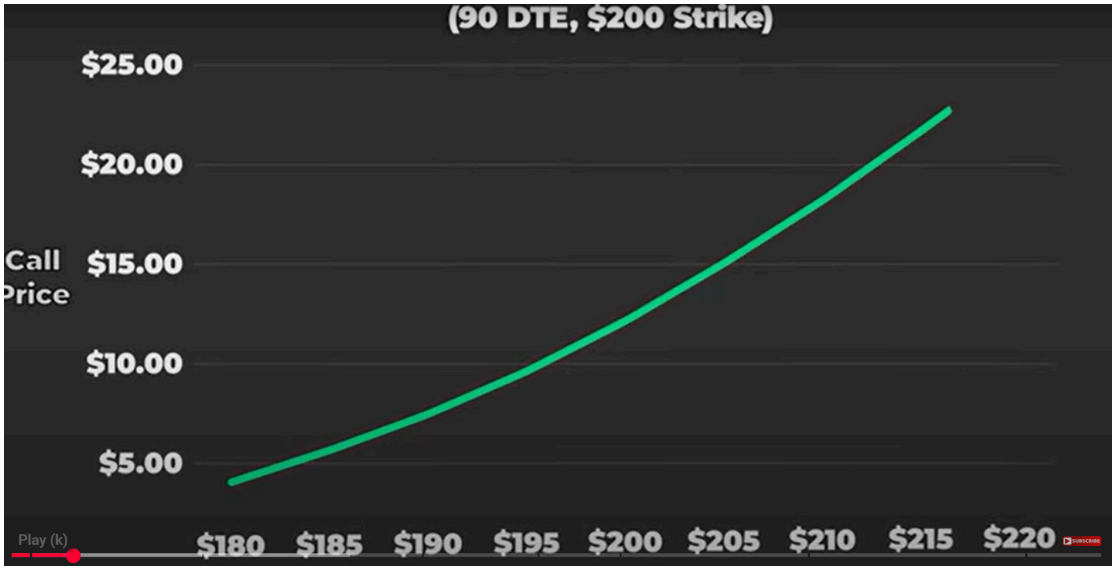
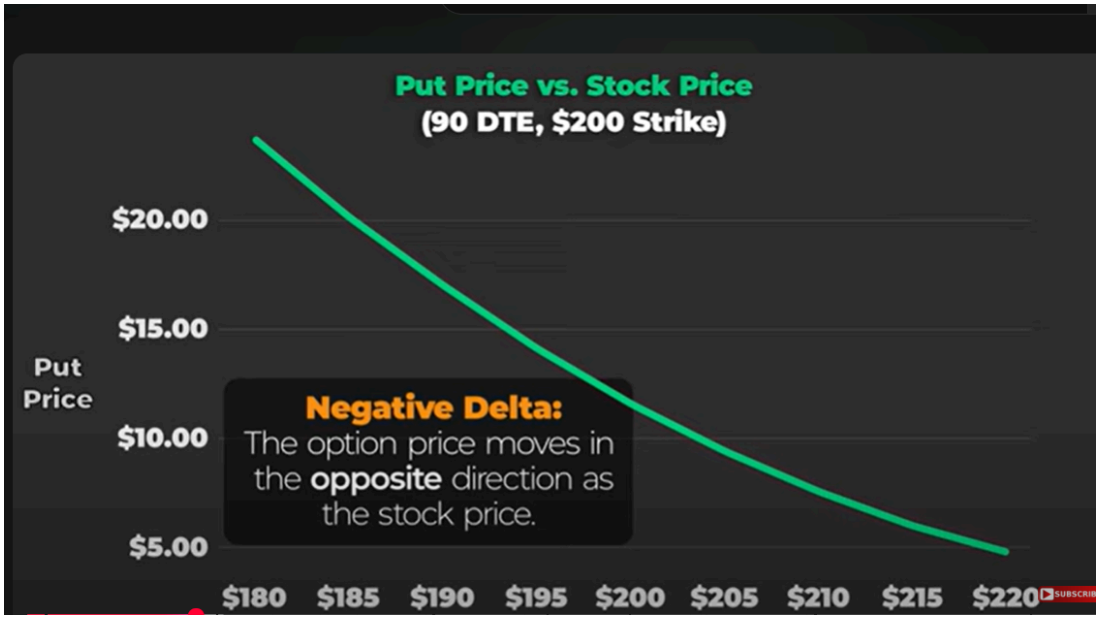
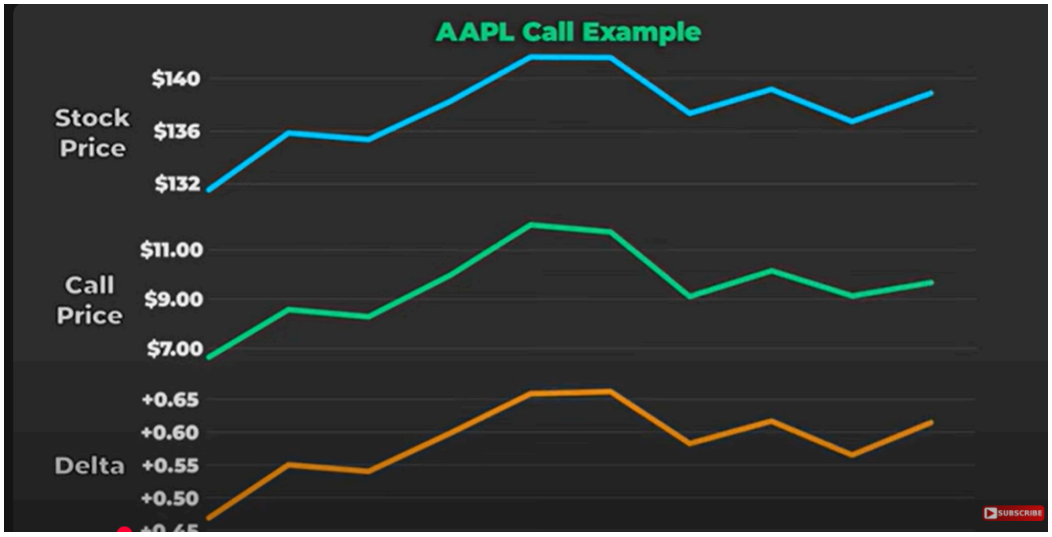


