

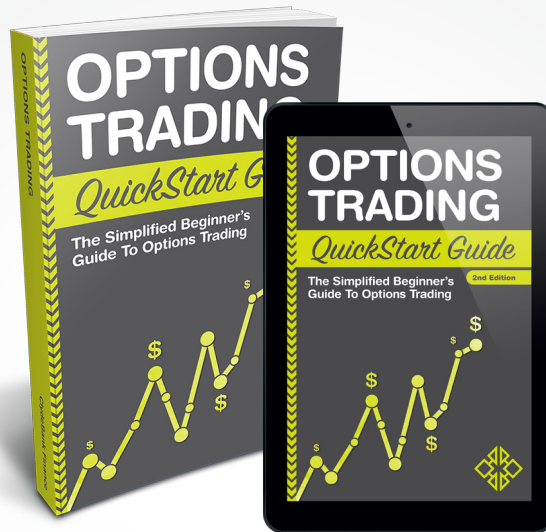
OPTIONS TRADING

QuickStart Guide™

AUDIOBOOK COMPANION

YOU HAVE THE AUDIOBOOK...

NOW **SAVE 10%** **ON**
YOUR NEXT PURCHASE



**BUY THIS BOOK IN ANOTHER FORMAT,
OR EXPLORE OUR ENTIRE LIBRARY OF**

*QuickStart
Guides*™

GET 10% OFF OF YOUR ENTIRE ORDER

WITH COUPON CODE:

companion10

CLICK HERE TO SHOP WITH 10% OFF →

or visit www.clydebankmedia.com/books

TABLE OF CONTENTS

CHAPTER 1	4	fig. 33	18
fig. 1.....	4	fig. 34	19
fig. 2	4	fig. 35	19
fig. 3	5	fig. 36	20
CHAPTER 2	6	GLOSSARY	21
fig. 4	6		
fig. 5	6		
fig. 6	7		
fig. 7	7		
CHAPTER 3	8		
fig. 8	8		
fig. 9	8		
fig. 10.....	8		
CHAPTER 4	9		
fig. 11	9		
fig. 12.....	9		
fig. 13.....	10		
fig. 14.....	10		
fig. 15.....	11		
fig. 16.....	11		
fig. 17	11		
fig. 18.....	12		
fig. 19.....	12		
fig. 20	12		
CHAPTER 5	13		
fig. 21.....	13		
fig. 22	13		
fig. 23	14		
fig. 24	14		
fig. 25	14		
fig. 26	15		
fig. 27	15		
CHAPTER 6	16		
fig. 28	16		
fig. 29	16		
fig. 30	17		
fig. 31.....	17		
fig. 32	18		

