



Warrants Presentation

Richard Hirsch : Corporate Investment Banking



Agenda



- **Introduction**
- **Warrant Overview**
 - Terms
 - Calls
 - Puts
- **Comparing costs**
- **The Greeks**
- **Hedging**
 - Delta
 - Gamma
- **Using the website**
- **Trading Tips**

Introduction



- **Today we will cover 1 types of Listed Derivative**
 - Warrants

- **What is a listed derivative?**
 - A financial instrument, traded on an exchange, the price of which is directly dependent upon (i.e., "derived from") the value of one or more underlying securities.

- **Standard Bank is a leader in Listed Retail Derivatives on the JSE**
 - By retail we mean: Derivatives for the private investor

A little confused ?



NAVIGATION

Standard Bank

WARRANTS TUTORIAL

American Call

"Markets can remain illogical longer than you can remain solvent"

Back ZICHRON THE WARRANTS EXPERT MODLIN Next

www.warrants.co.za

An Introduction to Warrants



- Warrants are options
- They trade on the JSE in the same manner as shares
- **They enable investors to maximise returns whilst strictly limiting losses**
- They give investors the opportunity to make money in rising or falling markets
- Have a limited life span
- Their price moves up and down relative to price movements in the underlying share

...



The buyer of a warrant pays for:	
the right, but not the obligation,	Called the warrant premium.
to buy a (call) or sell (put),	Known as the warrant type.
a pre-determined asset,	Known as the underlying.
at a pre-determined price,	Called the Strike.
by a pre-determined date.	Called the Expiry.

Warrant Overview



- A stock may have more than one warrant listed over it
- Issued by a Bank not the underlying company
- Traded in Main European Financial markets for more than a decade
 - Top 3-markets - Germany, Switzerland, Italy
- South Africa since 1997
- Currently 5 issuers: ABSA, Deutsche Bank, Nedbank, Investec Bank and Standard Bank

Advantages of Warrants



- Low cost entry into blue chip stocks
- Potential to leverage your investment
- Downside limited to the initial premium paid
- Transparency of a listed instrument
- Liquid market with tight spreads
- Effectively allows a “small” investor to short the market
- Traded on a regulated exchange

Summary of Warrant Terms



Strike price	- the price at which the warrant holder can buy (sell) the underlying asset from (to) the issuer
Cover ratio	- equals the number of warrants exercisable into one share
Warrant type	- " <i>American</i> ": may be exercised at any time on or before the expiry date - " <i>European</i> ": may only be exercised on the expiry date
Premium	- the price paid to acquire the right to buy (sell) the underlying asset from (to) the issuer for the warrant
Expiry date	- the date the warrant expires
Short code	- the information published in the press in order to identify a warrant (e.g. ANGIBI)

Calls : Bull market strategy



Call Warrants

- ☐ Right to buy a share
- ☐ Right to buy at fixed price
- ☐ Expires on fixed date
- ☐ Increase in value if share goes up

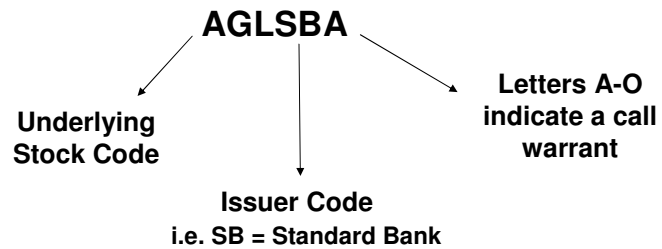


Price of warrant compared to the underlying



Share Price	Value
120.00	23c
125.00	28c
130.00	34c
135.00	40c

Typical call warrant

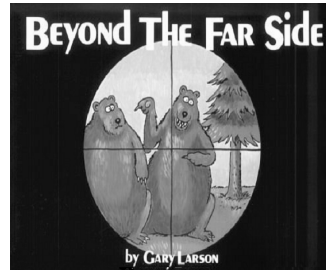


Puts : Bear market strategy



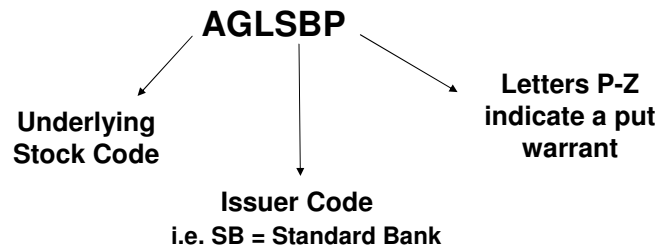
Put Warrants

- Right to sell share
- Right to sell at a fixed Price
- Fixed Expiry Date
- Go up if share goes down



"Beat the Bear!"

