

How to Use the Strategy Evaluator



Strategy Evaluator – Introduction

1. What information does the Strategy Evaluator tool provide?

- The Strategy Evaluator allows you to evaluate and compare single- or multi-leg option strategies on a single underlying symbol. The Strategy Evaluator allows some modeling based on your forecast for the symbol in focus. You can model a projected price move, change in volatility and time as well as a target profit percentage.
- Based on your forecast, review the results to determine your next steps.

2. When should I use the Strategy Evaluator?

- The Strategy Evaluator should be used to help you determine the strategy that best meets your goals based upon your outlook for a specific underlying.

All Examples are for illustrative and educational purposes only and are not meant to be construed as a recommendation for a particular security or trading strategy. Choose your own trading strategies based on your particular objectives and risk tolerances. Be sure to review your decisions periodically to make sure they are still consistent with your goals.

Options trading entails significant risk and is not appropriate for all investors. Prior to trading options, you must receive a copy of "Characteristics and Risks of Standardized Options", which is available from Fidelity Investments, and be approved for options trading. Supporting documentation for any claims, if applicable, will be furnished upon request.

How to Use the Strategy Evaluator

Search Criteria

Strategy Evaluator – Search Criteria

1. 2. 3. 4.

The screenshot shows the Strategy Evaluator tool interface. It has four main sections for search criteria, each highlighted with a green box and a number: 1. Underlying (MSFT), 2. Strategy (Calendar Call), 3. Near Expiration (Mar 13, 20), and 4. Far Expiration (Mar 06, 20). Below these are additional search criteria: Strike (Near the Money), Offset (5), Volatility (0%), Target Profit (1%), and Investment (\$20000). There are also sliders for Volatility and Underlying Move, and a Search button.

Underlying	Strategy	Near Expiration	Far Expiration	Strike	Offset	Volatility	Target Profit	Investment
MSFT	Calendar Call	Mar 13, 20	Mar 06, 20	Near the Money	5	0%	1%	\$20000

Find Symbol

Call
Put
Buy Write
Butterfly Call
Butterfly Put
Calendar Call
Calendar Put
Collar

Mar 13, 20
Mar 20, 20
Mar 27, 20
Apr 03, 20
Apr 09, 20
Apr 17, 20
Apr 24, 20
May 15, 20

Mar 06, 20
Mar 13, 20
Mar 20, 20
Mar 27, 20
Apr 03, 20
Apr 09, 20
Apr 17, 20
Apr 24, 20

Strike: Near the Money

Offset: 5

Volatility: 0%

Target Profit: 1%

Investment: \$20000

Volatility slider: -100% 0% 100%

Underlying Move slider: -100% 0% 100%

Evaluation Point: 0 days to expiration

Underlying Move: 5%

Show: First 10 Results

Search

1. **Underlying** - You can enter one underlying security per request on the Strategy Evaluator tool. To compare multiple symbols, you would need to make separate requests.
2. **Strategy** - Type of spread order (e.g., vertical, ratio, straddle).
3. **Near Expiration** - The expiration date of the spread, or the expiration date closest to today for spreads with multiple expirations.
4. **Far Expiration** - The expiration date of the spread that is farthest from today for spreads with multiple expirations (calendars and diagonals).

Strategy Evaluator – Search Criteria

5. 6. 8.

Underlying: MSFT
Find Symbol

Strategy: Call, Put, Buy Write, Butterfly Call, Butterfly Put, **Calendar Call**, Calendar Put, Collar

Near Expiration: Mar 13, 20, Mar 20, 20, Mar 27, 20, Apr 03, 20, Apr 09, 20, Apr 17, 20, Apr 24, 20, May 15, 20

Far Expiration: Mar 06, 20, Mar 13, 20, Mar 20, 20, Mar 27, 20, Apr 03, 20, Apr 09, 20, Apr 17, 20, Apr 24, 20

Strike: **Near the Money**

Offset: **5**

Volatility: **0** %

Target Profit: **1** %

Investment: \$ **20000**

7. Evaluation Point: **0** days to expiration

Underlying Move: **5** %

Show: **First 10 Results**

Search

5. **Strike** - Range of *resulting* spreads based on where the underlying security is currently priced.
6. **Offset** - The distance between strikes.
7. **Evaluation Point** - The number of days left until expiration, or the evaluation point at which you would like to evaluate the selected strategy.
1. Today – Evaluates the selected strategy assuming you were to open and close it today.
 2. Expiration – Evaluates the selected strategy at the expiration of the shortest-term option.
8. **Volatility** - Your expected change in volatility for the underlying security. In this calculation we use our normalized skew volatility for the stock and then apply the adjustment factor to it. (*i.e.. what a change in volatility will do*
Normalized skew volatility = 100, Percent change in volatility = 20%. Adjusted volatility = 120%.)

