


AAII San Diego Options Trading SIG

Saturday, February 21, 2026 @ 9:00am PT

Option Basics II: Buying and Selling Options

- Informal presentations to help you enhance your portfolio with options
- For addition to email list: Bruce Ennis, vicepresident@aaiisandiego.com
- Previous meetings: www.aaiisandiego.com/sub-groups/options-trading/

Flexible Meeting Fees

- Flexible Meeting Fees
- We need contributions to meet our expenses.
- Ways to make voluntary contributions
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Option Basics II Presentation Outline

Review of Option Basics I

- Options Defined Calls & Puts
- Describe the Market

Investing Objectives and Sentiment as Guides to Option Trading

Selecting an Expiration and Strike Price

Option Pricing and Moneyness (Extrinsic Value & Intrinsic Value)

Trade Example: Vertical Hedge

Why Options?

Options allow an investor to achieve a variety of objectives:

- Risk Reduction: protect stock holdings from a decline in market price, i.e., hedging.
- Generate income.
- Stock acquisition at a lower price.
- Market speculation at lower risk/greater reward



What is an Option

- An option is a contract that is either bought or sold.
- One single contract provides for buying or selling 100 shares of an underlying asset.
- The underlying asset is bought or sold at specified price, on or before a specified date.
- The specified price is the Strike Price
- The date is the Expiration Date
- An option exists as either a Call or a Put
 - *Stock can be Called Away*
 - *Stock can be Put up for sale*

Describing Options

- If you **sell a call**, you have the obligation to sell the underlying asset (it gets called away).
- If you **buy a call**, you have the right, but not the obligation, to **buy** the underlying asset
- If you **sell a put**, you have the obligation to buy the underlying asset (it gets put up for sale and put to you).
- If you **buy a put**, you have the right, but not the obligation, to **sell** the underlying asset (the option is exercised and the stock is **put** up for sale).

Describing Options (cont'd)

| Feature | Call | Put |
|-----------------------------|---|---|
| Rights | To <u>buy</u> the underlying asset | To <u>sell</u> the underlying asset |
| Buyer's Expectation | The underlying price will <u>rise</u> | The underlying price will <u>fall</u> |
| Buyer's Action | Buy the asset at the strike price if the market price is higher | Sell the asset at the strike price if the market price is lower |
| Seller's Expectation | The asset's price will stay below the strike price | The asset's price will stay above the strike price |
| Risk | Buyers' risk is limited to the premium paid. Sellers' risk can be unlimited | Buyers' risk is limited to the premium paid. Sellers' risk can be substantial if the price falls significantly |
| Example | Buying a call on a stock you believe will go up in price. You'd exercise your right to buy it at a lower, fixed price | Buying a put on a stock you believe will go down. You'd exercise your right to sell it at a higher, fixed price |

Underlying Assets

- Stock (TSLA, AAPL, AMZN)
- ETF (SPY, QQQ, IWN)
- Index (SPX, VIX, RUT, NDX)
- Futures (/ES, /MES, /NQ)

The Market

Options are traded through your **brokerage firm** at **Exchanges**. Trade transactions are cleared through the Options Clearing Corporation (**OCC**).

- Markets are fragmented, anonymous and 90% electronic.
- Every trade has a buyer and a seller, but one initiator.
- There is information in every quote and every trade.

Major options exchanges in the U.S. are:

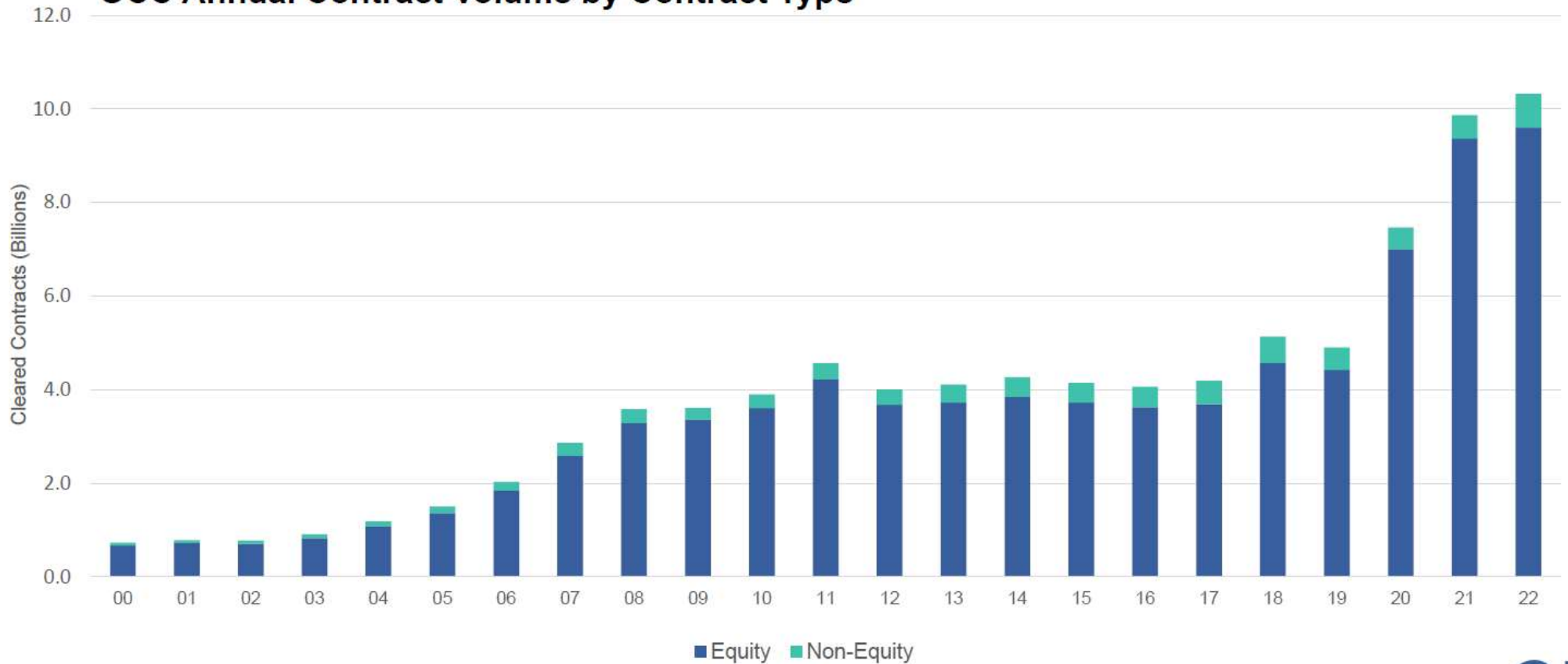
- Chicago Board Options Exchange (CBOE)
- American Stock Exchange (AMEX)
- Philadelphia Stock Exchange (Philly)
- Pacific Stock Exchange (PSE)
- International Securities Exchange (ISE)

Options Clearing Corporation (OCC)

- Established in 1973
- Owned by the CBOE, AMEX, PHLX, PSE
- Regulated by the SEC
- Main role: to act as a performance guarantor for all options
- OCC increases option marketability and liquidity by enabling option buyers and sellers to terminate their positions in the market at any time, by making an offsetting transaction.