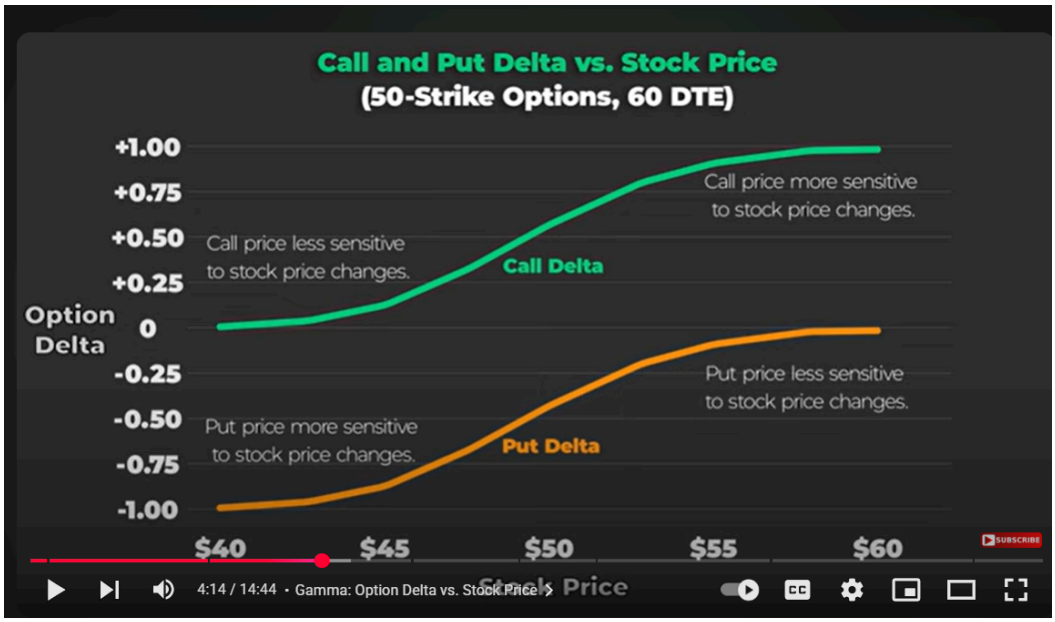
Call option - delta behaviour



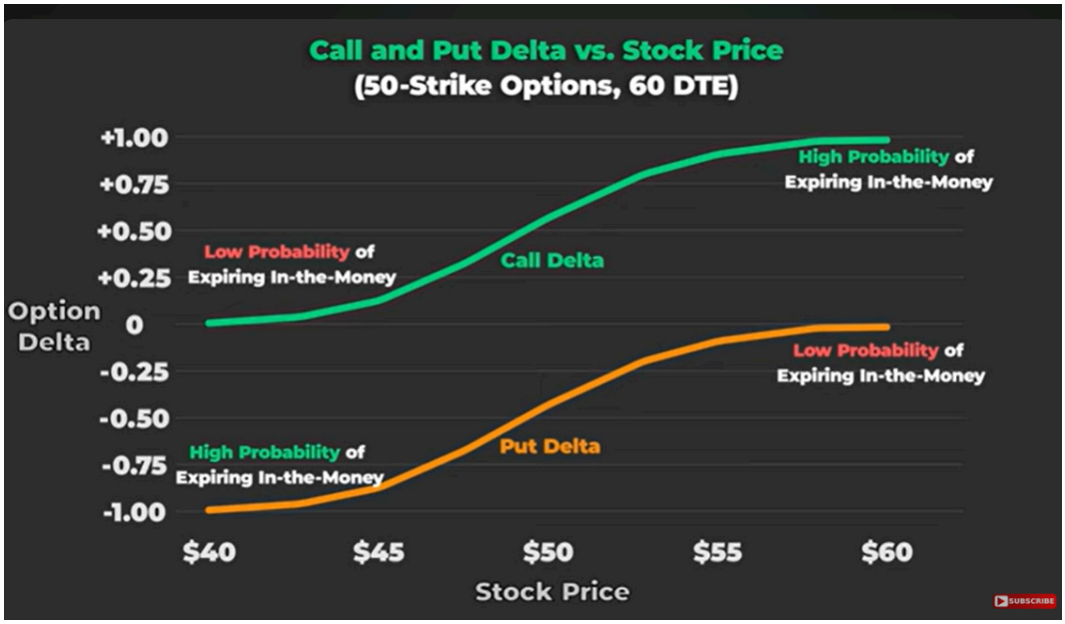
Put option - delta behaviour