Strategy Evaluator – Search Criteria

The screenshot shows the 'Strategy Evaluator' search criteria interface. The fields and their values are as follows:

- Underlying:** MSFT
- Strategy:** Calendar Call
- Near Expiration:** May 15, 20
- Far Expiration:** Apr 24, 20
- Strike:** Near the Money
- Offset:** 5
- Volatility:** 0%
- Evaluation Point:** 0 days to expiration
- Underlying Move (9):** 5%
- Target Profit (10):** 1%
- Investment (11):** \$20000
- Show (12):** First 10 Results

Numbered callouts 9 through 12 highlight specific fields in the interface.

9. **Underlying Move** - Percentage change you expect in the underlying price from now until the end of the period selected as the evaluation point.
10. **Target Profit** - The minimum percentage of profit desired from the trade.
11. **Investment** - The dollar amount to be invested for the trade. For example, if you are buying a call, this is the total amount you are willing to pay (\$1,000 debit). If you are selling a call, it is the minimum amount of premium (\$1,000 credit) you are willing to receive.
12. **Show** - The number of results to be displayed.

How to Use the Strategy Evaluator

Results and Use Case

Strategy Evaluator – Results and Use Case

Underlying MSFT Find Symbol	Strategy Call Put Buy Write Butterfly Call Butterfly Put Calendar Call Calendar Put Collar	Expiration Mar 13, 20 Mar 20, 20 Mar 27, 20 Apr 03, 20 Apr 09, 20 Apr 17, 20 Apr 24, 20 May 15, 20	Strike Near the Money	Offset 5	Volatility 0 %	Target Profit 1 %	Investment \$ 20000
			Evaluation Point 0 days to expiration	Underlying Move 5 %		Show First 10 Results	
							Search

Example:

Mr. Smith is neutral to slightly bullish over the next 60 days on MSFT. He would like to generate some additional income up and above any dividends on the stock position.

Assumptions:

- Mr. Smith is not long MSFT shares
- He is neutral to slightly bullish
- He wants to generate higher income returns on his forecast

Search Criteria:

Underlying: MSFT
Expiration: May 15, 2020
Volatility: No Change
Target Profit: 1%

Strategy: Buy Write
Evaluation Point: At Expiration
Underlying Move: Rise of 5%
Investment: Maximum \$20,000

Strategy Evaluator – Results and Use Case

Underlying: [Find Symbol](#)

Strategy:

Expiration:

Strike: Offset: Volatility: %

Target Profit: % Investment:

Evaluation Point: days to expiration Underlying Move: %

Today Expiration -100% 0% 100%

Show: Search

MSFT - MICROSOFT CORP

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Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
138.71	-7.86	1	138.71	138.78	1	146.00	135.02	54,050,514	29,417,476	5.41	27.11	Select

10 Results

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
Buy: BuyWrite	May 15 2020 145.00 Call / MSFT Stock	Select	123.48	123.89	1.00	x	\$12,389.00 dr	=	\$12,389.00 dr	\$14,500.00	\$2,111.00	\$2,111.00	\$12,389.00	52%	10%	15%	15%
Buy: BuyWrite	May 15 2020 150.00 Call / MSFT Stock	Select			1.00	x	\$12,629.00 dr	=	\$12,629.00 dr	\$14,530.95	\$1,901.95	\$2,371.00	\$12,629.00	51%	9%	14%	17%
Buy: BuyWrite	May 15 2020 140.00 Call / MSFT Stock	Select			1.00	x	\$12,139.00 dr	=	\$12,139.00 dr	\$14,000.00	\$1,861.00	\$1,861.00	\$12,139.00	54%	12%	13%	13%
Buy: BuyWrite	May 15 2020 155.00 Call / MSFT Stock	Select			1.00	x	\$12,834.00 dr	=	\$12,834.00 dr	\$14,530.95	\$1,696.95	\$2,666.00	\$12,834.00	49%	7%	12%	19%

Buy BuyWrite to Open
View Strategy Plots
View Detailed Quote
Add to Watch List
Go to Chain

- Strategy** - Strategy results returned based on your search criteria. Type of option strategy (e.g., Call, Put, Vertical, Ratio, Straddle).
- Expiration and Strike** - The expiration date of the option(s) and the strike price(s) used in the selected strategy.
- Action** - Select your next step to trade or further analyze the results from your search criteria.

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Strategy Evaluator – Results and Use Case

Underlying: MSFT [Find Symbol](#)

Strategy: Call, Put, Buy Write, Butterfly Call, Butterfly Put, Calendar Call, Calendar Put, Combo

Expiration: Mar 20, 20, Mar 27, 20, Apr 03, 20, Apr 09, 20, Apr 17, 20, Apr 24, 20, May 01, 20, May 15, 20

Strike: Near the Money

Offset: 5

Volatility: 0 %

Target Profit: 1 %

Investment: \$ 20000

Evaluation Point: 0 days to expiration

Underlying Move: 5 %

Show: First 10 Results

Search

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4.

10 Results

[Show Symbols](#)

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4. Net Bid/Ask - The net bid or ask for the combined legs of an option strategy.

