


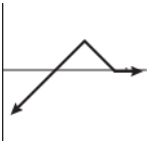


OptionMath.com - Ratio Spread Cheat Sheet

| | Call Ratio Spread | Put Ratio Spread |
|---|---|---|
| Description | Long One OTM Call Short Two Further OTM Calls | Long One OTM Put Short Two Further OTM Puts |
| Example | ATM = 100.00 Long One 105 Call Short Two 110 Calls | ATM = 100.00 Long One 95 Puts Short Two 90 Puts |
| Pay or Collect Premium | Either is Possible, Net Premium Should be Very Small | Either is Possible, Net Premium Should be Very Small |
| Needed Directionality |  |  |
| Passage Of Time Without Market Movement | + | + |
| Increase In Implied Volatility Without Market Movement | - | - |
| Payoff Thumbnail Chart |  |  |
| Maximum Risk | Unlimited | Limited Only Because the Underlying Stock Can Not Fall Below Zero |
| Maximum Profit | Higher Strike Price Minus Lower Strike Price Minus (Plus) Any Net Premium Paid (Received) | Higher Strike Price Minus Lower Strike Price Minus (Plus) Any Net Premium Paid (Received) |
| Breakeven Points | Higher Strike Price Plus Width of the Ratio Spread Plus (Minus) Net Premium Received (Paid) | Lower Strike Price Minus Width of the Ratio Spread Plus (Minus) Net Premium Paid (Received) |