Implied Volatility:

* The market’s forecast of a likely movement in a security’s price
* Proxy of market risk
* Generally, increases in bearish markets, and decreases in bullish markets
* High volatility means a large price swing, but doesn’t indicate the direction

Delta:

* Measures the degree to which an option is exposed to shifts in the price of the underlying asset
* Ranges from -1 to 1, 0 to 1 for calls, -1 to 0 for puts
* At the money options usually has a delta between -.5 to .5, 0 to .5 for calls, -.5 to 0 for puts

Gamma:

* Measures the rate of change of delta
* Used to gauge the price movement on an option, relative to the amount it is in or out of the money
* If the open is deep in or out of the money, gamma is small. Likewise, if it is near or at the money, it is large.
* Analogy can be used to describe delta as speed and gamma as the acceleration

Vega:

* Measures the impact of a change in volatility of the underlying asset. Measurement of an option’s price sensitivity to changes in the volatility of the underlying asset
* Future dated options have positive Vega while options that are expiring immediately have negative Vega

Theta:

* Measures the impact of a change in time remaining. Measures the rate of decline in the value of an option due to the passage of time, can also be referred to as time decay
* Usually expressed as a negative number, indicating how much the option’s value will decline every day

Rho:

* The rate at which the price of the option changes relative to a change in the risk-free rate of interest
* Rho measures the sensitivity of an option to a change in interest rate
* Example: If an option has a rho of 1, then for every 1 percent increase in interest rates, the value of the option increases 1 percent
* Usually considered to be the least important of all option Greeks