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Chapter 1 : Introduction to Options

Option trading can be speculative in nature and carry substantial risk of loss. Only invest with risk capital. Options belong to the larger group of securities known as derivatives.

An option is a contract that grants you the option buyer, the opportunity to buy or sell a particular asset at a set price on a particular date or within a select window of time. This price point is also known as the strike or exercise price, and the expiry date specifies when the contract terminates. But how does this benefit investors? Options also allow you to sell your existing shares at a set price if the market tanks to limit your losses. Types of Options Still sold on the idea of trading options? There are two types to choose from: If the call option is not exercised before the expiry date, you lose your investment in the option and the right to purchase the stock at the strike price. They are similar to an insurance policy that protects your investment; if the stock price plummets, you will still have your right to sell a set number of shares at the exercise price. But if the market stays intact or swings upward and you decide not to sell, your premium is lost. You should also know that call and put holders are owners of options contracts. Instead, they are free to exercise the option when they see fit. By contrast, call and put writers are sellers of options contracts. Select a brokerage firm. Shop around and carefully analyze your options prior to making a decision. Pay attention to consumer reviews, services they offer, costs or commissions structure, account minimums, and educational resources they offer, just to name a few. Also, inquire about educational resources, including self-guided online courses and webinars, along with telephone, virtual, and live support designed to help you identify and understand the most strategic routes when trading options. Finally, feel free to ask questions as they arise to ensure you have all the information you need to make a well-informed decision. The more access you have to support staff, the better. This is a prerequisite to being assigned a trading level. They will also inquire about your trading experience and will request more information about your finances. Your information will be compiled by the broker and analyzed to determine the optimal trading level. Furthermore, purchasing a call option may mandate a margin account or line of credit to serve as security. Check with the brokerage firm to confirm minimum reserves and additional details regarding margin accounts. How you think the stock will perform â€" Anticipating an increase in price? A call option is best as it will allow you to turn a profit if the stock price surpasses the strike price within the window of time allotted by the option, and. In this case, you will be in the money. By contrast, if you already own shares and are expecting a dip in the price, you would purchase a put option. The length of the option â€" Stock options are only valid for a set period of time. Some options last for several days or months while others span several years. You want a call option that leaves a little wiggle room to account for the cost of the option. If the share price exceeds the strike price, you will be in the money or turn a profit. You can also derive similar benefits from trading stock , and there are very few barriers to entry when getting started. You may also like.

Chapter 2 : Introduction to Binary Options Trading | TradersAsset

Our introduction to options trading is a comprehensive resource produced specifically for those that are considering trading options, but have very little relevant knowledge and experience.

Investing , Investing Strategy , Investments Options trading can be complex, even more so than stock trading. When you buy a stock, you decide how many shares you want, and your broker fills the order at the prevailing market price or at a limit price. Trading options not only requires some of these elements, but also many others, including a more extensive process for opening an account. Opening an options trading account Before you can even get started you have to clear a few hurdles. Because of the amount of capital required and the complexity of predicting multiple moving parts, brokers need to know a bit more about a potential investor before awarding them a permission slip to start trading options. Consider trading stocks instead. Brokerage firms screen potential options traders to assess their trading experience, their understanding of the risks in options and their financial preparedness. Before you can start trading options, a broker will determine which trading level to assign to you. Screening should go both ways. The broker you choose to trade options with is your most important investing partner. Finding the broker that offers the tools, research, guidance and support you need is especially important for investors who are new to options trading. For more information on the best options brokers, read our detailed roundup to compares costs, minimums and other features. Or answer a few questions and get a recommendation of which ones are best for you. In order to place the trade, you must make three strategic choices: Decide which direction you think the stock is going to move. Predict how high or low the stock price will move from its current price. Determine the time frame during which the stock is likely to move. Decide which direction you think the stock is going to move This determines what type of options contract you take on. A call option is a contract that gives you the right, but not the obligation, to buy a stock at a predetermined price called the strike price within a certain time period. A put option gives you the right, but not the obligation, to sell shares at a stated price before the contract expires. If the stock does indeed rise above the strike price, your option is in the money. If the stock drops below the strike price, your option is in the money. Option quotes, technically called option chains, contain a range of available strike prices. The price you pay for an option has two components: The price you pay for an option, called the premium, has two components: Intrinsic value is the difference between the strike price and the share price, if the stock price is above the strike. Time value is whatever is left, and factors in how volatile the stock is, the time to expiration and interest rates, among other elements. This leads us to the final choice you need to make before buying an options contract. Determine the time frame during which the stock is likely to move Every options contract has an expiration date that indicates the last day you can exercise the option. Your choices are limited to the ones offered when you call up an option chain. Expiration dates can range from days to months to years. Daily and weekly options tend to be the riskiest and are reserved for seasoned option traders. For long-term investors, monthly and yearly expiration dates are preferable. Longer expirations give the stock more time to move and time for your investment thesis to play out. A longer expiration is also useful because the option can retain time value, even if the stock trades below the strike price. If a trade has gone against them, they can usually still sell any time value remaining on the option â€” and this is more likely if the option contract is longer.

