



PRACTICAL MANUAL
DERIVATIVES
MARKET

Although we refer to the title derivatives market, we have changed your name, deRRRRibados, adding a mobster accent known by all to better understand what they are, nothing.

Exactly, nothing but an exceptional value and liquidity as money used to cover or weapons of mass speculation to ensure the direction of a market for the global casino that governs us.

Although his best known function is to ensure the portfolio of stocks and / or bonds, notwithstanding its intended purpose is to condition the market direction more interested since you can buy and sell something that does not even exist.

Also, were created to satisfy and ensure your buying and selling a steady monetary return for the collection of fees and swaps (interest) added. Their bench doubly Always Wins.

This manual only define the most important class of derivatives with a clear example showing you operation. In the 5th WikiBolsa delivery, we will go deep into their publishing mechanism further fourteen strategies for joyful gains.

Futures; contract between two parties that insures the price and delivery of a commodity at maturity.

For instance; if we have a crop of oranges and we want to ensure the sale price to the purchaser, we can establish a set price for a set amount that we deliver to date.

Thus, we protect and cover for possible rain, hail or other inclement also ensuring the expected costs and benefits.

It may be that the delivery price at which we sold oranges on the market exceeds thus losing an added benefit, but could also happen that obtaining lower bounds while not lost if we agreed a price.

Normally security is required to ensure the exchange. It is exactly like a cash purchase price but deferred and delivery.

Well, in the futures market is trading with all kinds of contracts linked to commodities (silver, wheat, corn, oil) and monetary securities (stock and bonds). We may buy or sell any previous contract in the corresponding market price without even having it.

Will buy the product if we expect price rise and thus profit at maturity or, if we sell the product price will fall and get capital gains at maturity.

Since we are not wholesalers or products we sell directly to them in a market of real economy, obviously rid the position before maturity, ie sell if we purchased and / or buy it if we sold.

Always force us to lodge a security for such contracts, while Iran liquidating value based on their daily quoted price, ie

suffer our own capital increases or decreases depending on the position taken.

For example, if you bought a silver future at \$ 25 and the end of the day the price was \$ 26, we will see ourselves increases, but quote you at \$ 24 we would be left at the close of the same coin, therefore, is very important to calculate this type of settlement because if we do not have enough equity in the account can lose everything and we close the open position.

In short, when we open a position in these markets we can interpret it as a directional strategy, ie, buy or sell position us for expectations or influential factors to bear in mind that later in another section we will see what can be.

For such contracts, and any other derivative, there is a possibility of combination called "spread", ie "difference".

This type of difference or "spread" lies in a contract to buy and sell other author so as to cover the position, or vice versa. There are two types for the futures market; intermarket and intramarkets.

Intramarkets: for example, believe that when Coca-cool new product launches we expect an increase in their sales will take advantage Petsi about them. Estimating it, we could buy a coca-mola future and sell Petsi future as we expect this to occur.

Therefore expect that the difference between the two contracts will increase as one increases its value and other decreases or increases the one and the other is maintained or decreases Petsi and coca-mola is maintained.

Regardless, the difference increases and thus risk when both positions will have secured a profit.

However, if this difference is reduced, would limit losses only. We chose this strategy Cash inversely proportional to the same market or sector.

Intermarket; The operation is identical to the above but choose two different markets. For example, an inverse correlation that usually works quite well is the DAX (German rate) with the Ibex 35 Index (Spanish).

Buy a futures contract German index if we expect this to rise and simultaneously sell one Ibex usually behave inversely to the previous directional.

Options: Its dynamics and operation is very similar to the future but with the difference that we have to pay, or enter a premium.

They have the following inherent factors taken into account; underlying asset, strike price (Strike), Expiration Option Premium Option and type. With respect to the underlying asset relates only to the product with which we will operate.

The exercise price price indicates that the option will be exercised at maturity.

The maturity fix the date by which the option is exercised.

The option premium is the cost you pay for it or pay you for the same and we can both buy and sell.

There are two types of options; Call and Put. Finally, each option is like a futures contract where each contains 100 shares if the use case for this type of monetary asset.

However, options are also used for stock indices, bonds, commodities, etc., Regardless of the total number or given package.

Call (Call Option), the purchaser of this type of option pays a premium to acquire the right but not the obligation to buy the underlying at the strike price (Strike) before the day fixed maturity asset.

On the other hand, the seller of call options premium charged and incurs an obligation to sell the underlying asset at the expiration date at the strike price.

With an example will be better understood monetary previous academic definition; Recalling that an option has 100 shares, imagine you buy a call option with the exercise price BeBeuVA € 7, maturing December 21.

