Portfolio management by options: an exploratory study to assess the brokers attitude towards the decision making in Lebanese stock market

Управление портфелем опционов: исследование оценки отношения брокеров к принятию решений на фондовом рынке Ливана

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Abstract
The purpose of this thesis initially was to assess the methods used by Lebanese agents to build portfolios involving options and other financial instruments. However, the researcher was faced with strong resistance to collect information about this particular issue. Consequently, the researcher had to change the direction of the research to assess the agents' behavior towards the selection of option strategies. Then, this research shall provide an insight on the individual's risk related to decision making towards portfolio management using options.

Keywords: портфель опционов, управление портфелем, брокер, опционы, опционные стратегии, принятие решений

Introduction
Economists are fond of saying that the capital market is the "engine" of the economy. By this they mean that the capital market transforms savings into investments, and these investments drive the growth of a nation.

This vital economic function is based on a simple process: the transfer of money from those who have it (savers) to those who need it (users). In the more complex economic system of today, however, there are millions of savers and users of capital, and countless transfers must take place each day (Carrigan, 2006, p. 1).

To reflect today’s increasingly complex economy; the capital transfer process has become more sophisticated. Instead of handshakes, financial instruments such as stocks and bonds now formalize the transfer of capital. Therefore, isolated transactions have disappeared and financial markets have developed to provide a forum for transferring capital using these financial products. Furthermore, direct contact between savers and users has changed to use instead financial intermediaries, such as stockbrokers.

Consequently, financial intermediaries have evolved to make the transfer process faster and easier. These three components namely; financial instruments, financial markets, and financial intermediaries are key elements in the security industry.

The importance of options goes well beyond the profit motivated trading that is most visible to the public. Today, sophisticated institutional traders use options to execute extremely complex strategies. For instance, large pension funds and investment banking firms trade options in conjunction with stock and bond portfolios to control risk and capture additional profits. Corporations use options to execute their financing strategies and to hedge unwanted risks that they could not avoid in any other way. Option research has advanced in step with the exploding option market. Scholars have found that there is an option way of thinking that allows many financial decisions to be analyzed using an option framework. Together, these developments constitute an options revolution (Kolb, Robert, 2000, p. 281).

In modern options trading, an individual can contact a broker and trade an option on an exchange in a matter of moments. This thesis reflects the way of dealing among the broker and his clients, the decision that the broker take, the strategies used and the ability to cope with risk.

The purpose of this thesis is to explore and descriptively assess the relationship between a selected number of Lebanese professionals’ risk taking style versus their technical knowledge with respect to options selection and strategies. Primary data is necessary and needed in this research in order to assess demographics, knowledge, competence and practice of the selected sample of respondents. Results and findings are essential to assess the professional stance of Lebanese employees or freelancers in dealing with options or other financial instruments versus their behavior towards risk. Technical knowledge including options strategies are assessed in order to classify our respondents’ competence in dealing with a client base portfolio and the service category he /she most recently used. It also measures one’s approach to risk and investment.
Research methodology used in this thesis is exploratory in nature. Two questionnaires were used to survey demographics, knowledge about options and agents’ attitude towards risk.

Results show that the majority of the participants in the research are risk averters. The more they worked in the market the more expertise they showed and the larger the trust they built with their clients.

**Portfolio Management**

Portfolio management is the process of deciding on the securities or assets that are to be included in the starting portfolio, which will be referred to as the optimal portfolio. It has often been said that portfolio management is not a science, but an art. Certainly, the human factor manifesting in portfolio manager’s ability to create out performance bears out this truism. With the more actively managed funds, portfolio managers can demonstrate their experience and expertise in picking assets, countries, sectors and companies that will generate positive returns.

Portfolio management is an ever–evolving sub–field of finance. Effective markets and globalization are among the major drives for the evolution of portfolio management, as promises of increasing wealth are needed to attract new investors who come from different ages, nationalities and backgrounds.

The goal of portfolio management is to bring together various securities and other assets into portfolios that address investor needs, and then to manage those portfolios in order to achieve investment objectives. Effective asset management revolves around a portfolio manager’s ability to assess and effectively manage risk.

