



Q&A: Webinar – Collar Strategy

Questions asked by participants during the webinar series on 'Collar Strategy'

Q: What are advantages/disadvantages of US Options vs. Australian Options ?

A: Options are structured in one of two ways they are either American Style Options or European Style Options. The difference between them is that American options can be exercised anytime throughout the month, whereas European Options can *only* be exercised on the expiry day. **In Australia the contract size's for both of these options are the same, this is now 100.**

Lets look at an example:

Lets say you buy 5 May \$27 NAB call options. You purchase these options on the 4th of May and the expiry day is 26th May. NAB has a big rally and on the 18th of May NAB is trading at \$30, if you purchased American style options you can exercise your \$27 call options and buy the stock at \$27 on this day. However if you had European Options you would have to wait to the 26th of May (Options Expiry) before you can decide to exercise your option.

In Australia you can trade both the American and European style options. For options over individual stocks the American style is preferred, however *Index Options* – where you trade the entire index (ASX 200 Options) are European only.

Q : How do you write a put? (asked by Pauline)*

A: When we are discussing options terminology to 'write' a put (or call for that matter) means to sell that option and like anyone who is selling any item you expect to receive a payment for what it is your selling.

For example

You may decide that you would like to write 3 May \$40.00 NCM put options for income and to potentially buy the stock at this level. To do this you would contact your broker and ask them to sell 3 May \$40.00 NCM put options for \$0.95, your broker would then place the order and if you get filled at this level you would receive \$285 ($0.95 \times 100 \times 3$) in premium.

Note: You may also refer to the document 'Option Template' & Links (options vocabulary) on the Options page of The Women's Investment Club.

Disclaimer: The answers to these questions are general information and not advice. These answers do not take into account your personal situation or circumstances. For specific advice please seek advice from your broker. Please refer to our terms and conditions and the general disclaimer on our content policy.