

5.5 MONEYNES OF OPTIONS CONTRACT



Explainer Video



For any given asset, there is a list of strike prices at which put and call options are available. This list is called an Option Chain. You can look at an option chain on next page.

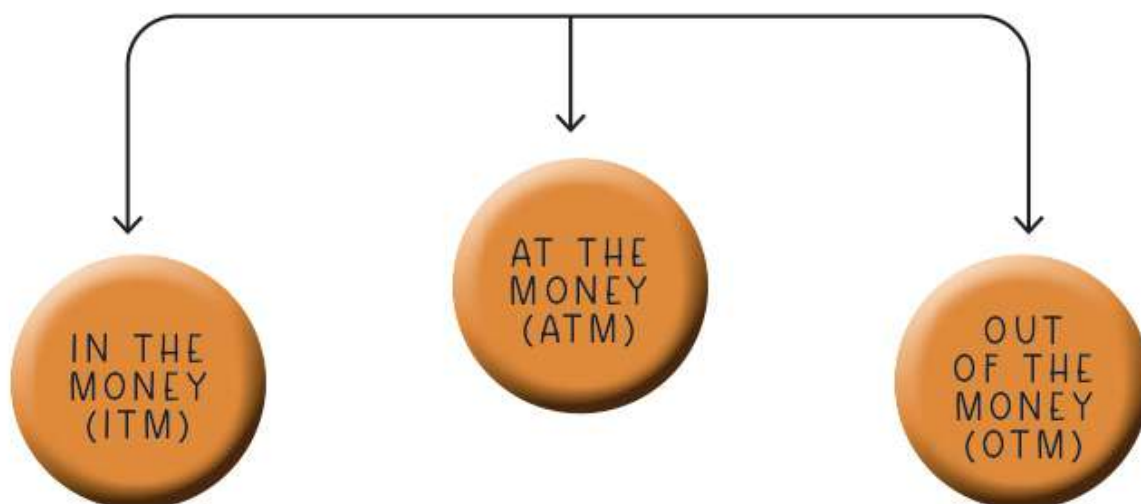
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EACH OPTION HAS A DIFFERENT STRIKE PRICE WHICH DETERMINES SOMETHING CALLED MONEYNES OF THE OPTION.

This is based on how far is the strike price of the option from the current market price.

MONEYNES OF OPTIONS



IN THE MONEY (ITM)

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In the money options are those options which already have some payoff built in it. That means if it is a call option, then option contracts with strike prices lower than the current market price are called In The Money. They have some payoff in-built at the time of purchase as well. At the same time, for put options, contracts with strike price higher than Market Price are called In-the-money.

For call options:

Strike price < Current Market Price (CMP)



Even at the time of purchase, these call options have some pay off in-built as Market Price > Strike Price.

For put options:

Strike price > Current Market Price (CMP)



Even at the time of purchase, these put options have some pay off in-built as Market Price < Strike Price.

For instance, assuming it is a call option. Let's say the spot price of a stock is ₹16,130 and you buy a call option with a strike price of ₹16,100 at a premium of ₹51. This premium of ₹51 already has ₹30 as in-built pay off at the moment. Such option contracts are called In-the money Option contracts.