**The Decision Maker**

Investment decisions are sensitive to the decision maker’s attitude towards the amount of risk he or she is willing to bear. Investors will want to obtain the highest return for the lowest amount of possible risk therefore defining a trade-off between risk and return, whereby larger returns are generally associated with larger risk. Consequently, having to consider a trade-off between risk and return impacts any portfolio manager’s advice to determine a client’s tolerance to risk. This is not always easy to do as attitudes toward risk are subjective and sometimes difficult to articulate. Nonetheless, portfolio managers who are capable to perform a complete risk analysis of recommended portfolios are rather more successful and attractive to clients (Zhelezko, 1012, p. 187).

**Research Methodology and Hypothesis**

An exploratory study is performed to assess the technical knowledge and the attitude towards risk manifested by a selected sample of Lebanese Portfolio Managers. A survey questionnaire was designed and implemented. Descriptive analysis is used to discuss the findings. Data was analyzed using SPSS (Statistical Package for Social Science research).

The main hypothesis to explore in this research is to descriptively assess the relationship between the analyst’s risk taking style versus his/her technical knowledge with respect to options selection and strategies. Moreover, to describe the awareness of the respondents towards strategies and techniques used in portfolio management and the ability to cope with risk.

**Fundamentals of Options**

Derivative securities or more simply derivatives play a large and increasingly important role in financial markets. These are securities whose prices are determined by or derived from the prices of other securities. Options are derivative securities. Trading of standardized options contracts on a national exchange started in 1973 when the Chicago Board Options Exchange (CBOE) began listing call options. These contracts were almost immediately a great success, crowding out the previously existing over-the-counter trading in stock options.

In addition, the over-the-counter market has enjoyed a tremendous resurgence in recent years as trading in custom-tailored options has exploded. Popular and potent tools in modifying portfolio characteristics are instrumental. Options have become essential tools a portfolio manager must understand. This chapter is an introduction to options markets. It explains how “Puts” and “Calls” work and examines their investment characteristics.

According to the Options Industry Council (OIC), options are financial instruments that can provide the investor with the flexibility needed in almost any investment situation that might be encountered (OIC1, 2008). Exhibit 2.1 shows several techniques to reflect the use of options.

*Flexibility in the use of options in investment*

Options give the investor the ability to tailor his/her position to the market situation. One can protect one’s stock holdings from a decline in market price; can increase one’s income against current stock holdings; can prepare one to buy stock at a lower price; can position oneself for a big market move even when one does not know which way prices will move; and can benefit from a rise or fall of the stock price without incurring the cost of buying the stock outright.

Source: http://www.888options.com/basics/whatis/what_is_1.jsp

**What is an Option?**

An option is defined as the right to buy or sell a specified amount of an underlying asset at a certain price for a specified future period (Levy & Post, 2005, p. 650). Moreover, according to Redhead (2005), a stock option is the right to buy or sell a specified number of shares at a pre-arranged price or on or before a particular date. A “Call” option is a contract giving its owner the right to buy a fixed number of shares of a specified common stock at a fixed price at any time on or before a given date. Whereas, a “Put” option is a contract giving its owner the right to sell a fixed number of shares of a specified common stock at a fixed price at any time on or before a given date (COX, 1985, p. 5). An option contract is described by the name of the underlying security, the expiration month, the exercise price, and the type of option.

**Styles of Options**

According to Redhead (2005) there are two distinctions that investors have to be aware of (p. 100). The first distinction is between European-style and American style options. European style options can be exercised (the right to buy or to sell) only on the maturity date of the option, which is known as the expiry date.
An American-style option can be exercised at any time up to and including the expiry date. Both styles are popular throughout the world (ibid).

The second distinction is between over-the counter (OTC) options and exchange traded options. OTC are the result of private negotiations between two parties. Options can be tailor made to the specific requirements of the client buying the option. Exchange-traded options are bought and sold on an organized exchange. They are standardized as to the amount an price of the stock and the available expiry dates (ibid).

