Options Trading Cheatsheet

Essential Concepts for Serious Traders

Basic Strategies

Long Call

Buy call option. Bullish strategy. Unlimited upside, limited risk.

Long Put

Buy put option. Bearish strategy. Large upside if stock falls, limited risk.

Advanced Strategies

Iron Condor

Sell OTM call & put, buy further OTM call & put. Benefits from low volatility.

Butterfly Spread

Combination of bull and bear spreads. Limited risk, limited profit potential.

The Greeks

Δ Delta

Measures rate of change of option price relative to underlying asset price.

Calls: 0 to +1 | Puts: -1 to 0

Γ Gamma

Measures rate of change of delta relative to underlying asset price.

Highest for ATM options

Θ Theta

Measures rate of change of option price relative to time decay.

Works for option sellers

v Vega

Measures sensitivity to volatility. Higher vega = more volatility impact.

Long options benefit from volatility

Black-Scholes Formula

$$C = S_0N(d_1) - Ke^{-rT}N(d_2)$$

$$P = Ke^{-rT}N(-d_2) - S_0N(-d_1)$$

Where:
$d_1 = [\ln(S_0/K) + (r + \sigma^2/2)T] / (\sigma\sqrt{T})$
$d_2 = d_1 - \sigma\sqrt{T}$

Variable	Meaning
C	Call option price
P	Put option price
S_0	Current stock price
K	Strike price
r	Risk-free interest rate
T	Time to expiration
σ	Volatility of returns