

Hedge Example

<u>Cash Price</u>	<u>Futures Price</u>	<u>Basis</u>	<u>Expected Hedge Price</u>
Sell _____	(est.) _____	(_____)	
_____	Buy _____	(act.) _____	
(sell cash)			
_____	+	Actual	= Hedge Price _____

<u>Cash Price</u>	<u>Futures Price</u>	<u>Basis</u>	<u>Expected Hedge Price</u>
Sell _____	(est.) _____	(_____)	
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(sell cash)			
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Sell _____	(est.) _____	(_____)	
_____	Buy _____	(act.) _____	
(sell cash)			
_____	+	Actual	= Hedge Price _____

Buy a Put

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Buy a _____ Put for _____
(month) (strike) (premium)

Floor: **Ceiling:**

Strike Price _____

- Premium _____

+/- Basis _____

= Minimum Price _____

C. Results:

If Cash/Futures _____ Put
Expire at: Gain (Loss) = Net Price

Buy a Put

A. Objectives:

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(yes/no)

B. Strategy:

Buy a _____ Put for _____
(month) (strike) (premium)

Floor: **Ceiling:**

Strike Price _____

- Premium _____

+/- Basis _____

= Minimum Price _____

C. Results:

If Cash/Futures _____ Put
Expire at: Gain (Loss) = Net Price

Buy a Call

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Buy a _____ Call for _____
(month) (strike) (premium)

Floor: Ceiling:

Strike Price _____

+ Premium _____

+/- Basis _____

= Maximum Price _____

C. Results:

If Cash/Futures Expire at:	_____ Call <u>Gain (Loss)</u>	=	<u>Net Price</u>
_____	_____		_____
_____	_____		_____
_____	_____		_____

Buy a Call

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Buy a _____ Call for _____
(month) (strike) (premium)

Floor: Ceiling:

Strike Price _____

+ Premium _____

+/- Basis _____

= Maximum Price _____

C. Results:

If Cash/Futures Expire at:	_____ Call <u>Gain (Loss)</u>	=	<u>Net Price</u>
_____	_____		_____
_____	_____		_____
_____	_____		_____

Cash Contract – Buy a Call

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Forward sell _____ Grain / Livestock at _____

Buy a _____ (month) _____ (strike) Call for _____ (premium)

Floor: **Ceiling:**

Contract Price _____

- Premium _____

= Minimum Price _____

C. Results:

If Cash/Fut. <u>Expire at:</u>	Contract Price	_____ Call <u>Gain (Loss)</u> =	<u>Net Price</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Cash Contract – Buy a Call



A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Forward sell _____ Grain / Livestock at _____

Buy a _____ (month) _____ (strike) Call for _____ (premium)

Floor: **Ceiling:**

Contract Price _____

- Premium _____

= Minimum Price _____

C. Results:

If Cash/Fut. <u>Expire at:</u>	Contract Price	_____ Call <u>Gain (Loss)</u> =	<u>Net Price</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____



Synthetic Put (Sell Futures / Buy Call)

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy

1. Sell _____ Futures for _____
(month/commodity) (price)

2. Buy _____ Call for _____
(month/strike) (premium)

Floor:

Futures Price _____

+/- Basis _____

- _____ Call Premium _____

= Minimum Price _____

C. Results:

If Cash/Fut. Expire at:	_____ Futures <u>Gain (Loss)</u>	_____ Call <u>Gain (Loss)</u>	=	_____ Net <u>Price</u>
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____

Synthetic Put (Sell Futures / Buy Call)

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy

1. Sell _____ Futures for _____
(month/commodity) (price)

2. Buy _____ Call for _____
(month/strike) (premium)

Floor:

Futures Price _____

+/- Basis _____

- _____ Call Premium _____

= Minimum Price _____

C. Results:

If Cash/Fut. Expire at:	_____ Futures <u>Gain (Loss)</u>	_____ Call <u>Gain (Loss)</u>	=	_____ Net <u>Price</u>
_____	_____	_____		_____
_____	_____	_____		_____
_____	_____	_____		_____



Sell a Call

Sell a Call

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Sell a _____ Call for _____
(month) (strike) (premium)

B. Strategy:

Sell a _____ Call for _____
(month) (strike) (premium)

Floor: **Ceiling:**

Floor: **Ceiling:**

Strike Price _____
+ Premium _____
+/- Basis _____
= Maximum Price _____

Strike Price _____
+ Premium _____
+/- Basis _____
= Maximum Price _____

C. Results:

If Cash/Futures Expire at: _____
Gain (Loss) = Net Price
_____ = _____
_____ = _____
_____ = _____

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If Cash/Futures Expire at: _____
Gain (Loss) = Net Price
_____ = _____
_____ = _____
_____ = _____

The Fence

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Buy an out-of-the-money _____ Put for _____
(month) (strike) (premium)

- AND -

Sell an out-of-the-money _____ Call for _____
(month) (strike) (premium)

Floor:

Ceiling:

Strike price _____

- Put Premium _____

+ Call Premium _____

+/- Basis _____

= Minimum Price _____ = Maximum Price _____

C. Results:

If Cash/Fut. Expire at:	_____ Put <u>Gain (Loss)</u>	_____ Call <u>Gain (Loss)</u>	=	_____ Net <u>Price</u>
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The Fence



A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Buy an out-of-the-money _____ Put for _____
(month) (strike) (premium)

- AND -

Sell an out-of-the-money _____ Call for _____
(month) (strike) (premium)

