

CBOT® Precious Metals Futures and Options Strategies



Chicago Board of Trade



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Introduction

Your Flexible Choice

The Chicago Board of Trade's precious metals futures and options provide a key benefit to precious metals traders – FLEXIBILITY.

This document highlights an array of strategies that allow traders to benefit from a variety of market conditions ranging from bearish to bullish and volatile to stable. These strategies are just a sampling of the many trading opportunities available in the CBOT Precious Metals Complex.

The content featured in this document includes the market position, market objective, profit/loss potential, deltas and other information associated with twelve strategies using CBOT 100 Ounce Gold futures, CBOT 100 Ounce Gold options, CBOT 5,000 Ounce Silver futures, and CBOT 5,000 Ounce Silver options.

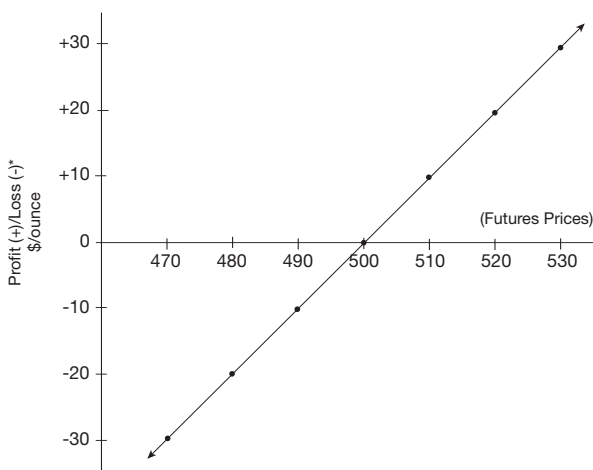
Although these strategies are for educational purposes and are not intended to be construed as trading advice or recommendations, the vast number of trading opportunities makes the CBOT Precious Metals Complex “Your Flexible Choice.”

*The examples on the following pages do not include transaction fees.
All applicable transaction fees should be considered when evaluating strategies.

STRATEGY	Long Futures
MARKET OPINION	Bullish
MARKET POSITION	Buy futures
OPTION STRATEGY DEBIT/CREDIT	N/A
PROFIT POTENTIAL	Unlimited
PROFIT POINT	Any futures price above the price at which the position was initiated
LOSS POTENTIAL	Unlimited [except to the extent that the futures price cannot fall below zero]
LOSS POINT	Any futures price below the price at which the position was initiated
BREAK-EVEN POINT	Futures price at which the position was initiated
MARGIN REQUIRED	Yes
DELTA	+1.00

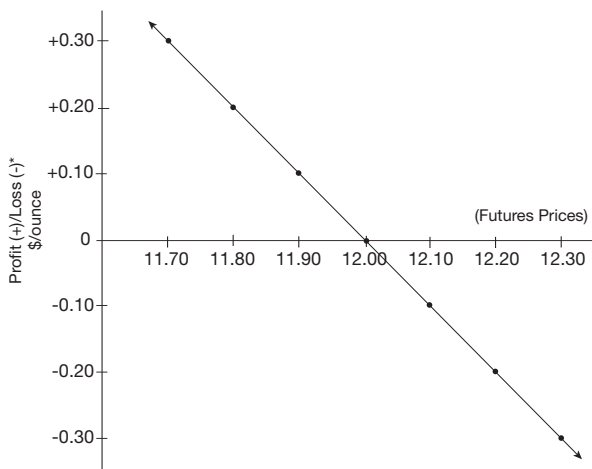
NOTE: The long and short futures strategies may also be applied using CBOT mini-sized Gold futures (33.2 Ounce) and the CBOT mini-sized Silver futures (1,000 Ounce).