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Chapter 3 : Tutorials - Introduction to Options - QuantConnect Options API - theinnatdunvilla.com

Puts, calls, strike prices, premiums, derivatives, bear put spreads and bull call spreads â€” the jargon is just one of the complex aspects of options trading.

Review Trade with no preparation or understanding of the instruments, tools and processes available, and you run a high chance of running trading losses. Unlike gambling or betting where a high level of chance effects your success, the secret to success in online trading, as always, is education. A simple understanding of the basic terminology alone will increase your chances enormously. With that in mind, we have a brief overview of the terms and phrases used in Binary Options Trading to assist you in your Binary Options trading career. Basic Terminology Each form of trading has its own set of common terms and phrases. We have collected a number of Binary Options examples here to provide you with some insight the most popular expressions. The value of a currency pair is usually presented at up to five decimal places such as, 1. A Point is 1 number to the left of a decimal and a pip is represented as the lowest value to the right of the decimal. In this example, it would be the number 4. Other assets in Binary Options are measured in terms of pricing e. Call Option â€” This is the name given to an investment that is predicted to increase in value at the time of expiry. A profit can be made here by your asset value increasing in value by even one Pip or cent over its Strike Price. Put Option â€” This is the opposite of a Call Option, and refers to an investment that is predicted to decrease in value at the time of expiry. A profit can be made here by your asset value decreasing in value by one Pip or cent over its Strike Price. Strike Price â€” This is the price of the underlying Binary Option asset at the time of purchase. When an option expires, it is compared to the Strike Price to determine if the closing price has gained in value In The Money , or lost value Out The Money. This can refer to both Call Options and Put Options. Out of the Money â€”This is literally stating that you have lost the trade. At the Money â€” A very rare occurrence in the ever-changing financial markets is when an option equals the market price of the underlying security at the time of expiry. This is neither a win or a loss and your investment will normally be returned to you. Types of Binary Options Trades There are a number of variables that all traders should consider before making an investment, but a Binary Options trade is normally no more than three simple steps, assuming you have a trading account and have picked an asset with which to trade with. There are several, more advanced Binary Options trading methods available to traders. Short Term Options â€” This is the collective term used to describe options that expire in 5 minutes or less, and are some of the most traded Options. These can include an expiry in 30 seconds, 60 seconds, 2 minutes and of course, 5 minutes. These options are typically used to trade around breaking economic events and news stories. Short Term Options are hugely popular, but can be tricky and require an understanding of Fundamental Analysis. Touch Options â€” The markets have a nature to consolidate and this provides trend patterns. Traders can analyse and use these to make educated assumptions on the prospective future values of an asset. This is where Touch Options come in. In a standard Touch Option, Traders select a specific value that an asset must reach within a specified period of time. This value is called a Trigger. In the case of the No Touch Options, you may select the same Trigger, but you are now investing on the assumption that your asset will NOT to reach the Trigger value by the pre-set expiry time. If you are correct, you will earn the pre-agreed return. Dependent on the broker, the Touch, No Touch, and High Yield Touch Options may provide traders with the opportunity to exit an option early if the price goes against them. Boundary Options â€” These are also known as Range Options. The first price will be higher than the strike price and the second price will be lower than the strike price, thus providing a Range or Boundary. A trader must now select if the asset will finish In or Out of that given range, within a predetermined time frame. These options can usually be closed early, and should you do so whilst in the correct range to be In The Money, you will not get the full pre-agreed payout, but most brokers will provide some form of a return. Traders can usually find a High Yield Boundary Option with most traders. These work exactly like a normal Boundary option, but offer a very aggressive payout and a very strict boundary, making these high yield options highly tempting, and challenging in equal measure. Where Should You Trade? There are several Binary Options Brokers available, and these numbers are set to increase as trading options online grows in popularity. With that in mind, what should traders look for in a broker, and how do you find the right one for you? Our reviews are comprehensive, and we look at a number of variables in each review. Top 5 Forex Brokers.