CHAPTER 1

Options Basics

fig. 1

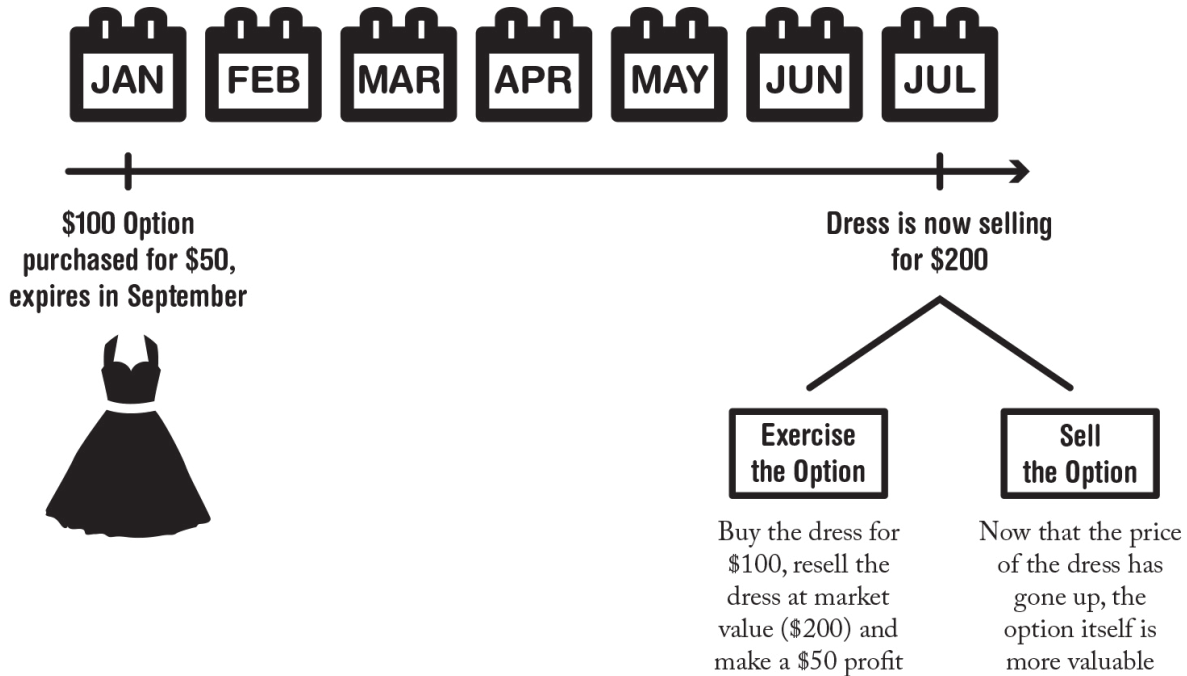


fig. 2

2 Key Parties in a Stock Options Trade

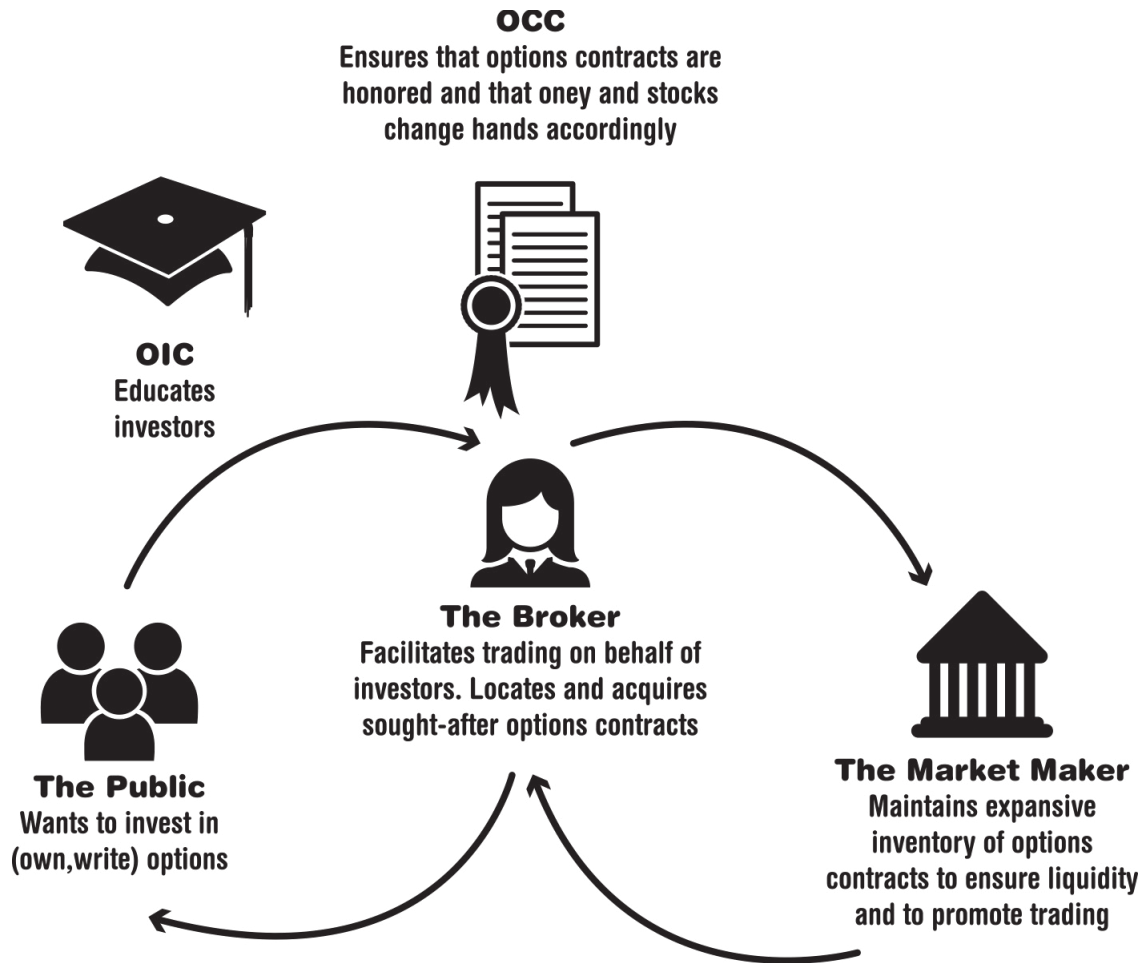
the buyer/owner

- Owns the right to buy a specified quantity of a specified stock within a specified timeline
- Is not obligated to exercise the option
- May sell the option to another party at any time and for any price

the seller/writer

- Writes* (theoretically) and sells the contract guaranteeing the buyer the right to purchase a specified quantity of a specified stock within a specified timeline
- Is obligated* to sell the specified quantity of the specified stock within the specified timeline should the buyer/owner exercise the option

fig. 3



CHAPTER 2

Trading Fundamentals

fig. 4

A Tale of Two Options

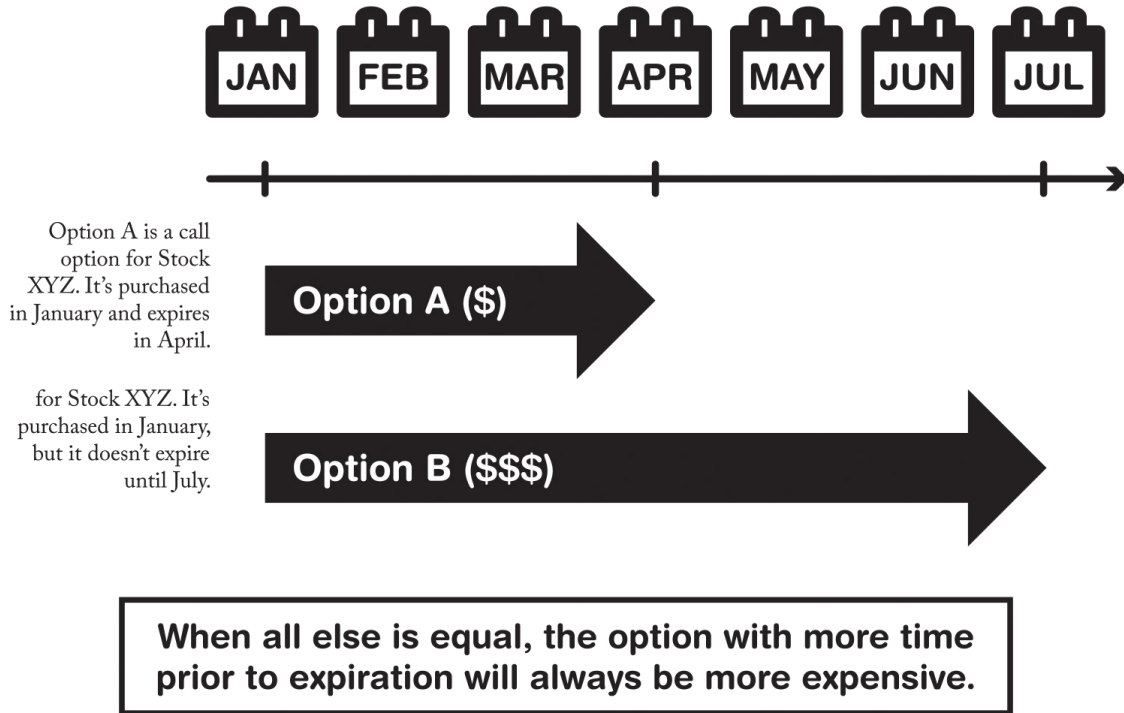


fig. 5

Exxon Mobil Corporation (XOM)
NYSE - Nasdaq Real Time Price. Currency in USD

82.07 -0.24 (-0.29%)
As of 12:57PM EDT. Market open.

Calls for September 21, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
XOM180921C00082500	2018-07-18 11:30AM EDT	82.50	1.86	2.00	2.01	-0.28	-13.08%	240	8,015	15.89%
XOM180921C00085000	2018-07-18 12:37PM EDT	85.00	1.06	1.05	1.06	-0.08	-7.02%	951	11,742	15.70%
XOM180921C00087500	2018-07-18 12:37PM EDT	87.50	0.51	0.51	0.53	-0.07	-12.07%	323	18,916	15.93%

fig. 6

Decoding the Jargon

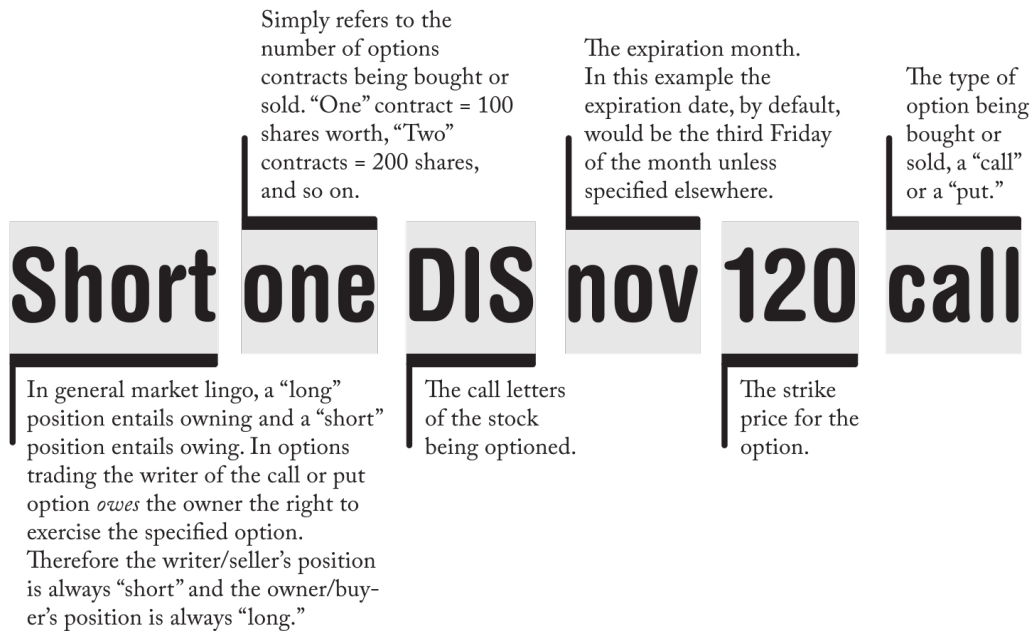
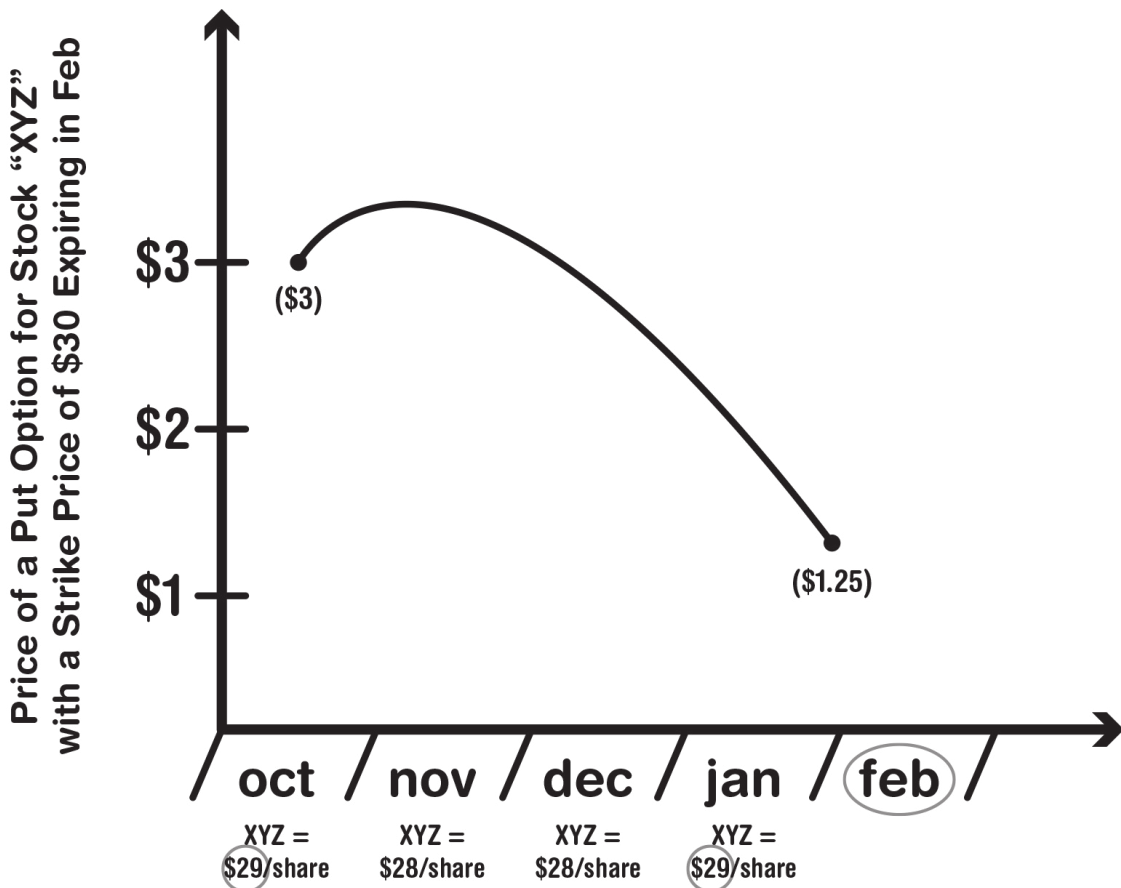