Long CBOT Gold futures @ \$500



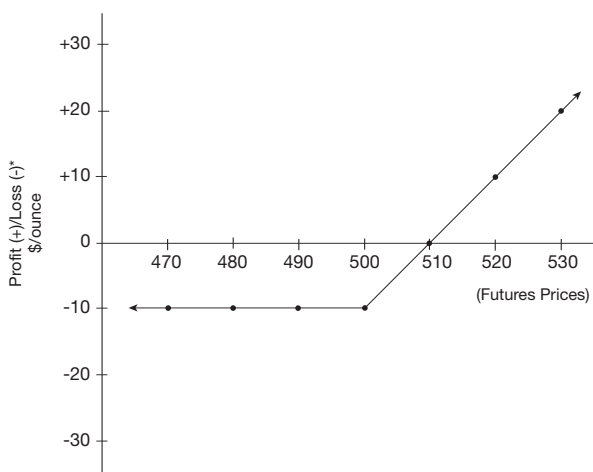
STRATEGY	Short Futures
MARKET OPINION	Bearish
MARKET POSITION	Sell futures
OPTION STRATEGY DEBIT/CREDIT	N/A
PROFIT POTENTIAL	Unlimited [except to the extent that the futures price cannot fall below zero]
PROFIT POINT	Any futures price below the price at which the position was initiated
LOSS POTENTIAL	Unlimited
LOSS POINT	Any futures price above the price at which the position was initiated
BREAK-EVEN POINT	Futures price at which the position was initiated
MARGIN REQUIRED	Yes
DELTA	-1.00

Short CBOT Silver futures @ \$12



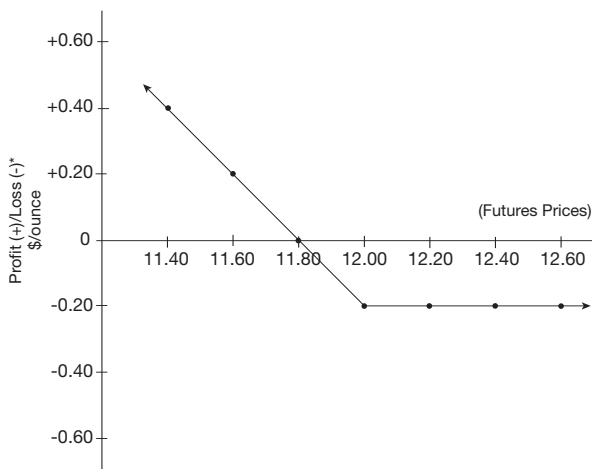
STRATEGY	Long Call
MARKET OPINION	Bullish
MARKET POSITION	Buy a call
OPTION STRATEGY DEBIT/CREDIT	Debit [premium paid]
PROFIT POTENTIAL	Unlimited
PROFIT POINT	Any futures price above the [strike price plus premium paid]
LOSS POTENTIAL	Limited to premium paid
LOSS POINT	Any futures price below the [strike price plus premium paid]; maximum loss point is any futures price at or below the strike price
BREAK-EVEN POINT	Strike price + Premium paid
MARGIN REQUIRED	No
DELTA	0 to +1.00

Long CBOT 500 Gold Call @ \$10/ounce Premium



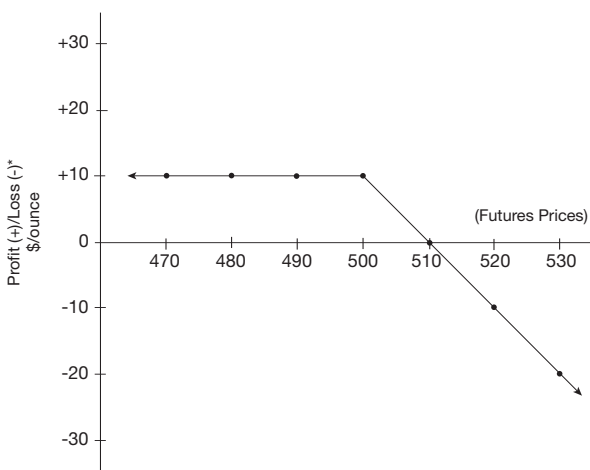
STRATEGY	Long Put
MARKET OPINION	Bearish
MARKET POSITION	Buy a put
OPTION STRATEGY DEBIT/CREDIT	Debit [premium paid]
PROFIT POTENTIAL	Unlimited [except to the extent that the futures price cannot fall below zero]
PROFIT POINT	Any futures price below the [strike price minus the premium paid]
LOSS POTENTIAL	Limited to premium paid
LOSS POINT	Any futures price above the [strike price minus the premium paid]; maximum loss point is any futures price at or above the strike price
BREAK-EVEN POINT	Strike price - Premium paid
MARGIN REQUIRED	No
DELTA	0 to -1.00