Chapter 4 : Stock Option Basics Explained | The Options & Futures Guide

An option cycle is the pattern of months in which options contracts expire. There are three kinds of common option cycles. The options on the January cycle have contracts available in the first month of each quarter (January, April, July and October).

Data is available starting January 1st, In this tutorial, we will discuss how to use QuantConnect to start your options trading algorithm. The commonly used parameters will be explained in the method table. Please refer to the link below for details of each method. The underlying equity symbol resolution: Tick, Second, Minute, Hour, or Daily. Default is minute fillDataForward bool: If true, returns the last available data even if none in that time slice. The default value is true. Daily Add the underlying stock: Daily Add the option corresponding to underlying stock self. The min and max strike rank relative to market price min Expiry, max Expiry: The range of time to expiration to include, for example, TimeSpan. Then SetFilter will look for options with strikes between and including The time to expiration of these options are restricted within 90 days from now on. So you should carefully choose the parameters of min strike and max Strike in case there are no contracts that satisfy the filter criteria if the range is too small, less than the minimum units of strike prices change. An option cycle is the pattern of months in which options contracts expire. There are three kinds of common option cycles. The options on the January cycle have contracts available in the first month of each quarter January, April, July and October. Options assigned to the February cycle use the middle month of each quarter February, May, August and November. And options in the March cycle have options available during the last month of each quarter March, June, September and December. In addition, individual stock options typically expire in the current month and the subsequent month. SetFilter ,10 filter the contracts which expires more than 30 days but no longer than 60 days option. So you need use property Slice. The elements in Slice. For any contract x in option chain, you can use the following statements to check different options properties. Properties of Option Contract x x.

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Chapter 5 : Introduction to Options Basics

1 Introduction to Options By: Peter Findley and Sreesha Vaman Investment Analysis Group What Is An Option? â€¢ One contract is the right to buy or sell

Introduction to Options What is an option? An option on a futures contract is the right, but not the obligation, to buy or sell the underlying futures contract at a predetermined price on or before a given date in the future. Suppose your company is considering moving to a new city, and you may need to move. You could buy a house in the new city, just in case, but that may not be the best use of your capital. But, what if you could buy an option on a house in the New City? If the company moves, you would exercise your option to purchase the house at the predetermined price. If the company does not move, then you would simply not exercise your right or option to buy the house. When this happens, the owner of the house will still keep the option premium. Options on futures work fundamentally the same way, but with more standardized terms, and options permit you to lock in price but with an added layer of flexibility. For example, when you buy an option on a future, you pay an upfront premium, and agree to buy that particular futures contract at a specific price. You have the right but not the obligation to exercise your option at that price and receive the futures contract. So if prices move against you, you have the option of not exercising the contract. Every option transaction must have a buyer and a seller. Buyers pay the premium to the seller, and sellers hold the risk of price movement. Option Benefits Options can be used like insurance policies to limit losses on a futures contract. They can also be used for speculative purposes, whether you are selling options to receive premium income or using options to establish a position in a particular commodity, index or interest rate. As hedging instruments, options can produce offsetting gains in the face of adverse price changes in the cash market. Options permit you to efficiently deploy capital, in the form of option premium. In this case, you can participate in the price movements of the underlying asset, without having to buy the asset outright. Summary So when it comes to options on futures, both buyers and sellers have an array of choices to efficiently deploy their capital, while expressing their opinion or managing their price risk in the marketplace.

