

Title: Great CC Example

Author: RatioAtBlessons

Created 2021-05-09 23:17:16 UTC

Permalink: /r/ratioatblessons/comments/n8q814/great\_cc\_example/

Url: /r/options/comments/n8fg1h/selling\_covered\_calls\_first\_time/

Is\_self: False

I have 700 shares of a stock. I am in the UK so options trading isn't too common or widespread but I can trade on IBKR, though I don't have any experience yet.

If I sell 3 call options, I know I am risking 300 shares being called away.

Say current price is \$3.30/share, \$5 call options with May 21st expiry are 10 cents.

So selling 3 contracts, I will collect  $300 \times .10 = \$30$  premium less commission. If the price doesn't reach \$5 nothing happens and I keep the shares, if it does I sell 300 shares at \$5 each? Or does the strike need to be \$5.10 to include the commission the buyer paid?

What's confusing me is the IBKR preview is showing my current position as 0 and my post trade position as -3, as if I don't hold the shares.

Have I understood the process?