

**TRADING EXAMPLES**

**FUTURES AND  
FUTURES OPTIONS**

**Halifax Investment Services Limited**

Australian Financial Services Licence No. 225973

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# TRADING EXAMPLES

## Example 1: Going Long

If you expect the share price index (SPI) to perform well and anticipate the price to rise by 1% over the next five days.

### Open Position

Buy Quantity	1 contract
Price	5,012
Contract Value	\$25 x \$5,012 AUD
Initial Margin	\$11,000 AUD
Commission	\$12.50 AUD

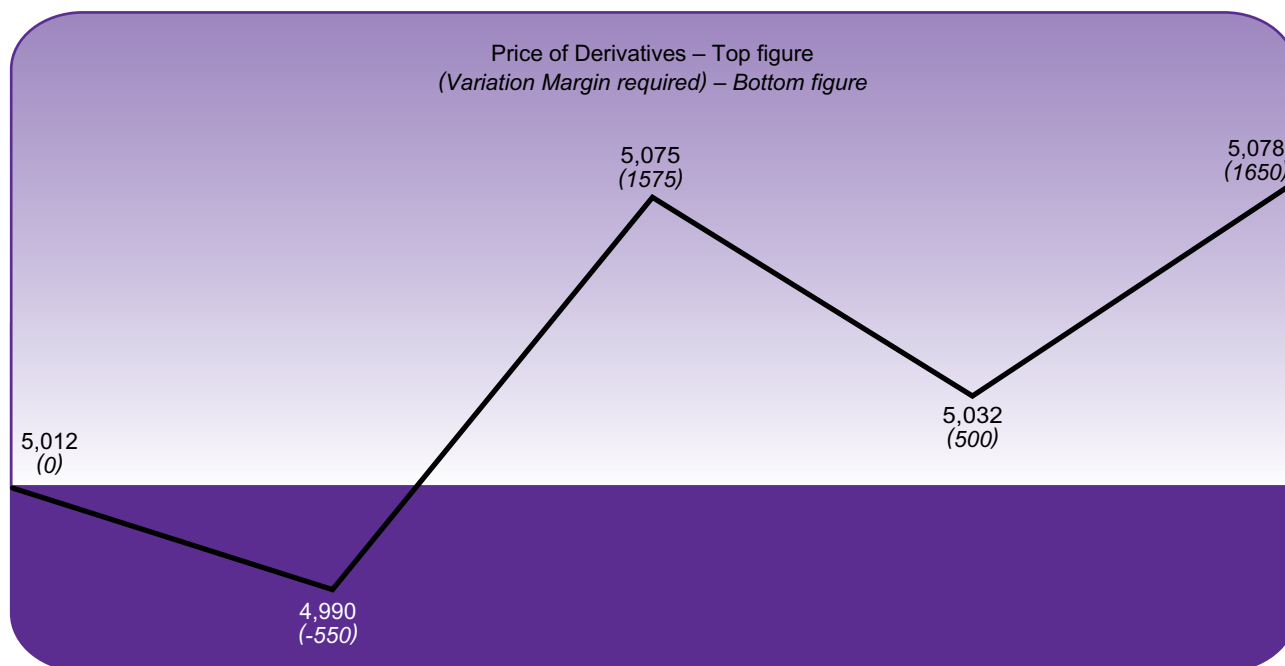
### Close Position

Sell Quantity	1 contract
Price	5,078
Contract Value	\$25 x \$5,078 AUD
Commission	\$12.50 AUD
Gross Profit	\$25 AUD x 66 points
	<b>\$1,650.00 AUD</b>
Commission (Bought & Sold)	\$25 AUD
<b>Net Profit</b>	<b>\$1,625 AUD</b>

### WARNING

You can potentially lose more money than is in your trading account. As a result of a loss, if your account does not have sufficient funds to cover the loss, you will be required to fund the shortfall immediately. You may face potential financial penalties, legal action or credit agency default.