Annual Options Volume 2000-2022

OCC Annual Contract Volume by Contract Type

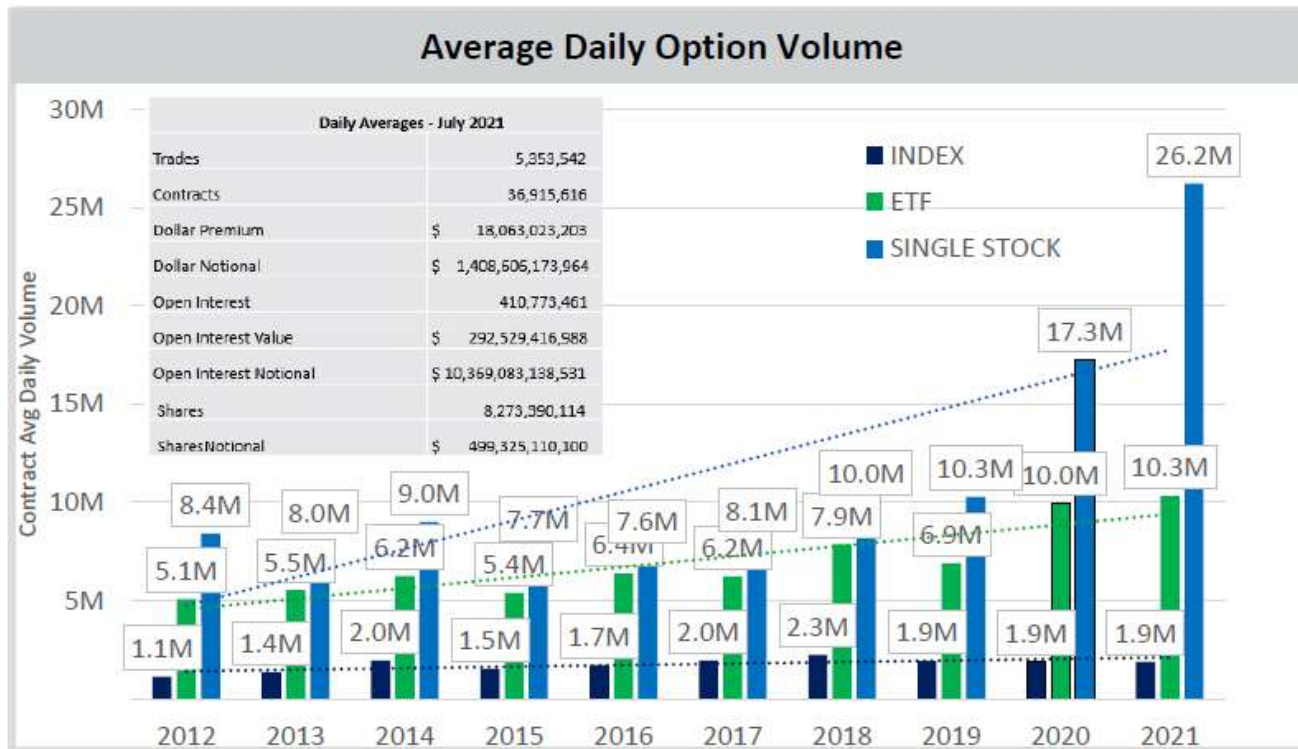


OCC 2024 & 2025 Option Volume

Contract Volume

| | 2025 Contracts | 2024 Contracts | % Change |
|--------------------------------|----------------|----------------|----------|
| Equity Options | 8,269,693,680 | 6,519,467,354 | 26.8% |
| ETF Options | 5,679,730,264 | 4,659,359,878 | 21.9% |
| Index Options | 1,257,739,610 | 1,045,400,374 | 20.3% |
| Total Options | 15,207,163,554 | 12,224,227,606 | 24.4% |
| Futures | 56,748,898 | 60,129,430 | -5.6% |
| Total Volume | 15,263,912,452 | 12,284,357,036 | 24.3% |

Market Activity



| Growth Index | |
|--------------|-------|
| 10yr | 5.3% |
| 5yr | -0.6% |
| 1yr | -0.3% |

| ETF | |
|------|-------|
| 10yr | 7.4% |
| 5yr | 10.7% |
| 1yr | 3.6% |

| Stock | |
|-------|-------|
| 10yr | 12.0% |
| 5yr | 26.4% |
| 1yr | 51.8% |

| Total | |
|-------|-------|
| 10yr | 10.2% |
| 5yr | 18.7% |
| 1yr | 31.9% |

Most Active Stock Options 2-19-26

| Symbol | Name | ↓ Option Volume | Call Volume | Put Volume | Volume Put-Call Ratio |
|---------------|-----------------------------|------------------------|--------------------|-------------------|------------------------------|
| TSLA | Tesla Inc | 1,889,401 | 940,488 | 948,913 | 1.01 |
| NVDA | NVIDIA Corp | 1,797,475 | 1,080,211 | 717,264 | 0.66 |
| MSFT | Microsoft Corporation | 1,111,248 | 404,489 | 706,759 | 1.75 |
| AMZN | Amazon.com Inc. | 911,003 | 347,035 | 563,968 | 1.63 |
| PLTR | Palantir Technologies Inc | 771,571 | 258,520 | 513,051 | 1.98 |
| BP | BP plc | 676,939 | 661,253 | 15,686 | 0.02 |
| AAPL | Apple Inc | 636,553 | 319,226 | 317,327 | 0.99 |
| MSTR | Strategy Inc. | 600,769 | 314,861 | 285,908 | 0.91 |
| AMD | Advanced Micro Devices Inc. | 558,745 | 255,404 | 303,341 | 1.19 |
| SHEL | Shell Plc | 476,247 | 473,241 | 3,006 | 0.01 |
| META | Meta Platforms Inc | 435,956 | 185,816 | 250,140 | 1.35 |
| NFLX | Netflix Inc. | 401,641 | 198,344 | 203,297 | 1.02 |
| GOOGL | Alphabet Inc | 391,731 | 140,101 | 251,630 | 1.80 |
| WMT | Walmart Inc | 389,623 | 198,726 | 190,897 | 0.96 |
| INTC | Intel Corp. | 352,146 | 171,680 | 180,466 | 1.05 |

