







Options Trading Cheat Sheet

The Essentials of Options Trading:

- » When you **BUY** a **CALL OPTION**, you want the stock's price to go **UP** 
- » When you **SELL** a **CALL OPTION**, you want the stock's price to go **DOWN** 
- » When you **BUY** a **PUT OPTION**, you want the stock's price to go **DOWN** 
- » When you **SELL** a **PUT OPTION**, you want the stock's price to go **UP** 
- » **CALL OPTIONS** with **LOWER STRIKE PRICES** are **MORE EXPENSIVE** \$\$\$
- » **CALL OPTIONS** with **HIGHER STRIKE PRICES** are **LESS EXPENSIVE** \$
- » **PUT OPTIONS** with **LOWER STRIKE PRICES** are **LESS EXPENSIVE** \$
- » **PUT OPTIONS** with **HIGHER STRIKE PRICES** are **MORE EXPENSIVE** \$\$\$



Is your option "IN THE MONEY"?

ANSWER:

An option is said to be "in the money" when the option's strike price gives the option's owner an advantage in the current marketplace.

- » A **CALL OPTION** is **IN THE MONEY** when the *strike price* is **LESS THAN** the *current stock price*.
- » A **PUT OPTION** is **IN THE MONEY** when the *strike price* is **GREATER THAN** the *current stock price*.



Just because an option is "in the money" does not mean that exercising the option will be profitable. The cost paid to own the option (aka the premium) must be taken into account.

How to Read an Options Chain:

» **CALL OPTIONS** for ValueCorp (VLC) stock, currently trading at **153.80**



The options in the following options chain expire two weeks from the current date.

The buyer of the call option buys the **right to purchase** the stock at a given "strike price."

Options chains list the last price paid (per share) for the option at the given strike price.

The Change column shows the recent increase or decrease in the price of the option.

The Bid column shows available offers (bids) to buy options. The Ask column shows available offers to sell options.

The Volume column shows the quantity of options recently traded at the given price.

Strike Price	Price (of options contract)	Change	Bid	Ask	Volume
120	34.12	+0.30	33.80	33.95	29
130	24.27	+0.42	23.80	24.00	79
140	14.25	0.00	13.85	19.00	110
150	4.39	+0.12	4.35	4.45	238
160	0.21	+0.01	0.21	0.22	2059
170	0.01	-0.01	0.01	0.03	12

These four call options are "in the money" because their strike prices are **lower** than the stock price (153.80). Options chains will usually highlight the options contracts that are "in the money."

The price of a call option always **increases in inverse proportion** to the strike price.

» **PUT OPTIONS** for ValueCorp (VLC) stock, currently trading at **153.80**



The options in the following options chain expire two weeks from the current date.

The buyer of the put option buys the **right to sell** the stock at a given "strike price."

There is currently no demand for a put option at the 120 strike price (for this expiration period).

There have been no recent put options traded at the 170 strike price (for this expiration period).

Strike Price	Price (of options contract)	Change	Bid	Ask	Volume
120	0.01	-0.01	-	0.02	10
130	0.01	0.00	0.01	0.01	26
140	0.03	-0.02	0.03	0.04	478
150	0.53	-0.04	0.51	0.52	3035
160	5.85	-0.30	6.25	6.40	7
170	19.37	0.00	16.05	16.30	-

These two put options are "in the money" because their strike prices are **higher** than the stock price (153.80).

The price of a put option always **increases in direct proportion** to the strike price.