**An Option Contract**

An option contract necessitates two parties to be completed: The buyer (or option holder) and seller (or option writer). The buyer has the right, but not the obligation, to exercise the option. Table 2.1 depicts the roles of the buyer and seller (Pike & Neale, 1999, p. 334).

<table>
<thead>
<tr>
<th>Call Option</th>
<th>Put Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holder (Buyer)</td>
<td>Right to buy</td>
</tr>
<tr>
<td>Writer (Seller)</td>
<td>Obligation to sell</td>
</tr>
</tbody>
</table>

The number of shares covered by one option contract varies from country to country; examples are USA 100, UK 1,000, and Germany 50 (Redhead, 2003, p. 101).

**Call Option**

In a Call option, the buyer of the option has the right, but not the obligation to buy an agreed quantity of a particular commodity or financial instrument from the seller of the option at a pre-agreed price on or before a certain time. The pre-agreed price in the contract is known as the "exercise price" or "strike price"; the future date is known as the "expiry date", "expiration date" or "maturity date", and the asset is known as the "underlying asset" or the "underlying" (Sacho & Oberholster, 2005, p. 25). The seller is obliged to sell the commodity or financial instrument should the buyer so decide. The purchaser (buyer), in return for the option, pays a fee (called a premium). According to Pike and Neale (1999), the premium is a small fraction of the share price, and offers holders the opportunity to gain the benefit of investment gearing while limiting their risk to a known amount (p. 334). The size of the premium depends on the exercise price and expected volatility of shares, which in turn, is a function of the state of the market and the underlying risk of the share. The premium might range from 5 per cent for a well known share in a 'quiet' market to over 20 percent for shares of smaller companies in a more volatile market (ibid).

The buyer of a Call option wants the price of the underlying instrument to rise in the future; the seller either expects that it will not, or is willing to give up some of the upside (profit) from a price rise in return for (a) the premium (paid immediately) plus (b) retaining the opportunity to make a gain up to the strike price. According to Chance (2004), a call in which the stock price exceeds the exercise price is said to be "in-the-money". However, in-the-money calls should not necessarily be exercised prior to expiration. If the stock price is less than the exercise price, the call option is said to be "out-of-the-money". Out-of-the-money calls should never be exercised. If the stock price equals the exercise price, the option is "at-the-money" (p. 22). Exhibit 2.2 demonstrates an example of the prices (or premiums) at which options on British Petroleum (BP) are traded in a particular day on the traded options market of the Stock Exchange.

<table>
<thead>
<tr>
<th>Exercise price</th>
<th>Call option prices (p)</th>
<th>Put option prices (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>390.0</td>
<td>17.0</td>
<td>24.5</td>
</tr>
<tr>
<td>420.0</td>
<td>4.5</td>
<td>12.0</td>
</tr>
</tbody>
</table>


The exhibit shows that the options are traded over a nine-months period with expiry dates every three months. Two cases are shown:

Case 1: Exercise price = 390 < current price of 397 or 'in-the-money case'.

Case 2: Exercise price = 420 > current price of 397 or 'out-of-the-money case'.

The exhibit also shows that option prices vary both with the agreed upon exercise price (the lower the exercise price for a call option, the higher the premium) and the exercise date (the longer the period, the higher the premium). To buy a call option on BP shares, at an exercise price of 390 p, cost 17 p for expiry in April, but 31.5 for expiry six months later in October.

**Process of a Call Option**

Sacho and Oberholster (2005) explain that a call option derives its value from the fact that the holder thereof has the right to purchase the underlying shares at a discount to the market. That is, a call option gives the holder the right, but not the obligation, to purchase the underlying shares at the strike price instead of the prevailing market price (p. 23). It is this "discount", being the difference between the prevailing market price of the underlying shares and the strike price of the call option that creates the value for the option holder. The reason is that, at exercise date, the option holder can use the option as legal tender to acquire the underlying shares at the strike price instead of the prevailing market price. This "discount" is known as the option's intrinsic value. Hull (2002) defines the term "intrinsic value" as the maximum of the value that the option would have if it were exercised immediately that is, the difference between the current market price and the strike price is zero (p. 167–168). The figure depicts an example to explain the Call option.