Example: Buy 100 MSFT 138.71 bid x 138.78 ask
 Sell 1 MSFT May 175 Call 14.89 bid x 15.23 ask

Net Bid 123.48 bid (138.71 – 15.23)
Net Ask 123.89 ask (138.78 – 14.89)

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Strategy Evaluator – Results and Use Case

Underlying: MSFT [Find Symbol](#)

Strategy: Call, Put, Buy Write, Butterfly Call, Butterfly Put, Calendar Call, Calendar Put, Combo

Expiration: Mar 20, 20, Mar 27, 20, Apr 03, 20, Apr 09, 20, Apr 17, 20, Apr 24, 20, May 01, 20, May 15, 20

Strike: Near the Money

Offset: 5

Volatility: 0 %

Target Profit: 1 %

Investment: \$ 20000

Evaluation Point: 0 days to expiration

Underlying Move: 5 %

Show: First 10 Results

Search

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5. **Quantity** - Total number of contracts or spreads one could buy or sell based on the investment amount entered.
6. **Cost/Proceeds** - Investment cost or proceeds per unit.
7. **Investment** - Investment cost per unit multiplied by the number of units (excluding commissions or fees).

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Offset: 5

Volatility: 0 %

Target Profit: 1 %

Investment: \$ 20000

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Underlying Move: 5 %

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Search

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10 Results

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Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity x Cost or Proceeds = Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
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Cost/Proceeds Example: In this example you are only willing to commit up to \$20,000 to this trade. The strategy you targeted costs \$12,389 per Buy Write. Therefore, you can purchase 1 Buy Write.

Total Investment

Up to \$20,000

Strategy

Buy 100 **MSFT**; Sell to open 1 MSFT May 145 Call

Net Ask

123.89 ask

Total Investment

\$12,389 (\$123.89 x 100 multiplier x 1 quantity)

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Strategy Evaluator – Results and Use Case

Underlying: MSFT [Find Symbol](#)

Strategy: Call, Put, Buy Write, Butterfly Call, Butterfly Put, Calendar Call, Calendar Put, Combo

Expiration: Mar 20, 20, Mar 27, 20, Apr 03, 20, Apr 09, 20, Apr 17, 20, Apr 24, 20, May 01, 20, May 15, 20

Strike: Near the Money, Offset: 5, Volatility: 0%, Target Profit: 1%, Investment: \$ 20000

Evaluation Point: 0 days to expiration, Underlying Move: 5%, Show: First 10 Results, Search

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Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
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10 Results

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
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8. **Market Value** - Total value of the spread at the evaluation point (excluding commissions or fees). Market value is calculated using the normalized skew volatility adjusted by the user's volatility change and the subsequent underlying move, and then calculating the total value of the spread upon the desired day.
9. **Earned** - The estimated gain resulting from buying or selling the selected strategy (excluding commissions or fees).

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Strike: Near the Money

Offset: 5

Volatility: 0 %

Target Profit: 1 %

Investment: \$ 20000

Evaluation Point: 0 days to expiration

Underlying Move: 5 %

Show: First 10 Results

Search

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Market Value Example: The market value calculation is based on your assumption for a move in the underlying stock, a change in volatility or index at the evaluation point. In our example, you assume the stock is rising by 5% at expiration in June.

Market Value = [Projected Stock Price +/- Underlying Stock Price] x multiplier

Example:

Projected Stock Price = **\$145.64** [(138.71 x 5%) + 138.71]

Projected **Market Value*** = \$14,500 (\$145 Strike Price x 100)

*Market value for a Buy-Write is capped at \$14,500 due to the covered call limiting the upside of the long stock to the strike price.

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Underlying
MSFT
[Find Symbol](#)

Strategy
Call
Put
Buy Write
Butterfly Call
Butterfly Put
Calendar Call
Calendar Put
Combo

Expiration
Mar 20, 20
Mar 27, 20
Apr 03, 20
Apr 09, 20
Apr 17, 20
Apr 24, 20
May 01, 20
May 15, 20

Strike
Near the Money

Offset
5

Volatility
0 %

Target Profit
1 %

Investment
\$ 20000

Evaluation Point
0 days to expiration

Underlying Move
5 %

Show
First 10 Results

Search

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- Maximum Gain at Expiration** - The maximum gain at Expiration that can result from buying or selling the selected strategy (excluding commissions and fees). For long calls the maximum gain is unlimited. For long puts the maximum gain assumes the stock or index drops to zero, minus your initial investment. For strategies involving more than one leg, evaluate the maximum gain on the strategy minus the initial investment.
- Maximum Loss at Expiration** - The maximum loss at Expiration that can result from buying or selling the strategy (excluding commissions and fees). For long calls, the maximum loss is limited to your initial investment. For short or naked calls, the maximum loss is unlimited. For strategies involving more than one leg, evaluate the credit received or the debit paid, minus the maximum loss of the strategy.