SPI chart long/profit



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

Alternatively: your expectations prove to be incorrect and your stop loss is triggered.

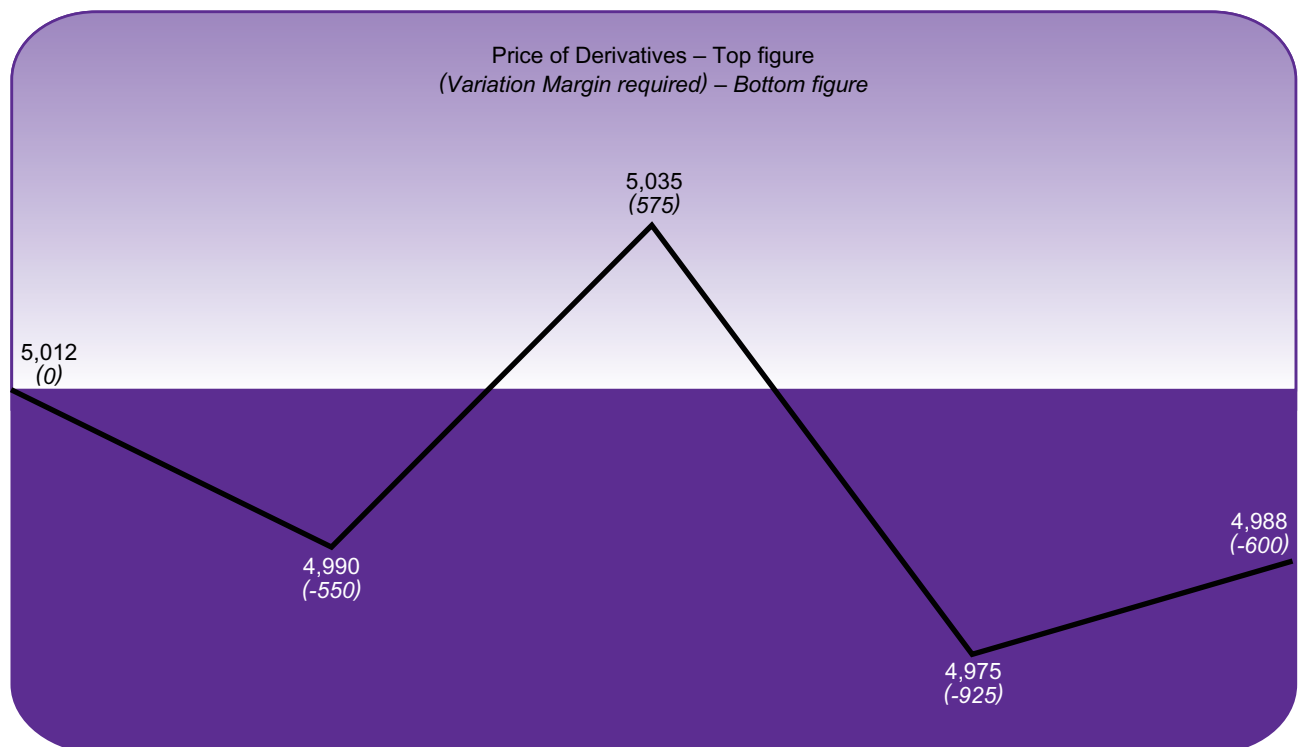
### Close Position

Sell Quantity	1 contract
Price	4,988
Contract Value	\$25 x \$4,088 AUD
Commission	\$12.50 AUD
Gross Loss	\$600 AUD
Commission (Bought & Sold)	\$25 AUD
<b>Net Profit (loss)</b>	<b>-\$625 AUD</b>

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**SPI chart long/loss**



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

# TRADING EXAMPLES

## Example 2: Going Short

If you anticipate that oil has peaked and forecast that it could fall by as much as \$3 a barrel over the next ten days.