fig. 7



CHAPTER 3

A Sound Strategy for a Beginner

fig. 8

MGM Resorts International (MGM)
NYSE - Nasdaq Real Time Price. Currency in USD

31.02 -0.22 (-0.70%)
As of 3:59PM EDT. Market open.

December 21, 2018 In The Money

Calls for December 21, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
MGM181221C00031000	2018-07-18 1:06PM EDT	31.00	2.45	2.46	2.54	-0.23	-8.58%	3	5,351	31.32%
MGM181221C00035000	2018-07-18 9:43AM EDT	35.00	1.04	0.96	1.00	-0.05	-4.59%	2	5,486	29.10%

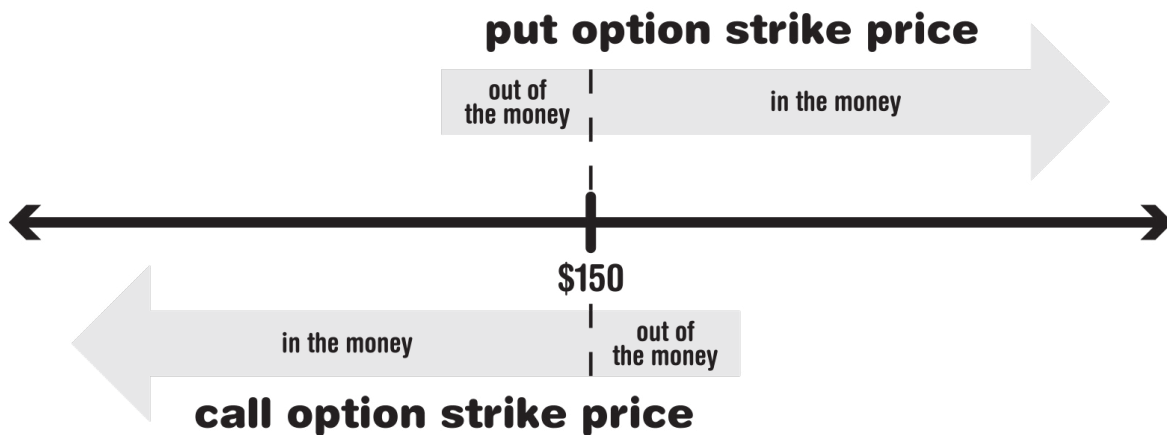
fig. 9

Puts for December 21, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
MGM181221P00029000	2018-07-17 3:57PM EDT	29.00	1.39	1.39	1.46	0.00	-	150	2,377	29.69%
MGM181221P00030000	2018-07-13 1:24PM EDT	30.00	1.96	1.79	1.86	+1.96	+100.00%	19	310	29.22%
MGM181221P00031000	2018-07-12 1:53PM EDT	31.00	2.61	2.23	2.33	+2.61	+100.00%	1	1,192	28.81%
MGM181221P00032000	2018-07-17 11:54AM EDT	32.00	2.77	2.73	2.82	0.00	-	10	284	27.81%

fig. 10

Stock XYZ is currently priced at \$150 per share



CHAPTER 4

Key Influencers on Options Prices

fig. 11

Ford Motor Company (F)
NYSE - NYSE Delayed Price. Currency in USD

10.87 +0.01 (+0.09%)
At close: 4:02PM EDT

Calls for January 18, 2019

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
F190118C00019870	2018-07-09 11:18AM EDT	19.87	0.01	0.00	0.03	+0.01	+100.00%	31	18,896	41.02%
F190118C00020000	2018-01-26 4:03PM EDT	20.00	0.02	0.02	0.04	-0.01	-33.33%	5	17,634	43.36%
F190118C00021870	2018-07-02 12:01PM EDT	21.87	0.01	0.00	0.01	+0.01	+100.00%	0	11,932	39.84%

fig. 12

Nielsen Holdings plc (NLSN)
NYSE - NYSE Delayed Price. Currency in USD

30.76 +0.11 (+0.36%)

Calls for July 20, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
NLSN180720C00026000	1969-12-31 8:00PM EDT	26.00	3.90	5.10	5.40	+3.90	+100.00%	0	0	200.20%
NLSN180720C00028000	2018-06-22 9:43AM EDT	28.00	3.70	3.10	3.30	+3.70	+100.00%	0	2	133.01%
NLSN180720C00029000	2018-06-29 9:57AM EDT	29.00	2.17	2.10	2.30	+2.17	+100.00%	3	11	102.15%
NLSN180720C00030000	2018-07-03 9:57AM EDT	30.00	1.00	1.10	1.30	+1.00	+100.00%	2	16	69.14%
NLSN180720C00031000	2018-07-17 11:06AM EDT	31.00	0.11	0.10	0.15	0.00	-	8	76	22.66%
NLSN180720C00032000	2018-07-16 3:58PM EDT	32.00	0.05	0.00	0.05	+0.05	+50.00%	36	783	34.77%
NLSN180720C00033000	2018-07-10 3:57PM EDT	33.00	0.10	0.00	0.05	+0.10	+100.00%	2	183	53.13%
NLSN180720C00034000	1969-12-31 8:00PM EDT	34.00	0.11	0.00	0.05	+0.11	+100.00%	0	24	60.94%