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Strategy Evaluator – Results and Use Case

Underlying: MSFT [Find Symbol](#)

Strategy: Call, Put, Buy Write, Butterfly Call, Butterfly Put, Calendar Call, Calendar Put, Combo

Expiration: Mar 20, 20, Mar 27, 20, Apr 03, 20, Apr 09, 20, Apr 17, 20, Apr 24, 20, May 01, 20, May 15, 20

Strike: Near the Money

Offset: 5

Volatility: 0 %

Target Profit: 1 %

Investment: \$ 20000

Evaluation Point: 0 days to expiration

Underlying Move: 5 %

Show: First 10 Results

Search

MSFT - MICROSOFT CORP

As of 2:58:00PM ET 03/18/2020 | [Refresh](#)

Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
138.71	-7.86	1	138.71	138.78	1	146.00	135.02	54,050,514	29,417,476	5.41	27.11	Select

10 Results

[Show Symbols](#)

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
Buy: BuyWrite	May 15 2020 145.00 Call / MSFT Stock	Select	123.48	123.89	1.00	x	\$12,389.00 dr	=	\$12,389.00 dr	\$14,500.00	\$2,111.00	\$2,111.00	\$12,389.00	52%	10%	15%	15%
Buy: BuyWrite	May 15 2020 150.00 Call / MSFT Stock	Select	125.88	126.29	1.00	x	\$12,629.00 dr	=	\$12,629.00 dr	\$14,530.95	\$1,901.95	\$2,371.00	\$12,629.00	51%	9%	14%	17%
Buy: BuyWrite	May 15 2020 140.00 Call / MSFT Stock	Select	120.93	121.39	1.00	x	\$12,139.00 dr	=	\$12,139.00 dr	\$14,000.00	\$1,861.00	\$1,861.00	\$12,139.00	54%	12%	13%	13%
Buy: BuyWrite	May 15 2020 155.00 Call / MSFT Stock	Select	128.08	128.34	1.00	x	\$12,834.00 dr	=	\$12,834.00 dr	\$14,530.95	\$1,696.95	\$2,666.00	\$12,834.00	49%	7%	12%	19%

Gain/Loss Example:

Earned = Market Value – Investment

$$\$2,111 = \$14,500 - \$12,389$$

Maximum Gain: The buy write maximum gain is limited to the appreciation in the underlying stock based on your forecast for an underlying move. In this example, your forecast is for a positive 5% move in the underlying stock. However, your upside gain is limited due to the May 145 call sold.

Maximum Loss: In this example it assumes the stock can go to zero and you lose your initial investment (\$12,389).

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Strategy Evaluator – Results and Use Case

Underlying: [Find Symbol](#)

Strategy:

Expiration:

Strike: Offset: Volatility: %

Target Profit: % Investment:

Evaluation Point: days to expiration Underlying Move: %

Today Expiration -100% 0% 100%

Show:

MSFT - MICROSOFT CORP As of 2:58:00PM ET 03/18/2020 | [Refresh](#)

Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
138.71	-7.86	1	138.71	138.78	1	146.00	135.02	54,050,514	29,417,476	5.41	27.11	Select

10 Results

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
Buy: BuyWrite	May 15 2020 145.00 Call / MSFT Stock	Select	123.48	123.89	1.00	x	\$12,389.00 dr	=	\$12,389.00 dr	\$14,500.00	\$2,111.00	\$2,111.00	\$12,389.00	52%	10%	15%	15%
Buy: BuyWrite	May 15 2020 150.00 Call / MSFT Stock	Select	125.88	126.29	1.00	x	\$12,629.00 dr	=	\$12,629.00 dr	\$14,530.95	\$1,901.95	\$2,371.00	\$12,629.00	51%	9%	14%	17%
Buy: BuyWrite	May 15 2020 140.00 Call / MSFT Stock	Select	120.93	121.39	1.00	x	\$12,139.00 dr	=	\$12,139.00 dr	\$14,000.00	\$1,861.00	\$1,861.00	\$12,139.00	54%	12%	13%	13%
Buy: BuyWrite	May 15 2020 155.00 Call / MSFT Stock	Select	128.08	128.34	1.00	x	\$12,834.00 dr	=	\$12,834.00 dr	\$14,530.95	\$1,696.95	\$2,666.00	\$12,834.00	49%	7%	12%	19%

12. Probability % - The probability percentage shows the likelihood of a particular option trade (or combination of trades) being profitable, based on a calculation that takes into account the price of the trade and the expected distribution of stock prices based on the 20-day historical volatility. Using the 20-day historical volatility for the underlying, we determine the break-even value of the trade. Once the break-even point is determined, we calculate the probability of being within that range using a Black-Scholes style formula for the calculation.

13. Static P/L - The profit/loss percent from buying or selling this strategy given the amount invested, and if the stock price remains the same at the evaluation point. Changes in your assumption for volatility will have an impact on this number. An expected rise or fall may increase or decrease the potential return of your trade.