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Chapter 6 : Course: Introduction to Options - CME Institute

Introduction to Options What is an option? An option on a futures contract is the right, but not the obligation, to buy or sell the underlying futures contract at a predetermined price on or before a given date in the future.

Stock Option Basics Definition: Option Contract Specifications The following terms are specified in an option contract. Option Type The two types of stock options are puts and calls. Call options confers the buyer the right to buy the underlying stock while put options give him the rights to sell them. Strike Price The strike price is the price at which the underlying asset is to be bought or sold when the option is exercised. Premium In exchange for the rights conferred by the option, the option buyer have to pay the option seller a premium for carrying on the risk that comes with the obligation. The option premium depends on the strike price, volatility of the underlying, as well as the time remaining to expiration. Expiration Date Option contracts are wasting assets and all options expire after a period of time. Once the stock option expires, the right to exercise no longer exists and the stock option becomes worthless. The expiration month is specified for each option contract. The specific date on which expiration occurs depends on the type of option. For instance, stock options listed in the United States expire on the third Friday of the expiration month. Option Style An option contract can be either american style or european style. The manner in which options can be exercised also depends on the style of the option. American style options can be exercised anytime before expiration while european style options can only be exercise on expiration date itself. All of the stock options currently traded in the marketplaces are american-style options. Underlying Asset The underlying asset is the security which the option seller has the obligation to deliver to or purchase from the option holder in the event the option is exercised. In the case of stock options, the underlying asset refers to the shares of a specific company. Options are also available for other types of securities such as currencies, indices and commodities. Contract Multiplier The contract multiplier states the quantity of the underlying asset that needs to be delivered in the event the option is exercised. For stock options, each contract covers shares. The Options Market Participants in the options market buy and sell call and put options. Those who buy options are called holders. Sellers of options are called writers. Option holders are said to have long positions, and writers are said to have short positions.

Chapter 7 : Introduction to Boot Options - Windows drivers | Microsoft Docs

Options involve risk and are not suitable for all investors. Prior to buying or selling an option, a person must receive a copy of Characteristics and Risks of Standardized Options (ODD). Copies of the ODD are available from your broker or from The Options Clearing Corporation, S. Franklin Street, Suite , Chicago, IL

They may seem overwhelming to think about, but options are easy to understand if you know a few key points. Investor portfolios are usually constructed with several asset classes. These may be stocks, bonds, ETFs, and even mutual funds. Options are another asset class, and when used correctly, they offer many advantages that trading stocks and ETFs alone cannot. They do this through added income, protection, and even leverage. Options can also be used to generate recurring income. Additionally, they are often used for speculative purposes such as wagering on the direction of a stock. The best way to think about options is this: Options are no different. Options trading involves certain risks that the investor must be aware of before making a trade. This is why, when trading options with a broker, you usually see a disclaimer similar to the following: Options involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. Only invest with risk capital. This word is often associated with excessive risk-taking and having the ability to bring down economies. Think of it this way: Options are derivatives of financial securities â€" their value depends on the price of some other asset. That is essentially what the term, derivative, means. Options were largely blameless. If you know how options work, and how to use them appropriately, you can have a real advantage in the market. Most importantly, options can allow you to put the odds in your favor. Even if you decide never to use options, it is still important to understand how companies you invest in use them. For instance, they might hedge foreign-exchange risk, or give employees potential stock ownership in the form of stock options. Most multi-national corporations today use options in some form or another. This tutorial will introduce you to the fundamentals of stock options. The concepts can be broadly applied to assets other than stocks, too.

