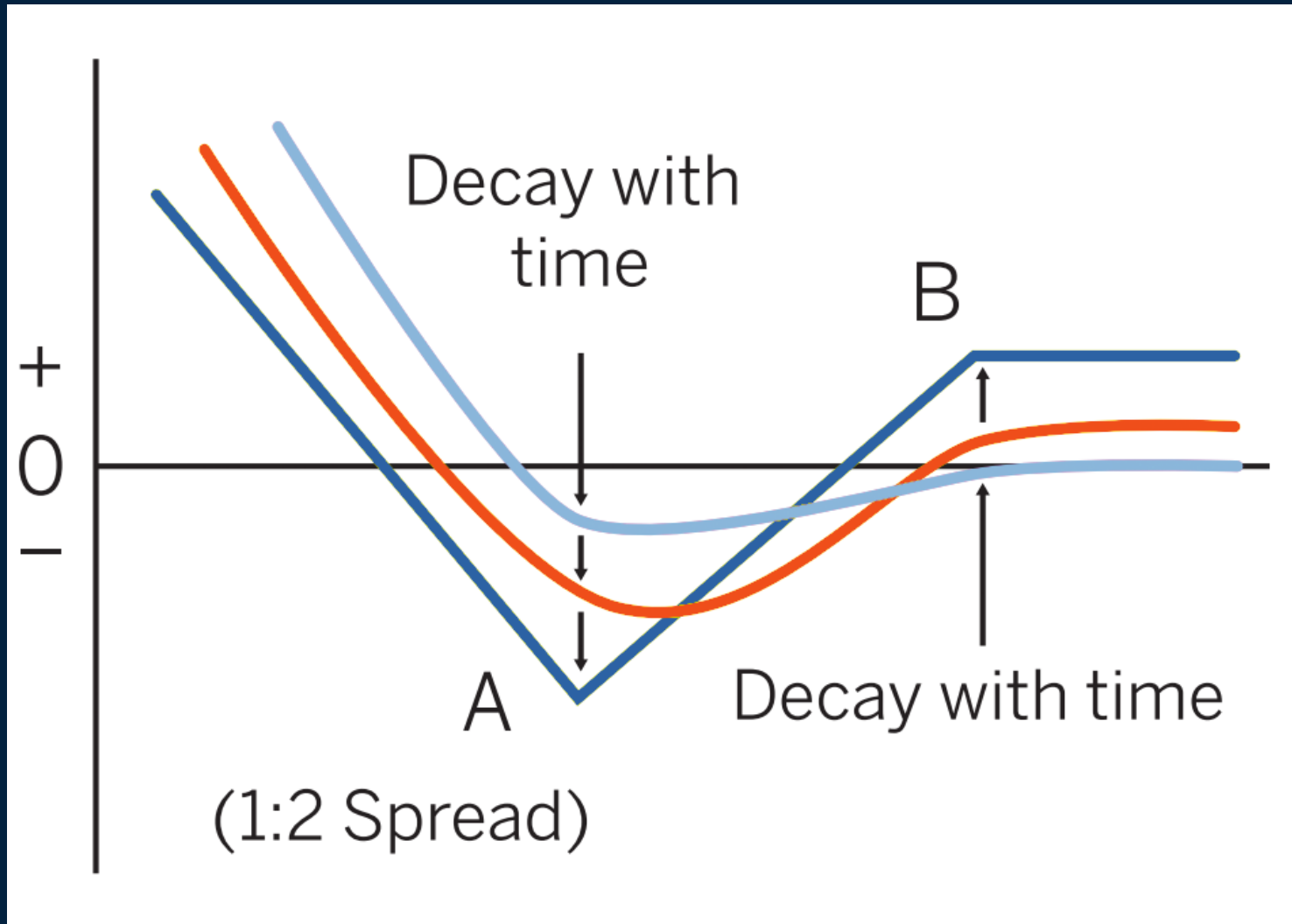
Put Backspread on Oil ETF (USO)

JUL 24 '20 ^W 43 DAYS		JUL 31 '20 ^W 50 DAYS		OCT 16 '20 127 DAYS		JAN 15 '21 218 DAYS		MORE ▼		
PUTS										IV: 52.1%
STRIKE	BID x ASK		LAST	IMPLD VL. %	VLM OPTN...	DELTA	GMM	VEGA	THETA	
27	3.55 x 3.65		3.55	52.3%	28 2.52K	-0.471	0.050	0.062	-0.012	
23	1.70 x 1.79		1.67	54.3%	44 1.07K	-0.278	0.040	0.050	-0.011	

