OPTION STRATEGIES FOR BEAR MARKETS

THIS IS AN EXTRA RESOURCE TO GO ALONG WITH THE ORIGINAL ARTICLE:

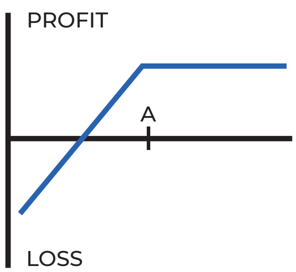
ARE COVERED CALLS A GOOD STRATEGY IN BEAR MARKETS?

USE THESE OPTION STRATEGIES TO MITIGATE LOSSES, PROTECT YOUR PORTFOLIO, OR EVEN PROFIT FROM BEAR MARKETS.

Simple, Low-Risk Strategies

Covered Call

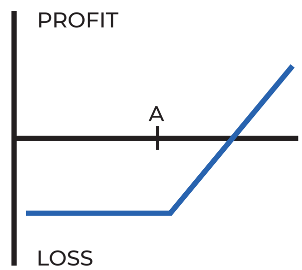
Own Stock, Sell to Open Call



A covered call strategy involves selling a call option against an underlying stock position. The investor receives a premium payment in exchange for agreeing to sell their stock at a certain price before a certain time.

Protective Put:

Own Stock, Buy to Open Put

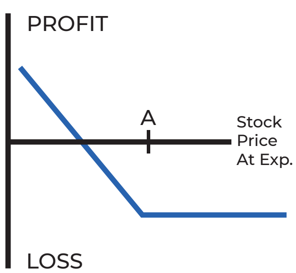


A protective put strategy involves buying put options against an underlying stock position in order to create a price floor. The investor limits or eliminates any downside, but they must pay a premium for the peace of mind.

High Risk

Long Put

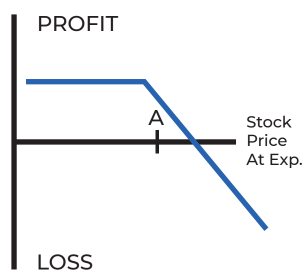
Buy to Open Put



A long put is a bet that a stock will decline in value, whereby you pay a premium for the right to sell at a certain price. Often times, protective puts are used as an alternative to short selling since it provides leverage without high risk.

Short Call

Sell to Open Call

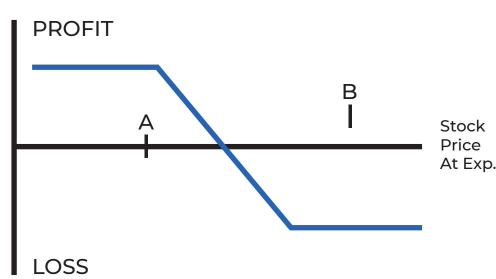


A short call is a bet that a stock will decline in value, whereby you sell the right to buy a stock at a certain price in exchange for a premium. This strategy can be risky if there's no underlying stock position since there's unlimited loss potential.

Advance, Multi-options Strategies

Bear Call Spread:

Sell to Open Lower Strike Price, Buy to Open Higher Strike Price



Bear spreads are more complex strategies whereby two option transactions are executed to create a credit or debit. These strategies are more complex and are often reserved for experienced options traders.

The intent of this handout is to help expand your financial education.
All investors should consult a qualified professional before trading in any security.

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