Floor:

Ceiling:

Strike price _____

- Put Premium _____

+ Call Premium _____

+/- Basis _____

= Minimum Price _____ = Maximum Price _____

C. Results:

If Cash/Fut. Expire at:	_____ Put <u>Gain (Loss)</u>	_____ Call <u>Gain (Loss)</u>	=	_____ Net <u>Price</u>
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Roll Up to Futures

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy (2 parts)

Now: Buy a _____ Put for _____
(month) (strike) (premium)

Later: If _____ Trigger hit; Sell Futures (Keep _____ put)

Floor: Ceiling:

Futures _____

- Put Premium _____

+/- Basis _____

= Minimum Price _____

C. Results:

If Cash/Fut. Expire at:	Future Gain (Loss)	_____ Put Gain (Loss)	= Net Price
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Roll Up to Futures



A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy (2 parts)

Now: Buy a _____ Put for _____
(month) (strike) (premium)

Later: If _____ Trigger hit; Sell Futures (Keep _____ put)

Floor: Ceiling:

Futures _____

- Put Premium _____

+/- Basis _____

= Minimum Price _____

D. Results:

If Cash/Fut. Expire at:	Future Gain (Loss)	_____ Put Gain (Loss)	= Net Price
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Roll Up To A Put

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy (2 parts)

Now: Buy a _____ Put for _____
(month) (strike) (premium)

Later:

If _____ Trigger hit; Buy a _____ Put for _____
(month) (strike) (premium)
(Sell back _____ put?)

Floor:

Ceiling:

Strike Price	_____	_____
- _____ Premium	_____	
- _____ Premium	_____	
+/- Basis	_____	
= Minimum Price	_____	

C. Results:

If Cash/Fut.	_____ Put	_____ Put	=	Net
<u>Expire at:</u>	<u>Gain (Loss)</u>	<u>Gain (Loss)</u>		<u>Price</u>

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Roll Up To A Put



A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy (2 parts)

Now: Buy a _____ Put for _____
(month) (strike) (premium)

Later:

If _____ Trigger hit; Buy a _____ Put for _____
(month) (strike) (premium)
(Sell back _____ put?)

Floor:

Ceiling:

Strike Price	_____	_____
- _____ Premium	_____	
- _____ Premium	_____	
+/- Basis	_____	
= Minimum Price	_____	

C. Results:

If Cash/Fut.	_____ Put	_____ Put	=	Net
<u>Expire at:</u>	<u>Gain (Loss)</u>	<u>Gain (Loss)</u>		<u>Price</u>

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Roll Down Futures to a Put

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy (2 parts)

Now: Sell _____ Futures for _____
(month) (price)

Later: If _____ Trigger hit; Buy back Futures and
 buy _____ Put for _____
(strike) (premium)

Floor: Ceiling:

Strike Price _____

+ _____ Futures gain _____

- _____ Put Premium _____

+/- Basis _____

= Minimum Price _____

C. Results:

<u>If Cash/Fut.</u>	<u>Futures</u>	<u>_____ Put</u>	<u>Net</u>	
<u>Expire at:</u>	<u>Gain (Loss)</u>	<u>Gain (Loss)</u>	= <u>Price</u>	
_____	_____	_____	= _____	
_____	_____	_____	= _____	
_____	_____	_____	= _____	

Roll Down Futures to a Put



A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy (2 parts)

Now: Sell _____ Futures for _____
(month) (price)

Later: If _____ Trigger hit; Buy back Futures and
 buy _____ Put for _____
(strike) (premium)

Floor: Ceiling:

Strike Price _____

+ _____ Futures gain _____

- _____ Put Premium _____

+/- Basis _____

= Minimum Price _____

C. Results:

<u>If Cash/Fut.</u>	<u>Futures</u>	<u>_____ Put</u>	<u>Net</u>	
<u>Expire at:</u>	<u>Gain (Loss)</u>	<u>Gain (Loss)</u>	= <u>Price</u>	
_____	_____	_____	= _____	
_____	_____	_____	= _____	
_____	_____	_____	= _____	

Long Fence

A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Buy an out-of-the-money _____ Call for _____
(month) (strike) (premium)

- AND -

Sell an out-of-the-money _____ Put for _____
(month) (strike) (premium)

Floor:

Ceiling:

Strike price	_____	_____
+ Put Premium	_____	_____
- Call Premium	_____	_____
+/- Basis	_____	_____
= Minimum Price	_____	= Max. Price _____

C. Results:

If Cash/Fut. <u>Expire at:</u>	_____	_____	_____	_____	_____
	<u>Put</u>	<u>Call</u>	<u>Gain (Loss)</u>	<u>Gain (Loss)</u>	<u>Net Price</u>
	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____

Long Fence



A. Objectives:

Outlook _____ Performance Bond _____
(yes/no)

B. Strategy:

Buy an out-of-the-money _____ Call for _____
(month) (strike) (premium)

- AND -

Sell an out-of-the-money _____ Put for _____
(month) (strike) (premium)

Floor:

Ceiling:

Strike price	_____	_____
+ Put Premium	_____	_____
- Call Premium	_____	_____
+/- Basis	_____	_____
= Minimum Price	_____	= Max. Price _____

C. Results:

If Cash/Fut. <u>Expire at:</u>	_____	_____	_____	_____	_____
	<u>Put</u>	<u>Call</u>	<u>Gain (Loss)</u>	<u>Gain (Loss)</u>	<u>Net Price</u>
	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____