**Trading Assignment 3**

**Updates On Your Portfolio**

For each of the price-contingent orders you placed as part of Trading Assignment 2, check Stock|Trak to determine whether or not the order was executed. Check your previous assignment to see what your original order prices were, and fill out the table below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Stock Ticker** | **Executed? (Yes/No)** | **Original Order Price per Share** | **Stock’s Current Price** |
| *Buy Stop Order* | *RIC* | *Yes* | *$250* | *$286.21* |
| *Sell Stop Order* | *WHAM* | *Yes* | *$300* | *$335* |
| Buy Stop Order |  |  |  |  |
| Sell Stop Order |  |  |  |  |
| Sell Limit Order |  |  |  |  |
| Buy Limit Order |  |  |  |  |

*Notice in the examples above, the buy stop order for RIC executed because I set my original order price at $250, and the stock rose to and above that price. For the sell stop order WHAM, the order executed because the price of the stock fell to $300 or lower, but has since recovered to $335.*



You are free to either “cancel” any of these price contingent orders or exit any of the stock positions associated with these orders. You can do this anytime during the semester.

**Calls**

Identify a company that you are bullish on. Make sure you have not already traded this company’s stock in any of the previous Trading Assignments. Purchase a call option on this stock. The total cost of your purchase should be at least $10,000. **Remember that options are quoted on a per share basis, but each one option is for 100 shares.** For example, if an option’s premium is $5, purchasing 1 “contract” in Stock|Trak will cost $500, or $5 × 100. You would need to therefore purchase a minimum of 20 “contracts” on this stock because $5 × 100 × 20 = $10,000.

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| **Stock Ticker** | **Premium per Share** | **X Price per Share** | **Stock’s Current Price** | **Expiration Date** | **Contracts Purchased** | **Total Cost** |
| *FLSL* | *$3* | *$104* | *$107* | *6/20/2030* | *34* | *$10,200* |
|  |  |  |  |  |  |  |

In the space below (in no more than 150 words total):

* Why are you bullish on this stock?
* Is your option “in the money” or “out of the money”? Visit [this SEC website](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_introductionoptions) and [this NASDAQ website](https://www.nasdaq.com/articles/pros-and-cons-and-out-money-options-2018-12-14) to research.
* Discuss what ITM and OTM means, and why you chose your ITM vs. OTM option.
* Reference any articles or sources that helped you arrive at your decision.

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**Puts**

Identify a company that you are bearish on. Make sure you have not already traded this company’s stock in any of the previous Trading Assignments. Purchase a put option on this stock. The total cost of your purchase should be at least $10,000. **Remember that options are quoted on a per share basis, but each one option is for 100 shares.** For example, if an option’s premium is $25, purchasing 1 “contract” in Stock|Trak will cost $2,500, or $25 × 100. You would need to therefore purchase a minimum of 4 “contracts” on this stock because $25 × 100 × 4 = $10,000.

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| --- | --- | --- | --- | --- | --- | --- |
| **Stock Ticker** | **Premium per Share** | **X Price per Share** | **Stock’s Current Price** | **Expiration Date** | **Contracts Purchased** | **Total Cost** |
| *LSFL* | *$1* | *$41* | *$44* | *6/20/2030* | *100* | *$10,000* |
|  |  |  |  |  |  |  |

In the space below (in no more than 150 words total):

|  |
| --- |
| * Why are you bearish on this stock?
* Is your option “in the money” or “out of the money”? Visit [this SEC website](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_introductionoptions) and [this NASDAQ website](https://www.nasdaq.com/articles/pros-and-cons-and-out-money-options-2018-12-14) to research.
* Discuss what ITM and OTM means, and why you chose your ITM vs. OTM option.
* Reference any articles or sources that helped you arrive at your decision.
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Do not exercise or sell out of these option positions unless you’ve held for at least 24 hours.

*Submit according to the instructions provided in class. Grades will be provided after all Trading Assignments are completed near the end of the semester.*