

Option Exchange Market Data

Product Guide

Persistent options valuations.

Option Exchange Market Data (“OEmd”) is a real-time U.S. options market valuation model for the Apple iPhone or the iPod Touch. With the subscriber’s agreement subscription offered during installation, you will receive professional quality intra-day data delivered via a Web service from Quote Media Inc. with data referenced to the Options Price Reporting Authority.

It will display both the call and put for a single strike and expiration date.

Ticker Symbol Lookup

Enter the ticker symbol of the underlying to be monitored. It will automatically be added to your list of bookmarked underlyings for future reference, without requiring a manual ticker-entry again.

Expiration Dates

OEmd wakes-up to the next expiration date, unless there are fewer than 5 days to expiration, in which case it will wake to the second expiry date. Click on the input field, to select from the complete list of available exchange-traded expiries.

Settings

OEmd provides the ability to enable automatic updating of market-data, or, turn-off automatic updating, for manual updating only. The refresh button on the bottom right-hand side of the screen provides the user a manual request to update market-data and associated calculations. The clock is a time-stamp to remind you of the time of the market data on the screen. Within the Settings tabbed page are choices for the frequency of automatic updates (e.g., every 3-, 5-, 15-, 30-, or 45-seconds).

The progress bar on the bottom of the screen provides a timer for the next scheduled update of the market-data, this is a useful reminder of the frequency of market updates selected.

Bookmarks

The Bookmarks tabbed-page stores all the underlying tickers selected to be monitored. There is no need to manually enter a ticker already stored inside the Bookmarks tab. The Bookmarks page can be navigated by a flick of a finger, or, selecting the desired letter that is displayed in an indexed array within the bookmarks tabbed page. Bookmarked underlyings can be deleted by selecting the red button, which will expose a delete button that needs to be clicked to delete a bookmarked underlying.

iVerit

The tabbed page labeled iVerit displays helpful links to the www.iverit.net Web site.



Rate

The interest-rate displayed is the intraday U.S. LIBOR rate interpolated to the expiration date. This is used for discounting purposes only; not for the calculation of any “drift” for the implied forward price.

Strikes

OEmd wakes to the at-the-money strike, click into the Strike input field to select from all the available exchange-traded strikes.

Forward pricing market-expectations

No need for dividend or stock-loan/stock-borrow spreads; we use the option-implied forwards for volatility and risk calculations. Almost all other systems require a dividend forecast and stock-loan spreads. The reason being is that the true measure of an option’s “moneyness” is a function of its forward price. The underlying’s forward price is a reflection of the current spot price, interest rates, dividends, and stock loan/borrow spreads, as they all are inputs into the theoretical cost-of-carry of the underlying.

Under market conditions whereby an underlying becomes “hard to borrow”, investors are able to lend out their stock and earn a lending fee by paying a below-market rate on the cash collateral they hold while the stock is out on loan. This fee acts as an additional “dividend” to the owner of the stock, which contributes to the lowering of the implied forward-price. Unfortunately, lending/borrow spreads are not so readily observable in the market. This is why we compute the options’ implied forward-price, as they reflect all available market information

We reflect “the market’s” view of these factors by applying the at-the-money strike’s implied-forward for the underlying. This approach will enable in future upgrades to compute implied lending/borrowing spreads, given a dividend assumption. The at-the-money strike’s mid-market call and put prices are forward-valued using LIBOR to the option’s expiration date on a discrete compounding basis, and added to the strike to compute the implied forward. Option Grid also provides each strike’s respective implied forward price to enable the identification of (possibly) mispriced options.