### Open Position

Sell Quantity	1 contract
Price	\$53.50 US
Contract Value	\$53.50 US a Barrel x \$10.00 US
Initial Margin	\$8,000 US
Commission	\$12.50 US

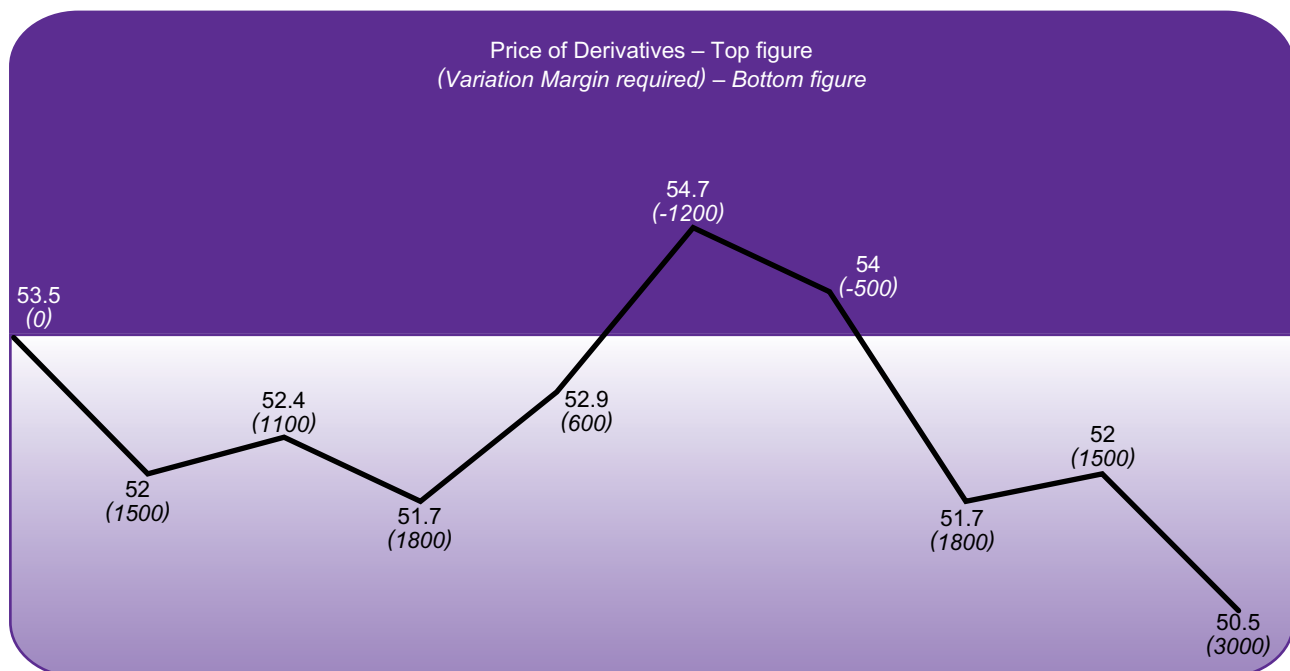
### Close Position

Buy Quantity	1 contract
Price	\$50.50 US
Contract Value	\$53.50 US a Barrel x \$10.00 US
Commission	\$12.50 US
Gross Profit	\$3,000 US
Commission (Sold & Bought)	\$25 US
<b>Net Profit</b>	<b>\$2,975 US</b>

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Oil chart short/profit



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

Alternatively: your expectations prove to be incorrect and your stop loss is triggered.