Typical Put warrant



Comparing Costs



Share Purchase

Projected Costs: Share purchase	
Projected share price:	R 100,000.00
Brokerage @ 0.7%:	R 700.00
UST @ 0.25%:	R 250.00
STRATE:	R 10.93
Investor protection levy:	R 0.20
VAT @ 14%:	R 99.53
Total cash required:	R 101,060.66
Total brokerage and costs:	R 1,060.66
Percentage brokerage:	1.06%

Warrant Purchase

Projected Costs: Warrant purchase	
Projected share price:	R 20,000.00
Brokerage @ flat R50:	R 50.00
UST @ 0.25%:	R 50.00
STRATE:	R 10.93
Investor protection levy:	R 0.04
VAT @ 14%:	R 8.53
Total cash required:	R 20,119.50
Total brokerage and costs:	R 119.50
Percentage brokerage:	0.60%

Brokerage = 1.06%

Brokerage = 0.6%

Comparison Summary



Summary of profit and loss for a R10 increase in XYZ share price	Investing in 1000 XYZ shares at R100 each	Investing in 20,000 XYZ warrants at R1 each
Purchase price	-100,000.00	-20,000.00
Trading Costs	-1,060.66	-119.50
Sale price	110,000.00	30,000.00
Brokerage & Costs	-890.46	-69.50
Profit	8,048.88	9,811.00
Return	8.05%	49.05%

Influences on a warrants price

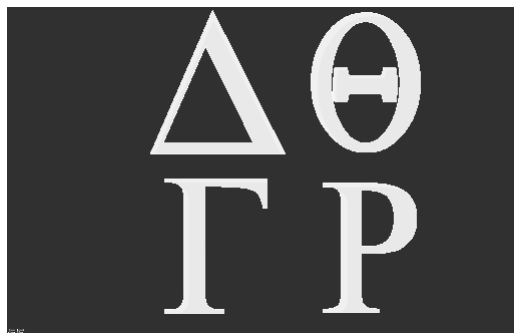


The price of a warrant is determined by the interaction of six variables. These are :

- ✓ Share price
- ✓ Time to expiry
- ✓ Strike Price
- ✓ Dividends expected
- ✓ Interest rate expectations
- ✓ Volatility of the share during the life of the warrant

All of these determinants is quantifiable and when inputted into a warrants calculator (Black Scholes Model) will provide you with a valuation for your warrant.

The Greeks



Delta, Theta, Gamma, Vega and Rho

Theta (Time Decay)



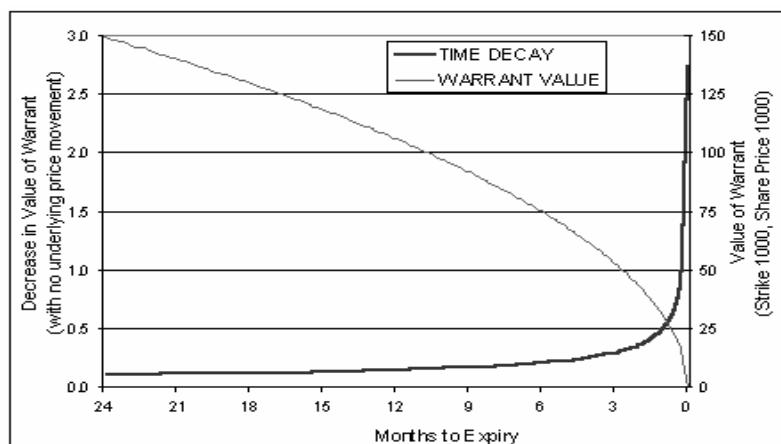
The reduction in price due to the passage of time

Expected change in the price of the warrant in cents per day

Points to Remember

- Theta can be very high for OTM warrants
- Typically highest as a percentage for ATM warrants
- Increase sharply in last three months of the warrants life
- Exercise caution when trading very short dated warrants

Theta (Time Decay)



Rule of thumb: In the first 2/3 of its life a warrant loses 1/3 of its value to time decay. In the last 1/3 it loses the remaining 2/3 rd's.

Volatility (Vega)



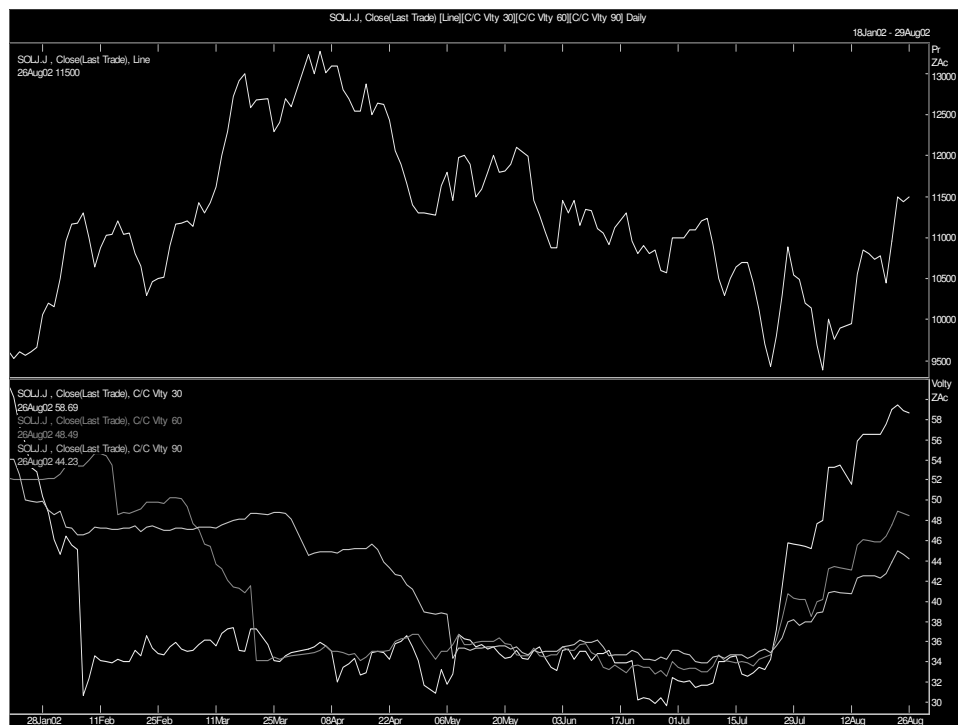
Why is it important:

Warrant traders are not just interested in the direction of a market's move but also the speed with which they move.

What is it?

1. In a sense volatility is a measure of the speed of a market.
2. Slow moving markets have low volatility's whilst fast moving markets have high volatility's.
3. In a low volatility market price movement is limited and these warrants will be relatively cheap.
4. In a high volatility market the chances for extreme price movement are greater and hence the warrants will be more expensive.
5. Volatility is one of the most influential factors on a warrant's price,
6. the higher the volatility the more expensive the warrant.
7. If there is a change in a warrant's volatility there will be a change in the warrant's price even if there is no change in the share price.

Given that it is the least easily predictable of these variables, Standard Bank in its pricing of warrants will at all times to keep warrant volatility adjustments to a minimum.

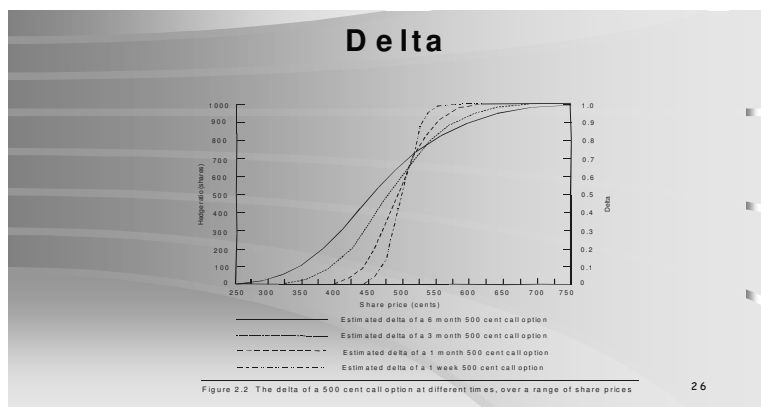


Delta



- Change in the price of the warrant for a 1% change in the underlying
- Can range from 0 to 1
- As the price changes so does the delta
- Beware of low delta warrants
- Think of it as a probability
- Put warrants have a negative delta

Delta for 6,3,1 Month Call



Warrant Gearing



Simple Gearing

- > Most Common measure of gearing
- > No. warrants purchased for same cash as shares
- > Example
- > Share trading at R20.00 and warrant trading at R2.00
- > Simple gearing = 10

Effective Gearing

- > Effective gearing takes simple gearing multiplied by the delta
- > This gives you an idea of the movement of the warrant relative to the share
- > Example
- > Simple gearing 10 x 50% delta=effective gearing of 5
- > Effective gearing means in case of example
- > That you only need to invest 1/5 as much capital
- > To gain exposure to the same number of shares

Choosing a Warrant



Underlying	Warrant	Spot	Ask Prem	Strike	Expiry	CP	Conv Ratio	Delta	Eff/Gearing
FIRSTRAND	SRDBN	17.00	0.18	22.00	11-Sep-08	AC	5	0.27	7.78
FIRSTRAND	FSRIBK	17.00	0.04	25.00	04-Mar-08	AC	5	0.05	15.00
FIRSTRAND	SRABH	17.00	0.40	18.50	03-Sep-08	AC	5	0.44	6.26
FIRSTRAND	SRSBH	17.00	0.39	17.00	06-Aug-08	AC	6	0.54	4.66

1. Trade warrants with delta greater than 20 - Drop FSRIBK
2. Trade warrants with greater than 3-months to expiry - Drop FSRIBK
3. Trade warrants where spot is within 10% of strike - Drop FSRIBK, FSRDBN
3. Trade warrants with between 3 & 6 times gearing - Drop FSRABH, FSRDBN, FSRIBK

Therefore trade the FRSRBH

Other Warrants



Barrier warrants

- Variation of a vanilla warrant
- Warrants made for gearing
- Barrier warrants have a downside limit/ Barrier Price. Which if breached the warrant ceases to exist
- Deutsche Bank WAV warrants are barrier warrants with the barrier level set at the strike price.