Situation: the figure shows how the value of an option to buy XYZ shares at 1,100 p moves with the share price.

Current price of a share = 700 p.

Upper limit to the option price is the share price itself.

Lower limit is zero for share prices up to 1,100 p and the share price minus exercise price when share price moves above 1,100 p.

The actual option prices lie between these two extremes, on the upward-sloping curve. The curve rises slowly at first, but then accelerates rapidly.

Point A on the curve: at the very start, the option is worthless.

As long as the share price is well below exercise price, the option will remain worthless.
Point C on curve: the share price exactly equals the exercise price. If exercised today, the option remains worthless. But, there may still be two months for the option to run, in which time the share price could move up or down.

Point B on curve: when the share price increases to 1,400 p, the option value approximates the share price minus the present value of the exercise price (Pike & Neale, 1999, p. 341).

Call options can be purchased on many financial instruments other than stock in a corporation – options can be purchased on futures on rates, as well as on commodities such as gold or crude oil. A tradable Call option should not be confused with either incentive stock options or with a warrant. An incentive stock option, the option to buy stock in a particular company, is a right granted by a corporation to a particular person (typically executives) to purchase treasury stock. When an incentive stock option is exercised, new shares are issued. Incentive stock options are not traded on the open market. In contrast, when a call option is exercised, the underlying asset is transferred from one owner to another.

Put Option

A Put option is a financial contract between two parties, the buyer and the writer (seller) of the option. A Put option gives its holder the right, but not the obligation, to sell shares at a specified price prior to, or on, the expiry date of the option (Redhead, 2003, p. 105). The holder of the option can exercise it, sell it or allow it to expire. Moreover, if an investor buys a right, then someone else is selling an obligation. According to Levy & Post (2005), an investor who has bought the right to buy or sell is said to have intrinsic value. The intrinsic value would be equal to the excess of the strike price over the stock price” (Bodie, 2002, p. 105).

While profits on Call options increase when the asset increases in value, profits on Put options increase when the asset value falls. A Put will be exercised only if the exercise price is greater than the price of the underlying asset (Bodie, 2002, p. 650).

Put option example 1

A March Put on IBM with exercise price $110 entitles its owner to sell IBM stock to the Put writer at a price of $110 at any time before expiration in March even if the market price of IBM is less than $110.

While profits on Call options increase when the asset increases in value, profits on Put options increase when the asset value falls. A Put will be exercised only if the exercise price is greater than the price of the underlying asset (Bodie, 2002, p. 650).

Put option example 2

Consider the March maturity Put option on IBM (from example 1) with an exercise price of $110 selling on February 26, for $7.3 Recall that the stock price on February 26 is $105.3 It entitles its owner to sell a share of IBM for $110 at any time until March 22. If the holder of the Put option bought a share of IBM and immediately exercised the right to sell at $110, net proceeds would be $110 – $105.3 = $4.7

Obviously an investor who paid $7.3 for the Put had no intention of exercising it immediately. If, on the other hand, IBM sold for $100 at expiration, the Put would turn out to be a profitable investment. The value of the Put on the expiration date would be:

Value at expiration = Exercise price – Stock price = $110 – $100 = $10. And the investor’s profit would be $10 – $7.3 = $2.7.

This is a holding period return of $2.7/$7.3 = .37 or 37 % over only 24 days.

Expiration Date

The expiration date, or maturity date, of an option contract is the date on which the option expires or ceases to exist if the option contract is not exercised. For most stock options, the expiration date is the Friday before the third Saturday of the expiration month (Levy & Post, 2005, p. 651).

According to Chance (2004), the maximum life of any equity option is nine months (p. 27). The expiration cycles are:
1. The January / April / July / October cycle,
2. The February / May / August / November cycle,
3. The March / June / September / December cycle (ibid).

The expiration day of an exchange-traded option is the Saturday following the third Friday of the month. Therefore, the third Friday of the month is the last trading day for all expiring equity options and this day is called "Expiration Friday". If the third Friday of the month is an exchange holiday, the last trading day is the Thursday immediately preceding this exchange holiday (OIC, 2008).