Financial Objectives

- Protect a stock position from a decline in market price.
- Generate income.
- Stock acquisition at a lower price.
- Speculation

Market Opinion

- Bullish
- Bearish
- Neutral
- Up or down, how much for how long
- Buy (debit)
 - Buying: max. risk is premium paid &
 - max. reward significant to unlimited
- Sell (credit)
 - Selling: Max. reward is premium collected &
 - max. risk is significant to unlimited

Selecting an Option to Buy and/or Sell

- Study the Option chain
 - Determine an expiration date: DTE
 - Determine a strike price
 - OTM
 - ITM
 - ATM
- } The Moneyness of Options

SPY Option Chain 2-17-26

| SPY State Street SPDR S&P 500 ETF Trust 680.12 -1.93 -0.24% B: 680.11 A: 680.12 ETB NYSE MM ±2.217 EXTO Eligible | | | | | | | | | | |
|--|-----------|----------|-----------------|----------|-----------|------------|--------|--------|--------|-------------------|
| Underlying | | | | | | | | | | |
| | Last X | Net Chng | Bid X | Ask X | Size | Volume | Open | High | Low | |
| | 680.12 Q | -1.63 | 680.11 Q | 680.12 Q | 400 x 360 | 46,536,449 | 680.14 | 683.24 | 675.78 | |
| Option Chain Filter: Off Spread: Single Open Interest, V... | | | | | | | | | | |
| > | 23 FEB 26 | (6) | 100 (Weekly) | | | | | | | 19.66% (±13.846) |
| > | 24 FEB 26 | (7) | 100 (Weekly) | | | | | | | 20.16% (±15.31) |
| > | 25 FEB 26 | (8) | 100 (Weekly) | | | | | | | 21.03% (±17.053) |
| > | 26 FEB 26 | (9) | 100 (Weekly) | | | | | | | 21.43% (±18.414) |
| > | 27 FEB 26 | (10) | 100 (Weekly) | | | | | | | 21.95% (±19.867) |
| > | 2 MAR 26 | (13) | 100 (Weekly) | | | | | | | 19.58% (±20.173) |
| > | 3 MAR 26 | (14) | 100 (Weekly) | | | | | | | 19.66% (±21.013) |
| > | 6 MAR 26 | (17) | 100 (Weekly) | | | | | | | 21.20% (±24.951) |
| > | 13 MAR 26 | (24) | 100 (Weekly) | | | | | | | 20.94% (±29.229) |
| > | 20 MAR 26 | (31) | 100 | | | | | | | 21.65% (±34.341) |
| > | 27 MAR 26 | (38) | 100 (Weekly) | | | | | | | 20.58% (±36.136) |
| > | 31 MAR 26 | (42) | 100 (Quarterly) | | | | | | | 21.09% (±38.936) |
| > | 2 APR 26 | (44) | 100 (Weekly) | | | | | | | 20.43% (±38.602) |
| > | 17 APR 26 | (59) | 100 | | | | | | | 21.48% (±47.022) |
| > | 30 APR 26 | (72) | 100 (EOM) | | | | | | | 20.88% (±50.505) |
| > | 15 MAY 26 | (87) | 100 | | | | | | | 21.31% (±56.695) |
| > | 29 MAY 26 | (101) | 100 (Weekly) | | | | | | | 20.91% (±59.961) |
| > | 18 JUN 26 | (121) | 100 | | | | | | | 22.56% (±70.916) |
| > | 30 JUN 26 | (133) | 100 (Quarterly) | | | | | | | 21.17% (±69.753) |
| > | 31 JUL 26 | (164) | 100 (Weekly) | | | | | | | 20.81% (±76.213) |
| > | 21 AUG 26 | (185) | 100 | | | | | | | 21.44% (±83.5) |
| > | 18 SEP 26 | (213) | 100 | | | | | | | 22.49% (±94.177) |
| > | 30 SEP 26 | (225) | 100 (Quarterly) | | | | | | | 20.31% (±87.29) |
| > | 18 DEC 26 | (04) | 100 | | | | | | | 24.01% (±120.858) |

