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1.) Options Basics: Introduction:

- Call – give the holder the right to **buy** the stock by a certain date for certain price
- Put – give the holder the right to **sell** the stock by a certain date for certain price
- Premium - cost of options (call or put)
- Strike price - the price at which an option contract gives the holder the right to buy/sell

2) Options Basics: What Are Options?

An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. An option, just like a stock or bond, is a security. It is also a binding contract with strictly defined terms and properties.

Participants in the Options Market:

There are four types of participants in options markets depending on the position they take:

1. Buyers of calls
2. Sellers of calls
3. Buyers of puts
4. Sellers of puts

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3) Options Basics: Why Use Options?

Because I get to trade a Share in one market lot at a piece of price of a Share traded price.

For ex.) To Buy 1 lot of Nifty you Need 51000 and to buy an in the money call, you'll only need 6000.

4) Options Basics: How Options Work

a.) In the Money

b.) At the Money

c.) Out of Money

What does 'In The Money' mean?

In the money means that a call option's strike price is below the market price of the underlying asset or that the strike price of a put option is above the market price of the underlying asset. Being in the money does not mean you will profit, it just means the option is worth exercising. This is because the option costs money to buy.

What is 'At The Money'

At the money is a situation where an option's strike price is identical to the price of the underlying security. Both call and put options are simultaneously at the money. For example, if XYZ stock is trading at 75, then the XYZ 75 call option is at the money and so is the XYZ 75 put option. An at-the-money option has no intrinsic value, but it may still have time value. Options trading activity tends to be high when options are at the money.

What is 'Out Of The Money - OTM'

Out of the money (OTM) is term used to describe a call option with a strike price that is higher than the market price of the underlying asset, or a put option with a strike price that is lower than the market price of the underlying asset. An out of the money option has no intrinsic value, but only possesses extrinsic or time value.

5) Options Basics: Conclusion

Basically how much can I make out of Trading Options:

Practically as much as you can Invest!

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Questions?

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