After the option's expiration date, the contract will cease to exist. At that point the owner of the option who does not exercise the contract has no "right" and the seller has no "obligations" as previously conveyed by the contract.

Exercise Prices

The exercise price of an option which is also called the strike price, is the price at which a call option buyer may buy stock from the writer, or sell stock to the writer in case of a put option (Levy & Post, 2005, p. 650). For example, let the exercise price be $30. To find the aggregate exercise price of a contract, the exercise price is multiplied by 100 which is the standardized contract size. In the Call contract the aggregate exercise price is $30*100 = $3,000.

Strike prices are set by the exchange on which the option is listed, above and below the underlying stock market price. As the market price of the stock fluctuates, new strike prices are set. Usually exercise prices are set at a spacing of $2.5 for stock prices between $5 and $25, at a spacing of $5 for stock prices between $25 and $200 and $10 spacing for stock prices above $200 (Hull, 2005, p. 188).

Expiration Rules

Expiration date is the last day an option exists. For listed stock options, this is the Saturday following the third Friday of the expiration month. In the United States of America, once the option trade is made, the Options Clearing Corporation (O.C.C.) – an agency consisting of brokerage firms that usually are referred to as clearing members (such as the CBOE, AMEX, NYSE and PHLX) established to issue options contracts and guarantee the clearance, settlement and performance of options – steps in and becomes a partner to both sides of the trade; the buyer and the writer. The O.C.C. is a very creditworthy corporation: it has a stable AAA rating (Levy & Post, 2005, p. 662). When an option is presented to the buyer’s broker for exercise, the broker contracts the O.C.C. which randomly assigns the exercise to a writing clearing member who in his/her turn assigns it to a customer short that option, chosen randomly or on a first-in-first-out basis. It usually happens that execution occurs without the immediate knowledge of the writer (OIC2, 2008; Chance, 2005, p. 34).

All exchanges have similar organization, for example clearing in London on the Euronext Life (London International Financial Futures and Options Exchange) is handled by the London Clearing House (LCH) (Levy & Post, 2005, p. 662).

On the other hand, most brokerage firms may automatically exercise a Call option, if the underlying stock price closes 75 cents or more above the option strike price, unless instructed by the customer not to do so. The knowledge of exercise rules is of great importance in order to avoid disruptions and misshapenss.

Leverage and Risk

Options can provide leverage. In return for the option, the purchaser pays a fee or premium. The premium is a small fraction of the share price, and offers holders the opportunity to gain the benefit of investment gearing while limiting their risk to a known amount (Pike & Neale, 1999, p. 334). This means an investor can see large percentage gains from comparatively small, favorable percentage moves in the underlying index. Leverage also has downside implications. If the underlying stock price does not rise or fall as anticipated during the lifetime of the option, leverage can magnify the investment's percentage loss. Options offer their owners a predetermined, set risk. However, if the owner’s options expire with no value, this loss can be the entire amount of the premium paid for the option. An uncovered option writer, on the other hand, may face unlimited risk (OIC2, 2008).

Market Practices

A distinction is made between the transactions that initiate an option contract and those that close the contract (Levy & Post, 2005, p. 653). According to Redhead (2005), an opening purchase is a transaction whereby the buyer of an option becomes its holder; a closing purchase is a transaction in which a writer of an option buys an option identical to the one previously written, whereupon the two positions are deemed to cancel each other out (p. 111). An opening sale is a transaction in which the seller of an option becomes its writer; a closing sale involves the cancellation of a previously purchased option.

Intrinsic Value (Calls):

When the underlying security's price is higher than the strike price a call option is said to be "in-the-money".

Intrinsic Value = Current Stock Price – Strike Price

Intrinsic Value (Puts):

If the underlying security's price is less than the strike price, a put option is "in-the-money".

Intrinsic Value = Strike Price – Current Stock Price

Two Main Components of an Options Premium

The premium of an option has two main components: intrinsic value and time value.

Option Premium = Intrinsic Value + Time Value

Intrinsic value

The intrinsic value is simply the in-the-money amount. In-the-money option is an option that would generate a positive cash flow.
if it were exercised now assuming it is an American-style option (Levy & Post, 2005, p.653). Otherwise, the value of immediate exercise is negative, in which case the intrinsic value is zero (ibid, p. 654).