Index Warrants

- Gain Top40 exposure
- Easier than SAFEX trading/ no margin
- Cash Settled

Warrant Pricing



Intrinsic Value

- Amount the money is "in the money"
- An "out the money" warrant has no intrinsic value

Time Value

- A warrant with no intrinsic value still has time value.

In The Money, At The Money and Out The Money



- An **In the Money** warrant is where (in the case of call warrants) the share price is trading above the strike price of the warrant.
- A warrant is **At the Money** when the share price is trading at the same price as the strike price of the warrant.
- An **Out the Money** warrant is one where the share price is trading below the strike price of the warrant.

In the Money



- ITM warrants behave more like shares
- They have higher delta's (generally above 50%)
- Far ITM warrants have delta's close to 100%
- ITM warrants are less risky, have lower gearing than ATM and OTM warrants
- Their value is made up of intrinsic and time value
- ITM warrants cost more than ATM or OTM warrants

At the Money



- Delta is usually at or around 50%
- Have no intrinsic value
- Very sensitive to price moves especially close to expiry
- Are more risky than ITM warrants
- Are less expensive than ITM warrants

Out the Money



- Low delta warrants – under 50%
- No intrinsic value
- More risky than ITM and ATM warrants
- Less expensive than ITM and ATM warrants

Impact of Interest rates/ Dividends



Dividends

1. Warrant Holders do not receive dividends directly
2. The expected dividends are priced into the warrants upfront making call warrants cheaper.

Impact Of Dividends



- Warrant will include assumption of dividends
- Will impact warrant price if dividend is different from expectations
- If dividend is higher than expectation then the call price decreases
- warrant holder does not take part in dividends
- If dividend is paid earlier than expected or unexpected (Special) dividend paid
- will adversely affect the warrant price
- Similarly should dividend be less than expected will increase warrant price

Price Determinants



Variable	Change	Call Warrant	Put Warrant
Underlying	↑	↑	↓
Dividends	↑	↓	↑
Volatility	↑	↑	↑
Interest Rate	↑	↑	↓
Time to Expiry	↓	↓	↓

Hedging with warrants



1. Hedge using the Delta
2. Portfolio and single stock hedging possible
3. Short term hedging for periods of uncertainty



Hedging stocks



Share Example

- you wish to hedge a 20% fall in Anglo's shares
- You are a holder of 1000 shares
- Anglo's is trading at R300.00
 - A 20% loss, brings the share to R240.00
 - Loss on 1000 shares = R 60,000
- The Anglo's put has a delta of -50%
 - For a R1.00 drop in the share the warrant will gain 0.2c
 - 20c divided by the conversion ratio 10
- as the share falls R60.00 the warrant moves R12c (60x0.2c)
 - In order to make R60,000.00 from a 12c move
 - You need to purchase 500,000 warrants
- This will give you a profit of R60,000.00
 - 500,000 warrants x 12c = R60,000.00
 - The same as the loss from the 10% fall in the shares

Hedging portfolios



Portfolio Example

- you wish to hedge a 10% fall in a portfolio
- determine if portfolio matches the TOP40
- TOP40 trading 20,000
 - A 10% loss, brings index to 18,000
 - Loss on R1m portfolio = R 100,000.00
- The TOP40 put has a delta of 50%
 - For a 100 point drop in the index, the warrant will gain 1c
 - for a 2,000 point drop (10%), the warrant will move 20c
- As the index falls 10% the warrant moves 20c (20 x 1c)
 - In order to make R100,000.00 from a 20c move
 - You need to purchase 500,000 warrants
- This will give you a profit of R100,000.00
 - 500,000 warrants x 20c = R100,000.00
 - The same as the loss from the 10% fall in the index

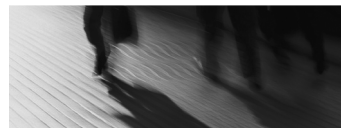
Warrant Matrix



Underlying Stock	Warrant	Strike	Expiry	C/P	Conv Ratio	Ask Vol	Delta	Vega	Theta	Gearing
GOLDFIELDS	GFISBA	110.00	6-Feb-07	AC	50	50%	0.68	-1.13	0.16	2.38

GFISBA			
Hedge	Bid	Ask	Delta
110	0.57	0.59	0.65
110.4	0.58	0.6	0.65
110.6	0.58	0.6	0.65
111	0.59	0.61	0.65
111.4	0.59	0.61	0.66
111.8	0.6	0.62	0.66
112	0.6	0.62	0.66
112.4	0.61	0.63	0.66
112.8	0.61	0.63	0.66
113	0.61	0.63	0.67
113.4	0.62	0.64	0.67
113.8	0.63	0.65	0.67
114.8	0.64	0.66	0.68
115	0.64	0.66	0.68
115.4	0.65	0.67	0.68
116	0.66	0.68	0.68
116.4	0.66	0.68	0.68
116.8	0.67	0.69	0.69
117	0.67	0.69	0.69
117.6	0.68	0.7	0.69
118	0.68	0.7	0.69
118.4	0.69	0.71	0.69
118.8	0.69	0.71	0.7
119	0.7	0.72	0.7
119.4	0.7	0.72	0.7
119.8	0.71	0.73	0.7
120	0.71	0.73	0.7

