



CASE STUDY

Option Package Analysis Proto Financial®

CLIENT TYPE

Hedge Fund

PRIMARY USER

Trader / Portfolio Manager

LOCATION

Stamford, CT

KEY BENEFITS

- Informed better trading decisions
- Speed and agility of delivery
- Flexibility to address new situations

DATA SOURCES INTEGRATED

- Typed in equity option details

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Quickly Model Simple Equity Option Packages and Visually Explore the Payout Sensitivities

The Need

A trader and portfolio manager at a large hedge fund had started to spot short term opportunities in Asian equity option markets. The trader wanted a tool that he could use to model and present trade ideas to his portfolio manager in under an hour. Getting a “feel” for the risks in the opportunity in an intuitive fashion was critical to building confidence in such a short window. After evaluating various pre-trade analysis packages for equity options, the trader determined that the software available was heavy with functionality and complexity they didn’t need, while lacking key functionality they wanted. He wanted an application with Excel-like speed and analytical flexibility, but more sophisticated functionality to visually present and explore trade opportunities.

Proto’s Solution & Benefits

Proto Financial makes it possible to build dashboards to visually analyze models in record time. Additionally, Proto makes it possible to reuse and edit template dashboards so that users can modify existing tools to address new situations in as little as 15 minutes. The analyst was able to work with Proto to build template dashboards to analyze packages of equity options and visually illustrate the payout risks. Specific benefits include:

- Directly improved trade analysis capabilities: The ability to visually understand the relative value of two option strategies as they approached expiration helped the trader spot a less expensive execution strategy, resulting in more profitable trades.
- Speed and agility to prove out trade ideas: Proto Financial made it possible to edit and augment trade analysis dashboards quickly enough to model, analyze and pitch option strategies to take advantage of transient opportunities.
- Better intuition for all outcomes: Proto dashboards allowed the trader and portfolio manager to manipulate model sensitivities with sliders on the dashboard. Instant graphical, comparative feedback painted a complete picture of their risks and rewards, allowing the team to pull the trigger quickly and confidently.
- Empowered the trader to solve new problems: Unlike a custom programmed system or a fixed option-pricing application, Proto put the power in the hands of the trader to evolve their solution and address new as they arose.