**Time value**

Prior to expiration, any premium in excess of intrinsic value is called time value. One takes the actual option’s price and subtracts the intrinsic value, that gives the time value (Tompkins, 1994, p. 27).

\[
\text{Time Value} = \text{Option Premium} - \text{Intrinsic Value}
\]

Source: (Tompkins, 1994, p. 27; OIC: Options pricing, 2008).

Time value is also known as the amount an investor is willing to pay for an option above its intrinsic value, in the hope that at some time prior to expiration its value will increase because of a favorable change in the price of the underlying security. The longer the amount of time for market conditions to work to an investor’s benefit, the greater the time value.

**Time value demonstration**

Given the following situation: Assume XYZ stock price is $65.

**Strike price** $60. **Call** $5.75. **Put** $0.75.

For example, suppose that XYZ is trading at $65 and one can buy a $60 call and a $60 put. The premium (i.e. price) of the $60 call is $5.75, and for the $60 put is $0.75. The in-the-money amount for the call option is $5, thus the intrinsic value is also $5. As the call option is trading at $5.75, the remaining time value for the call.

\[
\begin{align*}
\text{Call:} \\
\text{Intrinsic value} &= 65.00 - 60.00 = 5.00 \\
\text{Time value} &= 5.75 - 5.00 = 0.75 \\
\text{Option premium} &= 5.00 + 0.75 = 5.75
\end{align*}
\]

What about the $60 put? Since the market price is higher than the put strike price, the put is out-of-the-money and its intrinsic value is zero. Since the put has a price of $0.75 of a dollar, the entire value of the option is composed of time value.

\[
\begin{align*}
\text{Put:} \\
\text{Intrinsic value} &= 60.00 - 65.00 = 0 \text{ (Zero)} \\
\text{Time value} &= 0.75 - 0.00 = 0.75 \\
\text{Option premium} &= 0.00 + 0.75 = 0.75
\end{align*}
\]

**Types of Options**

According to Chance (2004), there are two types of options: stock options and index options.

**Stock Options**
Options on individual stocks are sometimes called stock options or equity options.

**Index Options**
A stock index is a measure of the overall value of a designated group of stocks. As in any index, it is a relative measure, capturing value relative to a previous value. For index options, the quoted level is interpreted as the market value of the stocks relative to a base level value, typically created many years ago when the indices were initiated (p. 38).

Index options are available on broad-based indices, such as the S&P 500 and NASDAQ 100, and also on more narrowly defined indices.

**Options Valuation Modeling**

Valuing options is a highly complex endeavor, including a lot of mathematics or, for most traders, a user-friendly software package. Black and Scholes (1973) combined the main determinants of option values to develop a model on option pricing. Although its mathematics is challenging, the model does have practical application. Every day, dealers in options use specially programmed calculators to determine option prices (Pike & Neale, 1999, pp. 342–345).

We have presented a comprehensive overview about options and how these are practiced in the financial markets. The information presented in this chapter is essential to characterize the financial agents’ knowledge which is later on referred to as expertise.

**Methodology**

The selected sample included 50 working persons whose aim is to act as brokers and who work in the market of options and derivatives, in Lebanon. They were asked to fill in 42 questions in order to assess their knowledge in portfolio management, strategies used in their work, the financial instruments used and others in order to determine the variables that are important to consider during appraising workers performance.

<table>
<thead>
<tr>
<th>Trait</th>
<th>Percentage, %</th>
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<tbody>
<tr>
<td>Age</td>
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<tr>
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<td>30</td>
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<td>26-30</td>
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<td>Gender</td>
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<td>Male</td>
<td>74</td>
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<td>Free Lancer</td>
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<td>Consultant</td>
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<td>Nationality</td>
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<td>Lebanese</td>
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</tr>
<tr>
<td>Other</td>
<td>36</td>
</tr>
</tbody>
</table>