2-17-26, SPY 20 MAR Expiration Volume, Open Interest & Delta, ITM & OTM

| SPY State Street SPDR S&P 500 ETF Trust 680.24 -1.51 -0.22% B 680.23 A 680.24 ETB NYSE ±2.011 EXTO Eligible | | | | | | | | | | | |
|---|----------|----------|----------|-----------|------------|--------|---------|---------|----------|--------|------------------|
| Underlying | | | | | | | | | | | |
| Last X | Net Chng | Bid X | Ask X | Size | Volume | Open | High | Low | | | |
| 680.24 Q | -1.51 | 680.23 Q | 680.24 Q | 240 x 120 | 47,053,768 | 680.14 | 683.24 | 675.78 | | | |
| Option Chain Filter: Off Spread: Single Open Interest, V... | | | | | | | | | | | |
| CALLS | | | | | | PUTS | | | | | |
| Open.Int | Volume | Delta | Bid X | Ask X | Exp | Strike | Bid X | Ask X | Open.Int | Volume | Delta |
| 20 MAR 26 (31) | 100 | | | | | | | | | | 21.53% (±34,155) |
| 7 | N/A | .73 | 32.89 T | 33.18 C | 20 MAR 26 | 656 | 7.06 I | 7.10 I | 11,937 | 260 | -26 |
| 3 | N/A | .73 | 32.10 W | 32.36 Z | 20 MAR 26 | 657 | 7.25 I | 7.29 I | 5,022 | 194 | -27 |
| 26 | 4 | .72 | 31.29 I | 31.55 W | 20 MAR 26 | 658 | 7.48 I | 7.52 I | 7,141 | 190 | -28 |
| 9 | 2 | .71 | 30.53 C | 30.81 C | 20 MAR 26 | 659 | 7.65 I | 7.68 E | 14,435 | 261 | -28 |
| 10,569 | 41 | .71 | 29.71 W | 29.90 W | 20 MAR 26 | 660 | 7.84 I | 7.88 I | 73,537 | 3,336 | -29 |
| 3 | 1 | .70 | 28.94 C | 29.24 S | 20 MAR 26 | 661 | 8.08 I | 8.12 I | 3,072 | 121 | -30 |
| 12 | N/A | .69 | 28.08 C | 28.34 W | 20 MAR 26 | 662 | 8.32 I | 8.36 I | 6,490 | 325 | -30 |
| 8 | N/A | .68 | 27.38 C | 27.60 C | 20 MAR 26 | 663 | 8.54 I | 8.58 I | 3,668 | 1,696 | -31 |
| 11 | N/A | .68 | 26.61 W | 26.84 W | 20 MAR 26 | 664 | 8.73 I | 8.77 I | 3,293 | 363 | -32 |
| 8,879 | 79 | .67 | 25.88 C | 26.04 C | 20 MAR 26 | 665 | 9.00 I | 9.04 I | 16,762 | 2,687 | -33 |
| 22 | N/A | .66 | 25.06 E | 25.23 W | 20 MAR 26 | 666 | 9.24 I | 9.28 I | 2,047 | 240 | -34 |
| 154 | 8 | .65 | 24.23 C | 24.44 Z | 20 MAR 26 | 667 | 9.44 I | 9.49 I | 1,446 | 290 | -34 |
| 15 | 2 | .65 | 23.46 I | 23.70 T | 20 MAR 26 | 668 | 9.75 B | 9.79 I | 2,479 | 457 | -35 |
| 10 | N/A | .64 | 22.80 E | 22.96 W | 20 MAR 26 | 669 | 10.02 I | 10.05 B | 2,348 | 197 | -36 |
| 20,815 | 160 | .63 | 22.10 W | 22.24 W | 20 MAR 26 | 670 | 10.29 I | 10.33 W | 48,351 | 9,484 | -37 |
| 23 | 8 | .62 | 21.27 I | 21.46 I | 20 MAR 26 | 671 | 10.56 W | 10.60 I | 2,349 | 137 | -38 |
| 32 | 7 | .61 | 20.55 C | 20.73 S | 20 MAR 26 | 672 | 10.84 I | 10.88 W | 3,266 | 380 | -39 |
| 9 | 1 | .60 | 19.81 I | 20.03 I | 20 MAR 26 | 673 | 11.14 I | 11.18 W | 1,092 | 285 | -40 |
| 25 | 22 | .59 | 19.15 S | 19.34 W | 20 MAR 26 | 674 | 11.44 I | 11.48 I | 1,911 | 270 | -41 |
| 7,880 | 203 | .58 | 18.47 T | 18.60 W | 20 MAR 26 | 675 | 11.75 I | 11.79 I | 70,822 | 4,889 | -42 |
| 61 | 100 | .57 | 17.74 B | 17.90 B | 20 MAR 26 | 676 | 12.04 I | 12.09 W | 1,060 | 366 | -43 |
| 597 | 550 | .56 | 17.06 W | 17.22 I | 20 MAR 26 | 677 | 12.40 I | 12.44 I | 2,501 | 523 | -44 |
| 354 | 1,092 | .55 | 16.45 I | 16.52 W | 20 MAR 26 | 678 | 12.74 W | 12.78 I | 2,561 | 1,111 | -45 |
| 979 | 188 | .54 | 15.77 I | 15.83 I | 20 MAR 26 | 679 | 13.11 I | 13.16 I | 1,177 | 293 | -46 |
| 13,279 | 1,922 | .53 | 15.12 C | 15.18 W | 20 MAR 26 | 680 | 13.45 D | 13.50 I | 42,186 | 13,073 | -47 |
| 969 | 473 | .52 | 14.48 I | 14.54 I | 20 MAR 26 | 681 | 13.82 P | 13.86 N | 1,623 | 1,354 | -48 |
| 1,625 | 1,694 | .51 | 13.87 I | 13.93 I | 20 MAR 26 | 682 | 14.13 I | 14.18 I | 2,369 | 975 | -50 |
| 1,010 | 922 | .50 | 13.23 I | 13.29 I | 20 MAR 26 | 683 | 14.58 I | 14.63 I | 1,688 | 328 | -51 |
| 2,559 | 259 | .48 | 12.62 I | 12.67 W | 20 MAR 26 | 684 | 14.99 I | 15.04 W | 2,640 | 315 | -52 |
| 37,488 | 2,555 | .47 | 12.02 W | 12.07 I | 20 MAR 26 | 685 | 15.40 I | 15.45 I | 33,472 | 3,107 | -53 |
| 1,524 | 517 | .46 | 11.42 W | 11.48 I | 20 MAR 26 | 686 | 15.75 C | 15.95 C | 2,927 | 103 | -54 |
| 1,626 | 502 | .45 | 10.88 I | 10.94 I | 20 MAR 26 | 687 | 16.13 W | 16.31 W | 1,809 | 70 | -56 |
| 1,990 | 220 | .43 | 10.32 I | 10.37 S | 20 MAR 26 | 688 | 16.59 W | 16.77 W | 3,181 | 142 | -57 |
| 1,479 | 116 | .42 | 9.75 I | 9.79 B | 20 MAR 26 | 689 | 17.12 W | 17.32 W | 2,168 | 10 | -58 |
| 31,770 | 2,116 | .41 | 9.22 I | 9.27 W | 20 MAR 26 | 690 | 17.56 W | 17.71 W | 26,770 | 411 | -60 |