fig. 13

Time Warner Inc. (TWX)
NYSE - NYSE Delayed Price. Currency in USD

98.77 0.00 (0.00%)
At close: 4:03PM EDT
Calls for July 20, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
TWX180720C00065000	2018-03-23 11:58PM EDT	65.00	29.40	25.20	29.70	0.00	-	80	80	0.00%
TWX180720C00070000	2018-01-30 4:33PM EDT	70.00	24.58	24.90	29.40	0.00	-	5	5	260.55%
TWX180720C00075000	2018-01-02 1:17PM EDT	75.00	17.50	16.70	21.20	0.00	-	5	5	0.00%
TWX180720C00080000	2018-06-14 9:30AM EDT	80.00	18.30	0.00	0.00	0.00	-	1	131	0.00%
TWX180720C00085000	2018-06-14 1:31PM EDT	85.00	14.20	0.00	0.00	0.00	-	1	288	0.00%
TWX180720C00087500	2018-06-12 10:16AM EDT	87.50	9.58	9.90	12.10	0.00	-	10	185	128.22%
TWX180720C00090000	2018-06-14 3:27PM EDT	90.00	9.10	0.00	0.00	0.00	-	136	3,848	0.00%
TWX180720C00092500	2018-06-14 3:53PM EDT	92.50	6.75	0.00	0.00	0.00	-	114	34,724	0.00%
TWX180720C00095000	2018-06-14 3:59PM EDT	95.00	4.59	0.00	0.00	0.00	-	1,285	171,957	0.00%
TWX180720C00097500	2018-06-14 3:53PM EDT	97.50	2.57	0.00	0.00	0.00	-	928	45,304	0.00%
TWX180720C00100000	2018-06-14 3:57PM EDT	100.00	1.21	0.00	0.00	0.00	-	1,003	37,335	3.13%
TWX180720C00105000	2018-06-14 3:57PM EDT	105.00	0.24	0.00	0.00	0.00	-	818	153,903	12.50%

fig. 14

HP Inc. (HPQ)
NYSE - NYSE Delayed Price. Currency in USD

23.53 -0.06 (-0.25%)
At close: 4:02PM EDT
Calls for July 20, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
HPQ180720C00017000	1969-12-31 8:00PM EDT	17.00	7.05	6.50	6.65	+7.05	+100.00%	0	0	194.53%
HPQ180720C00018000	2018-06-25 11:49AM EDT	18.00	5.30	5.50	5.60	+5.30	+100.00%	0	10	143.75%
HPQ180720C00019000	1969-12-31 8:00PM EDT	19.00	4.72	4.50	4.60	+4.72	+100.00%	0	0	118.75%
HPQ180720C00020000	2018-07-16 3:29PM EDT	20.00	3.55	3.50	3.65	+3.55	+132.96%	1	17	109.38%
HPQ180720C00021000	2018-07-17 9:32AM EDT	21.00	2.49	2.42	2.60	0.00	-	6	1,064	90.63%
HPQ180720C00022000	2018-07-12 2:23PM EDT	22.00	1.59	1.55	1.62	+1.59	+100.00%	15	1,627	57.42%
HPQ180720C00022500	2018-07-10 9:41AM EDT	22.50	1.23	1.03	1.14	+1.23	+100.00%	2	1,407	53.91%
HPQ180720C00023000	2018-07-18 3:52PM EDT	23.00	0.55	0.53	0.58	-0.16	-22.54%	186	3,428	26.17%
HPQ180720C00023500	2018-07-18 3:19PM EDT	23.50	0.14	0.15	0.17	-0.13	-48.15%	112	3,885	18.16%
HPQ180720C00024000	2018-07-18 3:53PM EDT	24.00	0.02	0.02	0.04	-0.02	-50.00%	540	5,285	21.88%
HPQ180720C00024500	2018-07-17 9:30AM EDT	24.50	0.01	0.00	0.02	0.00	-	2	215	30.08%
HPQ180720C00025000	2018-07-13 12:21PM EDT	25.00	0.01	0.00	0.01	+0.01	+100.00%	1	2,604	35.94%
HPQ180720C00026000	2018-07-16 3:30PM EDT	26.00	0.01	0.00	0.02	+0.01	+100.00%	3	114	54.69%
HPQ180720C00027000	1969-12-31 8:00PM EDT	27.00	0.01	0.00	0.02	+0.01	+100.00%	0	50	71.88%
HPQ180720C00028000	2018-07-13 11:44PM EDT	28.00	0.01	0.00	0.02	0.00	-	1	0	87.50%

fig. 15



fig. 16



fig. 17

Thor Industries, Inc. (THO)
NYSE - NYSE Delayed Price. Currency in USD

100.98 -0.39 (-0.38%)
At close: 4:02PM EDT

Calls for July 20, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
THO180720C00070000	2018-06-11 1:38PM EDT	70.00	31.82	30.20	31.40	0.00	-	1	1	249.61%
THO180720C00085000	2018-07-17 10:24AM EDT	85.00	15.00	15.30	16.50	0.00	-	1	2	143.46%
THO180720C00090000	2018-07-17 10:24AM EDT	90.00	10.00	10.80	11.30	0.00	-	1	143	67.97%
THO180720C00095000	2018-07-16 12:27PM EDT	95.00	4.10	5.80	6.30	0.00	-	12	194	58.40%
THO180720C00100000	2018-07-18 2:18PM EDT	100.00	1.28	1.65	1.85	-1.24	-49.21%	14	1,525	35.84%
THO180720C00105000	2018-07-18 2:34PM EDT	105.00	0.09	0.05	0.15	-0.26	-74.29%	38	973	33.69%

fig. 18



fig. 19

Time Warner Inc. (TWX)
NYSE - NYSE Delayed Price. Currency in USD

98.77 0.00 (0.00%)
At close: 4:03PM EDT

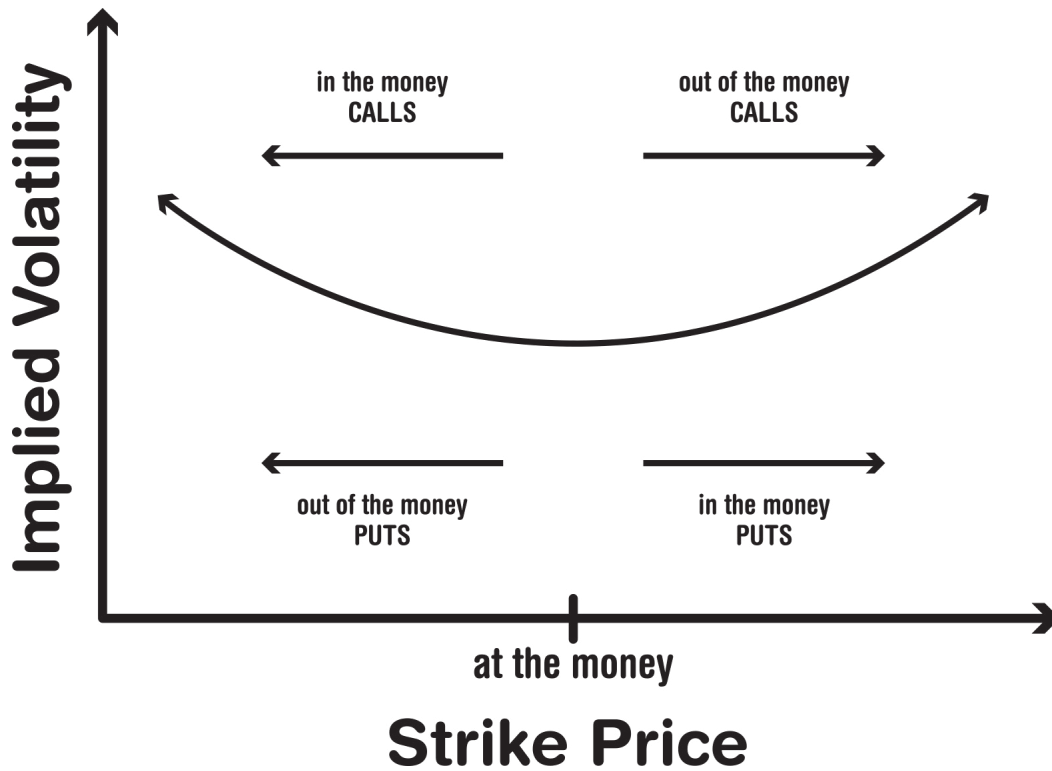
Calls for July 20, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
TWX180720C00105000	2018-06-14 3:57PM EDT	105.00	0.24	0.00	0.00	0.00	-	818	153,903	12.50%

