Options Theory for Professional Trading and Options Strategies

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OTC (over the counter) Market : Securities that are traded between counters parties without being listed on the exchange.
May be facilitated by dealers or brokers.
This trading helps promotes equity and finance instruments that would be otherwise unavailable to investors.
OTC might not be legal in some states.
Companies with OTC shares may raise capital through the sale of stock.

Call option: asking to buy an option
Put option: putting on the table to sell

Strike price: is the price at which buyer and seller agree to enter into an agreement.

Underlined Price: Is the price at which underlined assets trades in the spot market.

Option expiry: Contact expires, option expires.

Option premium : it is the money required to be paid by the option buyer to the option seller.

Option settlement: when we settle the option

Call option pl = max[0,(spot price - strike price)] - premium paid

If the option buy has limited risk the the option seller has limited profit.
If the option buyer has unlimited profit, then potentially the option seller has unlimited risk.

2 options: Europeans and Americans options

Index option: Nifty, Bank nifty.

Index work like european indexes and markets works like American.

European options the option buyer should mandatorily wait till expiry to exercise his right

Break even point = strike price - premium paid

PL for put options = premium received - [max(0,(strike price- spot price)]

For option buyer
Pl for long call = max[0, (spot price - strike price)] - premium paid

Pl for long put = max[0, (strike price - spot price)] - premium paid

For option seller

Pl for short call = premium received - max[0,(spot p - strike p)]

Pl for short put = premium received - max[0,(strike p - spot p)]

Strike trade:
In the money (ITM)
At the Monet (ATM)
Out of the money (OTM)

Intrinsic value is the amount of money you would make if you were to exercise the option contract.
Intrinsic value of an option contract can never be negative. It can be either 0 or + no.

Call option intrinsic value = spot price - strike price

Put option intrinsic value = strike price - spot price

- Delta measure the rate of change of options premium based on the direction of underlines
- Gamma is the rate of change of delta itself
- Vega is the rate of change of premium based on the change in volatile
- Theta measures the impact on premium based on time left for expiry

Expected changes in option premium = option delta * points changes in underline

Call option have + delta
Put option have - delta

PCP put call parity: put value + spot price = present value of strike (invested to maturity) + call value.
This is only if and only if these are ATM options.
Option are European
Expires at same time
And both are held at till expiry at the same time.