ITM

OTM

OTM

ITM

SPY 20 MAR Expiration Intrinsic & Extrinsic Value (Moneyness)

| SPY State Street SPDR S&P 500 ETF Trust 679.28 -2.47 -0.36% B: 679.27 A: 679.28 ETB NYSE ± 2.14 EXT0 Eligible | | | | | | | | | | | | | | |
|---|-----------|----------|----------|------------|--------------|-----------|--------|---------|---------|------------------|-----------|-------|--|--|
| Underlying | | | | | | | | | | | | | | |
| Last X | Net Chng | Bid X | Ask X | Size | Volume | Open | High | Low | | | | | | |
| 679.28 Z | -2.47 | 679.27 Q | 679.28 Q | 1,000 x 80 | 47,575,195 | 680.14 | 683.24 | 675.78 | | | | | | |
| Option Chain Filter: Off Spread: Single Open Interest, V... | | | | | | | | | | | | | | |
| CALLS | | | | | | | | | | | | | | |
| Intrinsic | Extrinsic | Delta | Bid X | Ask X | Strikes: ALL | Exp | Strike | Bid X | Ask X | PUTS | | | | |
| | | | | | | | | | | Intrinsic | Extrinsic | Delta | | |
| 20 MAR 26 (31) 100 | | | | | | | | | | 21.74% (±34,439) | | | | |
| 23.28 | 9.065 | .73 | 32.16 W | 32.53 W | | 20 MAR 26 | 656 | 7.41 W | 7.44 I | 0 | 7.425 | -27 | | |
| 22.28 | 9.25 | .72 | 31.35 W | 31.71 E | | 20 MAR 26 | 657 | 7.61 W | 7.65 I | 0 | 7.63 | -28 | | |
| 21.28 | 9.455 | .71 | 30.60 W | 30.87 C | | 20 MAR 26 | 658 | 7.81 W | 7.85 I | 0 | 7.83 | -28 | | |
| 20.28 | 9.645 | .71 | 29.76 W | 30.09 E | | 20 MAR 26 | 659 | 8.01 I | 8.05 I | 0 | 8.03 | -29 | | |
| 19.28 | 9.86 | .70 | 29.04 W | 29.24 C | | 20 MAR 26 | 660 | 8.23 B | 8.27 B | 0 | 8.25 | -30 | | |
| 18.28 | 10.05 | .69 | 28.18 E | 28.48 E | | 20 MAR 26 | 661 | 8.45 W | 8.49 I | 0 | 8.47 | -31 | | |
| 17.28 | 10.285 | .68 | 27.44 T | 27.69 E | | 20 MAR 26 | 662 | 8.67 I | 8.71 I | 0 | 8.69 | -31 | | |
| 16.28 | 10.51 | .68 | 26.67 E | 26.91 E | | 20 MAR 26 | 663 | 8.90 I | 8.94 W | 0 | 8.92 | -32 | | |
| 15.28 | 10.75 | .67 | 25.92 W | 26.14 W | | 20 MAR 26 | 664 | 9.14 W | 9.18 I | 0 | 9.16 | -33 | | |
| 14.28 | 10.98 | .66 | 25.18 W | 25.34 C | | 20 MAR 26 | 665 | 9.39 W | 9.43 E | 0 | 9.41 | -34 | | |
| 13.28 | 11.195 | .65 | 24.35 I | 24.60 I | | 20 MAR 26 | 666 | 9.64 W | 9.68 I | 0 | 9.66 | -35 | | |
| 12.28 | 11.46 | .64 | 23.63 W | 23.85 E | | 20 MAR 26 | 667 | 9.89 W | 9.94 I | 0 | 9.915 | -35 | | |
| 11.28 | 11.725 | .64 | 22.88 C | 23.13 C | | 20 MAR 26 | 668 | 10.16 I | 10.20 W | 0 | 10.18 | -36 | | |
| 10.28 | 11.985 | .63 | 22.16 I | 22.37 I | | 20 MAR 26 | 669 | 10.43 I | 10.47 W | 0 | 10.45 | -37 | | |
| 9.28 | 12.25 | .62 | 21.45 E | 21.61 C | | 20 MAR 26 | 670 | 10.71 W | 10.76 I | 0 | 10.735 | -38 | | |
| 8.28 | 12.52 | .61 | 20.69 I | 20.91 C | | 20 MAR 26 | 671 | 11.00 W | 11.04 I | 0 | 11.02 | -39 | | |
| 7.28 | 12.805 | .60 | 19.98 W | 20.19 W | | 20 MAR 26 | 672 | 11.29 I | 11.34 I | 0 | 11.315 | -40 | | |
| 6.28 | 13.08 | .59 | 19.24 C | 19.48 C | | 20 MAR 26 | 673 | 11.60 W | 11.64 I | 0 | 11.62 | -41 | | |
| 5.28 | 13.40 | .58 | 18.58 W | 18.78 W | | 20 MAR 26 | 674 | 11.91 I | 11.96 I | 0 | 11.935 | -42 | | |
| 4.28 | 13.705 | .57 | 17.93 U | 18.04 W | | 20 MAR 26 | 675 | 12.23 I | 12.28 W | 0 | 12.255 | -43 | | |
| 3.28 | 14.02 | .56 | 17.20 W | 17.40 W | | 20 MAR 26 | 676 | 12.56 I | 12.61 I | 0 | 12.585 | -44 | | |
| 2.28 | 14.37 | .55 | 16.62 I | 16.68 I | | 20 MAR 26 | 677 | 12.91 I | 12.96 I | 0 | 12.935 | -45 | | |
| 1.28 | 14.705 | .54 | 15.95 I | 16.02 I | | 20 MAR 26 | 678 | 13.25 I | 13.30 I | 0 | 13.275 | -46 | | |
| .28 | 15.055 | .53 | 15.30 W | 15.37 I | | 20 MAR 26 | 679 | 13.60 I | 13.66 I | 0 | 13.63 | -47 | | |
| 0 | 14.695 | .52 | 14.66 W | 14.73 C | | 20 MAR 26 | 680 | 13.98 B | 14.02 W | 7.2 | 13.28 | -48 | | |
| 0 | 14.06 | .51 | 14.03 W | 14.09 I | | 20 MAR 26 | 681 | 14.37 W | 14.41 I | 1.72 | 12.67 | -49 | | |
| 0 | 13.445 | .50 | 13.42 Q | 13.47 I | | 20 MAR 26 | 682 | 14.75 I | 14.80 W | 2.72 | 12.055 | -51 | | |
| 0 | 12.82 | .48 | 12.79 B | 12.85 P | | 20 MAR 26 | 683 | 15.15 I | 15.20 W | 3.72 | 11.455 | -52 | | |
| 0 | 12.23 | .47 | 12.20 I | 12.26 I | | 20 MAR 26 | 684 | 15.58 I | 15.63 Z | 4.72 | 10.885 | -53 | | |
| 0 | 11.64 | .46 | 11.61 W | 11.67 W | | 20 MAR 26 | 685 | 15.96 W | 16.13 T | 5.72 | 10.325 | -54 | | |
| 0 | 11.07 | .45 | 11.04 I | 11.10 I | | 20 MAR 26 | 686 | 16.40 C | 16.56 W | 6.72 | 9.76 | -55 | | |
| 0 | 10.51 | .44 | 10.48 I | 10.54 I | | 20 MAR 26 | 687 | 16.81 W | 17.02 W | 7.72 | 9.195 | -57 | | |
| 0 | 9.955 | .42 | 9.93 I | 9.98 B | | 20 MAR 26 | 688 | 17.31 I | 17.49 W | 8.72 | 8.68 | -58 | | |
| 0 | 9.425 | .41 | 9.40 I | 9.45 W | | 20 MAR 26 | 689 | 17.75 W | 17.97 W | 9.72 | 8.14 | -59 | | |
| 0 | 8.90 | .40 | 8.87 I | 8.93 I | | 20 MAR 26 | 690 | 18.27 W | 18.46 W | 10.72 | 7.645 | -61 | | |
| 0 | 8.405 | .38 | 8.38 W | 8.43 W | | 20 MAR 26 | 691 | 18.76 I | 18.99 W | 11.72 | 7.155 | -62 | | |

