



THE ROYAL NETWORK

Introduction to OPTIONS

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Topical Guide

What is the options market?

How are options valued?

What are some basic strategies?

What are common risk considerations?

How is performance measured?



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PART I

What is the options market?

History: Dutch tulip contracts

CBOE

Regulatory Oversight

Characteristics and Risks of Standardized Options

Leverage, substitutes,

Options trading authorization levels, Options Principals

European and American style options



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PART II

How Are Call Options Valued?

Strike price, Expiration, Stock price

Intrinsic value, extrinsic value, premium, bid, ask (penny priced?)

Option Chain: ITM, ATM, OTM

Open Interest, Historical Vol., Implied Volatility

Greeks: Delta, Theta, Gamma, Rho

Black-Scholes Calculator

Probabilities



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PART III

What Are Some Call Strategies?

Long (the right but not the obligation to buy ...)

Trade Authorization Level and Stock Assessment (bullish)

ITM, ATM, OTM comparison

Near/Front Month Expiry, Next Month Out, & Quarterly comparison

Max gain, max loss, breakeven, implied volatility timing, time stops, hard stops, no stops, targets, risk/reward, position size, rolling, open interest clusters, early exercised.

Short

Naked, Margin Requirements, Trade Authorization Level

Covered for credit (refer to Course 1)



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PART IV

How Are Put Options Analyzed?

Strike price, Expiration, OCC Cycles

Intrinsic value, extrinsic value, premium, bid, ask (penny priced?)

Option Chain: ITM, ATM, OTM

Open Interest, Implied Volatility, Historical Volatility

Greeks: Delta, Gamma, Theta, Rho

Probabilities



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PART V

What Are Some Put Strategies?

Long (the right but not the obligation to sell ...)

Trade Authorization Level and Stock Assessment (bearish)

ITM, ATM, OTM comparison

Near/Front Month Expiry, Next Month Out, & Quarterly comparison

Max gain, max loss, breakeven, implied volatility timing, time stops, hard stops, no stops, targets, risk/reward, position size, rolling, open interest clusters, early exercised.

Short

Naked, Margin Requirements, Trade Authorization Level
Credit



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SUMMARY

What have you learned?

Long call = bullish

Long put = bearish



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