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Strategy Evaluator – Results and Use Case

Underlying: MSFT Find Symbol

Strategy: Call, Put, Buy Write, Butterfly Call, Butterfly Put, Calendar Call, Calendar Put, Combo

Expiration: Mar 20, 20, Mar 27, 20, Apr 03, 20, Apr 09, 20, Apr 17, 20, Apr 24, 20, May 01, 20, May 15, 20

Strike: Near the Money

Offset: 5

Volatility: 0 %

Target Profit: 1 %

Investment: \$ 20000

Evaluation Point: 0 days to expiration

Underlying Move: 5 %

Show: First 10 Results

Search

MSFT - MICROSOFT CORP

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Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
138.71	-7.86	1	138.71	138.78	1	146.00	135.02	54,050,514	29,417,476	5.41	27.11	Select

10 Results

Show Symbols

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
Buy: BuyWrite	May 15 2020 145.00 Call / MSFT Stock	Select	123.48	123.89	1.00	x	\$12,389.00 dr	=	\$12,389.00 dr	\$14,500.00	\$2,111.00	\$2,111.00	\$12,389.00	52%	10%	15%	15%
Buy: BuyWrite	May 15 2020 150.00 Call / MSFT Stock	Select	125.88	126.29	1.00	x	\$12,629.00 dr	=	\$12,629.00 dr	\$14,530.95	\$1,901.95	\$2,371.00	\$12,629.00	51%	9%	14%	17%
Buy: BuyWrite	May 15 2020 140.00 Call / MSFT Stock	Select	120.93	121.39	1.00	x	\$12,139.00 dr	=	\$12,139.00 dr	\$14,000.00	\$1,861.00	\$1,861.00	\$12,139.00	54%	12%	13%	13%
Buy: BuyWrite	May 15 2020 155.00 Call / MSFT Stock	Select	128.08	128.34	1.00	x	\$12,834.00 dr	=	\$12,834.00 dr	\$14,530.95	\$1,696.95	\$2,666.00	\$12,834.00	49%	7%	12%	19%

Static P/L: Static P/L percentage return assumes that the stock at your evaluation point is unchanged. In this example, the Static P/L return assumes the stock is still trading at \$138.71 at the May Expiration.

Static P/L = Premium Received / Current Stock Price

$$10\% = 14.89 / 138.71$$

Important! For Buy Writes, the maximum amount of stock appreciation is limited to the option's strike price. Above 145, you do not participate in the gains of the underlying stock price.

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Strategy Evaluator – Results and Use Case

Underlying: [Find Symbol](#)

Strategy:

Expiration:

Strike: Offset: Volatility: %
 Target Profit: % Investment:

Evaluation Point: days to expiration Underlying Move: %
 Today Expiration -100% 0% 100%

Show: Search

MSFT - MICROSOFT CORP

As of 2:58:00PM ET 03/18/2020 | [Refresh](#)

Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
138.71	-7.86	1	138.71	138.78	1	146.00	135.02	54,050,514	29,417,476	5.41	27.11	Select

10 Results

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
Buy: BuyWrite	May 15 2020 145.00 Call / MSFT Stock	Select	123.48	123.89	1.00	x	\$12,389.00 dr	=	\$12,389.00 dr	\$14,500.00	\$2,111.00	\$2,111.00	\$12,389.00	52%	10%	15%	15%
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Buy: BuyWrite	May 15 2020 140.00 Call / MSFT Stock	Select	120.93	121.39	1.00	x	\$12,139.00 dr	=	\$12,139.00 dr	\$14,000.00	\$1,861.00	\$1,861.00	\$12,139.00	54%	12%	13%	13%
Buy: BuyWrite	May 15 2020 155.00 Call / MSFT Stock	Select	128.08	128.34	1.00	x	\$12,834.00 dr	=	\$12,834.00 dr	\$14,530.95	\$1,696.95	\$2,666.00	\$12,834.00	49%	7%	12%	19%

14. **Expiration P/L** - Profit/Loss percent from buying or selling this strategy at expiration given the amount invested and the underlying stock or index's designated move (5% in our example).

15. **Assigned P/L** - Profit/Loss percent if the option is assigned at any time (applies only to Buy Writes).

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Strategy Evaluator – Results and Use Case

Underlying: MSFT [Find Symbol](#)

Strategy: Call, Put, Buy Write, Butterfly Call, Butterfly Put, Calendar Call, Calendar Put, Combo

Expiration: Mar 20, 20, Mar 27, 20, Apr 03, 20, Apr 09, 20, Apr 17, 20, Apr 24, 20, May 01, 20, May 15, 20

Strike: Near the Money

Offset: 5

Volatility: 0%

Target Profit: 1%

Investment: \$ 20000

Evaluation Point: 0 days to expiration

Underlying Move: 5%

Show: First 10 Results

[Search](#)

MSFT - MICROSOFT CORP

As of 2:58:00PM ET 03/18/2020 | [Refresh](#)

Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
138.71	-7.86	1	138.71	138.78	1	146.00	135.02	54,050,514	29,417,476	5.41	27.11	Select

10 Results

[Show Symbols](#)

