

CHAPTER 9

OPTION PRICING

- 9.1 Introduction
- 9.2 Components of premium of options
- 9.3 Factors affecting the Price or Value of an option
- 9.4 Black Scholes Pricing Model
- 9.5 Variables affecting the pricing as per Black Scholes Model
- 9.6 What are Option Greeks?

9.1 INTRODUCTION



Explainer Video



Now that we are clear with the fundamentals of options, let us look at how pricing of options of work and what factors affect them.

While we talk about options pricing, we are referring to the premium of the option. We will discuss how the pricing of the premium works to enter the contract. We will understand what factors affect them. Remember, exact pricing of options is a really complicated method and is not required for trading. For us here, it is important to understand how it works and the factors that affect it. We will not learn to find the exact price or premium for any given option.