BUAD 345 Investment Analyses

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**Project 2: Stock-Trak Portfolio Simulation**

**Short Sales, Options, and Futures**

You have been managing your portfolio for a couple of weeks, and this project requires you to report your tradesin short sales, options and futures.

1. **Short Sales:** Report the short sale transactions you did lately. You shall explain the stock(s) you chose, the research you did for the trades, how you covered the position, your annualized return from the short sales, and what you learned from the experiences.
2. **Options:** Report your transaction of options, either call or put, or both. Buyinga call option if you expect the price of the stock that is underlying with the call would go up; while a stock you believe would decrease in value could be a target for put.

Your report should explain your choice to purchase the option and also the details of the option contract(s) and your transaction results, including

1. You opened the option contract, either buying a call or a put: 1) the date you bought the option; 2) the strike price of the option you bought; 3) the option price or the premium you paid for the option; 4) the expiration date of the option contract, and 5) how many contracts you bought.
2. Finally, you closed the contract by 1) exercising the option, or2) selling the option, or 3) the contract was expired without exercising. **If you exercised the option**, you will report what was the market price of the stock you bought or sold by the option, comparing it with the strike price of the option contract, is your contract in the money, out of the money, or at the money? How much cash profit/loss you made. **If you sold the option**, you need to explain *why you decided to sell the option but not exercise the option*(again, you need to explain the market position of the option, is it in the money, out of the money, or at the money when you sell the option). **If the option contract was expired**, you will explain the reason you let it expired without an action.

Please aware that you can buy and sell (write) options online through Stock-Trak, however, you cannot exercise the options on line at Stock-Trakcurrently. Thus, the transaction will be done manually by phone call. When you are ready to exercise your option contract(s), pleasecall Stock-Trak at 1-800-786-8725, and indicate you are in the class of MUBA345-Fall2013 with Dr. Enyang Guo. The staff at Stock-Trak will complete the transaction for you.

Please notice the transaction of exercising an option includes buying and/or selling the underlying stock (the primary financial asset) with the option contract. You purchase the stock at the strike price if you exercise a call while you sell the stock at the strike price if you exercise a put. According to your option contract, the staff at Stock-Trak will complete the purchase of the stock for you if you exercise a call. If you plan to exercise a put contract, make sure you have purchased the right amount of the stock or you are currently holding that stock in your portfolio and thus you can sell to cover your put contact. The staff at Stock-Trak will sell the stock at the strike pricefor you when you exercise a put.

1. **Futures:**Many of you have traded futures, and you can simply report what you bought and then sold, and what you have learned from the transactions. You can start either a long position or a short position, i.e. *buy to open*or *sell to open*. Again you must close the futures contract before you write your report, and thus you have the result to report. Your report should explain the details of your transactions, and also calculate your annualized return of the trade.

Web sites of Stock-Trak, Chicago Board of Trade [www.cmegroup.com](http://www.cmegroup.com),Wall Street Journal [www.wsj.com](http://www.wsj.com), and *Yahoo Finance* are helpful for you to find information to trade options and futures.

You might have done a lot about short sales, options and futures, and this assignment is just a report of your favorable *hands on*experiences. The project is due on November 5.