Delta Hedging in Warrants



Buys 100,000 warrants at 59 cents when GFI is at R110. $\text{Buys } 100,000 * 0.65/50 = 1,300 \text{ Goldfields at R110.}$ Cost R59,000	$\text{Buys } 100,000 * 0.65/50 = 1,300 \text{ Goldfields at R110.}$ Cost R143,000
--	---

Goldfields goes up overnight by R10.00

Sell 100,000 warrants at 71 cents. $\text{Buys } 100,000 * 0.65/50 = 1,300 \text{ Goldfields at R110.}$ Profit: R12,000	$\text{Sells } 100,000 * 0.7/50 = 1,400 \text{ Goldfields at R120.}$ GFI at R120 Profit on Hedge: R13,000
---	---

But remember hedge should be 1400 therefore 100 GFI short between R110 - R120 results in a loss of $100 * R10 = R1000.00$

Net Position For STD	
Loss to STD on the warrant	R12,000.00
Profit on the Hedge	R13,000
Loss on the Short Hedge	R1000

Using the website



There are two fools in every market: one asks too little, one asks too much.

Using the site – looking for a Warrant



Quick Share

Live Price Trade

Share Code:

Home

Help and education

Find or trade shares

Find or trade a share

Find or trade a warrant

Find or trade instalment

Find or trade a future

Share filter

Warrants filter

Instalments filter

All warrants / inv. prod.

All instalments

Share trade status

Futures trade status

Share stop loss

Futures stop loss

My account

My detailed watchlist

Buy and sell ideas

Key market statistics

Price charts

Company profiles

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Other products

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Old menu

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Find or trade warrants

Stock code:

Prices as at: **25 Jul 2006 14:05 (Delayed)**

Prices: Delayed Live

Note: Enter the stock code of the share and click **look up** to view the associated warrants.

Disclaimer: Even though every effort has been made to ensure this warrant data's accuracy, Standard Financial Markets can not be held responsible for any errors contained herein. Please use the data with caution. We recommend that you contact the issuer for confirmation of key data.

Filtered warrants for: SASOL

		Market Prices			Warrant details			Investments Parameters				
Code	Issuer	Spot	Warrant (Rolling)	Exercise Price / Share	Expiry	Type	Warrants / Share	Delta	Effective Gearing	Implied Vol	Weekly time decay Δ	Tools
SOLA00	ABSA Bank	24880	30	24500	21/8/06	AC	50	0.59	10.18	0.44	-12.0%	I C H W +
SOLS00	Standard Bank	24880	39	22500	3/8/06	AC	59	0.90	8.93	0.52	-6.8%	I C H W +
SOLS01	Standard Bank	24880	11	21500	3/10/06	EP	50	-0.19	8.40	0.45	0.0%	I C H W +
SOLN00	NedBank	24880	12	21500	7/9/06	EP	50	-0.20	8.09	0.58	-20.8%	I C H W +
SOLS02	Standard Bank	24880	20	27000	3/10/06	AC	65	0.41	7.77	0.46	-8.9%	I C H W +
SOLJ00	Investec	24880	12	30000	8/11/06	AC	69	0.28	7.52	0.46	-9.1%	I C H W +
SOLN01	NedBank	24880	20	29000	12/10/06	AC	59	0.35	6.54	0.58	-9.9%	I C H W +
SOLN02	NedBank	24880	30	29000	22/11/06	AC	59	0.40	5.14	0.58	-5.9%	I C H W +
SOLS03	Standard Bank	24880	37	26000	5/12/06	AC	75	0.53	4.71	0.53	-3.6%	I C H W +
SOLDB0	Deutsche Bank	24880	44	30000	22/2/07	AC	50	0.41	4.62	0.49	-3.4%	I C H W +
SOLJ01	Investec	24880	44	26000	8/11/06	EP	69	-0.51	4.02	0.49	-2.1%	I C H W +
SOLN03	NedBank	24880	61	25500	12/10/06	EP	50	-0.48	4.01	0.58	-3.5%	I C H W +
SOLJ02	Investec	24880	47	23500	7/9/06	AC	59	0.64	3.81	1.01	-12.1%	I C H W +
SOLN04	NedBank	24880	54	24000	22/11/06	EP	50	-0.38	3.61	0.57	-2.9%	I C H W +
SOLS04	Standard Bank	24880	46	24000	5/12/06	EP	60	-0.38	3.51	0.56	-2.6%	I C H W +
SOLDB1	Deutsche Bank	24880	48	23000	22/2/07	EP	50	-0.32	3.41	0.48	-1.8%	I C H W +

Quotes bank balance : 11890c

The market is open

Using the site – looking for a Warrant



Find or trade shares > Warrants filter
Quotes bank balance : 11893c
The market is open