Puts for July 20, 2018

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
TWX180720P00095000	2018-06-14 3:11PM EDT	95.00	0.70	0.00	0.00	0.00	-	317	36,350	12.50%

fig. 20



CHAPTER 5

Win at Options By Speaking Greek

fig. 21

A large, bold, black Greek letter delta symbol (δ) centered on the page.

fig. 22

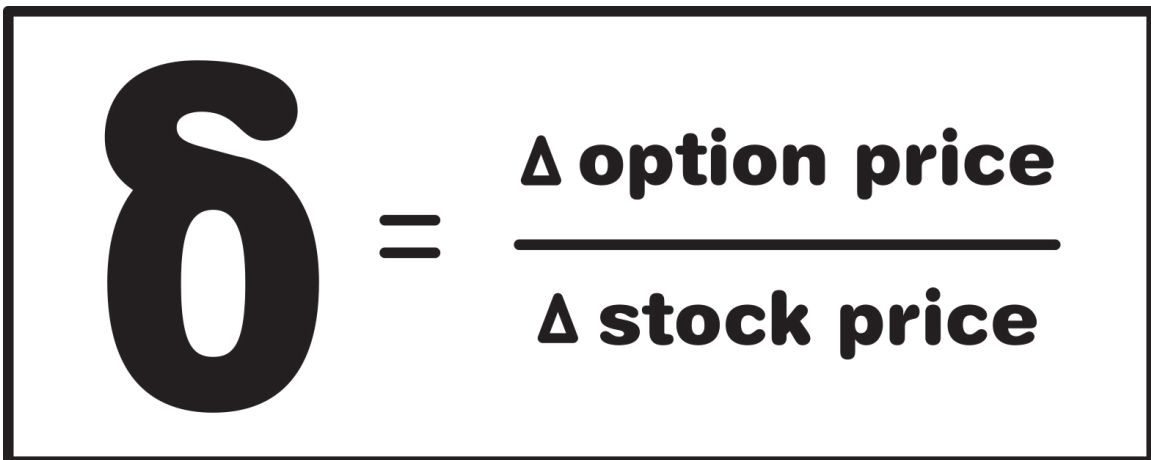
A large, bold, black Greek letter delta symbol (δ) is followed by an equals sign and a fraction. The numerator of the fraction is Δ option price and the denominator is Δ stock price. The entire equation is enclosed in a black rectangular box.
$$\delta = \frac{\Delta \text{ option price}}{\Delta \text{ stock price}}$$