Long CBOT 12.00 Silver Put @ \$0.20/ounce Premium



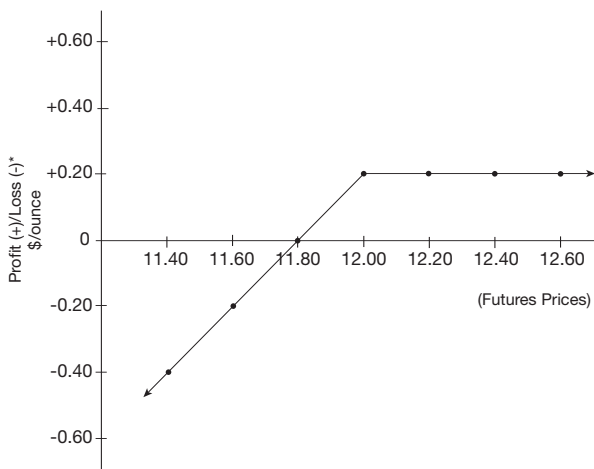
STRATEGY	Short Call
MARKET OPINION	Neutral to slightly bearish
MARKET POSITION	Sell a call
OPTION STRATEGY DEBIT/CREDIT	Credit [premium received]
PROFIT POTENTIAL	Limited to premium received
PROFIT POINT	Any futures price below the [strike price plus premium received]; maximum profit point is any futures price at or below the strike price
LOSS POTENTIAL	Unlimited
LOSS POINT	Any futures price above the [strike price plus the premium]
BREAK-EVEN POINT	Strike Price + Premium received
MARGIN REQUIRED	Yes
DELTA	0 to -1.00

Short CBOT 500 Gold Call @ \$10/ounce Premium



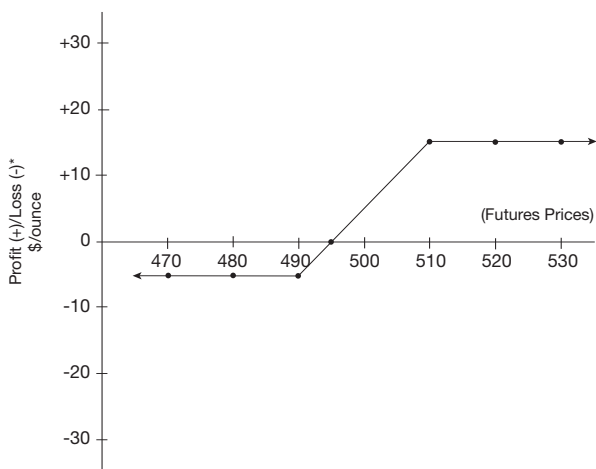
STRATEGY	Short Put
MARKET OPINION	Neutral to slightly bullish
MARKET POSITION	Sell a put
OPTION STRATEGY DEBIT/CREDIT	Credit [premium received]
PROFIT POTENTIAL	Limited to premium received
PROFIT POINT	Any futures price above the [strike price minus premium received]; maximum profit point is any futures price at or above the strike price
LOSS POTENTIAL	Unlimited [except to the extent that the futures price cannot fall below zero]
LOSS POINT	Any futures price below the [strike price minus the premium received]
BREAK-EVEN POINT	Strike price - Premium received
MARGIN REQUIRED	Yes
DELTA	0 to +1.00