The premium for this option is requite € 0.5. Well, if the due date listed BeBeuVA 8 €, we will run by option winning € 1 per share minus 0.5 € I paid for the premium, earning € 0.5 per share x 100 shares sold 7 8 bought € = 50 €.

If instead BeBeuVA quote you € 6 we will run by no option because we will not buy more expensive than losing trades stock so only the price of the premium.

In short, buy call options when we expect the price of any asset rises above the price quoted at the time plus the premium that we paid for the option.

They can also be purchased call options and sell them undoing the position before maturity, thus obtaining a profit without having to exercise the option at maturity.

For example if you bought the previous option 0.5 €, but at 20 days this same trading at € 0.80 is rising because the share price, we can sell it and get € 0.30 per share profit, a total of 30 €.

On the other hand, there is also the possibility of selling call options if you expect the price of the underlying asset will fall to maturity. This will enter the premium leading us full at maturity provided that the quoted price is below the exercise price.

For the above example, imagine that you sell the call option 0.5 € with exercise price at maturity 7 but the stock is trading at € 6, we will stay for the total premium charged.

Put (Put Option), the buyer of a put option pays a premium to acquire the right but not the obligation to sell an asset at the date of expiration of the agreed exercise price.

On the other hand, the seller of the put option premium charged and incurs an obligation to buy the underlying asset at the expiration date at the strike price.

With an example will be better understood monetary previous academic definition; Recalling that an option has 100 shares, now imagine you buy a put option with strike price BeBeuVA € 7, maturing December 21.

The premium for this option is requite € 0.5. Well, if the due date listed BeBeuVA 6 €, we will run by option winning € 1 per share minus 0.5 € I paid for the premium, earning € 0.5 per share x 100 shares bought and sold 6 € 7 € = 50 €. If instead BeBeuVA quote you € 8 we will run by no choice because we are not going to sell more expensive than losing trades stock so only the price of the premium.

In short, buy put options when we expect the price of any asset falling above the price quoted at the time plus the premium that we paid for the option.

They can also buy put options and sell them undoing the position before maturity, thus obtaining a profit without having to exercise the option at maturity.

For example if you bought the previous option 0.5 €, but at 20 days this same trading at € 0.80 for this down the stock price, we can sell it and get € 0.30 per share profit, a total of 30 €.

On the other hand, there is also the possibility of selling put options if you expect the price of the underlying asset will go up to maturity. This will enter the premium leading us full at maturity provided that the quoted price is above the strike price.

For the above example, imagine that you sell the put option 0.5 € with exercise price at maturity 7 but the stock is trading at € 8, we'll stay for the total premium charged.

The latter strategy is very common when buying shares uptrend while obtaining sell put options at expiration double goodwill, or better yet, just sell the options.

If we buy shares and at the same time we bought put options at the same strike price bought the shares would be acquiring a comprehensive insurance drop.

This strategy is very common when a sharp rise in the share is expected but we want to fill the position in case, the large capital gain from the rise of the action cover the premium of the put option purchased plus a residual benefit if the stock rose more the premium paid.

In the fifth installment of WikiBolsa multiple strategies were published with such options.

As we indicated for Futures For such contracts, and any other derivative, there is also a possibility of combination called "spread", ie "difference".

This type of difference or "spread" lies in a contract to buy and sell other author so as to cover the position, or vice versa. There are several types for the options market, but the highlights are; Vertical, Calendar, and Diagonal.

A **Vertical Spread** is a spread that has different strike prices, but the same action and same expiration date.

A **spread Calendar (Horizontal)** is a strategy that uses different due dates, but the same action, and the same strike price.

A **Diagonal Spread** is a spread that has different strike prices, and different expiration dates, but always the same action.

Indeed, the definitions do not help your understanding, but to better understand, let's see some examples below:

Where, **C** (Purchased Option) and **V** (Sold Option). The difference between the two, tells us different expected situations.

CV > 0, Bought, if we bought (paid), we expect to rise more premium C as we expect that the movement will go for the option purchased, that is, if increases in greater proportion premium C, the difference (spread) increases, and therefore, when we sell the spread will get a profit.

For example, if we made a calendar, vertical or diagonal spread purchased, look for the minimum difference, and so when it increases, either because the premium gained C or V because the premium has gone down, sell the spread with gains.

Very important, you must always undo the author position before maturity, so assure you that your strategy is correct.