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
Buy: BuyWrite	May 15 2020 145.00 Call / MSFT Stock	Select	123.48	123.89	1.00	x	\$12,389.00 dr	=	\$12,389.00 dr	\$14,500.00	\$2,111.00	\$2,111.00	\$12,389.00	52%	10%	15%	15%
Buy: BuyWrite	May 15 2020 150.00 Call / MSFT Stock	Select	125.88	126.29	1.00	x	\$12,629.00 dr	=	\$12,629.00 dr	\$14,530.95	\$1,901.95	\$2,371.00	\$12,629.00	51%	9%	14%	17%
Buy: BuyWrite	May 15 2020 140.00 Call / MSFT Stock	Select	120.93	121.39	1.00	x	\$12,139.00 dr	=	\$12,139.00 dr	\$14,000.00	\$1,861.00	\$1,861.00	\$12,139.00	54%	12%	13%	13%
Buy: BuyWrite	May 15 2020 155.00 Call / MSFT Stock	Select	128.08	128.34	1.00	x	\$12,834.00 dr	=	\$12,834.00 dr	\$14,530.95	\$1,696.95	\$2,666.00	\$12,834.00	49%	7%	12%	19%

Expiration P/L: The Expiration P/L percentage assumes that the stock has made the move you expected (in this example 5%). The Expiration P/L calculation assumes the stock has risen by 5% to 145.64 at the May expiration.

Expiration P/L = (Premium Received + Stock Price Appreciation) / Current Stock Price

$$15\% = [14.89 + (145 \text{ Strike Price} - 138.78) / 138.71$$

Important! For Buy Writes, the maximum stock appreciation is limited to the option's strike price. Above 145, you do not participate in the gains of the underlying stock price.

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Strategy Evaluator – Results and Use Case

Underlying: [Find Symbol](#)

Strategy:

Expiration:

Strike: Offset: Volatility: %

Target Profit: % Investment:

Evaluation Point: days to expiration Underlying Move: %

Today Expiration -100% 0% 100%

Show:

MSFT - MICROSOFT CORP

As of 2:58:00PM ET 03/18/2020 | [Refresh](#)

Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
138.71	-7.86	1	138.71	138.78	1	146.00	135.02	54,050,514	29,417,476	5.41	27.11	Select

10 Results

[Show Symbols](#)

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L	Assigned P/L
Buy: BuyWrite	May 15 2020 145.00 Call / MSFT Stock	Select	123.48	123.89	1.00	x	\$12,389.00 dr	=	\$12,389.00 dr	\$14,500.00	\$2,111.00	\$2,111.00	\$12,389.00	52%	10%	15%	15%
Buy: BuyWrite	May 15 2020 150.00 Call / MSFT Stock	Select	125.88	126.29	1.00	x	\$12,629.00 dr	=	\$12,629.00 dr	\$14,530.95	\$1,901.95	\$2,371.00	\$12,629.00	51%	9%	14%	17%
Buy: BuyWrite	May 15 2020 140.00 Call / MSFT Stock	Select	120.93	121.39	1.00	x	\$12,139.00 dr	=	\$12,139.00 dr	\$14,000.00	\$1,861.00	\$1,861.00	\$12,139.00	54%	12%	13%	13%
Buy: BuyWrite	May 15 2020 155.00 Call / MSFT Stock	Select	128.08	128.34	1.00	x	\$12,834.00 dr	=	\$12,834.00 dr	\$14,530.95	\$1,696.95	\$2,666.00	\$12,834.00	49%	7%	12%	19%

Assigned P/L:

The Assigned P/L percentage is calculated based on the stock being called away at the options strike price plus the premium received and any stock price increase up and until the expiration date. All numbers are rounded to the nearest whole percentage.

Assigned P/L = (Premium Received + Stock Price Appreciation) / Current Stock Price

$$15\% = [14.89 + (145 \text{ Strike Price} - 138.78) / 138.71$$

Important! For Buy Writes, the maximum stock appreciation is limited to the option's strike price. Above 145 in this example, you do not participate in the gains of the underlying stock price.

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APPENDIX

Appendix – Additional Example: Long call

Underlying [Find Symbol](#)
Strategy
Expiration
Strike **Offset**
Volatility
Target Profit **Investment**
Evaluation Point **Underlying Move**
Show

BAC - BANK OF AMERICA CORP As of 10:40:00AM ET 03/26/2020 | [Refresh](#)

Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
21.97	+0.87	9	21.97	21.98	14	22.43	21.17	28,963,727	50,465,322	2.75	7.67	Select ▼

10 Results [Show Symbols](#)

Strategy ▲	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Intrinsic Value	Probability*	Static P/L	Expiration P/L
Buy: Call	May 15 2020 22.00 Call	Select ▼	2.38	2.47	4.00	x	\$247.00 dr	=	\$988.00 dr	\$1,007.62	\$19.62	Unlimited	\$988.00	0	34%	-57%	-13%
Buy: Call	May 15 2020 21.00 Call	Select ▼	2.96	3.05	3.00	x	\$305.00 dr	=	\$915.00 dr	\$1,006.60	\$91.60	Unlimited	\$915.00	0.95	35%	-46%	3%

