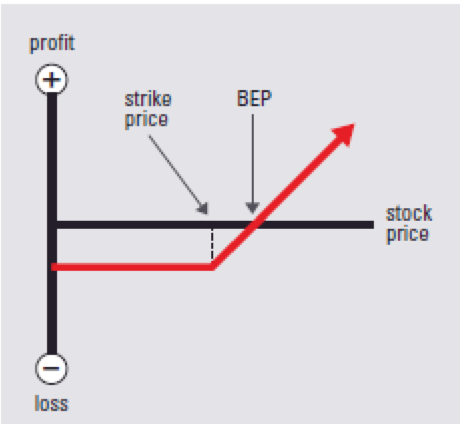
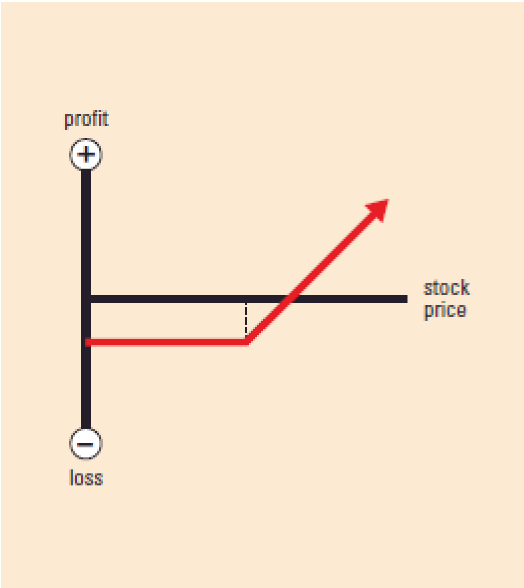
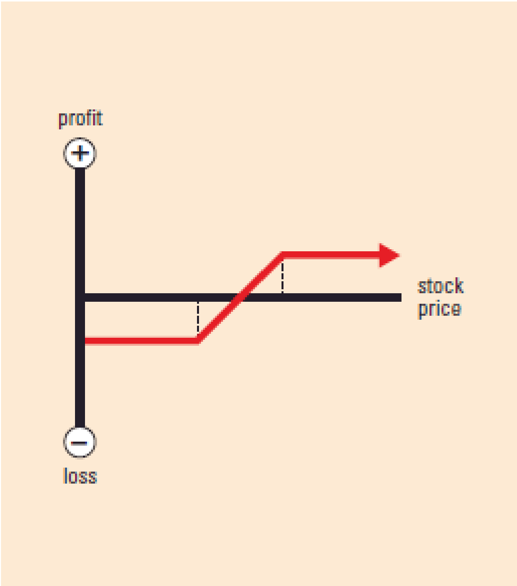
Options Strategies - Each strategy has an accompanying graph showing profit and loss at expiration.• The vertical axis shows then profit/loss scale. • When the strategy line is below the horizontal axis, it assumes you paid for the position or had a loss. When it is above the horizontal axis, it assumes you received a credit for the position or had a profit. • The dotted line indicates the strike price. • The intersection of the strategy line and the horizontal axis is the break-even point (BEP)not including transaction costs, commissions, or margin (borrowing) costs. • These graphs are not drawn to any specific scale and are meant only for illustrative and educational purposes. • The risks/rewards described are generalizations and may be lesser or greater than indicated.



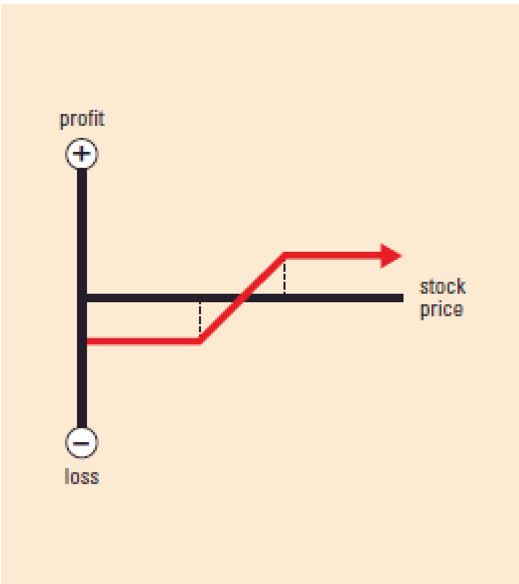
Break-Even Point (BEP): The stock price(s) at which an option strategy results in neither a profit nor loss. Call: An option contract that gives the holder the right to buy the underlying security at a specified price for a certain, fixed period of time. In-the-money: A call option is in-the-money if the strike price is less than the market price of the underlying security. A put option is in-the-money if the strike price is greater than the market price of the underlying security. Long position: A position wherein an investor is a net holder in a particular options series. Out-of-the-money: A call option is out-of-the-money if the strike price is greater than the market price of the underlying security.A put option is out-of-the-money if the strike price is less than the market price of the underlying security. Premium: The price a put or call buyer must pay to a put or call seller (writer) for an option contract. Market supply and demand forces determine the premium. Put: An option contract that gives the holder the right to sell the underlying security at a specified price for a certain, fixed period of time. Ratio Spread: A multi-leg option trade of either all calls or all puts whereby the number of long options to short options is something other than 1:1. Typically, to manage risk, the number of short options is lower than the number of long options (i.e. 1 short call: 2 long calls). Short position: A position wherein the investor is a net writer (seller) of a particular options series. Strike price or exercise price: The stated price per share for which the underlying security may be purchased (in the case of a call)or sold (in the case of a put) by the option holder upon exercise of the option contract. Synthetic position: A strategy involving two or more instruments that has the same risk/reward profile as a strategy involving only one instrument. Time decay or erosion: A term used to describe how the time value of an option can “decay” or reduce with the passage of time. Volatility: A measure of the fluctuation in the market price of the underlying security. Mathematically, volatility is the annualized standard deviation of returns. **bull strategy LONG CALL**