Conservative general tips for finding a warrant

1. Don't look at warrants with delta less than 0.2 (less than 20% chance of reaching strike price)
2. Don't look at warrants with less than 3-months (90 days) to expiry (risky due to time decay)
3. Look at warrants with between 3 & 6 times gearing (conservative gearing)

Criteria	Options	Value
Delta	>=	0.2
AND		
Delta	<=	0.8
AND		
Effective Gearing	>=	2
AND		
Effective Gearing	<=	6
AND		
Unused	=	

Days to Expire: > 90

Underlying share is: [SO] (enter stock code)

Warrant type is: All

Issuer is: All

Underlying share's sector is: All

Underlying share's INET consensus recommendation is: All

Prices: Delayed Live

Warning: Use of live prices may reduce your quotes bank considerably depending on the number of warrants found.

Sort results by: Warrant

Using the site – looking for a Warrant



Find or trade shares > Warrants filter
Quotes bank balance : 11863c
The market is open

25 Jul 2006 14:32 (Live) Warrant information as at: 7/25/2006 1:26:00 PM Warrant information as at:

Code	Iss	Market Prices				Warrant details				Investments Parameters			Underlying INET Rec.	Tools	
		Offer (Spot)	Spot	Strike Price	% Diff.	Expiry Date	Days	Type	Conv. Ratio	Delta	Effec. Gearing	Impl. Vol			Weekly time decay ?
SOLDBN	DB	43	24602	30000	-21%	22/2/07	212	AC	50	0.41	4.62	0.49	-3.4%	Buy	I C H W Calc
SOLNBJ	NedBank	30	24602	29000	-17%	22/1/06	120	AC	59	0.40	5.14	0.58	-5.9%	Buy	I C H W Calc
SOLSBE	SB	35	24602	26000	-4%	5/12/06	133	AC	75	0.53	4.71	0.53	-3.6%	Buy	I C H W Calc

Records :3
Use your browser's back button to modify your search, or click [here](#) for a new search.

Issuer Key

BP = BNP,	SG = Soc Gen,
DB = Deutsche Bank,	SB = Standard Bank,
GB = Gensec Bank,	UB = UBS
IB = Investec	AB = ABSA Bank

Using the site – Market activity



Quick Share Quotes bank balance : 11656c
The market is open

Live Price Trade

Share Code:

Home

Help and education

Find or trade shares

My account

My detailed watchlist

Buy and sell ideas

Key market statistics

Market overview

SSF market movement

List of indices

Most active shares

Gainers and losers

52 week high and low

Dividends payable

Dividends paid

Corporate actions diary

Price charts

Company profiles

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Other products

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Key market statistics > Gainers and losers

Movement based on percentage or cents gained or lost.
Prices as at 25 Jul 2006 14:21 (live)

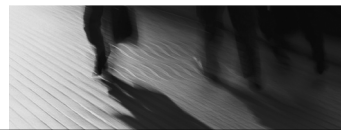
Prices: Delayed Live

Warrants: Include Exclude Warrants only Instalments only

Gains Percent 1-20

JSE Code	Share Name	Sector	Current	Today's move	Tools
ANGSBB	SB ANG CB	WARRANTS	19	6	46% I C H W
RCHIBD	IB RCH CD	WARRANTS	50	11	28% I C H W
GFABG	AB GFICG	WARRANTS	23	5	28% I C H W
GFISBI	SB GFICJ	WARRANTS	19	4	27% I C H W
DRDABA	AB DRD CA	WARRANTS	36	7	24% I C H W
ANGSBC	SB ANG CC	WARRANTS	37	7	23% I C H W
ECOIBG	IB ECO CG	WARRANTS	16	3	23% I C H W
GLDABB	AB GLD CB	WARRANTS	34	6	21% I C H W
GFISBK	SB GFICK	WARRANTS	17	3	21% I C H W
GFIEF	IB GFICF	WARRANTS	35	6	21% I C H W
RCHIBE	IB RCH CE	WARRANTS	24	4	20% I C H W
BAWSBD	SB BAW CD	WARRANTS	18	3	20% I C H W
GFIDBL	DB GFICL	WARRANTS	45	7	18% I C H W
SBKABF	AB SBK CE	WARRANTS	13	2	18% I C H W
BAWMB	IB BAW CB	WARRANTS	13	2	18% I C H W
ABLBSH	SB ABL CH	WARRANTS	13	2	18% I C H W
AGLSBE	SB AGL CE	WARRANTS	35	5	17% I C H W
ECOSBJ	SB ECO CJ	WARRANTS	35	5	17% I C H W
GFISBJ	SB GFICJ	WARRANTS	53	7	15% I C H W
RCHSBK	SB RCH CK	WARRANTS	23	3	15% I C H W

Market Making & The Matrix



Market makers keep the markets running efficiently by continuously quoting both bid and offer prices for the warrants.