The success that brokers show today emanates from two factors, the first factor is being the theoretical know how to
without any knowledge of these strategies, and this may refer to
will prepare for advanced options trading. In general, the
while building portfolios.
which all work in the Lebanese financial market are knowledgeable
how is the investor or broker or even any dealer can understand
tutorial about the interpretation of the results.
contributes to the fact that financial brokers leave the theoretical
show that the respondents knowledge is not fully developed. One
theoretical foundations of the option strategies, however results
strategy statements. We know that "4.00" stands for "agreement".
finds that it is important to him to be respected by his/her
compensation stands at 67.7 % then the experience factor should
acquaintance stands at 67.7 % then the experience factor should
accumulate experience. One would say here, that if theoretical
experience with the passage of time in dealing with the financial
The results shows seven statements that characterize the
behavioral needs and satisfaction of the respondents who deal
with the financial instruments. These statements help to assess
the attitudes towards the clients, professionalism, financial
decisions and valuation techniques. In observing the mean from
our results, we can notice that responses concentrate in the
strongly agree – agree range, a fact that shows that respondents
are very much aware about their relationships with clients and
that they are able to bring satisfaction to their work while
providing professional services to others.
The final entry in the statements reiterates the fact that
respondents are risk averters, a condition that matches how the
literature describes brokers.
The table shows that 80 % of the respondents use an electronic
program to build a portfolio. Using electronic programs reflect
competency in the techniques used between brokers and clients’
dealings.

Visitation frequency of financial instrument websites
38 % of the respondents visit a financial instrument website daily,
an equal percentage (36 %) do not, 20 % visit the websites weekly,
and finally a low 6 % visit the websites monthly.

Conclusion
The purpose of the current research was to explore and assess
the technical knowledge and behavior towards risk of a sample
of Lebanese professionals working in the financial market. This
research has concluded that respondents were professional in
their approaches to their clients and to their jobs however, results
have also shown that this sample of Lebanese brokers lacked
the theoretical foundations to deal with the different option
strategies.
The overall mean average calculated to assess the respondents’
knowledge was 3.79, fact that demonstrated that few respondents
understand the real statements of the options strategies and how
are these used in portfolio management. However, it seems that
respondents are able to compensate the aforementioned fact by
either using electronic support systems to serve the clients or by
relying on more experience in the market.
Results also show that the respondents’ approaches toward
clients are affected by many factors including the broker’s age
who finds that it is important to him to be respected by his/her
clients; by the broker’s professionalism, and technical skills in
building portfolios.
Most of the respondents confirm that as more time is spent in
providing financial services, they achieve the status of experts in
their profession. Moreover, results have shown that respondents
feel satisfied with their interactivity with clients when they feel
respected for their technical skills, approach, and professionalism.
The majority of the respondents have reflected a "risk averter"
personality and they confirmed that they are able to cope with
risk.
A particular strategy is successful if it performs in a way that
helps investors meet their investment goals. Option strategies
are not widely used in Lebanon or they may be unknown. Most of
the investors or brokers work according to their own expertise in
trading financial instruments.
The option strategies can provide the investors with the flexibility he/she needs in almost any investment situation that might be encountered. Moreover, these strategies give the investor the ability to tailor his/her position to the market situation, as with any type of investment, only some of the strategies will be appropriate for his/her objectives.

The findings of this research call for brokers and traders to seek further training and development and to create an even match between the theoretical foundations of option strategies.
Table 6 – Use of electronic programs in portfolio building

<table>
<thead>
<tr>
<th></th>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>40</td>
<td>80.0</td>
<td>80.0</td>
<td>80.0</td>
<td>80.0</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>20.0</td>
<td>20.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

and the electronic applications found on the net or off-the-shelf. Furthermore, although almost all respondents showed a risk averter status when dealing with their decisions, not much have been reflected from the data about how they personally react to market information necessary to produce revised decisions to their clients.

The researcher had hard time to collect the data by using the questionnaire instrument. The target sample of respondents was 150 however only 50 were collected making the response rate at 33.33% which is low. Many brokers and financial analysts approached refused to participate claiming that they can not offer classified information about their techniques or foundations of work. Therefore, results from this research are exploratory in nature and can not be generalized to the Lebanese community of financial dealers or brokers.

Список литературы


