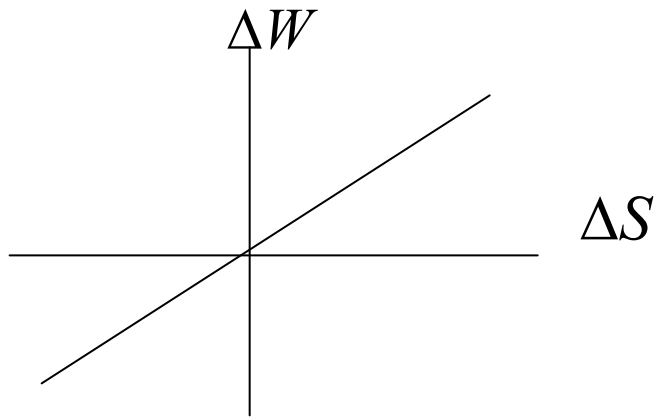
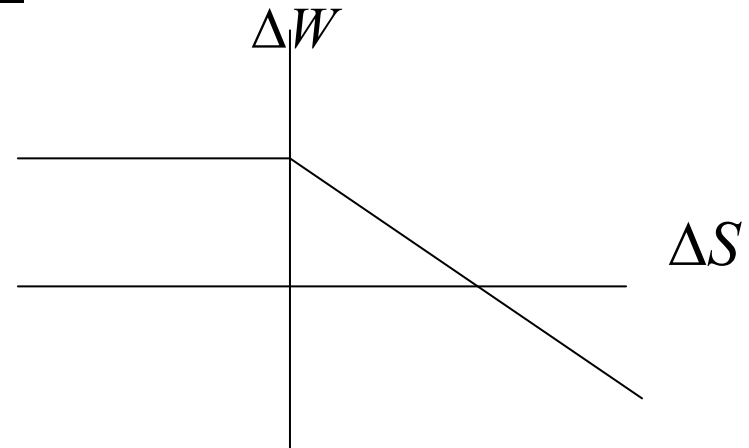


# Options And Risk Management.

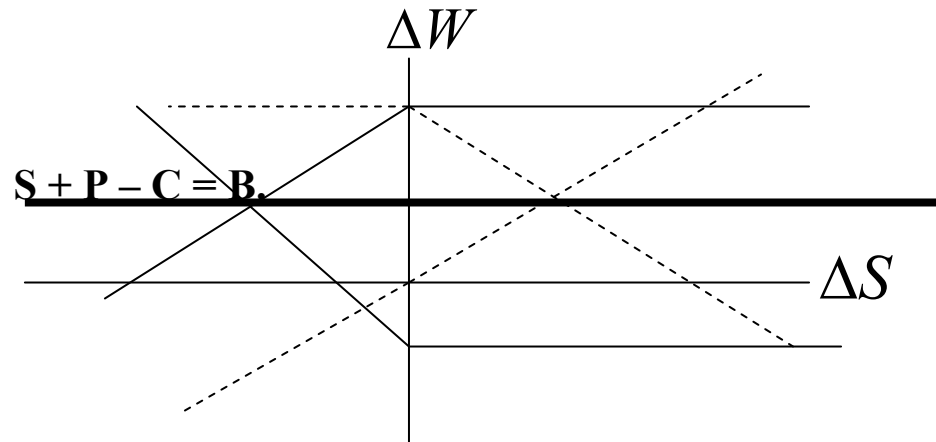
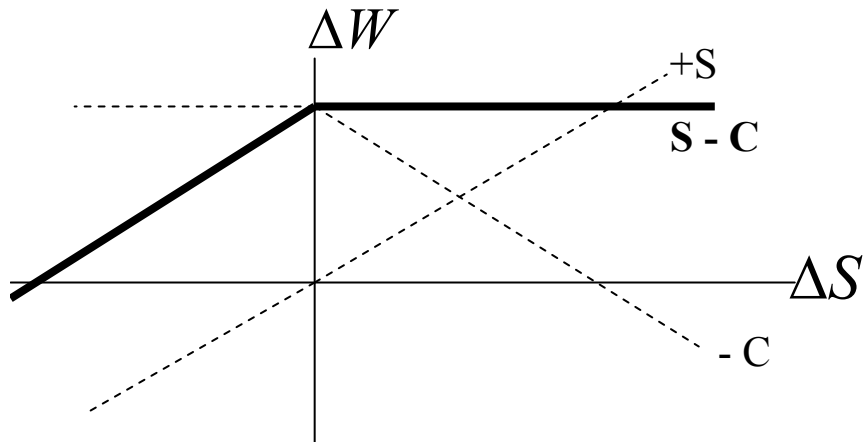