Market depth

As at 16 Feb 2004 12:34 (live) **Harmony**

Bids to buy		Offers to sell		
Volume	Price (c)	Price (c)	Volume	
1	629	11100	11120	2,000
2	1,180	11070	11150	500
3	4,957	11055	11195	200
4	3,012	11040	11500	7,233
5	1,000	10901	11600	9,052

Market depth

As at 16 Feb 2004 12:31 (live) **Warrant**

Bids to buy		Offers to sell		
Volume	Price (c)	Price (c)	Volume	
1	47,000	44.45	149,000	
2	120,000	43.46	120,000	
3	100,000	42.47	100,000	
4	0	60	10,000	
5	0	65	800	

CALL WARRANT MATRIX Monday, February 16, 2004

HARMONY

Stock HAR
Exercise Price 105
Expiry Date Thursday, August 05, 2004
Style A
Conv. Ratio 50
Stock Price 110.00
Delta 67%

HARSBG

Share	Buy	Sell
108.10	0.40	0.41
108.30	0.40	0.41
108.50	0.40	0.41
108.70	0.41	0.42
108.90	0.41	0.42
109.10	0.41	0.42
109.30	0.41	0.42
109.50	0.42	0.43
109.70	0.42	0.43
109.90	0.42	0.43
110.10	0.43	0.44
110.30	0.43	0.44
110.50	0.43	0.44
110.70	0.43	0.44
110.90	0.44	0.45
111.10	0.44	0.45
111.30	0.44	0.45
111.50	0.44	0.45
111.70	0.45	0.46
111.90	0.45	0.46

Close

Using the site – Warrant Matrix



The market is open

SOLSBE

Share	Buy	Sell
242.00	0.32	0.33
242.20	0.32	0.33
242.40	0.32	0.33
242.60	0.32	0.33
242.80	0.32	0.33
243.00	0.32	0.33
243.20	0.32	0.33
243.40	0.32	0.33
243.60	0.33	0.34
243.80	0.33	0.34
244.00	0.33	0.34
244.20	0.33	0.34
244.40	0.33	0.34
244.60	0.33	0.34
244.80	0.33	0.34
245.00	0.33	0.34
245.20	0.34	0.35
245.40	0.34	0.35
245.60	0.34	0.35
245.80	0.34	0.35
246.00	0.34	0.35
246.20	0.34	0.35

Information, tools and links

Warrants Calculator | Directors Dealings
 Results Summaries | Company Directors
 Company News | Holdings in Companies
 Research Reports (R) | Company Activities
Price Chart (C) | Share Forum
Price History (H) | SENS News (S)
 Dividend History | **Add to Watchlist (W)**

Intraday share price graph

SOLSBE (25 July 2006)

The blue line shows the VWAP per 5 minute interval.
The red line shows the prev. trading day's closing price.

Market depth

Tue 4:31	Previous - Mon 24 Jul 2006 17:00	As at 25 Jul 2006 14:41 (live)
35	36	
-1	1	
78 %	2.86 %	
5,500	2,075,520	
8,780	R 713,413	
22	22	
38	37	
35	33	

Bids to buy | **Offers to sell**

Ord	Vol	Price(c)	Price(c)	Vol	Ord
1	1	100,000	35	36	46,400
2	2	123,000	34	37	120,000
3	2	250,000	33	38	150,000
4	1	7,500	32	42	100,000
5	1	20,000	28	46	299,520

Ord = Number of orders making up a bid or offer.

Using the site – Warrant Calculator



Online Share Trading | Our online warrants course | Standard

Quotes bank balance : 11638c
The market is open

Warrants calculator

Valuation Date	25/07/2006	Calculate	
Expiry Date	5/12/2006	Warrant	SOLSBE
Spot Price	24780		
Strike Price	26000	<input checked="" type="radio"/> American	<input type="radio"/> European
Interest Rate	8.35%	<input checked="" type="radio"/> Call	<input type="radio"/> Put
Dividend Yield	2.3838%		
Volatility	49.9%	Price	35.5594
Cover Ratio	75	Delta	0.5208

1. EXPIRY DATE, enter expiry date of the warrant.
2. SPOT PRICE, this is the present price of the underlying stock.
3. STRIKE PRICE, enter the strike price of the warrant (call right to buy, put right to sell)
4. INTEREST RATE, enter the risk free interest rate.
5. DIVIDEND YIELD, enter the expected dividend yield for the underlying stock.
6. VOLATILITY, enter the expected volatility for the underlying share.
7. COVER RATIO, this is the number of warrants needed to exercise into one share.

Information, tools and links

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Ord = Number of orders making up a bid or offer.

Using the site – Stop Loss



My account > My share portfolio > Create a stop loss Quotes bank balance : 11602c
The market is open

Choose your preferred type of Stop Loss

<input checked="" type="radio"/> Fixed Price Sell	Creates a sell order - on your behalf - when a fixed price level is crossed by the current ruling price.
<input type="radio"/> Trailing Price Sell	Creates a sell order - on your behalf - when a variable price level is crossed by the current ruling price. The variable price level trails the high of the share's ruling price by a fixed amount or a percentage.

