

Twitter Thread by JayneshKasliwal



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A Thread On basics Of Options■

Covering :

■Options Greeks

■Types of Options

■Options Pricing

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PE : Put Option

Buying when View is Bearish

Selling when View is Bullish/Sideways

CE : Call Option

Buying when View is Bullish

Selling when View is Bearish/Sideways

Time is Friend while selling Options

Momentum in right direction is Friend while buying Options

2/n

Options Greeks Simplified

A. DELTA

1. Delta measures how much an option's price can be expected to move for every 1 Rs change in the price of the underlying security or index .

If Delta Is 0.5 then if Stock Moves 1 Rs Option Will move 0.5 Rs Nearer the Option More the delta

2/n

B. GAMMA

1. Gamma is the rate of change for an option's delta.

2. Gamma is at its highest when an option nearest and is at its lowest when it is further away from strike

3. If gamma Increases the price of option will change very fast as it boosts delta .

3/n

C. THETA

- Options don't Move linearly
 - The term theta refers to the rate of decline in the value of an option due to the passage of time.
 - Theta is generally expressed as a negative number and can be thought of as the amount by which an option's Value will reduce.
- 4/n

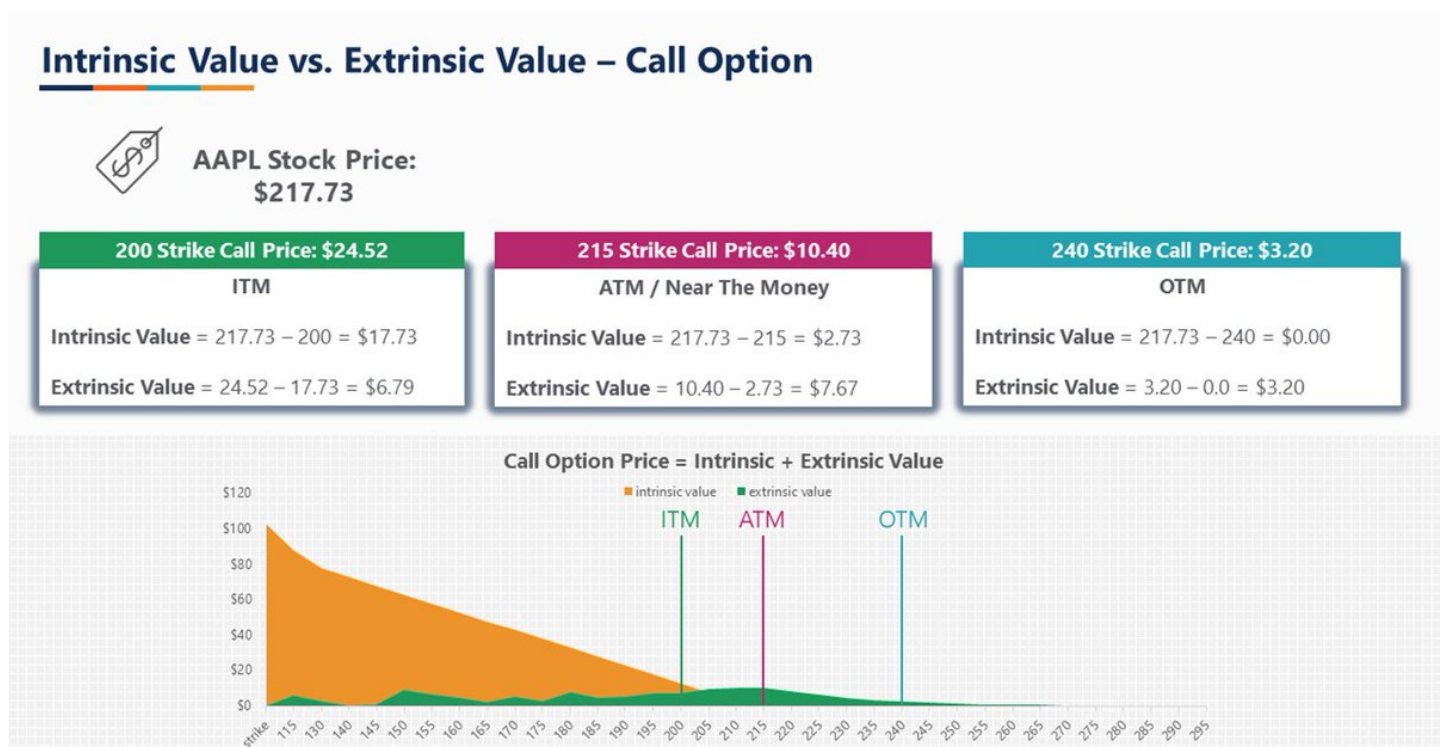
We Have covered the major Greeks apart from this we have VEGA , RHO which we dont want to dig in deep .

5/n

WHAT ARE TYPES OF OPTIONS ?

ITM Options (In the money)

- A CE is said to be in ITM if the strike price is less than the current spot price
I.e. $\text{Spot} - \text{Strike} > 0$
 - A PE is said to be ITM if the strike price is more than the current spot price
 $\text{Spot} - \text{Strike} < 0$
- 6/n



ATM Options (At the money)

- a CE is said to be in ATM if the strike price is equal to the current spot price of the security.
I.e. $\text{Spot} - \text{Strike} = 0$
 - A PE is said to be ATM if the strike price is equal to the current spot price of the security.
I.e. $\text{Spot} - \text{Strike} = 0$
- 7/n

OTM options (Out of the money)