Obviously, if you expect to be a climb, You will use call options, and if you expect to have a fall, you You will use put options. Always used options of American type, since you can undo the position when you pleases. The European type options, mandatory paid when due. Also, Do business with options that have a lot of liquidity to ensure the output. Unfortunately very few platforms do allow this type of operation on one leg; interactivebrokers, thinkorswim, etc.

Trick; We finance at present to sell in the future, ie, the sold worth used to pay part of the author (coverage always) option, ultimately, the most expensive option is bought and sells the cheapest, so in simple. Such strategies work very well change when a figure is formed; floors, ceilings, false floors, triangles.

Then I illustrate with an example:

Imagine that HiperTrola form a floor in the price of 4 €, what would you do? Indeed purchased a calendar call spread, strike 4, since we expect the price to rise. Specifically, would buy a call option, strike 4 to a distant maturity, and you would sell a call option, strike 4 nearest maturity

CV < 0, Sold, if we sold (we entered), hopefully down more premium V as we expect that the movement will go in favor of the sold option, ie, if decreases in greater proportion premium V, the difference (spread) will decrease, and therefore, when we sell the spread will get a profit because the price at which we repurchase income will be less than we got to do this.

For example, if we made a calendar, vertical or diagonal spread sold, we will seek the maximum difference, and so when it decreases, either because the premium C has down, or because the V premium has risen, with the spread repurchase gains.

Very important, you must always undo the position sold before maturity, so assure you that your strategy is correct.

Obviously, if you expect to be a climb, You will use call options, and if you expect to have a fall, you You will use put options. Always use American type options, since you can undo the position when you pleases. The European type options, mandatory paid when due. Also, Do business with options that have a lot of liquidity to ensure the output. Unfortunately very few platforms do allow this type of operation on one leg; interactivebrokers, thinkorswim, etc.

Trick; We finance in the future to buy in the present, ie the option sold wrath used to pay part of the author (coverage always) ultimately sold the most expensive option and purchase the cheapest and simple . Such strategies work very well in price out of the money, ie faraway levels of rates unlikely to achieve

Then I illustrate with an example:

HiperTrola Imagine that, after forming the floor in 4 €, confirms its bullish primary trend, what would you do? Indeed sold a calendar call spread, strike 4, since we expect the price will not go back to visit this area. Specifically, would sell a put option, strike 4 due to a close, and you would sell cheaper a put option, strike 4 the farthest maturity. For this operation, you will income. In this type of operation there are two interesting possibilities monetarily; not repurchase the spread since it is unlikely that the price back to that area, or do, I do not buy it back, because if we run the selling option would be getting HiperTrolas 4 €.

SuperTrick; All the above definitions are quite complex, and sometimes confuse more than help, so not a foolproof technique for roll us; Draw the cross coordinate and abscissa (x, y), situate the positive and negative numbers, and, regardless if the difference (spread) is positive (purchased), or negative (sellers) always do as follows: If you buy any spread, you always have to sell over the outcome regardless of the sign, and, if you sell a spread, you must always buy back below the result regardless of the sign, that simple.

This trick, you eliminate the risk of the sort confuse the legs, you is simple: BUY UP AND SELL DOWN, Or, SELL UP AND DOWN REPURCHASING.

Warrants; function as options but the issuer is a private entity, usually a bank or market maker. We will not go into more detail because I think the name defines this product alone. Who wants warrants having options, multiple causes and can be started only by buying and selling them no.

CFD (Contract for Difference), the mechanism is similar to the futures market but with some added features like;

Wide variety of products can be traded either upward or downward, even for products that do not even have futures or credit sale, do not expire and remain until the customer the liquid, use a enormous leverage because the client spends only a small part in pledge, the commission may be included in the fork (difference between purchase and sale) or charge you a small fee for negotiating them, if we keep open a buy position paid interest for as long as we maintain the operation and this interest charge if the position is sales.

CDS (Credit Default Swaps); to showing you the function of these bugs with a post we published a while ago, and, at the same time explains how it works and is regulated any derivatives market in monetary cases clearly more interested.

The credit default swaps (**CDS**) are financial hedging transactions in which the buyer makes a series of periodic payments to the **seller and in return it receives an amount of money if the title is unpaid when due**, summarizing, as an insurance policy covering risks of accidents.

Any insurance company or derivatives market (not all) must strictly comply with the **standards of solvency and reserves thus ensuring the compensation of the insured** in case of accident, however, to strengthen even more this requirement and **cover special risks** such as earthquakes, hurricanes, etc., there is also a **consortium of compensation insurance** ensures these natural disasters or inefficient private management of default risk.

