Options Pricing Research

Soham Deshpande

December 28, 2022

Contents

1 Options

Options are a versatile financial product that are based on the value of the underlying security. These contracts offers the buyer an opportunity to buy or sell, but unlike a future, the contact holder is not required to buy or sell the commodity.Through paying a premium, a buyer can gain the rights granted by the contract.
There are two types of options: call and put options. A call options is the right to buy or take a long position in a given asset. A put options is the right to sell or take a short position in a given asset. The asset to be bought or solder under the terms of the options is the underlying asset. The price at which the underlying will be delivered is called the Strike Price. The date after which the option may no longer be exercised is the expiration date.
The contact specifications contain the following: Underlying asset, expriation date, exercise price and type.

2 Binomial Pricing Model