Call Options

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10:18 AM

- Call Options
    - Premium = Intrinsic value + Time value
    - Intrinsic Value = Spot price - Strick price
        - When ever intrinsic value is -VE consider this as zero
    - Time Value:
        - Risk factor
        - Keeps on decreasing as the expiry date approaches & zero at expiry

- Example-1

		Strike Price	Premium/LTP (Intrinsic value + Time Value)	Intrinsic Value (Spot Price - Strike Price)	Time value (Premium - Intrinsic)
			DR Reddy		
	Spot Price	4825			
	ITM	4700	195	125	70
	ATM	4800	140	25	115
	OTM	4900	95	0 (-75)	95

- Example-2

	Spot Price	Strike Price	Premium/LTP (Intrinsic value + Time Value)	Intrinsic Value (Spot Price - Strike Price)	Time value (Premium - Intrinsic)
			Bank Nifty - CE		
	22030				
ATM	~	22000	410	30	380
ITM	>	21500	750	530	220
OTM	<	22500	190	(-470) 0	190

	Spot Price	Strike Price	Premium/LTP (Intrinsic value + Time Value)	Intrinsic Value (Strike Price-Spot Price)	Time value (Premium - Intrinsic)
			Bank Nifty - PE		
	22030				
ATM	~	22000	280	(-30) 0	280
ITM	<	22500	560	470	90
OTM	>	21500	130	(-530)0	130

- **Bullish Scenario-1 : Buy Call**

    - LTE = 119
    - Selling Premium = 525
    - 1 lot = 220
    - Investment = (119 * 220) =29750
    - **Statement**
        - **Risk is limited but reward is unlimited**
        - **MAX ROI only will get from Options Buying (CE & PE), but understand When to buy it.**
        - Risk = limited
            - Why?
                - Instead of price going up if it goes down what happens-

will come down to zero. **Means maximum loss will be the investment**

- Reward = unlimited
    - □ Why?
        - ◆ In bullish view there is no limit to which the price can go up
        - ◆ So the premium also go up. Means Reward is unlimited.
        - ◆ Squared Off = (525 * 220) 131250
        - ◆ Profit = (131250 - 29750) 101500
- ROI
    - □ (101500 / 29755) 340%

- **Bullish Scenario-2 : Sell PUT**
    - LTE = 152
    - Buying Premium = 525
    - 1 lot = 220
    - Investment = (152 * 220) =38000
    - **Statement**
        - **Risk is UN limited but reward is limited**
        - Risk = unlimited
            - □ Why?
                - ◆ Instead of price going down if it goes up what happens- will go up.
                - ◆ **Means no limit on the loss, So they will ask for margin selling Call/PUT**
                    - ◇ **SL**
                    - ◇ **Hedging**
                - ◆
        - Reward = limited
            - □ Why?
                - ◆ In bullish view at maximum level, premium can go down up to
                - ◆ Means you will get maximum of investment