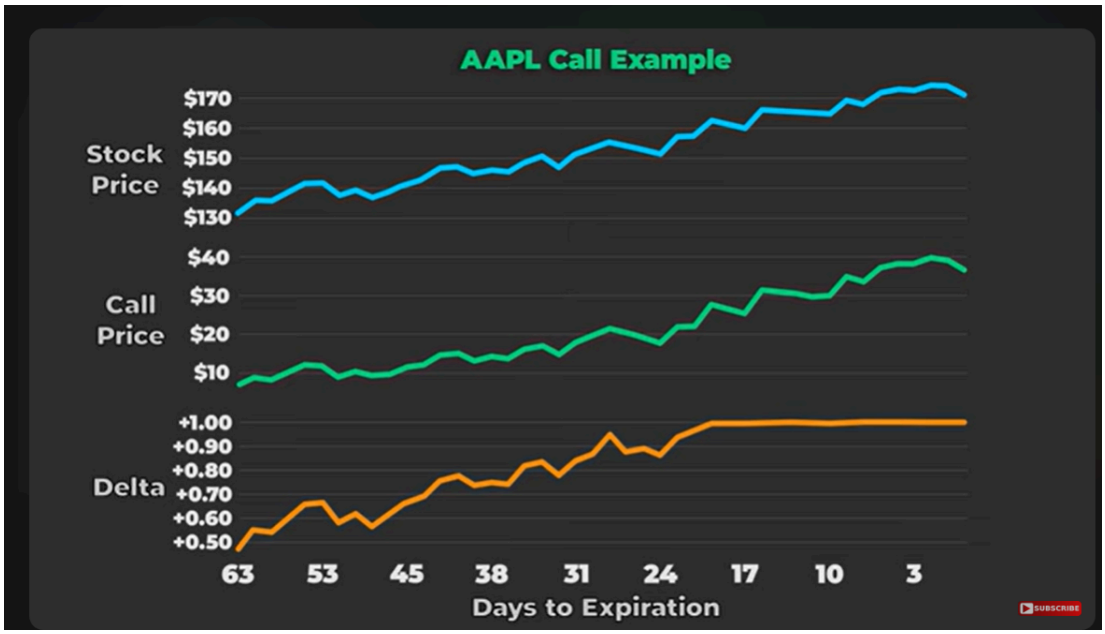
Call delta starts : 0.47
Stock rises by 4
Call price new : +2 (ie initially 7 now 9)