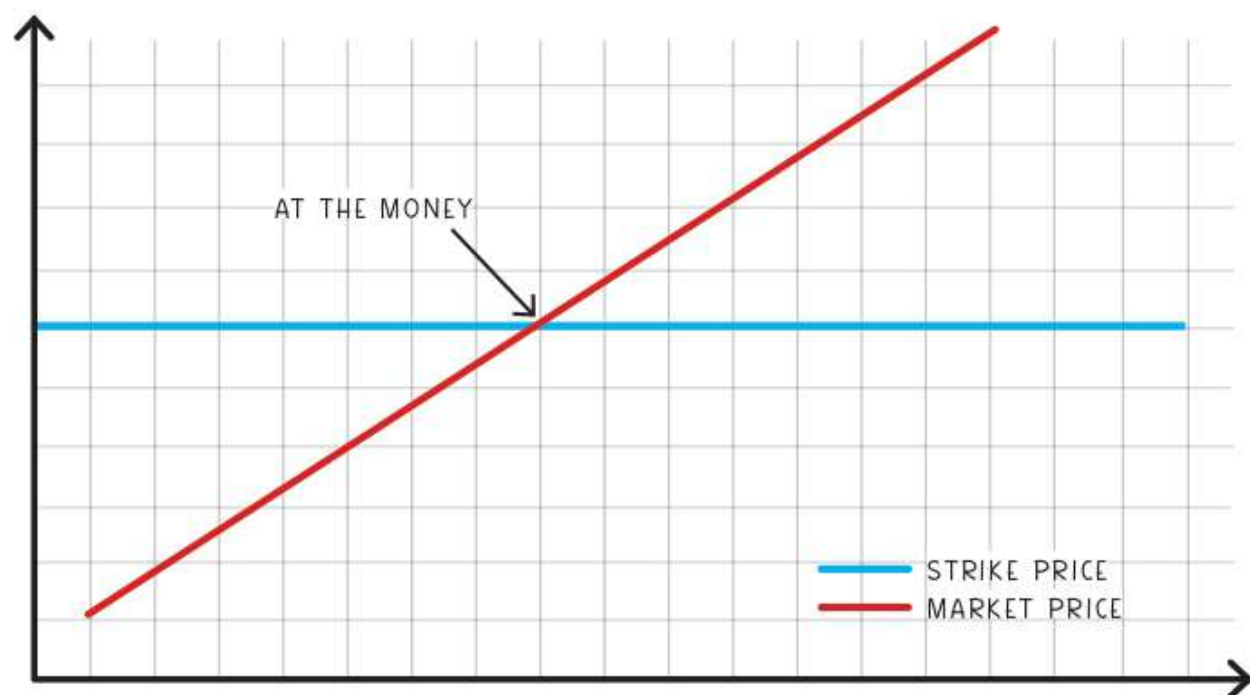


Also, if the difference between the strike price and the current price is extremely high, lets say ₹14,000 is the strike price in above example, it is called **Deep In the Money**.



AT THE MONEY (ATM)

At the money (ATM) options are those with a strike price very close to the current market price. At the money option contracts are very sensitive to changes in market price of the underlying asset.



For instance, at spot ₹16,130 an option with a strike price close to this (say ₹16,150) will be called at the money.



OUT OF THE MONEY (OTM)

Out of Money Option contracts are those that do not have any payoff built in them. For call options, if the Strike price is greater than Market price, the contract is said to be out of money. For put options, if the strike price is lower than market price, the contract is said to be out of money.