| SPY State Street SPDR S&P 500 ETF Trust 684.12 +2.97 (+0.36%) B: 684.10 A: 684.12 ETB NYSE ±1.148 EXTO Eligible | | | | | | | | | | |
|---|----------|-----------------|----------|-----------|------------|--------|-------------|-----------|--|--|
| Underlying | | | | | | | | | | |
| Last X | Net Chng | Bid X | Ask X | Size | Volume | Open | High | Low | | |
| 684.12 Q | +2.37 | 684.10 N | 684.12 Q | 120 x 840 | 58,630,176 | 680.14 | 684.715 | 675.78 | | |
| Trade Grid | | | | | | | | | | |
| Option Chain Filter: Off Spread: Single Open Interest, V... | | | | | | | | | | |
| Expiry | Delta | Gamma | Theta | Vol | Open Int | Volume | Implied Vol | | | |
| > 17 FEB 26 | (0) | 100 (Weekly) | | | | | 24.21% | (±1.9) | | |
| > 18 FEB 26 | (1) | 100 (Weekly) | | | | | 19.68% | (±5.831) | | |
| > 19 FEB 26 | (2) | 100 (Weekly) | | | | | 19.81% | (±8.154) | | |
| > 20 FEB 26 | (3) | 100 (Weekly) | | | | | 20.71% | (±10.378) | | |
| > 23 FEB 26 | (6) | 100 (Weekly) | | | | | 17.40% | (±12.256) | | |
| > 24 FEB 26 | (7) | 100 (Weekly) | | | | | 17.93% | (±13.629) | | |
| > 25 FEB 26 | (8) | 100 (Weekly) | | | | | 18.87% | (±15.325) | | |
| > 26 FEB 26 | (9) | 100 (Weekly) | | | | | 19.48% | (±16.772) | | |
| > 27 FEB 26 | (10) | 100 (Weekly) | | | | | 20.08% | (±18.217) | | |
| > 2 MAR 26 | (13) | 100 (Weekly) | | | | | 18.08% | (±18.686) | | |
| > 3 MAR 26 | (14) | 100 (Weekly) | | | | | 18.23% | (±19.549) | | |
| > 6 MAR 26 | (17) | 100 (Weekly) | | | | | 19.70% | (±23.272) | | |
| > 13 MAR 26 | (24) | 100 (Weekly) | | | | | 19.60% | (±27.476) | | |
| > 20 MAR 26 | (31) | 100 | | | | | 20.37% | (±32.46) | | |
| > 27 MAR 26 | (38) | 100 (Weekly) | | | | | 19.49% | (±34.387) | | |
| > 31 MAR 26 | (42) | 100 (Quarterly) | | | | | 19.96% | (±37.03) | | |
| > 2 APR 26 | (44) | 100 (Weekly) | | | | | 19.42% | (±36.874) | | |
| > 17 APR 26 | (59) | 100 | | | | | 20.48% | (±45.06) | | |
| > 30 APR 26 | (72) | 100 (EOM) | | | | | 20.07% | (±48.797) | | |
| > 15 MAY 26 | (87) | 100 | | | | | 20.55% | (±54.959) | | |
| > 29 MAY 26 | (101) | 100 (Weekly) | | | | | 20.23% | (±58.317) | | |
| > 18 JUN 26 | (121) | 100 | | | | | 21.85% | (±69.043) | | |
| > 30 JUN 26 | (133) | 100 (Quarterly) | | | | | 20.59% | (±68.203) | | |
| > 31 JUL 26 | (164) | 100 (Weekly) | | | | | 20.35% | (±74.929) | | |
| > 21 AUG 26 | (185) | 100 | | | | | 21.00% | (±82.226) | | |
| > 18 SEP 26 | (213) | 100 | | | | | 22.03% | (±92.71) | | |

Time is money but;
Shtuff happens!
As time passes.

Implied Volatility represents the expected volatility of a stock over the life of the option. IV is directly influenced by the market's expectation of the share price's direction.