Short CBOT 12.00 Silver Put @ \$0.20/ounce Premium



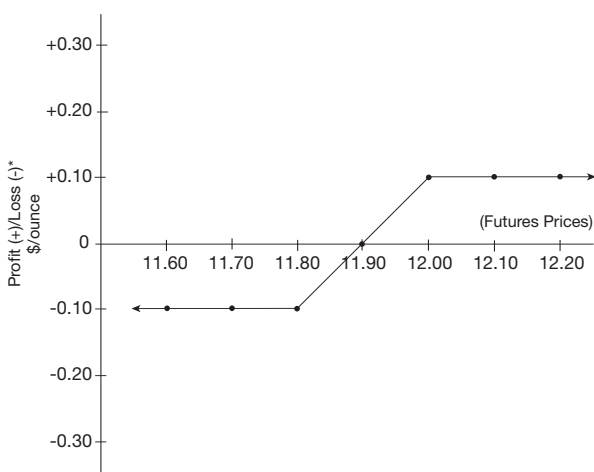
STRATEGY	Bull Call Spread
MARKET OPINION	Bullish
MARKET POSITION	Buy a lower strike price call and sell a higher strike price call on the same commodity with the same expiration date
OPTION STRATEGY DEBIT/CREDIT	Net debit [premium received is less than premium paid]
PROFIT POTENTIAL	Limited to the [difference between the strike prices] minus the net debit
PROFIT POINT	Any futures price above the lower strike price plus net debit; maximum profit point is any futures price at or above the higher strike price
LOSS POTENTIAL	Limited to the net debit
LOSS POINT	Any futures price below the [lower strike plus the net debit]; maximum loss point is any futures price at or below the lower strike price
BREAK-EVEN POINT	Lower strike price + net debit
MARGIN REQUIRED	No
DELTA	[Delta of call bought] - [Delta of call sold]

**Long CBOT 490 Gold Call @ \$10/ounce Premium and
Short CBOT 510 Gold Call @ \$5/ounce Premium**



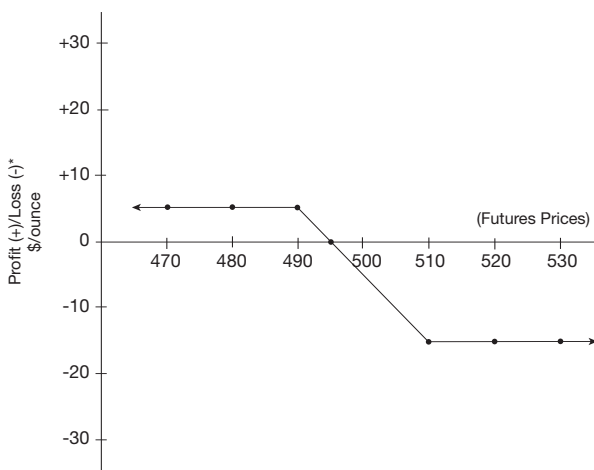
STRATEGY	Bull Put Spread
MARKET OPINION	Bullish
MARKET POSITION	Buy a lower strike price put and sell a higher strike put on the same commodity with the same expiration date
OPTION STRATEGY DEBIT/CREDIT	Net credit [premium received is greater than premium paid]
PROFIT POTENTIAL	Limited to the net credit
PROFIT POINT	Any futures price above the [higher strike price minus the premium received]; Maximum profit point is any futures price at or above the higher strike price
LOSS POTENTIAL	Limited to the [difference between the strike prices] minus net credit
LOSS POINT	Any futures price below the [higher strike price minus net credit]; maximum loss point is any futures price at or below the lower strike price
BREAK-EVEN POINT	Higher strike price - net credit
MARGIN REQUIRED	Yes
DELTA	[Delta of put bought] - [Delta of put sold]