Price: \$21.97
 Strategy: Long Call
 Expiration: May 15, 2020
 Strike: 22
 Investment: \$988
 Evaluation Point: 10 days to Exp
 Underlying Move: +10%
 Volatility: No Change

- Projected Price: $(21.97 \times 10\%) + 21.97 = \24.16
- Earned: $1007.62 - 988.00 = \$19.62$
- Max Gain @ Exp: Unlimited
- Max Loss @ Exp: Investment = \$988
- Static P/L: Projected Option Price (10 days to Exp): 1.06
 $(1.06 \times 100 \times 4) - 988 / 988 = -57\%$
- Expiration P/L: $[(24.16 - 22) \times 100 \times 4] - 988 / 988 = -13\%$

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Appendix – Additional Example: Vertical Call

Underlying
 BABA
[Find Symbol](#)

Strategy
 Diagonal Call
 Diagonal Put
 Iron Condor
 Ratio Call
 Ratio Put
 Straddle
 Strangle
 Vertical Call

Expiration
 Mar 27, 20
 Apr 03, 20
 Apr 09, 20
 Apr 17, 20
 Apr 24, 20
 May 01, 20
 May 08, 20
 May 15, 20

Strike
 Near the Money

Offset
 10

Volatility
 0 %

Target Profit
 1 %

Investment
 \$ 2000

Evaluation Point
 0 days to expiration

Underlying Move
 10 %

Show
 First 10 Results

[Search](#)

BABA - ALIBABA GROUP HOLDING LTD

As of 11:38:00AM ET 03/26/2020 | [Refresh](#)

Last	Change	Bid Size	Bid	Ask	Ask Size	High	Low	Volume	90-Day Avg. Vol.	EPS	P/E	View Research
192.50	+3.94	2	192.50	192.54	2	193.90	187.60	4,878,649	16,243,016	9.34	20.20	Select

2 Results

[Show Symbols](#)

Strategy	Expiration & Strike	Action	Net Bid	Net Ask	Quantity	x	Cost or Proceeds	=	Investment	Market Value	Earned	Max Gain at Expiration	Max Loss at Expiration	Probability*	Static P/L	Expiration P/L
Buy: Vertical Call	May 15 2020 190.00 Call / May 15 2020 200.00 Call	Select	4.90	5.60	3.00	x	\$560.00 dr	=	\$1,680.00 dr	\$3,000.00	\$1,320.00	\$1,320.00	\$1,680.00	43%	-56%	79%
Buy: Vertical Call	May 15 2020 185.00 Call / May 15 2020 195.00 Call	Select	5.50	6.20	3.00	x	\$620.00 dr	=	\$1,860.00 dr	\$3,000.00	\$1,140.00	\$1,140.00	\$1,860.00	47%	21%	61%

Price: \$192.50
 Strategy: Vertical Call
 Expiration: May 15, 2020
 Investment: \$2000
 Evaluation Point: 0 days to Exp
 Underlying Move: +10%
 Volatility: No Change

- Projected Price: $(192.50 \times 10\%) + 192.50 = \211.75
- Earned: $3000.00 - 1680.00 = \$1,320.00$
- Max Gain @ Exp: $((200 - 190) \times 100 \times 3) - 1680 = \$1,320$
- Max Loss @ Exp: $5.60 \times 100 \times 3 = -\$1,680$
- Static P/L: $[((192.50 - 190) \times 100 \times 3) - 1680] / 1,680 = \sim -56\%$
- Expiration P/L: $1320 / 1680 = 79\%$

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Appendix

Probability and Volatility Calculation Formulas

1.HVOL

The historical volatility is calculated as the annualized standard deviation of daily close-to-close logarithmic changes of the stock price. The N-day realized volatility of a stock as of the close on day T is calculated from the past N day's changes:

$$hvol(N) = \sqrt{\frac{252}{N-1} \left[\sum_{t=0}^{N-1} r_{T-t}^2 - \frac{1}{N} \left(\sum_{t=0}^{N-1} r_{T-t} \right)^2 \right]}$$

where $r_t = \ln(p_t) - \ln(p_{t-1})$, and p_t is the closing stock price on day t.

2. Probability

- Probability calculations are performed using a Black-Scholes style model to estimate the probability of a stock price being above a target price, given a volatility and time horizon. Dividends are assumed to be re-invested for the purpose of probability calculations. From the Black-Scholes model:

$$prob(S_T > K) = N(d_2) = N\left(\frac{1}{\sigma\sqrt{T}} \left[\ln\left(\frac{S}{K}\right) + \left(b + \frac{\sigma^2}{2}\right)T \right] - \sigma\sqrt{T}\right)$$