IV increases with time (DTE)

| | | | | |
|---|-----------|-------|------------------|------------------|
| > | 17 FEB 26 | (0) | 100 (Weeklys) | 24.12% (±1.877) |
| > | 18 FEB 26 | (1) | 100 (Weeklys) | 19.74% (±5.844) |
| > | 19 FEB 26 | (2) | 100 (Weeklys) | 19.88% (±8.179) |
| > | 20 FEB 26 | (3) | 100 POS | 20.76% (±10.398) |
| > | 23 FEB 26 | (6) | 100 (Weeklys) | 17.43% (±12.272) |
| > | 24 FEB 26 | (7) | 100 (Weeklys) | 17.96% (±13.647) |
| > | 25 FEB 26 | (8) | 100 (Weeklys) | 18.89% (±15.336) |
| > | 26 FEB 26 | (9) | 100 (Weeklys) | 19.50% (±16.784) |
| > | 27 FEB 26 | (10) | 100 (Weeklys) | 20.11% (±18.238) |
| > | 2 MAR 26 | (13) | 100 (Weeklys) | 18.11% (±18.711) |
| > | 3 MAR 26 | (14) | 100 (Weeklys) | 18.25% (±19.565) |
| > | 6 MAR 26 | (17) | 100 (Weeklys) | 19.72% (±23.289) |
| > | 13 MAR 26 | (24) | 100 (Weeklys) | 19.62% (±27.496) |
| > | 20 MAR 26 | (31) | 100 | 20.39% (±32.482) |
| > | 27 MAR 26 | (38) | 100 (Weeklys) | 19.51% (±34.413) |
| > | 31 MAR 26 | (42) | 100 (Quarterlys) | 19.97% (±37.038) |
| > | 2 APR 26 | (44) | 100 (Weeklys) | 19.43% (±36.883) |
| > | 17 APR 26 | (59) | 100 | 20.50% (±45.091) |
| > | 30 APR 26 | (72) | 100 (EOM) | 20.08% (±48.808) |
| > | 15 MAY 26 | (87) | 100 | 20.56% (±54.971) |
| > | 29 MAY 26 | (101) | 100 (Weeklys) | 20.24% (±58.33) |
| > | 18 JUN 26 | (121) | 100 | 21.86% (±69.057) |
| > | 30 JUN 26 | (133) | 100 (Quarterlys) | 20.59% (±68.184) |
| > | 31 JUL 26 | (164) | 100 (Weeklys) | 20.35% (±74.909) |
| > | 21 AUG 26 | (185) | 100 | |

Time is money but shtuff happens as time passes!

Implied Volatility represents the expected volatility of a stock over the life of the option. IV is directly influenced by the market's expectation of the share price's direction.

IV increases with time (DTE)

| | | CALLS | | | | | | | Strikes: 10 | | PUTS | | | | | | |
|-----|-----------|----------|--------------|----------|--------|---------|---------|-----------|-------------|---------|---------|-------|----------|--------|------------------|--|--|
| | Delta | Open.Int | Volume | Prob.OTM | Bid X | Ask X | | Exp | Strike | Bid X | Ask X | Delta | Open.Int | Volume | Prob.OTM | | |
| > | 12 MAY 23 | (22) | 100 (Weekly) | Pos | | | | | | | | | | | 29.71% (±9.677) | | |
| ▼ | 19 MAY 23 | (29) | 100 | | | | | | | | | | | | 28.93% (±10.834) | | |
| | | .99 | 14,152 | 55 | 1.65% | 22.20 B | 22.75 A | 19 MAY 23 | 145 | .47 T | .50 W | -.07 | 44,122 | 3,451 | 92.15% | | |
| | | .93 | 22,577 | 903 | 7.47% | 17.60 X | 18.00 X | 19 MAY 23 | 150 | .82 P | .84 B | -.11 | 50,404 | 9,240 | 87.44% | | |
| ITM | | .85 | 24,056 | 305 | 16.66% | 13.30 B | 13.65 X | 19 MAY 23 | 155 | 1.41 P | 1.50 B | -.18 | 26,428 | 2,721 | 79.97% | | |
| | | .74 | 25,203 | 581 | 28.03% | 9.35 W | 9.55 B | 19 MAY 23 | 160 | 2.45 B | 2.56 C | -.28 | 32,319 | 6,199 | 69.36% | | |
| | | .60 | 35,865 | 4,367 | 42.95% | 5.95 X | 6.10 E | 19 MAY 23 | 165 | 4.00 B | 4.10 Z | -.41 | 20,500 | 6,562 | 56.05% | | |
| | | .43 | 37,208 | 5,977 | 60.05% | 3.30 B | 3.40 B | 19 MAY 23 | 170 | 6.30 N | 6.50 X | -.57 | 3,455 | 1,201 | 40.73% | | |
| OTM | | .25 | 46,912 | 3,661 | 76.58% | 1.54 N | 1.57 P | 19 MAY 23 | 175 | 9.25 X | 9.75 X | -.73 | 901 | 44 | 25.59% | | |
| | | .12 | 22,916 | 1,441 | 88.92% | .58 E | .61 W | 19 MAY 23 | 180 | 13.50 B | 14.50 X | -.82 | 149 | 5 | 17.63% | | |
| | | .05 | 19,347 | 1,376 | 95.17% | .22 Q | .24 W | 19 MAY 23 | 185 | 17.95 Z | 20.10 B | -.84 | 4 | 3 | 14.73% | | |
| | | .02 | 13,557 | 58 | 97.89% | .09 T | .10 W | 19 MAY 23 | 190 | 22.00 Z | 25.05 Z | -.90 | 20 | 24 | 9.75% | | |

Delta is the estimate of how much an option's value will change with a \$1.00 change in the price of the underlying asset.

Delta values are between +1 and -1.



Call deltas are positive and Put deltas are negative.

ATM deltas = 50 = stock price

Intrinsic Value vs. Extrinsic Value

- **Option Premium = Intrinsic Value + Extrinsic Value**
- **Time Value = Extrinsic Value (undergoes time decay and becomes zero at expiration).**
- **Only Intrinsic value remains at expiration. It is the inherent value of an option. It is the ITM amount.**