Chapter 8 : Stock Options Introduction | Trading Options - The Options Playbook

6 There are two types of options, Calls and Puts Call â€¢ Call option is a contract that allows the option holder (buyer) to buy shares (typically) at the strike price up to the defined expiration date.

Read Review Visit Broker Our introduction to options trading is a comprehensive resource produced specifically for those that are considering trading options, but have very little relevant knowledge and experience. Options trading is a relatively complex subject, certainly when compared to some of forms of investment such as buying stocks, and many people are put off by the very idea of getting involved. Once you have an understanding of what options contracts are and the basic concepts of what is involved in them, the more complex aspects will make sense to you. Please see below for full details of what our introduction covers. Definition of an Options Contract Options are very different to a lot of other financial instruments such as commodities, stocks, and currencies. Although they are an asset in their own right, they are actually financial contracts that are based on other financial instruments. They are a form of derivative, meaning that they principally derive their value from another asset. The asset from which they derive their value is known as the underlying asset or underlying security and options are basically contracts that allow for the future transaction of an underlying asset between the two parties of the contract. Options contracts contain a number of terms relating to exactly what that future transaction will be. For example, they will state what the underlying asset is, what the price is, at what point in time it can be transacted at, and whether it can be bought or sold. For a very more detailed definition, please visit the following page â€" Definition of an Options Contract. What is Options Trading? There are many different ways to invest and many different financial instruments that can be used for investment and trading purposes. However, the basic concept is very similar to any other form of investment; the goal is to make profits through the buying and selling of financial instruments. Although options contracts are one of the more complex financial instruments, ultimately the principle of investing and trading them is of course still to make money. In fact, options trading offers many different ways to make profits from the price movements of a range of assets and securities. For an overview of exactly what is involved, please read the following page â€" What is Options Trading? The obvious answer to this question is to make money. For the most part, this answer is entirely accurate. There are actually a number of good reasons for doing so, because options contracts offer several advantages over other financial instruments. Options trading might not be for everyone, of course, but there is plenty about it that investors might find appealing when they discover just what the potential benefits are. For a detailed explanation of what the advantages are, please visit Why Trade Options? Risks Involved in Trading Options While there are plenty of positives for trading options, it should be pointed out that there are also risks involved. Please read our page on Risks Involved in Trading Options for further information some of the less positive aspects of this form of trading. Where to Trade Options Another important consideration for anyone that is looking to get involved with options trading is exactly how and where they will trade options. There are many, many different options brokers to choose from and these brokers come in various different types. One of the more important decisions you will have to make before you start is which broker you are going to use. For more details on this particular subject please visit the following page â€" Where to Trade Options. How Options Really Work: We have already explained that they are a little more complex than most other financial instruments and there are certain features that are especially important to understand. In particular, the way they are priced using two components intrinsic value and extrinsic value , how they can be exercised, and the ways in which they are settled are fundamental to options trading. In order to explain these aspects, we have produced a subsection that specifically covers the three elements of pricing, exercising, and settlement. You can find out more information at How Options Really Work: We have compiled a list of these important terms and phrases and included detailed explanations of what they mean and in what context they are used. Terms covered includes liquidity, volume, leverage, margin, time decay, and options moneyness. For the complete list and the relevant details, please visit Options Trading:

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Chapter 9 : How to Trade Options: An Introduction to Options Trading

Important Note: Options transactions are intended for sophisticated investors and are complex, carry a high degree of risk, and are not suitable for all investors. For more information, please read the Characteristics and Risks of Standardized Options prior to applying for an account.