

## OTS-02 - Volatility Trading and Variance Premium

### **Overview:**

This session starts with discussing why trade options. Then, we move on to discuss what is volatility, its correlation with returns and why it mean-reverts. Next, we learn about what implied and realized volatility is, their relationship and what the volatility smile and the volatility term structure are. Finally, we discuss how we can profit from all the above to trade the volatility premium.

### **Key Takeaways:**

- Why options are appealing to trade
- Realized volatility
- Implied volatility
- The volatility premium

### **Pre-requisites:**

- OPTIONS PRIMER completion is mandatory
- OTS -01 (I.e., General Principles of Trading) lecture recording and its Pre- Requisites

### **In this lecture, you will:**

- Gain an in-depth understanding of why trade volatility with options.
- Learn about realized and implied volatility and their relationship.
- Learn about the volatility smile and the term structure of options volatility.
- Learn how you can profit from trading the volatility premium.

### **Additional reading:**

Blog: [Implied Volatility: What, Why and How!](#)

Recommended time for the session & related coursework – 8.5 hours