

Options

Friday, September 18, 2020
10:18 AM

- Option market
 - Primarily driven by option sellers
 - Means most of the times Big players will **sell** based on their view
 - Also they have the higher probability of win this game
 - When the price of the stock goes up
 - Call Premium goes up (Long in Bullish view)
 - Put premium falls down (Short sell in Bullish view)
 - When the price of the stock goes down
 - Call Premium falls down (Short sell in bearish view)
 - Put premium goes up (Long in Bearish view)
 - Investment
 - Option Buyer
 - Premium paid (premium * lot size)
 - Investment is very less
 - Option Seller
 - 15-20 % of strike price * lot size
 - Investment is very high
 - Why Options
 - Flexibility: It provides multiple execution strategies to implement one view.
view is Bullish then one can either Buy Calls or Sell Puts

Bullish View			
Instruments	What we can do?		Why
Equity	Long		
Futures	Long		
Call Option	Long	Either one at a time	Because When the price goes up, CE premium goes up
Put Option	Short Sell		Because When the price goes up, PE premium goes down You bet the Price will not go Below perticular level
Bearish View			
Instruments	What we can do?		
Equity	Short Sell		
Futures	Short Sell		
Call Option	Short Sell (Bearish/Not bullish/Side ways)	Either one at a time	Because When the price goes down, CE premium goes down You bet the Price will not go Above perticular level
Put Option	Long		Because When the price goes down, PE premium goes up

	Risk	Reward
Option Buyer	Limited	UN limited
Option Seller	UN limited	Limited

- Leverage : It offers the highest leverage where one can invest very minimal the form of PREMIUM and take much greater exposure of the underlying asset.
 - Taking huge exposure only by giving margin amount

- Incomparable Risk/Reward: It provides very large profit potential with pre maximum risk for an option buyer.
- Seller Profits: Selling options is like selling insurance so anyone who feels like earning revenues by selling insurance can set himself up to do so in the Options market.
- Options Terminologies
 - European Options:
 - Used for Index and Stocks in Indian Market
 - In Call, the buyer have the right to buy the equity & Can be exercised only on expiry date and not before.
 - In PUT, the buyer have the right to sell the equity & Can be exercised only on expiry date and not before.
 - You can square off at any time from the CE
 - CE: Call European, PE: Put European
- Call Option
 - Contracts which provide the holder/buyer the right to **buy** specified asset at price on or before the specified date
- Put Option
 - Contracts which provide the holder/buyer the right to **sell** specified asset at price on or before the specified date
- **Strike Price / Exercise Price:**
 - The pre determined price at which the underlying asset can be bought or sold.
 - E.g. Nifty strikes prices of 9500, 9550, 9600, 9650, etc.
 - Strikes which are closer to the spot price are more liquid and expensive.
 - Spread
 - Diff. b/w two strike prices
- **ATM: At the Money (Break Even Point):**
 - An option with strike price equivalent to the current spot price
- **ITM: In the Money (Profit Zone):**
 - A Call option with strike price below the spot price
 - Intrinsic value will increase while compare with other strike price in order
 - Time value will decrease while compare with other strike price in order
 - A Put option with strike price above the spot price
- **OTM: Out of the Money (Loss Zone):**
 - A Call option with strike price above the spot price
 - Intrinsic value will be in -VE
 - All LTE = Time value
 - A Put option with strike price below the spot price

- **More/Deep in the money**

- Consider two ITM as 20,30
- Spot price = 10
- **Call**
 - Then more in the money = The ITM price which is closer to the spot price, ie
- **PUT**
 - Then more in the money = The ITM price which is higher to the spot price, ie
- The more in the money you go **only in ITM** below things happens
 - The intrinsic value will get increased.
 - The time value get decreased.

- **Components in Option chain sheet**

- LTP: Last traded premium/price
- Net Change: Shows how much did the premium goes up/down from previous day's today's close

Option Chain (Equity Derivatives)

Underlying Index: **BANKNIFTY 21284.25** As on Sep 22, 2020 11:08:53 IST

View Options Contracts for: **BANKNIFTY** OR Search for an underlying stock: **GO** Filter by: Expiry Date: **24SEP2020** Futures contracts

CALLS														PUTS													
Chart	OI	Chng in OI	Volume	IV	LTP	Net Chng	Bid Qty	Bid Price	Ask Price	Ask Qty	Strike Price	Bid Qty	Bid Price	Ask Price	Ask Qty	Net Chng	LTP	IV	Volume	Chng in OI	OI	Chart					
			6	161.18	2,277.95	-896.70	50	3,222.40	3,264.00	175	18100.00	150	4.30	4.60	200	-1,185	-1,185	93.78	6,308	22,736	6,465						
							250	3,014.65	3,191.80	2,500	18200.00	275	3.05	-	-	-	-	-	-	-	-						
							250	2,917.05	3,094.05	2,500	18300.00	1,200	1.55	-	-	-	-	-	-	-	-						
							2,500	2,861.70	3,039.30	2,500	18400.00	25	3.05	-	-	-	-	-	-	-	-						
	5,600	-75	13	174.09	2,982.55	-63.45	50	2,815.35	2,849.95	25	18500.00	225	5.30	5.40	200	0.65	5.40	85.93	9,118	11,925	63,450						
							250	2,617.75	2,794.25	2,500	18600.00	2,750	3.05	-	-	-	-	-	-	-	-						
							250	2,518.40	2,694.65	2,500	18700.00	3,500	3.05	-	-	-	-	-	-	-	-						
							250	2,418.40	2,594.35	2,500	18800.00	125	4.05	-	-	-	-804.40	4.75	75.26	3	50	50					
							25	2,379.35	2,517.05	25	18900.00	25	7.60	8.20	225	1.10	7.20	77.43	620	2,725	3,250						
	7,175	250	205	117.90	2,383.95	25.55	75	2,328.85	2,345.85	50	19000.00	50	8.55	8.70	25	1.90	8.70	76.43	37,196	42,400	245,100						
							125	2,201.65	2,285.35	125	19100.00	25	9.40	9.65	125	2.25	9.65	74.60	3,011	6,825	16,650						
							125	2,107.75	2,206.30	25	19200.00	25	10.50	10.70	450	2.55	10.45	72.85	8,344	23,425	32,125						
							125	2,009.10	2,087.10	25	19300.00	1,075	11.80	12.10	650	3.75	12.30	71.43	9,224	25,375	30,125						