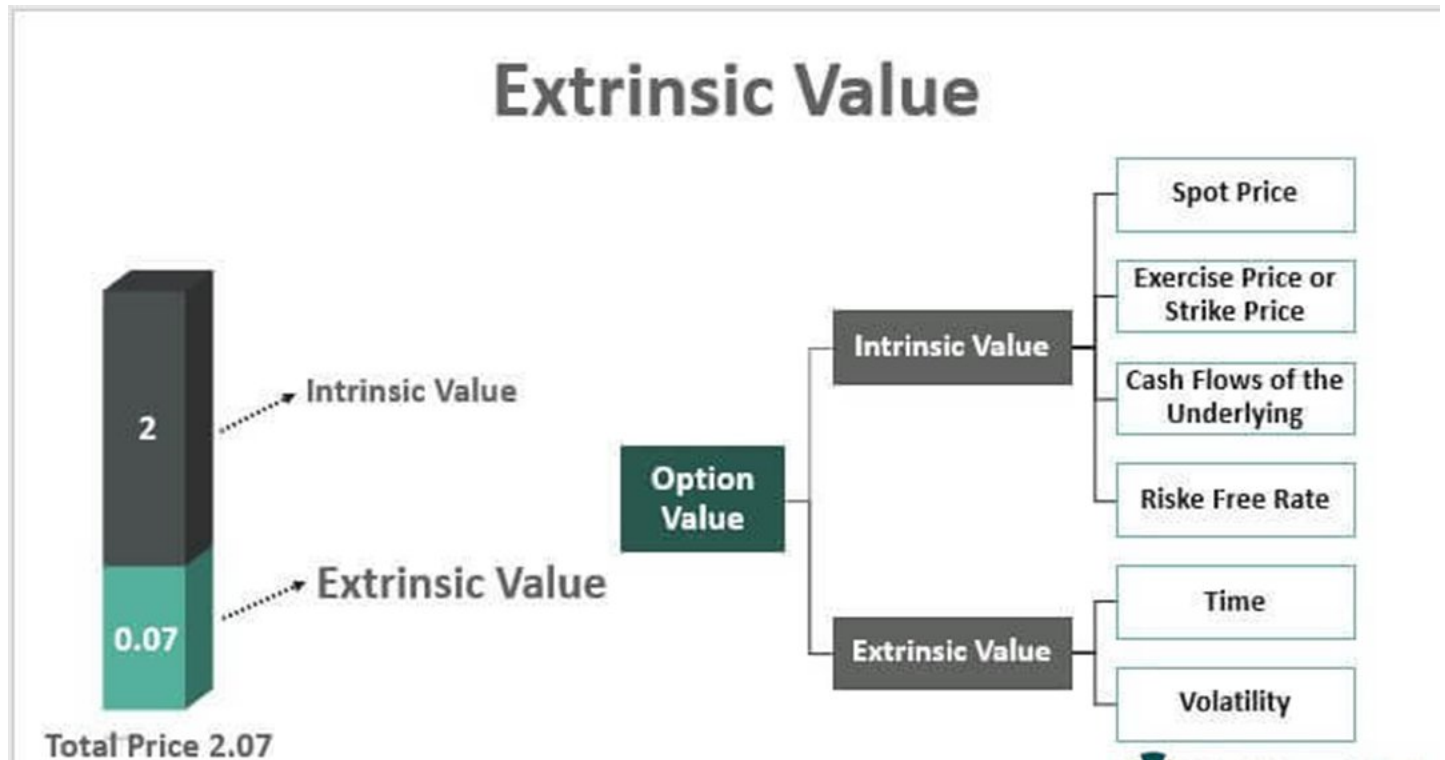
a) A CE is said to be in OTM if the strike price is more than the current spot price of the security.

I.e. Spot- Strike < 0

b) A PE is said to be OTM if the strike price is less to the current spot price of the security.

I.e. Spot- Strike > 0

8/n



Options Pricing

There are five fundamental parameters on which the option price depends:

- 1) Spot price of the underlying asset
- 2) Strike price of the option
- 3) Volatility of the underlying asset's price
- 4) Time to expiration
- 5) Interest rates

Intrinsic Value vs. Extrinsic Value – Call Option



AAPL Stock Price:
\$217.73

200 Strike Call Price: \$24.52

ITM

Intrinsic Value = $217.73 - 200 = \$17.73$

Extrinsic Value = $24.52 - 17.73 = \$6.79$

215 Strike Call Price: \$10.40

ATM / Near The Money

Intrinsic Value = $217.73 - 215 = \$2.73$

Extrinsic Value = $10.40 - 2.73 = \$7.67$

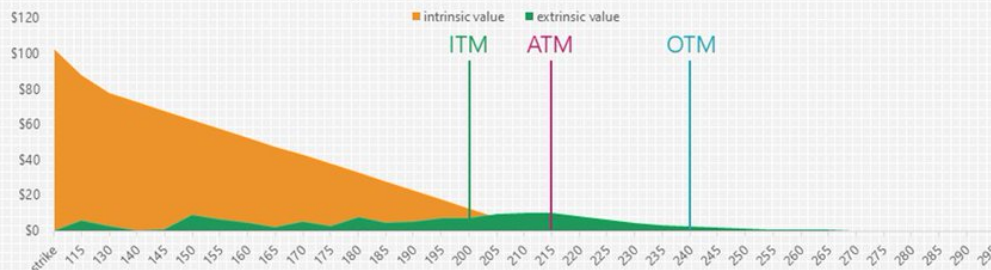
240 Strike Call Price: \$3.20

OTM

Intrinsic Value = $217.73 - 240 = \$0.00$

Extrinsic Value = $3.20 - 0.0 = \$3.20$

Call Option Price = Intrinsic + Extrinsic Value



You can go through a thread on 3 Indicators <https://t.co/XNtrzWBGok>

A thread of threads on 3 indicators

1. Moving Averages Ultimate Guide
2. All About ADX
3. Super Performance Using RELATIVE STRENGTH

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<https://t.co/b4N4oPjgm9>