Need more help on setting up a Stop Loss?

For help on setting up a Stop Loss please view our [Stop Loss help](#) page.

Trading Tips

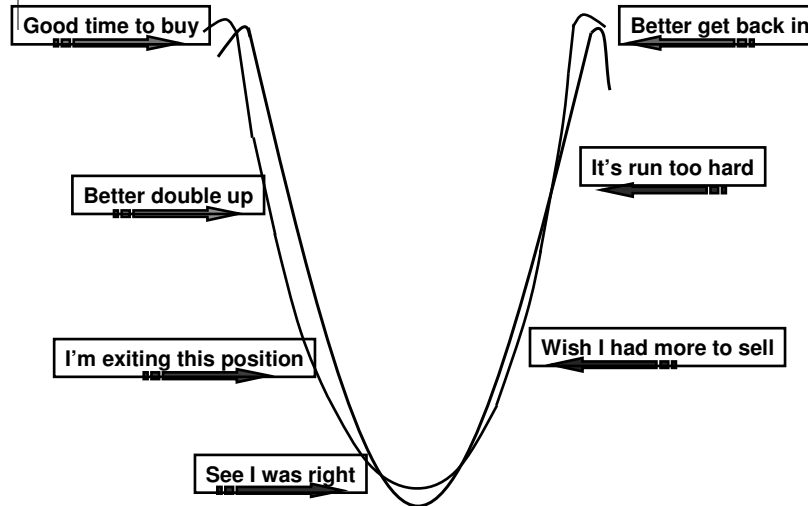


"Rule No.1: Never lose money.

Rule No.2: Never forget rule No.1."

-- **Warren Buffet**

What we want to avoid



Trading Tips



1. Avoid Overtrading
2. Never "Double Up to catch up"
3. It is better to "average up", than "average down"
4. Stop losses and Let Profits Run
5. "Run Quickly" – or not at all
6. Quiet weak markets are good markets to sell
7. When in doubt do nothing

Trading Tips



- Differentiate between major position trades and short-term trades
- Look for a chart position that says the timing is right – now
- Fight the desire to get immediately back into the market after a stopped-out trade
- **When trading is going badly**
 - Reduce position size
 - Use tight stop losses
 - Enter fewer positions
 - Liquidate losing not winning trades
- **When trading is going well**
 - Don't take small quick profits on major positions
 - Use a trailing stop loss
 - Take partial profits, look to re-enter the position

Warrant Trading Tips



1. Are you suited to trading warrants?
 - Do you understand the risks
 - Do you have the time to check your warrant positions on a daily basis
2. Risk Control
 - We recommend a 15% stop loss - *The market can remain irrational longer than you can remain solvent*
Beware the Bungee Effect
 - If your investment falls by 20%
 - You will need to grow by 25% to get back to even
 - If it falls by 50%
 - You will need to grow by 100% to get back to even
 - If it falls by 75%
 - You will need to grow by 400% to get back to even
3. Never become emotionally attached
 - Warrants are short-term trading instruments – *“When the facts change, I change”*
4. Find an angle
 - Play to your strengths
5. Be original
 - Use contrarian thinking

Warrant Trading Tips



When choosing a warrant

1. Trade warrants with more than 3-months to expiry
2. Trade warrants with between 2 & 6 times gearing
3. If Time Decay is an issue trade ITM (In The Money)

Managing your position

1. Set your Exit points (+20%, +50 %)
2. Set your Stop Loss (15%)
3. Use a rolling stop loss – *The shows not over till the fat lady sings*
4. Set your self a time frame

Aim: To take the emotion out of your trading

Warrant Trading Tips



1. Use fundamental analysis to pick your stocks, combined with some technicals to time your entry into the warrant.
2. Base the technicals on the underlying share not the warrant.
3. Be wary of far out of the money warrants that are nearing expiry – time decay can be brutal.
4. Don't average down.
5. Always look at your delta – very low delta warrants move very sluggishly – look where you are in relation to your strike price.
6. Make sure that the chosen warrant suits your trade, not every warrant is a good warrant.

Your Warrant Portfolio



- Invest around 20% of your money in geared instruments.
- Have a separate warrant trading account (tax purposes/ track returns independently).
- Look for diversification – never 100% in one warrant.
- Don't invest more than 20% of warrant portfolio in any single equity warrant.
- Get some balance invest 25 – 50% in an index tracking warrant – instant diversification – (TOP40).
- Set realistic targets - >30% per annum is excellent.
- Don't be greedy – view it as a long term investment, made up of short-term trades.
- Don't be scared of going into cash – if you are unsure of the market head for the sidelines.
- Bank your profits from time to time.

Questions



Market Lingo



Bull Market

A random market movement causing an investor to mistake himself for a genius.

Momentum Investing

The fine art of buying high and selling low.

Value Investing

The art of buying low and selling lower.

Market Correction

The day after you buy stocks.

Profit

Religious guy who talks to God.

Contact Details



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