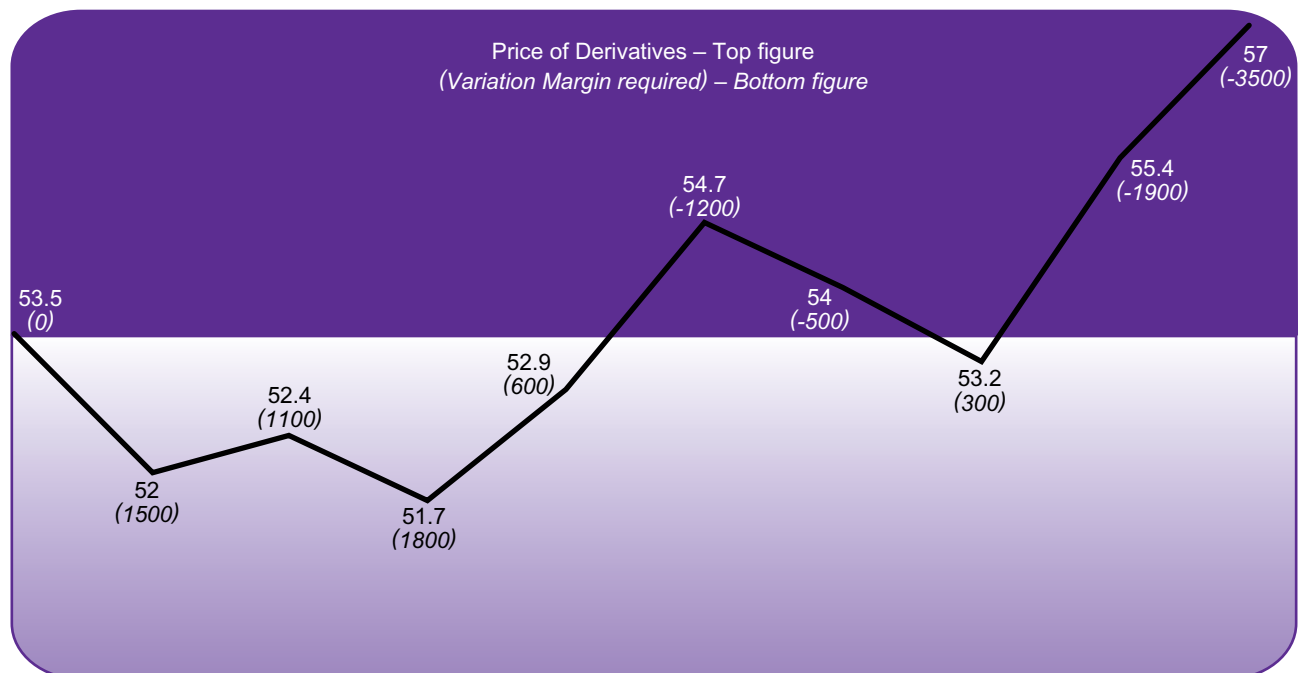
### Close Position

Buy Quantity	1 contract
Price	\$57 US
Contract Value	\$57 US a Barrel x \$10.00 US
Commission	\$12.50 US
Gross Loss	\$3,500 US
Commission (Sold & Bought)	\$25 US
<b>Net Loss (loss)</b>	<b>\$3,525 US</b>

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**Oil chart short/loss**



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

# TRADING EXAMPLES

## Option Examples

### Example 3: Buying a Put Option

If you thought that Crude Oil was to drop in price by \$3 US a barrel over the next 10 days.

You decide instead of selling crude oil futures directly to buy a Put option, as this will limit the loss only to the amount you pay for the Option.

You attempt to pick the strike price that will be most effected (delta) and choose the 51 US strike.