Search by company name, symbol or keyword

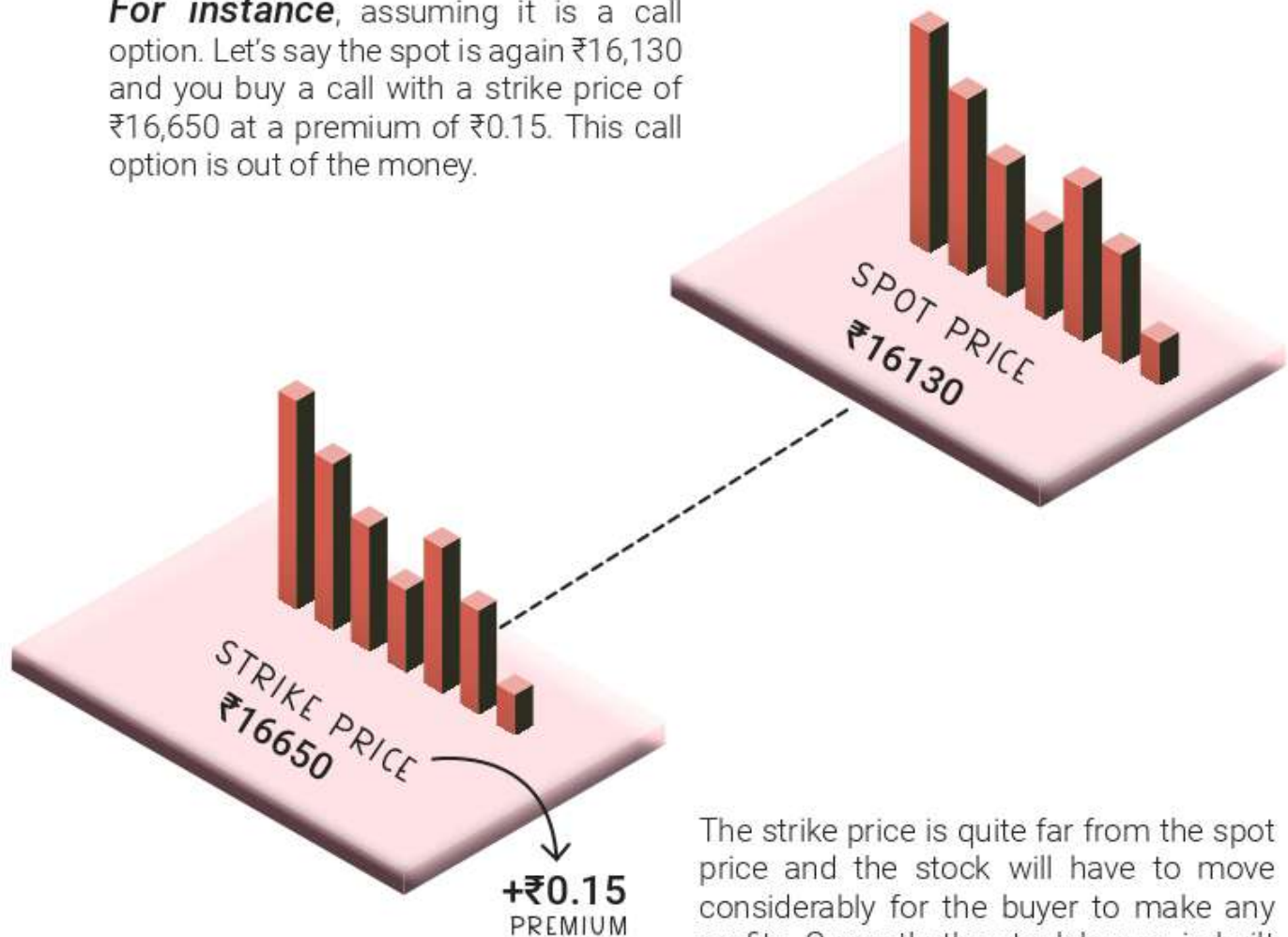
Nifty50
17,327.35
-302.45 (-1.72%)
Normal Market has Closed
Next Trading Date - 26-Sep-2022