Long in Stock

Plus



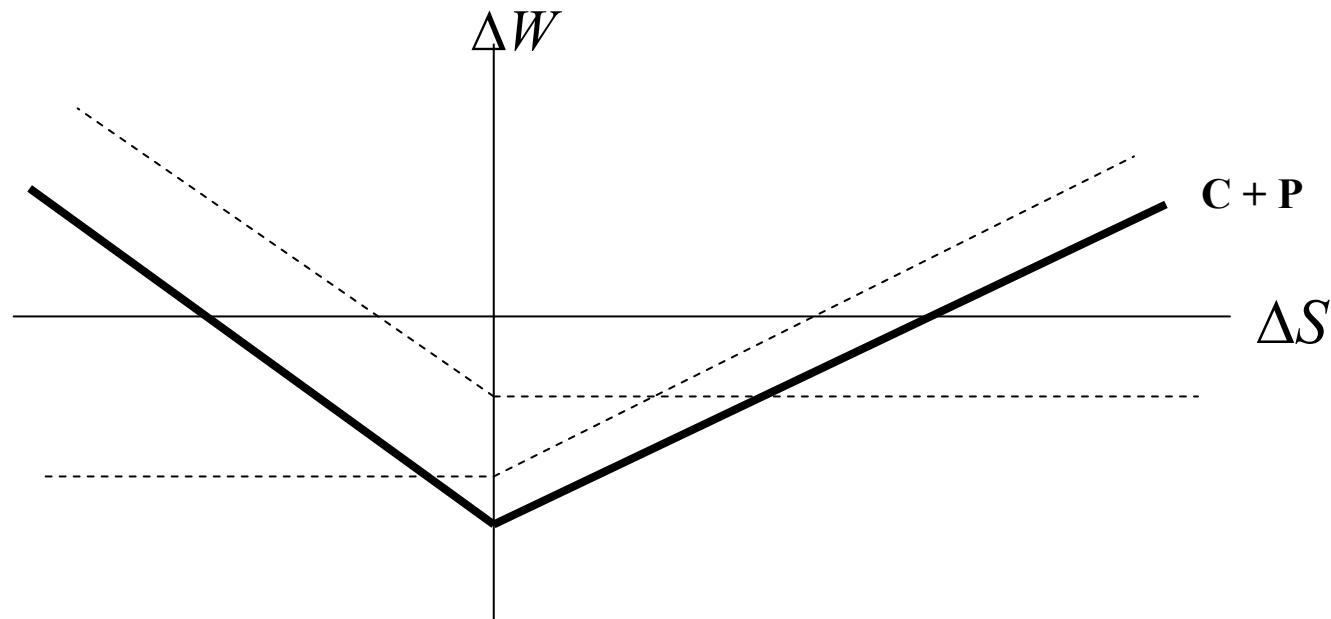
Sell a Call Option.



Plus buy a put:  $S + P - C = B$ .

## Another Example: Straddle.

Buy a Call Plus buy a Put.



A straddle loses money for small changes in the stock price, and gains for large changes.

But, in an efficient market, we pay a fair price for this (as always).