#### Open position

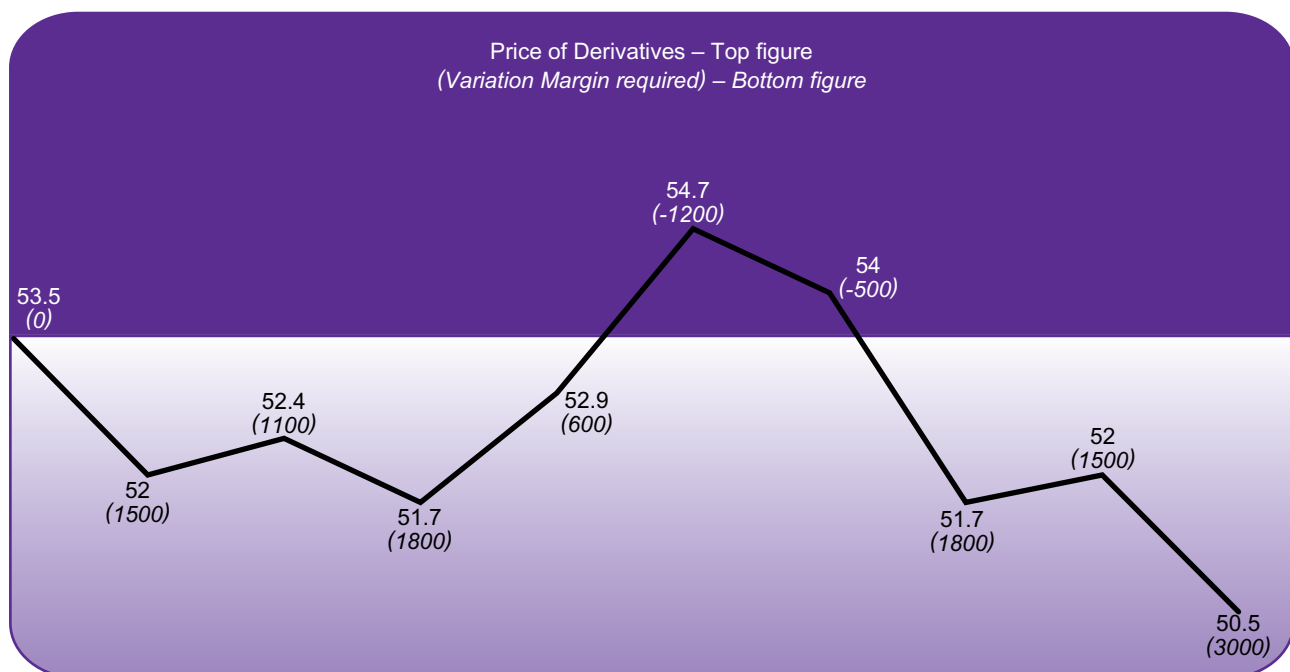
Buy Quantity	1 x 53 Put Option
Buy Date	Day 1
Price	1.2
Contract Value	\$1,000 x \$1.2 US
Initial Margin	The cost of the option (\$1,200 US)
Commission	\$25 US

#### Close Position

Sell Quantity	1 x 53 Put Option
Sell Date	Day 10
Price	3
Contact Value	\$1,000 x \$3 US
Commission	\$25 US
Commission (Bought and Sold)	\$50 US
<b>Net Profit</b>	<b>\$1,750 US</b>

The Strike prices (Day 1)	Price
54	1.80
53	1.20
52	0.80
51	0.50
50	0.25
49	0.80

### Oil chart short/profit



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.

## Option Examples

### Example 4: Selling a Put Option

If you thought that Crude Oil could not drop in price by any more than \$3 US a barrel on or before the expiry in 10 days.

Selling Options as more detailed in section xx can be inherently more risky as the cost can technically be unlimited and could require greater capital reserves to cover increases in both variation and initial margin.

You think Crude Oil was not able to to decrease below the price of 53 US a barrel at the expiry of 10 days you could Sell a 53 US a Barrel Put Option.