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CALLS												PUTS									
OI	CHNG IN OI	VOLUME	IV	LTP	CHNG	BID QTY	BID PRICE	ASK PRICE	ASK QTY	STRIKE PRICE	BID QTY	BID PRICE	ASK PRICE	ASK QTY	CHNG	LTP	IV	VOLUME	CHNG IN OI	OI	
18	-	4	-	1.187.10	-262.90	150	1.163.90	1.220.05	150	16.150.00	200	3.20	4.20	500	0.45	3.20	26.36	11,045	598	942	
1,443	-10	79	-	1.149.00	-303.85	150	1.118.85	1.144.85	400	16.200.00	50	3.25	3.60	350	0.70	3.50	25.96	1,46,385	18,771	33,932	
149	-	-	-	-	-	150	1.056.10	1.114.80	150	16.250.00	50	4.05	4.20	50	1.05	4.05	25.26	17,448	452	2,009	
813	-25	84	-	1.045.00	-350.00	4,100	1.036.35	1.045.65	250	16.300.00	1,200	4.55	4.65	800	1.70	4.85	24.77	1,43,526	9,340	26,776	
59	-	22	21.15	1.027.25	-348.75	300	982.10	998.85	50	16.350.00	50	4.90	5.65	950	2.00	5.65	24.33	27,069	2,754	3,898	
938	-58	267	-	940.00	-310.00	150	924.85	949.85	100	16.400.00	1,350	5.10	6.00	1,100	1.65	5.50	23.82	2,27,056	12,670	37,591	
29	12	15	-	894.15	-517.95	50	886.00	902.20	200	16.450.00	50	6.50	7.60	600	2.95	7.00	23.49	58,706	8,435	6,151	
5,563	-401	1,738	-	844.90	-296.15	150	841.35	850.00	200	16.500.00	200	9.10	9.80	500	3.45	8.20	23.30	4,87,176	1,942	89,453	
39	13	37	-	806.85	-285.95	200	792.05	821.05	150	16.550.00	500	10.10	11.65	1,800	6.30	11.45	23.05	98,859	7,475	11,136	
564	-28	253	-	754.90	-295.10	150	742.90	756.80	300	16.600.00	1,950	12.00	13.60	150	7.80	13.60	22.70	3,57,571	17,373	47,319	
55	9	63	-	697.00	-280.25	450	674.70	723.85	350	16.650.00	100	15.05	15.60	100	8.60	15.05	22.31	1,23,248	10,273	14,544	
1,151	239	3,443	-	656.80	-296.70	250	653.15	661.05	150	16.700.00	400	18.80	19.00	150	11.55	19.00	22.18	4,27,634	20,072	54,242	
160	-112	219	17.27	616.70	-282.30	450	582.70	626.25	450	16.750.00	100	21.50	22.20	900	14.75	23.20	21.97	1,56,711	-1,210	10,128	
1,891	348	2,194	15.92	565.50	-284.55	50	565.05	571.55	200	16.800.00	50	28.00	28.50	50	19.20	29.35	21.88	6,69,541	40,835	78,979	
139	94	269	17.77	527.80	-290.20	150	517.90	542.15	150	16.850.00	50	32.00	33.65	50	22.60	34.45	21.60	1,46,752	2,783	9,221	
1,013	291	2,635	17.12	478.10	-282.65	450	473.05	480.00	50	16.900.00	100	39.00	42.00	100	27.55	42.00	21.53	5,43,432	11,558	46,617	
530	212	587	18.07	439.75	-295.20	450	424.75	449.60	450	16.950.00	50	48.00	50.95	100	32.00	50.05	21.36	1,75,194	3,141	10,405	
16,867	4,814	47,644	18.02	397.00	-275.05	150	395.15	399.00	300	17.000.00	200	59.20	59.70	50	37.20	58.00	21.29	13,57,725	21,335	1,12,866	
839	151	1,030	18.25	357.55	-267.55	200	347.35	373.70	450	17.050.00	150	62.05	71.60	1,400	47.20	71.60	21.24	2,34,994	2,405	10,588	
4,122	1,967	23,948	18.30	324.00	-257.95	250	318.00	322.25	50	17.100.00	150	80.10	84.00	1,300	54.55	84.00	21.14	7,48,712	19,228	49,116	
1,414	416	5,427	18.53	285.95	-257.10	450	274.90	291.50	150	17.150.00	100	95.10	100.00	700	60.30	95.15	21.07	3,41,187	2,708	11,572	
6,939	3,586	80,110	18.47	253.10	-240.05	600	252.10	255.00	1,150	17.200.00	700	112.45	116.00	100	78.10	116.00	20.93	12,20,624	20,289	74,700	
2,754	2,401	36,796	18.37	224.00	-221.35	400	221.25	224.00	250	17.250.00	100	134.00	135.00	250	84.60	135.00	20.86	4,43,267	2,767	10,392	
32,138	21,116	3,67,919	18.50	195.00	-215.95	450	195.00	196.00	2,750	17.300.00	250	156.00	157.00	2,350	97.00	157.00	20.82	14,76,164	27,532	78,326	
19,278	18,810	2,59,433	18.54	168.55	-202.60	100	168.00	168.55	250	17.350.00	50	179.70	191.50	150	111.85	191.55	20.83	6,40,333	14,260	20,066	

Source: <https://www.nseindia.com/>

For instance, assuming it is a call option. Let's say the spot is again ₹16,130 and you buy a call with a strike price of ₹16,650 at a premium of ₹0.15. This call option is out of the money.



The strike price is quite far from the spot price and the stock will have to move considerably for the buyer to make any profits. Currently, the stock has no in-built payoff.

With this, we have understood the moneyness of Options. We can now understand if options are in the money, at the money or out of money. In the money options have the highest premium followed by At the money options. This will come in handy when we will learn about option strategies.