For each of the following payoff graphs, describe a combination of options (long puts, long calls, short puts, short calls) that reproduces it.

Example.

Solution.

Exercise 1.

Exercise 2.

Exercise 3.

Exercise 4.
Exercise 5.

Payoff

\[ K_1 \quad K_2 \]

Exercise 6.

Payoff

\[ K_1 \quad K_2 \]

Exercise 7.

Payoff

\[ K \]

Exercise 8.

Payoff

\[ K \]

Exercise 9.

Payoff

\[ K \]

Exercise 10.

Payoff

\[ K_1 \quad K_2 \quad K_3 \]

Bonus Exercise. There are two different solutions to Exercise 10. In addition to your original answer, find the second solution.