



GIBRALTAR ASSET MANAGEMENT
STOCKBROKERS & INVESTMENT MANAGERS

FTSE 100 Short Strangle Strategy

The objective is to sell front month out-of-the-money calls and puts on the FTSE 100, taking maximum advantage of “time decay” which falls the most during the last 30 days of trading. Strike prices are calculated using a combination of technical analysis and mathematical reference to the VIX, which indicates where the market thinks the S&P could finish based upon current volatility. Any option that is within 25 points of the strike will be rolled higher or lower for the same month. Risk rating = High. Timescale = 1 month.

FTSE 100 5947

VIX 15.83

FTSE 100 Call

Recommended Option Series June 6300 calls

Price 5 points

Rationale:

This is 353 points (5.9%) above the current level and has the following resistance levels to break:

5978 20 day moving average

6085 two year high

6102 upper bollinger band

FTSE 100 Put

Recommended Option Series June 5400 puts

Price 10 points

Rationale:

This is 547 points (9.2%) below the current level and has the following support levels to break:

5927 50 day moving average

5851 lower bollinger band

5782 200 day moving average

5718 recent low

FTSE 100 Short Strangle Strategy (cont)

Technicals:





Primary Trend:

The FTSE 100 is in bullish mode but with the ADX at 16 the index looks as if it will trade sideways in the short-term.

Support Levels:

The index has strong support at the 200 day moving average level lying at 5782, 165 points below the current level.

Chart Legend:

	20 day moving average	(signifies the short-term direction of the security, prices tend to gyrate around their 20 day m/a)
	50 day moving average	(signifies the medium-term direction of the security)
	200 day moving average	(signifies the long-term direction of the security - whether it is in a bull or bear market)
	bollinger bands	(an indicator that measures 2 standard deviations away from the 20 day m/a)

Technical Analysis Guide:

RSI (relative strength index) - indicates whether a security is overbought (above 70) or oversold (below 30). Also when the RSI moves above 50 that is considered bullish (or vice versa).

ADX (average directional index) - indicates whether a security is in a trend (above 20) or not in a trend (below 20). For trending markets moving averages work best when considering lines of support/resistance. For non-trending markets bollinger bands work best (sell at upper band, buy at lower band).

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14 RSI (simple - Daily)



14 ADX (Daily)