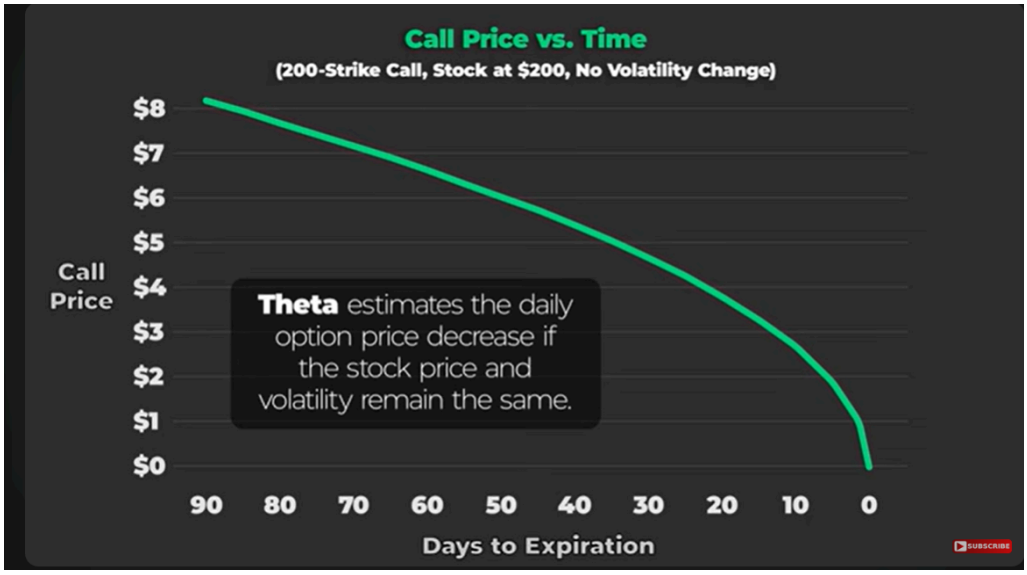
In general behaviour of delta option



Relationship of delta with prob of expiring in the money

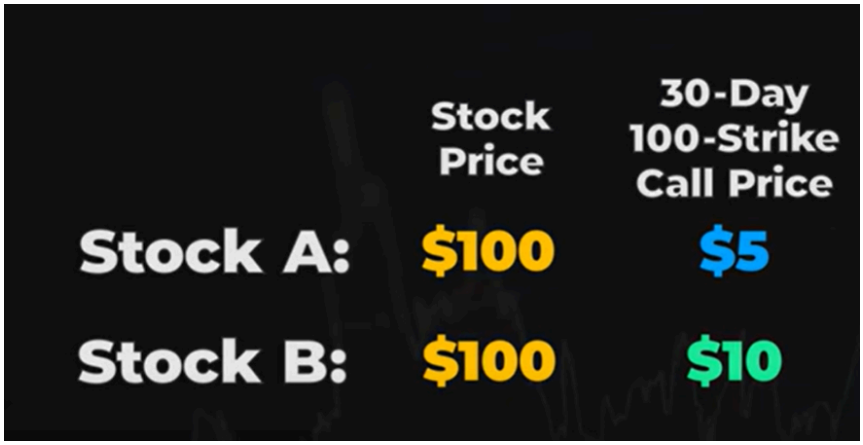


Example of a stock through phases and significance & conclusion from delta
Example for Gamma :
Give gamma = 0.05 & delta = 0.50
If stock up by $1 -> delta = 0.50+0.05 = 0.55
If stock down by $1 -> delta = 0.50-0.05 = 0.45
When share increase by $1 and opt price increases by $1 , the opt behave like shares of stock , why ?