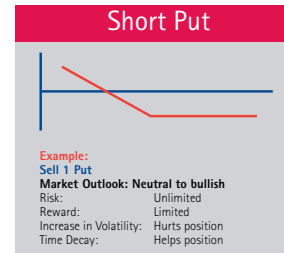
#### Open position

Sell Quantity	1 x 53 Put Option
Sell Date	Day 1
Price	1.2
Contract Value	\$1,000 x \$1.2 US
Initial Margin	Can Increase up to the value of the underlying futures contract
Commission	\$25 US

#### Close Position

Buy Quantity	1 x 53 Put Option
Sell Date	Day 10
Price	3
Contact Value	\$1,000 x \$3 US
Commission	\$25 US
Commission (Bought and Sold)	\$50 US

**Net Loss \$1,850 US**

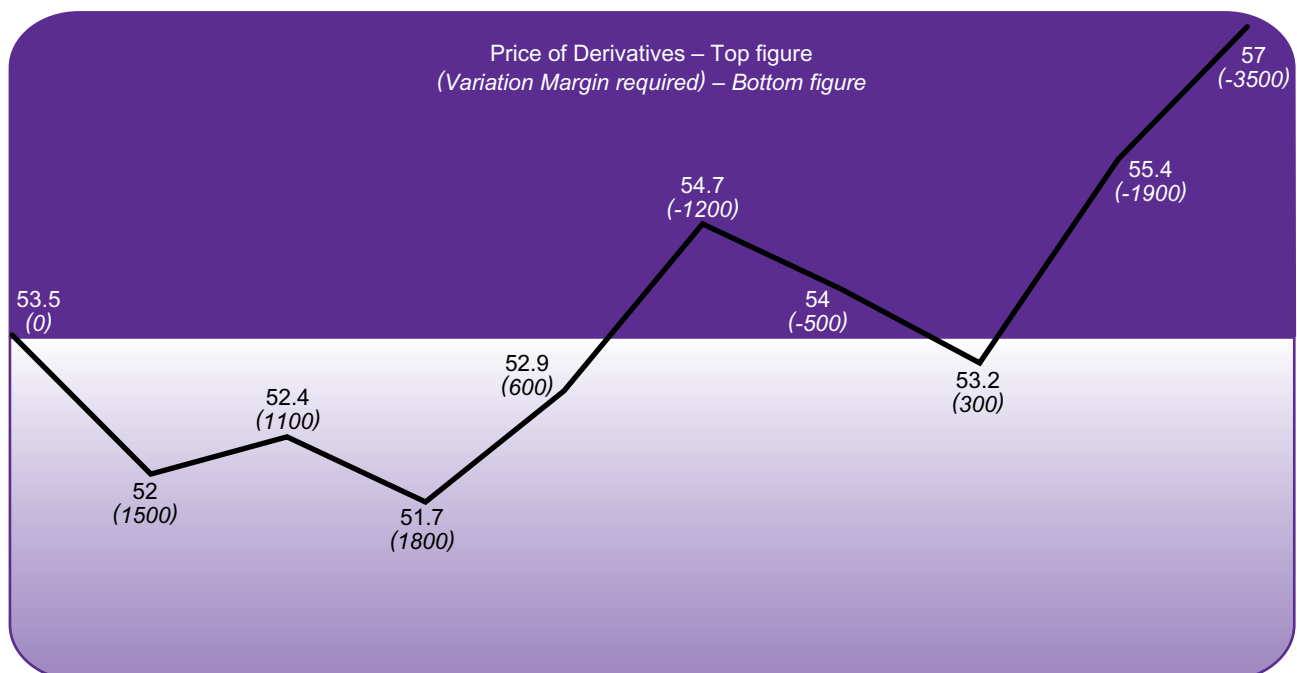


The Strike prices (Day 1)	Price
54	1.80
53	1.20
52	0.80
51	0.50
50	0.25
49	0.80

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You can potentially lose more money than is in your trading account. As a result of a loss, if your account does not have sufficient funds to cover the loss, you will be required to fund the short fall immediately. You may face potential financial penalties, legal action or credit agency default.

### Oil chart short/loss



In this example, the investor wants the price to rise and thus the darkened shaded area represents where the investor's capital required (variation margin) to hold the position, will increase or decrease in real time, until the ultimate closing out of the trade. In this example we have assumed no increase or decrease in initial margin requirements.