Appendix – Option Strategies

Strategy	Outlook	Profit	Risk
<u>1x2 ratio vertical spread with puts</u>	Neutral	Limited	Substantial
<u>1x2 ratio volatility spread with calls</u>	Bullish	Unlimited	Limited
<u>1x2 ratio volatility spread with puts</u>	Bearish	Substantial	Limited
<u>Bear call spread</u>	Bearish, Neutral	Limited	Limited
<u>Bear put spread</u>	Bearish	Limited	Limited
<u>Bearish split-strike synthetic</u>	Bearish	Substantial	Unlimited
<u>Bull call spread</u>	Bullish	Limited	Limited
<u>Bull put spread</u>	Bullish, Neutral	Limited	Limited
<u>Bullish split-strike synthetic (also known as Risk Reversal)</u>	Bullish	Unlimited	Substantial
<u>Collar (long stock + long put + short call)</u>	Bearish, Bullish, Neutral	Limited	Limited
<u>Covered call (long stock + short call)</u>	Bullish, Neutral	Limited	Substantial
<u>Covered straddle (long stock + short A-T-M call + short A-T-M put)</u>	Bullish, Neutral	Limited	Substantial
<u>Covered strangle: (long stock + short OOM call + short OOM put)</u>	Bullish, Neutral	Limited	Substantial
<u>Double diagonal spread</u>	Neutral	Limited	Limited
<u>Long butterfly spread with calls</u>	Neutral	Limited	Limited
<u>Long butterfly spread with puts</u>	Neutral	Limited	Limited
<u>Long calendar spread with calls</u>	Neutral	Limited	Limited
<u>Long calendar spread with puts</u>	Neutral	Limited	Limited
<u>Long call - cash backed</u>	Bullish	Unlimited	Limited

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Appendix – Option Strategies

Title	Outlook	Profit	Risk
<u>Long Christmas tree spread variation with calls</u>	Neutral	Limited	Limited
<u>Long Christmas tree spread variation with puts</u>	Bearish,Bullish	Limited	Limited
<u>Long Christmas tree spread with calls</u>	Neutral	Limited	Limited
<u>Long Christmas tree spread with puts</u>	Neutral	Limited	Limited
<u>Long condor spread with calls</u>	Neutral	Limited	Limited
<u>Long condor spread with puts</u>	Neutral	Limited	Limited
<u>Long diagonal spread with calls</u>	Bullish, Neutral	Limited	Limited
<u>Long diagonal spread with puts</u>	Bearish, Neutral	Limited	Limited
<u>Long iron butterfly spread</u>	Bearish, Bullish	Limited	Limited
<u>Long iron condor spread</u>	Bearish, Bullish	Limited	Limited
<u>Long put - speculative</u>	Bearish	Substantial	Limited
<u>Long skip-strike butterfly spread with calls</u>	Bearish, Bullish, Neutral	Limited	Limited
<u>Long skip-strike butterfly spread with puts</u>	Bearish, Bullish, Neutral	Limited	Limited
<u>Long stock + ratio call spread</u>	Bullish	Limited	Substantial
<u>Long straddle</u>	Bearish, Bullish	Unlimited	Limited
<u>Long strangle</u>	Bearish, Bullish	Unlimited	Limited
<u>Protective put (long stock + long put)</u>	Bullish	Unlimited	Limited
<u>Short butterfly spread with calls</u>	Bearish, Bullish	Limited	Limited
<u>Short butterfly spread with puts</u>	Bearish, Bullish	Limited	Limited

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Appendix – Option Strategies

Title	Outlook	Profit	Risk
<u>Short calendar spread with calls</u>	Bearish, Bullish	Limited	Unlimited
<u>Short calendar spread with puts</u>	Bearish, Bullish	Limited	Substantial
<u>Short call - uncovered</u>	Bearish, Neutral	Limited	Unlimited
<u>Short Christmas tree spread variation with calls</u>	Bearish, Bullish	Limited	Limited
<u>Short Christmas tree spread variation with puts</u>	Bearish, Bullish	Limited	Limited
<u>Short Christmas tree spread with calls</u>	Bearish, Bullish	Limited	Limited
<u>Short Christmas tree spread with puts</u>	Bearish, Bullish	Limited	Limited
<u>Short condor spread with calls</u>	Bearish, Bullish	Limited	Limited
<u>Short condor spread with puts</u>	Bearish, Bullish	Limited	Limited
<u>Short diagonal spread with calls</u>	Bearish	Limited	Limited, Unlimited
<u>Short diagonal spread with puts</u>	Bullish	Limited	Limited, Substantial
<u>Short iron butterfly spread</u>	Neutral	Limited	Limited
<u>Short iron condor spread</u>	Neutral	Limited	Limited
<u>Short put - cash secured</u>	Bullish, Neutral	Limited	Substantial
<u>Short put - uncovered (“naked”)</u>	Bullish, Neutral	Limited	Substantial
<u>Short skip-strike butterfly spread with calls</u>	Bullish	Limited	Limited
<u>Short skip-strike butterfly spread with puts</u>	Bearish	Limited	Limited
<u>Short straddle</u>	Neutral	Limited	Unlimited
<u>Short strangle</u>	Neutral	Limited	Unlimited

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