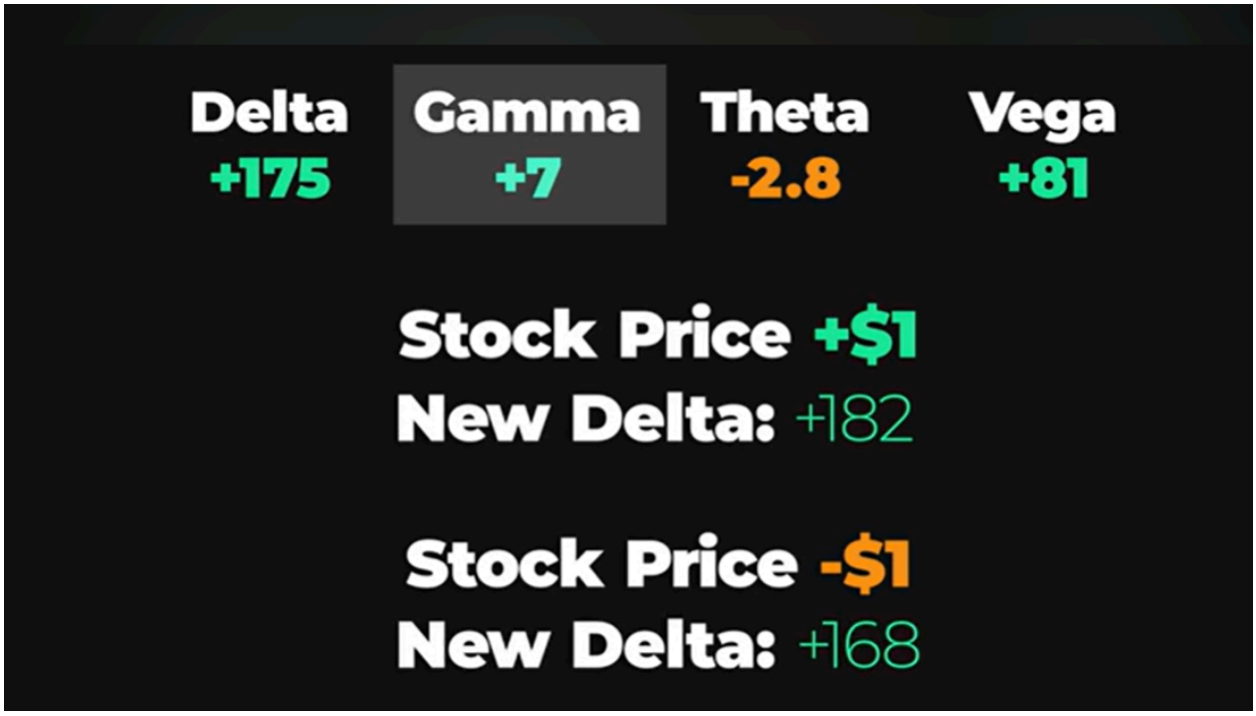
Theta , Stock price and volatility didnt change