Long CBOT 11.80 Silver Put @ \$0.20/ounce Premium and
Short CBOT 12.00 Silver Put @ \$0.30/ounce Premium



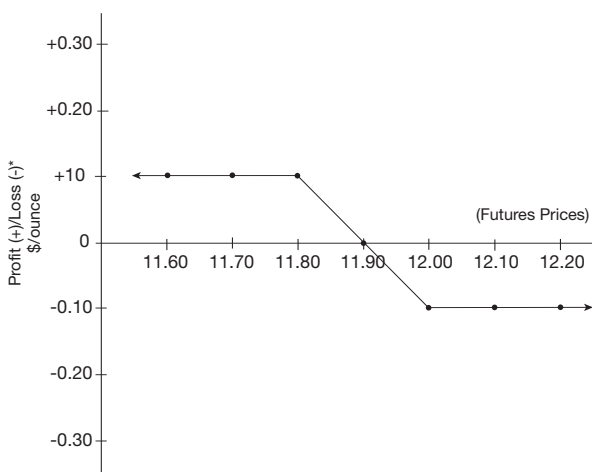
STRATEGY	Bear Call Spread
MARKET OPINION	Bearish
MARKET POSITION	Sell a lower strike price call and buy a higher strike price call on the same commodity with the same expiration date
OPTION STRATEGY DEBIT/CREDIT	Net credit [premium received is greater than premium paid]
PROFIT POTENTIAL	Limited to the net credit
PROFIT POINT	Any futures price below the [lower strike price plus net credit]; maximum profit point is any futures price at or below the lower strike price
LOSS POTENTIAL	Limited to the [difference between the strike prices] minus the net credit
LOSS POINT	Any futures price above the [lower strike price plus net credit]; maximum loss point is any futures price at or above the higher strike price
BREAK-EVEN POINT	Lower strike price + net credit
MARGIN REQUIRED	Yes
DELTA	[Delta of call bought] - [Delta of call sold]

Short CBOT 490 Gold Call @ \$10/ounce Premium and Long CBOT 510 Gold Call @ \$5/ounce Premium



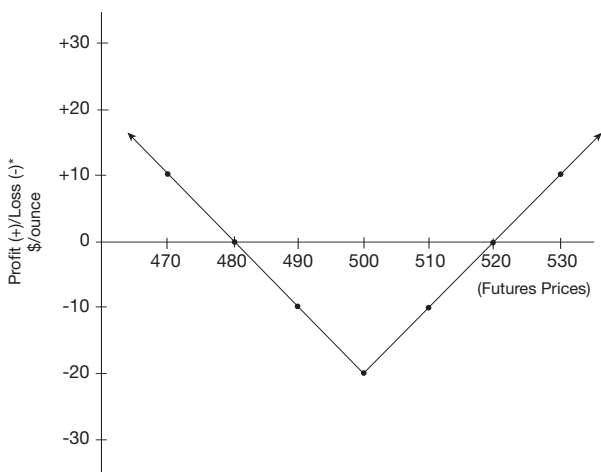
STRATEGY	Bear Put Spread
MARKET OPINION	Bearish
MARKET POSITION	Sell a lower strike price put and buy a higher strike price put on the same commodity with the same expiration date
OPTION STRATEGY DEBIT/CREDIT	Net debit [premium received is less than premium paid]
PROFIT POTENTIAL	Limited to the [difference between the strike prices] minus the net debit
PROFIT POINT	Any futures price above the [higher strike price minus net debit]; Maximum profit point is any futures price at or below the lower strike price
LOSS POTENTIAL	Limited to the net debit
LOSS POINT	Any futures price above the [higher strike price minus net debit]; maximum loss point is any futures price at or above the higher strike price
BREAK-EVEN POINT	Higher strike price - net debit
MARGIN REQUIRED	No
DELTA	[Delta of put bought] - [Delta of put sold]