Well, the **CDS are regulated neither acts nor any consortium of compensation** in case of earthquake or hurricane and financial such as happened recently with the European sovereign debt where Always had the bright idea of issuing and magnanimous such financial derivatives on the bonds of a country.

Some time ago, not very far, **the largest insurance company in the world, aige issued these financial derivatives hedging** the risk of default due to bankruptcy of some of the most important companies in the world, such as **Goldman Sacha**, and **since trust that bankruptcy was unlikely** and violated the standards of solvency and reserves that could guarantee a default of either Party, as the improbable happened, but open chance of speculation without control or regulation.

These companies sold overdrawn their own actions, they set short in financial derivatives (futures, options), and to hedge their positions bought these CDS to ensure its share price at the top if the bankruptcy occurred that they were provoking.

Aware that this tactic could even bankrupting aige **CDS also bought this company**, come and see, all speculation of bankruptcy risk.

Upon maturity of these CDS insurance company **could not bear the risks assumed and filed for bankruptcy** to be rescued by the U.S. government. Curious who ensures that the bankruptcy, break.

By the way, Merry CDS Linch, Lemann Brothers, etc ... I sound subprime something?, Risk on risk, and also issued ruined because I play

Imagine that you buy a luxury car all risk and securing it with a steamroller destrozáis consciously being demonstrated your metal, then serious carnage when insurance would not bear the cost of the vehicle as it has not been an accident. Just luck and have suffered such outrage should induce these individuals ruin their advantage

Speculating is simply exploit an investment opportunity that others have created their mismanagement and many discover its method of technical or fundamental analysis **but speculation should not create any risk of bankruptcy fraud and intentional way.**

It would suffice to establish risk control mechanisms and compensation thereof regulating the CDS market as dictated by the requirements placed on insurers or some derivative markets. It's that simple

The cake is now bigger and go for the euro zone trying to provoke a financial tsunami that it really is not, in most cases clear.

In short, they were created to serve the sinister claims of their masters, the financial apocalypse, which is nothing more than the apparent destruction of capitalism in order to reestablish themselves the new world order, but not before rich doubly clear, being further away with such an outrage and even today occupy important positions in government and Central Banks.

By vested interests, have decided that it is appropriate to measure the risk of bankruptcy of a country by the difference (spread) between the debt thereof.

For example, if the German bond income Spanish 2.7% and 6.16% said that the risk premium was 346 basis points, ie, the difference between the two multiplied by 100. **This indicator is simply a insignificant regarding the service of the financial terrorists hungry bankruptcy speculation Full comprehensive control.**

Media uninformed lackey financial press, media overvaluation, influenced, recommendations borrow this indicator to advertise and misinform the risk of bankruptcy

of a country without knowing the true intentions hidden and dark this is.

Objective data, **the volume of these CDS issued assumes an average of only 2.5% of all debt issued by a country** taking into account even the most risk as Portugal and Greece, in the case of **Spain is the only 1.7%** of total debt issued, well below the average of total debt issued. **therefore an indicator in itself is a even given its negligible volume can not serve as a thermometer of bankruptcy risk.**

However, although in itself does not pose a risk, **should be regulated like any financial derivatives market, where a clearing is responsible for ensuring their settlements and daily adjustments to maturity.**

ETFs (Exchange-Trade Funds) Funds listed in stock exchange like a stock. Its main task is to reproduce the behavior of any stock or bond index, sector, etc.. Some of its features are; only pay an annual fee and infrequently traded, canon diversify risk as the funds listed multiple product portfolio, extensive mandatory liquidity and ability to buy or sell. Summarizing, are low cost investment funds that can be traded replicated upward or downward while participating in them with a smaller amount of money. For more info, visit the blog of Gfiero.

And here, all created to date deRRRRibados

Currently, we govern these weapons of mass destruction, led by monetary interests BankCletopcracy where the exchange of fraudulent loans between banks to generate

commissions from these types of products, derivatives, has become the engine of GDP growth in Europe and the Sunken since, the parasitic area of finance, which contributes nothing to society, nor has any vital for the same value, accounts for 70% of the current virtual money market diseconomies.

Essentially, they are trading fraudulent loans that do not have any hope of return. They are processing, generating, and reguaranteeing anything. Only recorded on their balance sheets these products have no real value, and used solely for commissions, bonuses, capital gains and exchange them.

The uncontrolled growth of these products, currently amounts to over \$ 700 Billion, and none of these fraudulent loans outstanding, also known as derivatives, may be returned in full, result?, Final Bankruptcy

Indeed, the biggest of all bubbles, is yet to collapse. The sovereign debt default you have seen so far, has been only the beginning