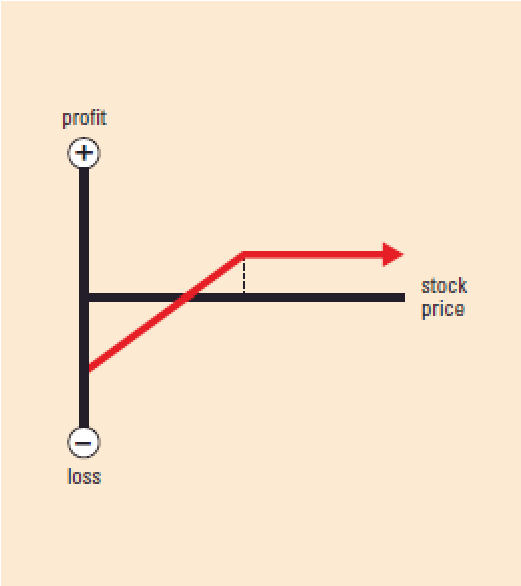
Example: Buy call Market Outlook: Bullish Risk: Limited Reward: Unlimited Increase in Volatility:Helps position Time Erosion: Hurts position BEP: Strike price plus premium paid **bull strategy BULL CALL SPREAD**



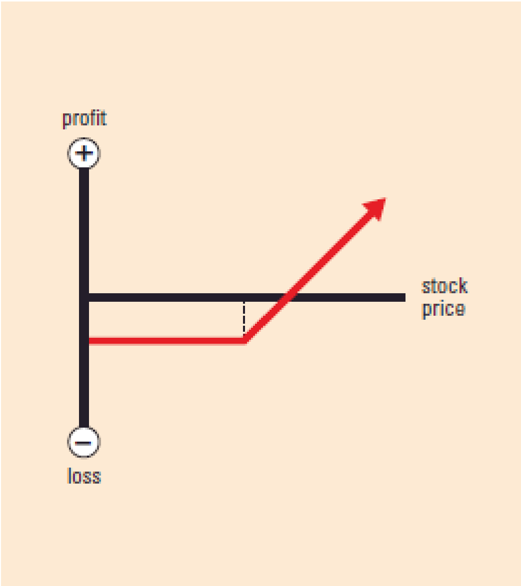
Example: Buy 1 call; sell 1 call at higher strike Market Outlook: Bullish Risk: Limited Reward: Limited Increase in Volatility: Helps or hurts depending on strikes chosen Time Erosion: Helps or hurts depending on strikes chosen BEP: Long call strike plus net premium paid **bull strategy BULL PUT SPREAD**



Example: Sell 1 put; buy 1 put at lower strike with same expiry Market Outlook: Neutral to bullish Risk: Limited Reward: Limited Increase in Volatility: Typically hurts position slightly Time Erosion: Helps position BEP: Short put strike minus credit received **bull strategy COVERED CALL/BUY WRITE**



Example: Buy stock; sell calls on a share-for-share basis Market Outlook: Neutral to slightly bullish Risk: Limited, but substantial (risk is from a fall in stock price) Reward: Limited Increase in Volatility: Hurts position Time Erosion: Helps position BEP: Starting stock price minus premium received **bull strategy PROTECTIVE/MARRIED PUT**



Example: Own 100 shares of stock; buy 1 put Market Outlook: Cautiously bullish Risk: Limited Reward: Unlimited Increase in Volatility: Helps position Time Erosion: Hurts position BEP: Starting stock price plus premium paid https://www.pipsafe.com/wp-content/uploads/2016/09/Options-Strategies.pdf **To read More,Please Download the book.** Download This Book **By optionseducation.org**