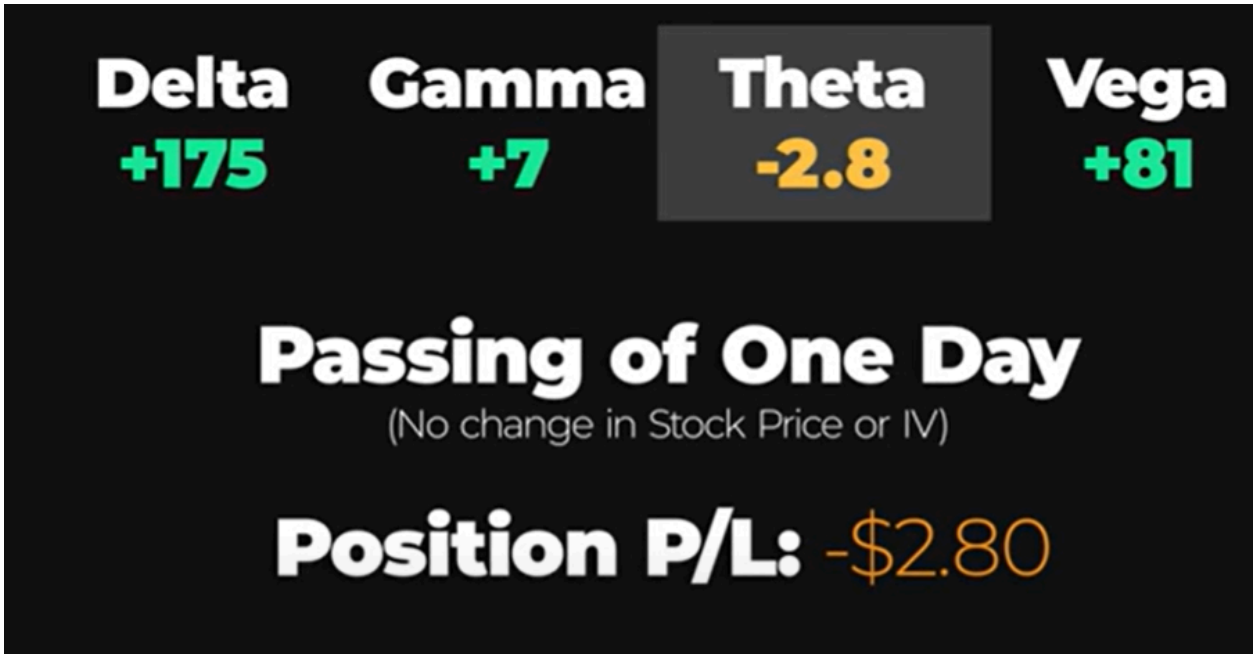
Vega

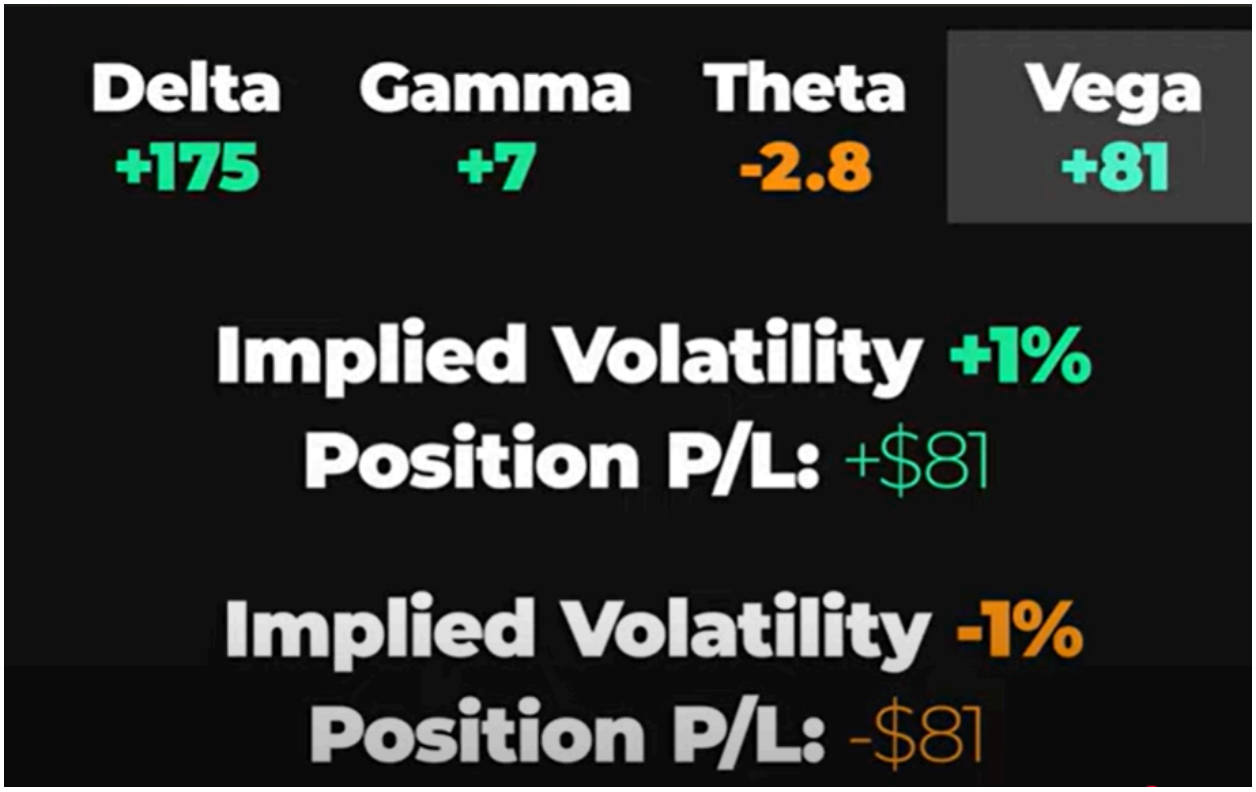


Which opt would you choose , why ?


Delta
+175
Gamma
+7
Theta
-2.8
Vega
+81
Stock Price +$1
Position P/L: +$175
Stock Price -$1
Position P/L: -$175
SUBSCRIBE


Delta
+175
Gamma
+7
Theta
-2.8
Vega
+81
Stock Price +$1
New Delta: +182
Stock Price -$1
New Delta: +168


Delta
+175
Gamma
+7
Theta
-2.8
Vega
+81
Passing of One Day
(No change in Stock Price or IV)
Position P/L: -$2.80


Delta
+175
Gamma
+7
Theta
-2.8
Vega
+81
Implied Volatility +1%
Position P/L: +$81
Implied Volatility -1%
Position P/L: -$81