fig. 23



fig. 24



fig. 25



fig. 26

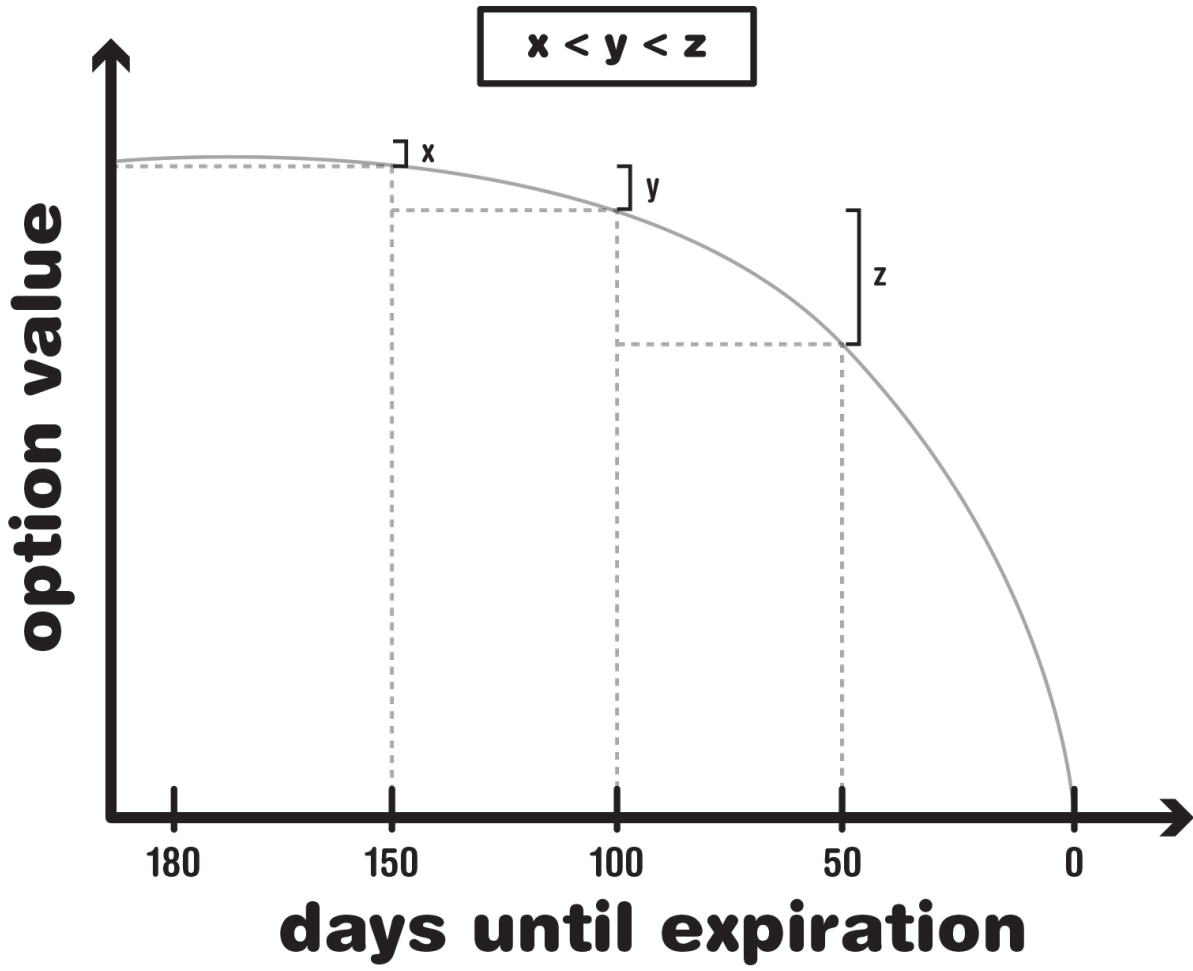


fig. 27



CHAPTER 6

Popular Options Strategies

fig. 28

Profit & Loss on a Covered Call

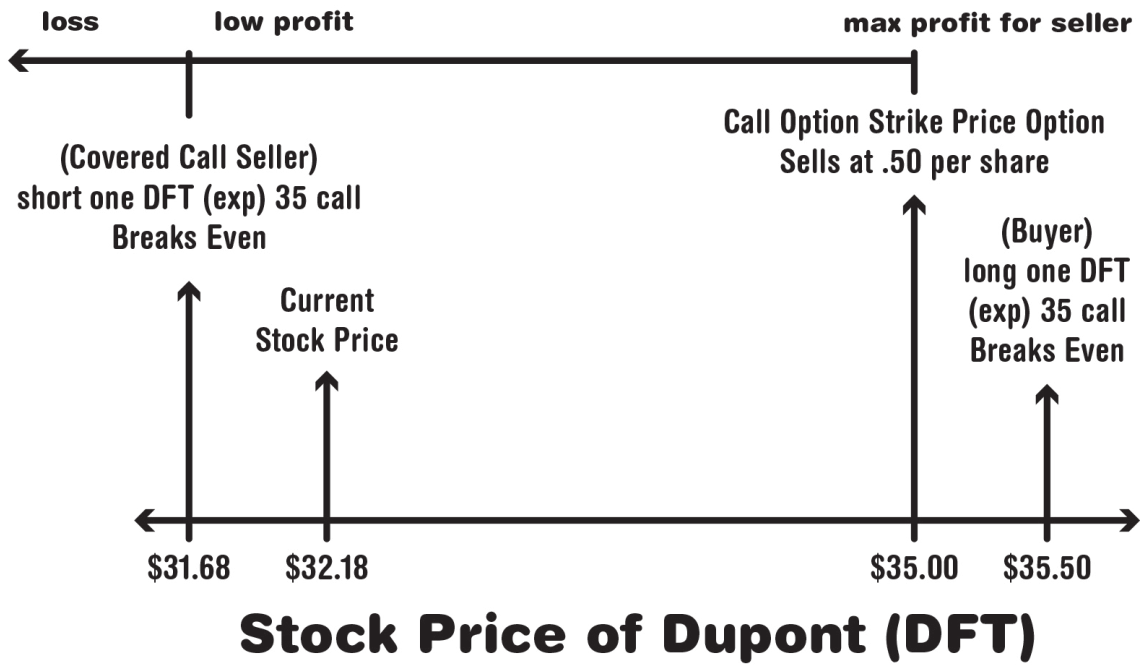


fig. 29



fig. 30

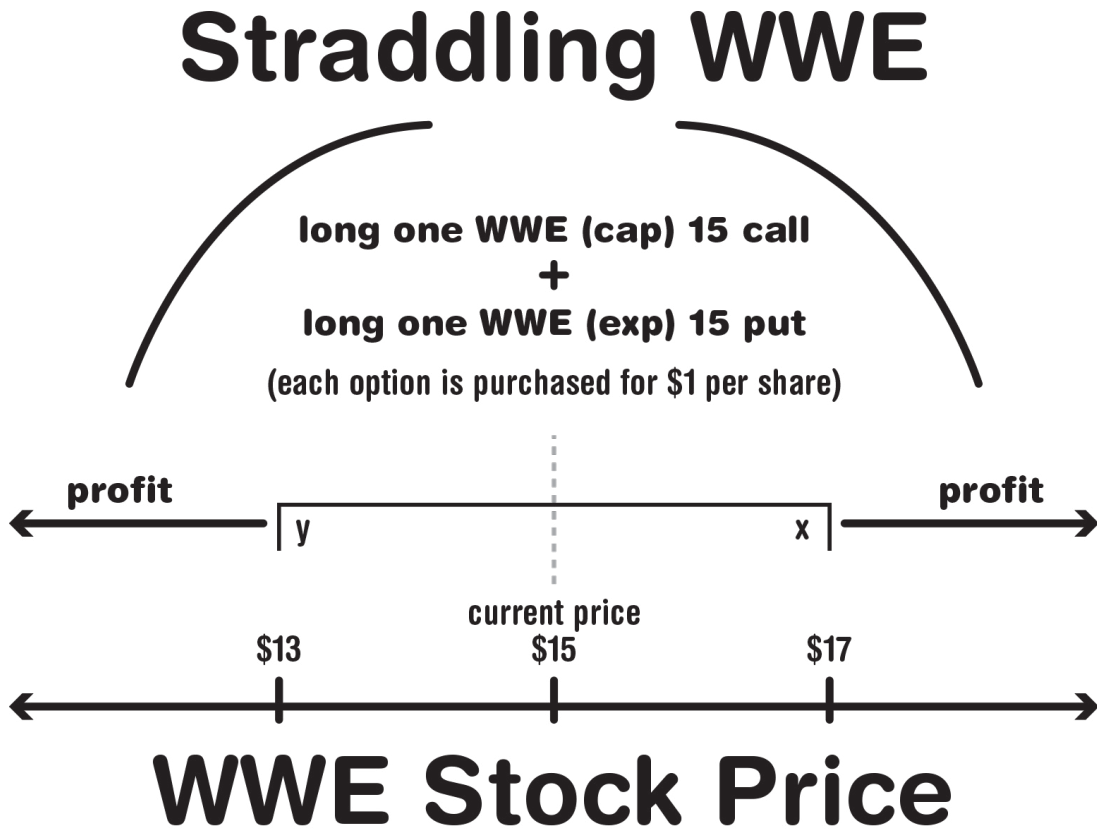


fig. 31

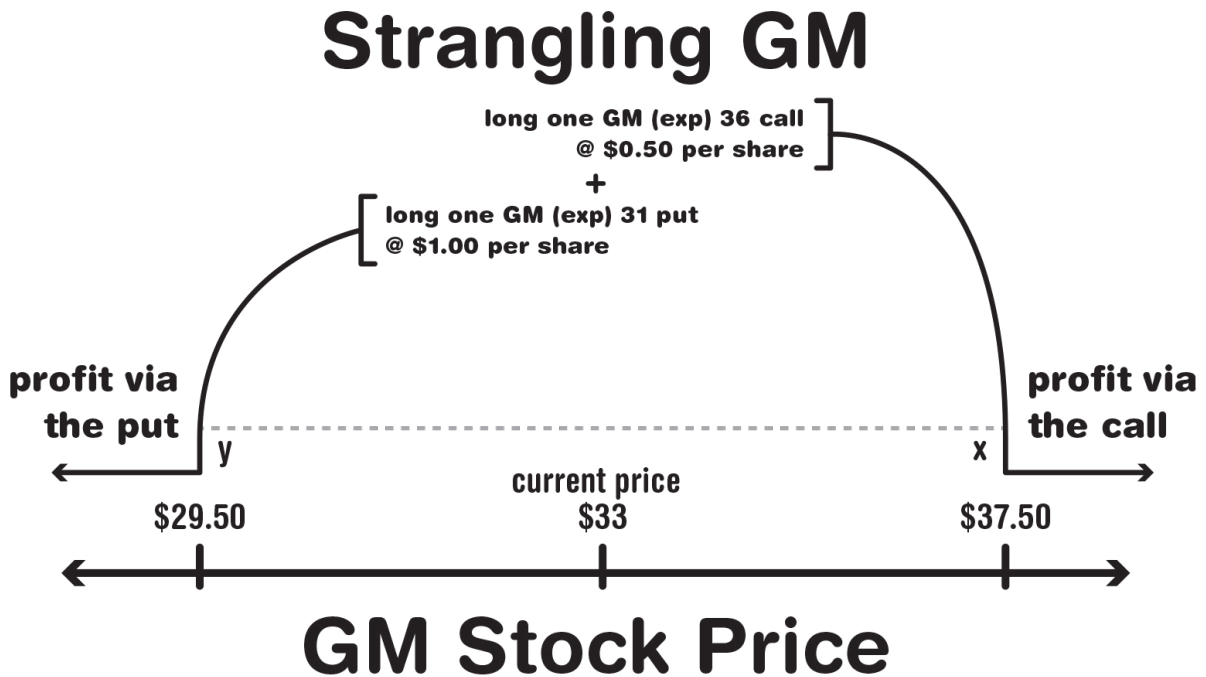


fig. 32

The Bull Spread

long one GM (exp) 35 call @ \$.50 per share
+ short one GM (exp) 37 call @ \$.20 per share