Short CBOT 11.80 Silver Put @ \$0.20/ounce Premium and
Long CBOT 12.00 Silver Put @ \$0.30/ounce Premium



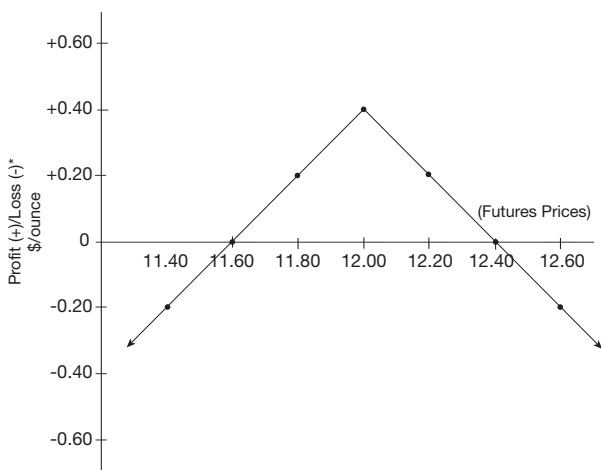
STRATEGY	Long Straddle
MARKET OPINION	Extreme price volatility
MARKET POSITION	Buy a call and buy a put on the same commodity with the same expiration date and strike price
OPTION STRATEGY DEBIT/CREDIT	Net debit [premium is paid on both options]
PROFIT POTENTIAL	Unlimited [except to the extent that the futures price cannot fall below zero]
PROFIT POINT	Any futures price less than the [strike price minus the net debit] or any futures price greater than the [strike price plus the net debit]
LOSS POTENTIAL	Limited to the net debit
LOSS POINT	Any futures price between the [strike price minus the net debit] and the [strike price plus the net debit]; maximum loss point is when the futures price equals the strike price
BREAK-EVEN POINT	Two break-even points [strike price + net debit] or [strike price - net debit]
MARGIN REQUIRED	No
DELTA	[Delta of call bought] + [Delta of put bought]

**Long CBOT 500 Gold Call @ \$10/ounce Premium and
Long CBOT 500 Gold Put @ \$10/ounce Premium**



STRATEGY	Short Straddle
MARKET OPINION	Neutral or stable
MARKET POSITION	Sell a call and sell a put on the same commodity with the same expiration date and strike price
OPTION STRATEGY DEBIT/CREDIT	Net credit [premium received on both options]
PROFIT POTENTIAL	Limited to the net credit
PROFIT POINT	Any futures price between the [strike price minus the net credit] and the [strike price plus the net credit]; maximum profit point is when the futures price equals the strike price
LOSS POTENTIAL	Unlimited [except to the extent that the futures price cannot fall below zero]
LOSS POINT	Any futures price that is less than the [strike price minus the net credit] or greater than the [strike price plus the net credit]
BREAK-EVEN POINT	Two break-even points [strike price + net credit] or [strike price - net credit]
MARGIN REQUIRED	Yes
DELTA	- [Delta of call sold] - [Delta of put sold]

Short CBOT 12.00 Silver Call @ \$0.20/ounce Premium and
Short CBOT 12.00 Silver Put @ \$0.20/ounce Premium



CBOT Precious Metals Complex

PRODUCT	TICKER SYMBOL
100 oz. Gold futures	ZG
100 oz. Gold call options	OZGC
100 oz. Gold put options	OZGP
33.2 oz. CBOT mini-sized Gold futures	YG
5000 oz. Silver futures	ZI
5000 oz. Silver call options	OZIC
5000 oz. Silver put options	OZIP
1000 oz. CBOT mini-sized Silver futures	YI

Summary

In addition to the strategies included in this publication, there are many other strategies using CBOT Precious Metals Futures and Options which can meet your needs and market expectations. Contact your broker to discuss your flexible choices.

For more information on CBOT precious metals markets, visit www.cbot.com/metals or call 312-341-7955.



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