Spring 2012 Final
1:25 A

6) 1) Buy ~~stock~~ stock, 2) Buy calls, 3) sell puts

How benefit

1) Able to (sell later at price that > purchase price)
2) Able to (buy later at fixed price) & (sell at higher price)
3) (keep proceeds) of sale of put which is (not exercised) as price rise

Downside ~~risk~~ risk

1) If price falls, must (sell later for less) than bought it for.
~~Risk depends on~~
2) If price falls, may (lose all of cost of call) it ends up (out-of-the-money)
3) If price falls, put may be (exercised) so that (you buy for strike price) (then sell at lower market price)

52 = 75
50 = 72
49 = 71
48 = 69
44 = 63
37 = 58
24 = 53
20 = 48
10 = 43
8 = 38