EGAR Dispersion ASP®

EGAR ONE Service

www.egartech.com

EGAR DISPERSION ASP provides powerful, proprietary analytics such as volatility-correlation and relative-value measures to help traders identify the best options values in the markets at any given time.

FOR EQUITY OPTIONS STRATEGIES

EGAR DISPERSION ASP utilizes IVolatility.com's proprietary database, the market's most advanced and respected source of equity-options-related data. For the first time, key statistics and ratios can be instantly generated to provide users with a one-of-a-kind view of the volatility landscape. One example is the equivalent-index implied volatility, the prime measure used for determining the relative value of a stock's implied volatility (IV). The IV/HV measure allows a trader to determine the value of the current implied volatility when viewed against the historical volatility (HV) of the same stock. The Vol ratio expresses the value of the implied when related to the equivalent index mean.

These and other measures can be used to generate profits in a variety of trading scenarios, including relative-value trading and correlation-based trading. In addition, the range of indices covered in **EGAR DISPERSION ASP** makes intensive sector analysis possible, allowing traders to determine the most and least expensive options values within a sector in a highly efficient manner. To assist traders in managing their portfolios, synthetic mini-baskets of underpriced volatility can be grouped to offset corresponding overpriced mini-baskets. Predetermined hedges are available for more speculative volatility-cluster purchases and sales. Many traders also use EGAR DISPERSION ASP to enhance their personal research, and for control implementation.

FOR DISPERSION STRATEGIES

The volatility-dispersion strategy is one of the most elegant in derivatives trading. When executed and managed properly, this highly sophisticated approach can produce truly superior risk/reward profiles. Volatility dispersion trading is essentially a hedged strategy designed to take advantage of relative value differences in implied volatilities between an index and a basket of component stocks. It typically involves short option positions on an index, against which long option positions are taken on a set of components of the index. It is common to see a short straddle or near-ATM strangle on the index and long similar straddles or strangles on 30% to 40% of the stocks that make up the index. If maximum dispersion is realized, the strategy will make money on the long stock options and will lose very little on the short index options, since the latter would have moved very little. The strategy is typically a very low-premium strategy, with very low initial Delta and typically a small net long Vega.

EGAR DISPERSION ASP provides powerful, proprietary analytical measures that help dispersion traders analyze the two main factors that determine the success of the strategy: (1) the best time to engage a dispersion strategy, and (2) which component options to select to offset the index options. At the simplest level they should account for a large part of the index to keep the net risk low, but at the same time it is critical to buy "cheap" volatility as well as candidates that are likely to "disperse."

Before the launch of **EGAR DISPERSION ASP**, identifying dispersion opportunities was exceedingly difficult because of the complex calculations involved. **EGAR DISPERSION ASP** gives users a huge trading advantage by showing which components of an index have relative value or are over-/underpriced in comparison with the index and thus are prime targets for a dispersion strategy. And, just as important, it allows you to monitor indices so that you can see when they aren't good trading candidates.

EGAR technology

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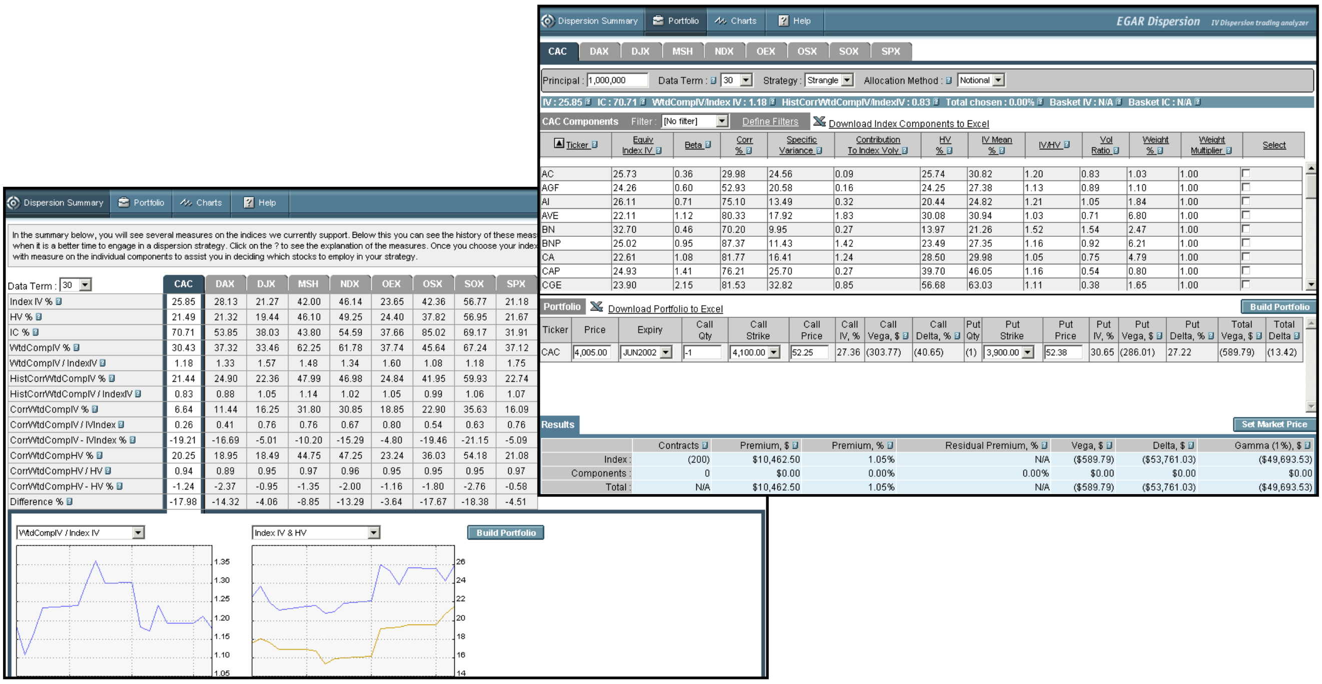
The completely web-based **EGAR DISPERSION ASP** complements EGAR Dispersion, a stand-alone client/server system that incorporates portfolio analysis and risk-reporting functionality. EGAR can also customize EGAR Dispersion as well as integrate it into any trading and risk management system.



Key Features

Web Based

Completely available via the web, so users don't have to worry about installation, data feeds, fire-wall issues and so on.

IVolatility.com database

The numbers are calculated using IVolatility.com's proprietary database, which has become an indus-try standard for equity options derived data.

Statistical parameters and charting

Features statistical parameters that help users analyze dispersion strategy, and a customized charting mechanism that provides graphical representation of all variables with different set-tings.

Range of indices

USA: BBH, DJX, MSH, NDX, OEX, OIH, OSX, PPH, RTH, SMH, SOX, SPX, SWH, UTH, XLE, ELF, XNG;
Canada: TX60;
Europe: DAX, CAC

Flexible functionality

- Introduction of correlations of implied volatilities in the calculations
- "Filters" to create user-defined criteria when creating a portfolio
- Statistical measures on the indices such as correlation-weighted, implied and historical volatilities and their comparison with current volatility
- Portfolio statistics like implied volatility and implied correlation of the chosen basket
- Ability to save portfolio to Excel

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