Total Position = \$.30 per share



fig. 33

The Married Put

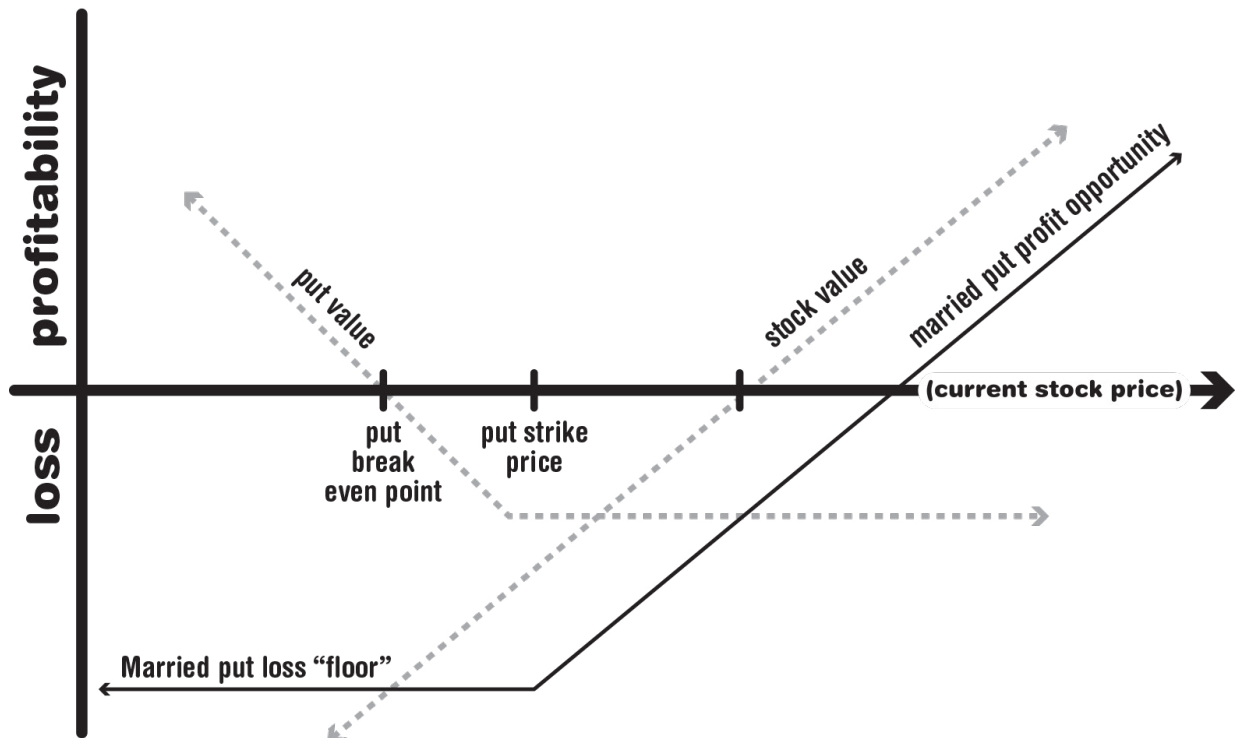


fig. 34

The Protective Collar

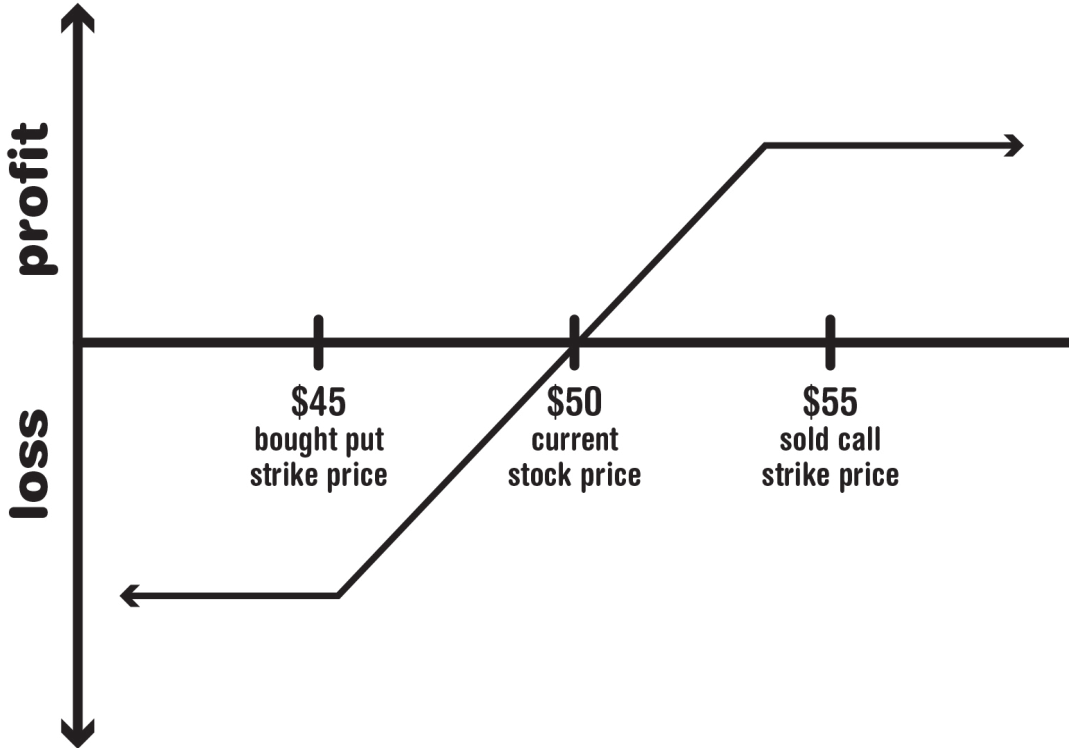


fig. 35

The Long Put Butterfly Spread

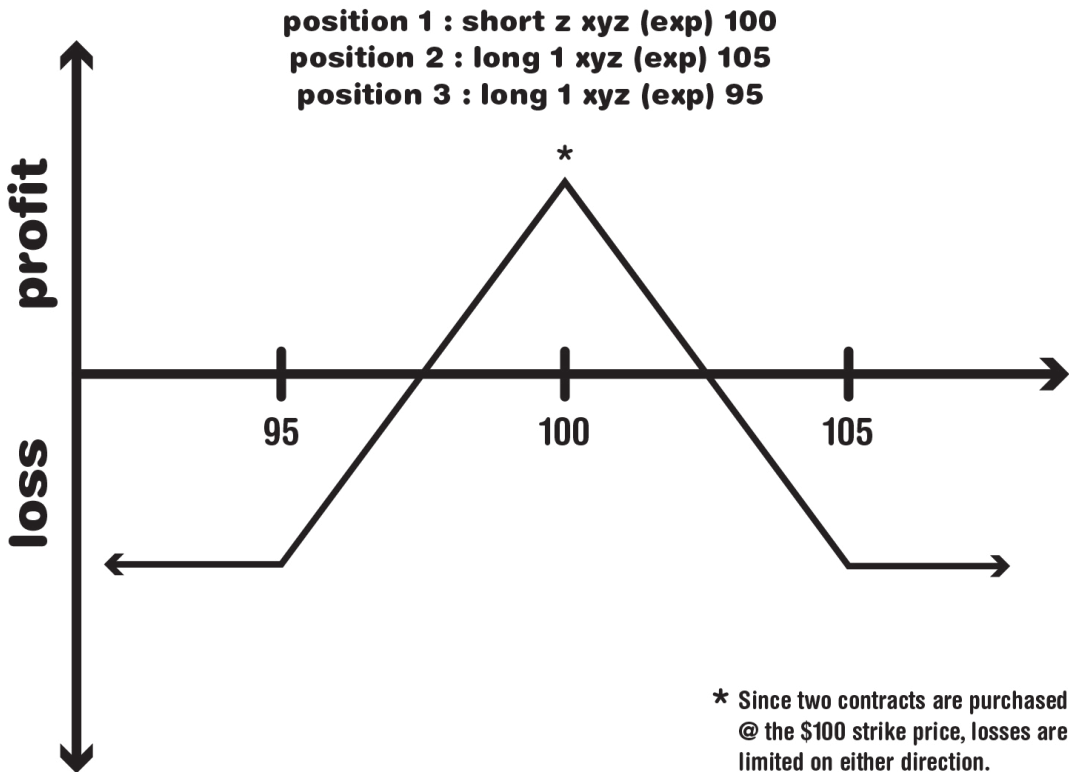
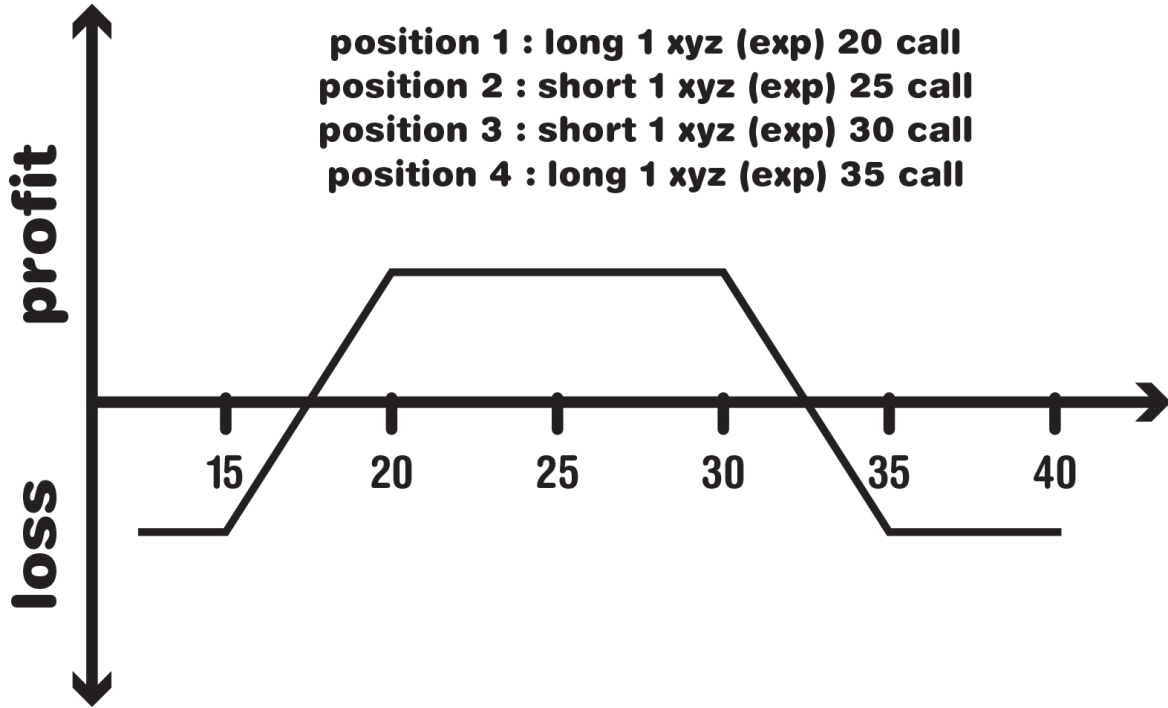


fig. 36

Iron Condor



GLOSSARY

American-Style Option

An option that may be exercised at any point prior to the expiration date.

Ask Price

A price that a particular party is willing to take in exchange for a stock or some other security.

Bid Price

A price that a particular party is willing to pay to obtain a stock or some other security.

Call

An option that guarantees the “owner” the right to purchase a stock at a certain price (strike price) before a specified expiration date.

Covered Call

When a trader selling a call option owns the requisite shares in the underlying asset and is therefore able to readily produce the shares if the option is “called in”.

Cost Basis

The cost basis for a stock is the original cost of obtaining the stock adjusted for revenue obtained through the stock, such as dividends, capital distribution, and any revenues gained from selling options on the stock.

Chicago Board Options Exchange (CBOE)

The first trading exchange to legitimize and regulate the trading of stock options.

European-Style Option

An option that may only be exercised on the exact date of expiration.

Gamma Risk

A level of risk affecting the profit/loss of an option, whereby small changes in the value of the underlying asset may drastically reduce the delta value of the stock, leaving the investor in a position in which a small change can significantly eliminate or diminish profit.

Greeks

A collection of metrics used to describe the anticipated behavior of option value in response to various factors such as changes in the underlying value (delta), changes in time (theta), changes in interest rates (rho), changes in volatility (vega) and anticipated changes in the delta value (gamma).

Historical Volatility

The observed volatility of a particular financial instrument as observed by past performance. (Contrast with “implied volatility”)

Implied Volatility

An important measurement of an options value that predicts the volatility in price for an option. The higher the implied volatility, the more likely that the stock will dramatically change in value. Distinct from historical volatility in that implied volatility attempts to predict future behavior, whereas historical volatility is an evaluation of past behavior.

In The Money (ITM)

When an option’s strike price will yield immediate intrinsic value. A call option is ITM when the strike price is lower than the actual value of the underlying asset. A put option is ITM when the strike price is higher than the actual value of the underlying asset.

Intrinsic Value

The amount by which a call option’s strike price is lower than the underlying asset price, or the amount by which a put option’s strike price is higher than the underlying asset price. An option with intrinsic value can be exercised for a profit if and only if the premium paid to obtain the option is less than the intrinsic value.

Long Position

In stock trading, a long position refers to the holding of any stock or derivative that will increase in value when the stock goes up.

Limit order