Oct16'20 \$23 puts - 2 x \$1.79 x 100 = \$358.00 debit

Oct16'20 \$27 put - -1 x \$3.65 x 100 = \$365.00 credit
\$ 7.00 credit

Put Backspread



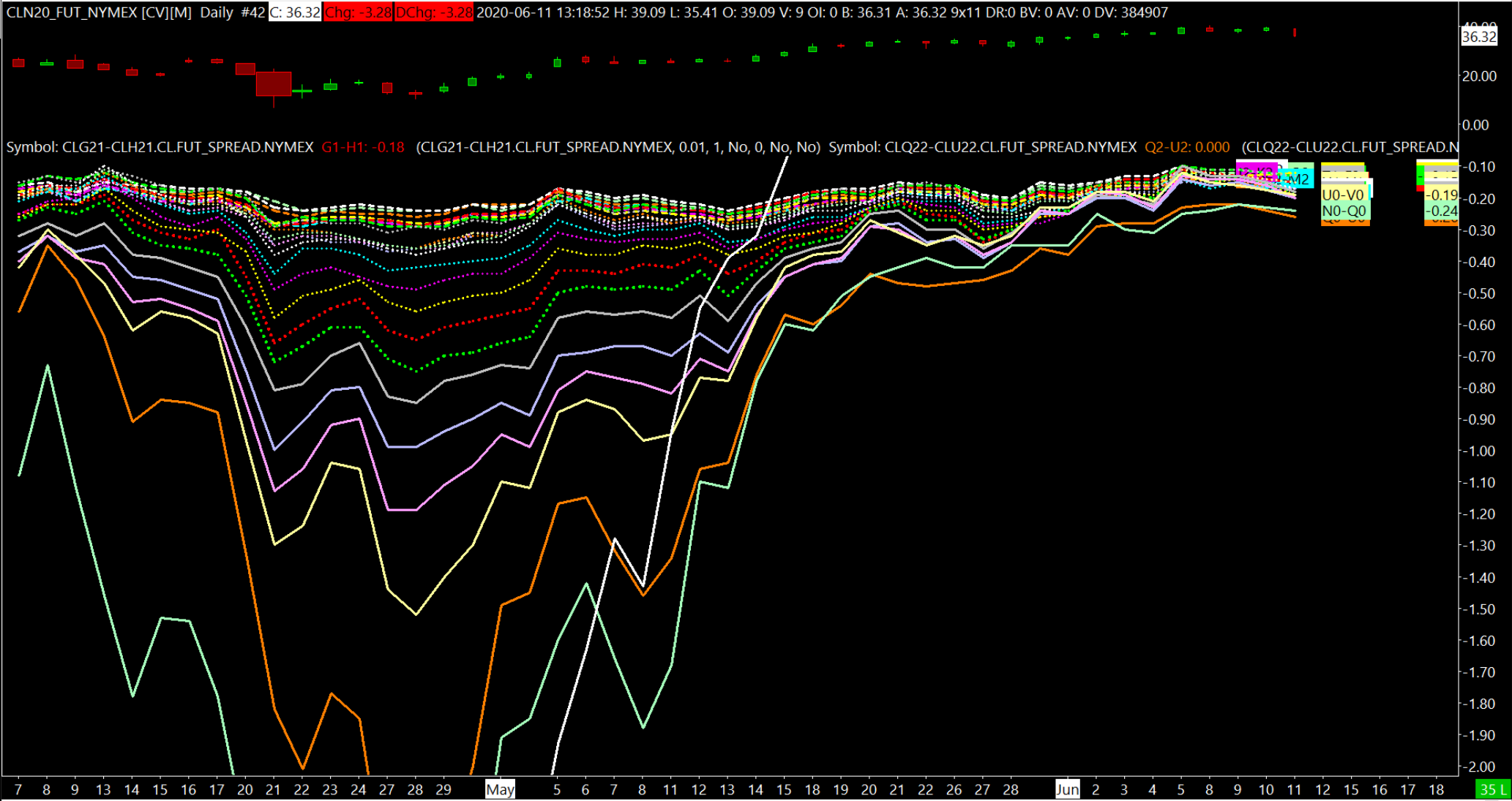
Crude Oil Futures July 2020 contract



Crude Oil July 2020 contract vs. USO



Oil Spreads



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