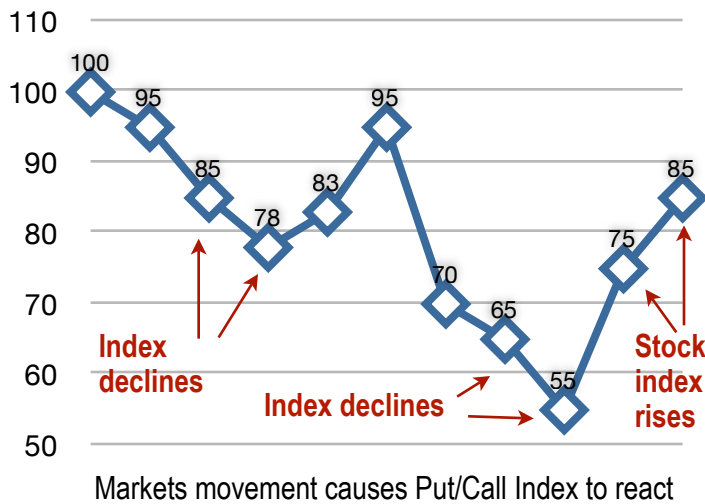


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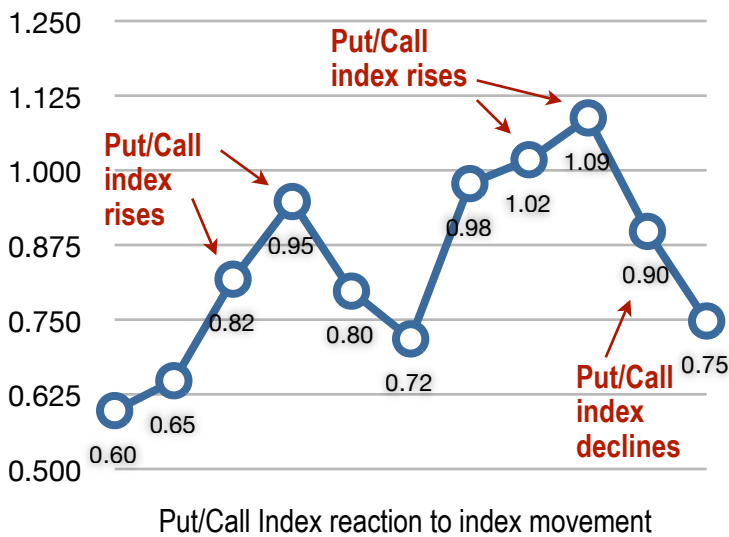
Equity and Total Put/Call Ratio indexes



A put is an option contract is used by traders to profit on a declining stock. Put contracts are also bought to hedge an existing position (protect against downside risk), and to speculate on the potential for a stock to decline.

A call is an option which gives the buyer the right to purchase a stock at a set price within a certain timeframe. Call options are commonly bought by traders trying to profit on a stock they believe will quickly rise in price.

Heavy trading volume in put contracts indicates a high level of fear by options traders, while heavy call volume usually means that there is increased investor optimism due to rising prices of stocks or indexes.



The way to use this indicator to your advantage (to be a contrarian investor) is to look for large changes in volume. For example, the market is falling sharply and there is heavy put buying and low call buying, the put/call ratio will be high (see charts to the left). **When an extreme is reached (1.01 or higher)**, this becomes a bullish contrarian indicator and we should begin to prepare for a potential market bottom. When options traders are optimistic and there is low put volume (0.60 or lower), we may be near a market high or struggle going forward due to lack of fear.

If the put/call ratio is 1.04, there are 104 put options being purchased for every 100 call options. If it is 0.65, there are 65 put contracts traded that day versus 100 call options. Heavy put buying was seen after September 11th, 2001, October 2002, and March 2003, all market turning points.

Put levels between 1.01 and 1.25 are levels that you should pay close attention to because it is a good time to consider entering the market or looking for a potential bottom. If the market declines and the put/call ratio doesn't drop (like in March of 2000 when the Nasdaq declined over 1000 points and the put/call ratio actually fell), it is probably a good time to avoid stocks. For more information, goto www.cboe.com.

Equity and total put call ratio indexes

The equity put/call ratio is the volume of puts divided by the volume of calls traded on individual equities on the CBOE (Chicago Board Options Exchange) during the trading day.

The total put/call ratio is the volume of puts divided by the volume of calls traded on individual equities and indices on the CBOE during the trading day.