When a trader agrees to purchase a certain financial asset at or below a certain price. A limit order is usually set at a price somewhere in between the ask price and the bid price.

Moneyness

The difference between an option’s set strike price and the price of the underlying asset or stock, or the extent to which an option is in or out of the money. Moneyness profoundly influences the pricing of options.

Naked Call Writing

When a trader selling a call option does not own the requisite shares in the underlying asset and is therefore not able to readily produce the shares if the option is “called in.”

Naked Put

When a trader purchases a put (the right to sell a stock at a certain price) without actually owning the underlying stock.

Options Clearing Corporation (OCC)

A corporation formed by the Chicago Board Options Exchange responsible for ensuring that options contracts are enforced.

Options Chain

A price listing of call and put options at various strike prices and expiration dates.

Out of the Money (OTM)

A call option is out of the money when the value of the stock is lower than the strike price. A put option is out of the money when the value of the stock is higher than the strike price.

Owner

The party in an options contract entitled to exercise the option. (Compare with “Writer.”)

Premium

The price paid to own a stock option.

Put

An option that guarantees the “owner” the right to sell a stock at a certain price (strike price) before a specified expiration date.

Short Position

In stock trading, a short position refers to the holding of any stock or derivative that will increase in value when the stock goes down.

Spread

An option investment strategy whereby a call (or put) is simultaneously bought and sold creating a cheaper overall premium price while limiting profitability to a certain extent.

Stock Option

A contract guaranteeing the right to purchase (call) or sell (put) a specific stock at specific price within a specific period of time.

Straddle

An options investment strategy whereby a put and a call option are purchased for the same stock at the same strike price.

Strangle

An option investment strategy whereby a put and call option are purchased for the same stock but at different strike prices, usually with the put strike price being lower and the call price being higher.

Strike Price

A price that's specified in an options contract at which the buyer of the option may purchase a stock (in a call) or sell a stock (in a put) within the period specified by the contract.

Time Decay

The phenomenon of an option losing value over time.

Time Value

An element that contributes to the overall valuation of an option on the basis of the amount of time remaining in an option contract prior to the expiration date, the more time remaining in the contract, the more valuable the option.

Underlying Asset

The asset from which an option is derived. With stock options, stocks are the underlying assets.

Volatility

The propensity of a certain financial instrument to significantly fluctuate in value over time.

Wasting Asset

An asset that declines in value over time. Because options lose value the closer they get to their expiration dates, they are considered to be wasting assets.

Writer

The party in an options contract obliged to buy or sell a stock when the owner exercises an option. (Compare with "Owner.")