Assignment for Week 11

Advanced Options Strategies

Choose the correct answer by highlighting it

1. What is the primary objective of a Long Straddle strategy?
 - A. To profit from price stability in the underlying asset
 - B. To profit from high volatility in the underlying asset
 - C. To take advantage of low volatility in the underlying asset
 - D. To minimize premium costs

2. Which of the following strategies involves buying both a call and a put option at different strike prices?
 - A. Long Straddle
 - B. Short Straddle
 - C. Long Strangle
 - D. Short Iron Condor

3. In a Bull Call Spread, the maximum profit is achieved when:
 - A. The stock price is at the lower strike price
 - B. The stock price is at the higher strike price
 - C. The stock price remains stable
 - D. The stock price falls below the lower strike price

4. Which of the following strategies has limited profit and limited risk?
 - A. Long Butterfly
 - B. Long Straddle
 - C. Short Strangle
 - D. Bear Call Spread

5. A Short Iron Condor strategy would be suitable if the trader expects:
 - A. High volatility in the market
 - B. Low volatility in the market
 - C. A strong upward trend in the underlying asset
 - D. A strong downward trend in the underlying asset

6. In a Long Strangle, which options are typically bought?

- A. Two calls at the same strike price
- B. A call and a put at the same strike price
- C. A call and a put at different strike prices
- D. Two puts at different strike prices

7. In which of the following strategies does the maximum earning equal the net premium received?
   - A. Long Straddle
   - B. Short Straddle
   - C. Bull Call Spread
   - D. Bear Put Spread

In which of the following strategies does the maximum risk equal the net premium paid?
- A. Long Straddle
- B. Short Straddle
- C. Bull Call Spread
- D. Bear Put Spread

8. A Bear Put Spread is generally used when the trader expects the underlying asset to:
   - A. Increase significantly in price
   - B. Stay within a narrow price range
   - C. Decrease moderately in price
   - D. Remain stable with high volatility

9. In a Short Strangle, what is the primary risk for the trader?
   - A. Premiums received from selling the options
   - B. Limited potential for profit
   - C. Unlimited potential losses if the underlying asset moves significantly
   - D. None, as it is a low-risk strategy

10. The maximum profit in a Long Butterfly strategy is achieved when:
    - A. The stock price is at the highest strike price
    - B. The stock price is at the lowest strike price
    - C. The stock price is at the middle strike price
    - D. The stock price is outside the range of all strike prices

11. A Bull Put Spread is constructed by:
    - A. Buying a lower strike put and selling a higher strike put
    - B. Buying a higher strike call and selling a lower strike call
    - C. Selling a higher strike call and buying a lower strike call
    - D. Selling a lower strike put and buying a higher strike put

12. Which of the following is true for a Short Iron Condor?
- A. It has unlimited profit potential
- B. It has a high-profit potential in volatile markets
- C. It profits if the underlying remains in a specific range
- D. It requires a strong trend in the underlying asset

13. A Long Straddle will be profitable if:
- A. The underlying asset stays within a narrow range
- B. There is a significant move in the underlying asset's price
- C. The underlying asset falls slightly in price
- D. The underlying asset has no price movement

14. Which of the following strategies involves selling both a call and a put at the same strike price?
- A. Short Strangle
- B. Short Straddle
- C. Long Butterfly
- D. Bull Call Spread

15. A Bear Call Spread is best suited for which market condition?
- A. Bullish market with high volatility
- B. Stable market with low volatility
- C. Bearish market with moderate downward movement
- D. High volatility with large price swings

16. Which of the following strategies is designed to benefit from low volatility?
- A. Long Strangle
- B. Long Straddle
- C. Short Straddle
- D. Bull Call Spread

17. In a Long Iron Condor strategy, a trader typically profits when:
- A. The underlying price stays within a specific range
- B. The underlying price breaks out of the range
- C. There is a strong upward trend in the underlying asset
- D. The underlying asset has high volatility

18. Which of the following best describes a Short Straddle strategy?
- A. Buying a call and a put at the same strike price and expiry
- B. Selling a call and a put at different strike prices and expiry dates

- C. Selling a call and a put at the same strike price and expiry date
- D. Buying a call and a put at different strike prices and expiry dates

19. A Bull Call Spread is generally profitable if the underlying asset:
- A. Moves significantly downward
- B. Remains stable
- C. Experiences a moderate upward movement
- D. Moves significantly upward beyond both strike prices

20. In a Short Butterfly Spread, the profit potential is:
- A. Limited and maximized when the underlying price is at the middle strike
- B. Unlimited if the underlying price rises above the upper strike
- C. Maximized if the underlying price is below the lower strike
- D. Maximized if the underlying price moves significantly in either direction

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