Option Premium = Intrinsic Value + Extrinsic Value

| Strikes:  ALL  | | PUTS | | | | | | |
|--|--------|---------|---------|-------|-----------|-----------|-----------|--|
| Exp | Strike | Bid X | Ask X | Delta | Intrinsic | Extrinsic | | |
| | | | | | | 19.75% | (±23.282) | |
| 6 MAR 26 | 669 | 5.56 U | 5.59 I | -.29 | 0 | 5.575 | | |
| 6 MAR 26 | 670 | 5.77 C | 5.80 I | -.30 | 0 | 5.785 | | |
| 6 MAR 26 | 671 | 6.00 U | 6.03 I | -.32 | 0 | 6.015 | | |
| 6 MAR 26 | 672 | 6.24 I | 6.27 I | -.33 | 0 | 6.255 | | |
| 6 MAR 26 | 673 | 6.47 I | 6.50 I | -.34 | 0 | 6.485 | | |
| 6 MAR 26 | 674 | 6.72 I | 6.75 W | -.35 | 0 | 6.735 | | |
| 6 MAR 26 | 675 | 6.98 C | 7.01 W | -.36 | 0 | 6.995 | | |
| 6 MAR 26 | 676 | 7.27 S | 7.30 I | -.38 | 0 | 7.285 | | |
| 6 MAR 26 | 677 | 7.54 S | 7.57 I | -.39 | 0 | 7.555 | | |
| 6 MAR 26 | 678 | 7.83 W | 7.86 I | -.40 | 0 | 7.845 | | |
| 6 MAR 26 | 679 | 8.14 I | 8.17 B | -.42 | 0 | 8.155 | | |
| 6 MAR 26 | 680 | 8.46 W | 8.49 W | -.43 | 0 | 8.475 | | |
| 6 MAR 26 | 681 | 8.77 I | 8.81 I | -.44 | 0 | 8.79 | | |
| 6 MAR 26 | 682 | 9.11 I | 9.15 I | -.46 | 0 | 9.13 | | |
| 6 MAR 26 | 683 | 9.48 I | 9.52 I | -.48 | 0 | 9.50 | | |
| 6 MAR 26 | 684 | 9.84 W | 9.87 W | -.49 | .66 | 9.195 | | |
| 6 MAR 26 | 685 | 10.23 I | 10.28 I | -.51 | 1.66 | 8.595 | | |
| 6 MAR 26 | 686 | 10.62 I | 10.66 I | -.53 | 2.66 | 7.98 | | |
| 6 MAR 26 | 687 | 11.03 I | 11.07 W | -.54 | 3.66 | 7.39 | | |
| 6 MAR 26 | 688 | 11.47 W | 11.51 I | -.56 | 4.66 | 6.83 | | |
| 6 MAR 26 | 689 | 11.84 W | 11.98 B | -.58 | 5.66 | 6.25 | | |
| 6 MAR 26 | 690 | 12.32 M | 12.46 C | -.60 | 6.66 | 5.73 | | |
| 6 MAR 26 | 691 | 12.78 E | 12.95 B | -.62 | 7.66 | 5.205 | | |
| 6 MAR 26 | 692 | 13.29 B | 13.47 C | -.64 | 8.66 | 4.72 | | |
| 6 MAR 26 | 693 | 13.80 S | 14.00 S | -.66 | 9.66 | 4.24 | | |
| 6 MAR 26 | 694 | 14.35 B | 14.55 B | -.68 | 10.66 | 3.79 | | |
| 6 MAR 26 | 695 | 14.95 W | 15.15 W | -.70 | 11.66 | 3.39 | | |
| 6 MAR 26 | 696 | 15.51 E | 15.75 E | -.72 | 12.66 | 2.97 | | |

Time Value = Extrinsic Value (undergoes time decay and becomes zero at expiration).

Only Intrinsic value remains at expiration. It is the inherent value of an option.

SPX Daily 3 Month Chart



SPY 6 MAR Vertical Hedge

A close below 6720 could be a trigger for more negative outlook

...to be prepared in case selling develops and violates the DEC lows

Consider using long puts as a hedge for a market downturn, i.e., a sell-off

- BTO 1 SPY 6 MAR ATM PUT
- STO 1 SPY 6 MAR PUT 50 points lower

SPY 6 MAR Vertical

| Strikes: ALL | | PUTS | | | | | |
|---------------|--------|---------|---------|-------|----------|--------|------------------|
| Exp | Strike | Bid X | Ask X | Delta | Open.Int | Volume | |
| | | | | | | | 19.65% (±23.176) |
| 6 MAR 26 | 677 | 7.48 I | 7.51 I | -39 | 6,887 | 2,034 | |
| 6 MAR 26 | 678 | 7.77 W | 7.81 I | -40 | 8,592 | 2,048 | |
| 6 MAR 26 | 679 | 8.07 I | 8.10 I | -41 | 607 | 152 | |
| 6 MAR 26 | 680 | 8.39 C | 8.42 I | -43 | 3,878 | 1,451 | |
| 6 MAR 26 | 681 | 8.72 I | 8.75 Q | -44 | 798 | 268 | |
| 6 MAR 26 | 682 | 9.04 I | 9.08 I | -46 | 619 | 569 | |
| 6 MAR 26 | 683 | 9.41 I | 9.45 M | -47 | 674 | 515 | |
| 6 MAR 26 | 684 | 9.77 I | 9.81 I | -49 | 2,779 | 427 | |
| 6 MAR 26 | 685 | 10.14 C | 10.19 I | -51 | 4,367 | 457 | |
| 6 MAR 26 | 686 | 10.55 I | 10.59 I | -52 | 699 | 121 | |
| 6 MAR 26 | 687 | 10.96 I | 11.00 W | -54 | 516 | 146 | |
| 6 MAR 26 | 688 | 11.38 I | 11.43 W | -56 | 1,243 | 113 | |

BTO 1 SPY 6 MAR ATM PUT
Debit: \$9.77-\$9.81



| Strikes: ALL | | PUTS | | | | | |
|---------------|--------|--------|--------|-------|----------|--------|------------------|
| Exp | Strike | Bid X | Ask X | Delta | Open.Int | Volume | |
| | | | | | | | 19.65% (±23.179) |
| 6 MAR 26 | 627 | 1.14 D | 1.15 H | -06 | 339 | 113 | |
| 6 MAR 26 | 628 | 1.20 U | 1.21 N | -07 | 478 | 109 | |
| 6 MAR 26 | 629 | 1.23 U | 1.24 N | -07 | 180 | 68 | |
| 6 MAR 26 | 630 | 1.28 W | 1.29 N | -07 | 2,403 | 582 | |
| 6 MAR 26 | 631 | 1.33 U | 1.34 H | -07 | 206 | 58 | |
| 6 MAR 26 | 632 | 1.36 W | 1.37 H | -08 | 229 | 48 | |
| 6 MAR 26 | 633 | 1.42 U | 1.43 N | -08 | 201 | 29 | |
| 6 MAR 26 | 634 | 1.46 U | 1.47 B | -08 | 207 | 30 | |
| 6 MAR 26 | 635 | 1.53 I | 1.54 N | -09 | 2,478 | 301 | |
| 6 MAR 26 | 636 | 1.57 U | 1.58 H | -09 | 208 | 246 | |

STO 1 SPY 6 MAR 634 PUT
Credit: \$1.46-\$1.47



SPY 6 MAR Vertical

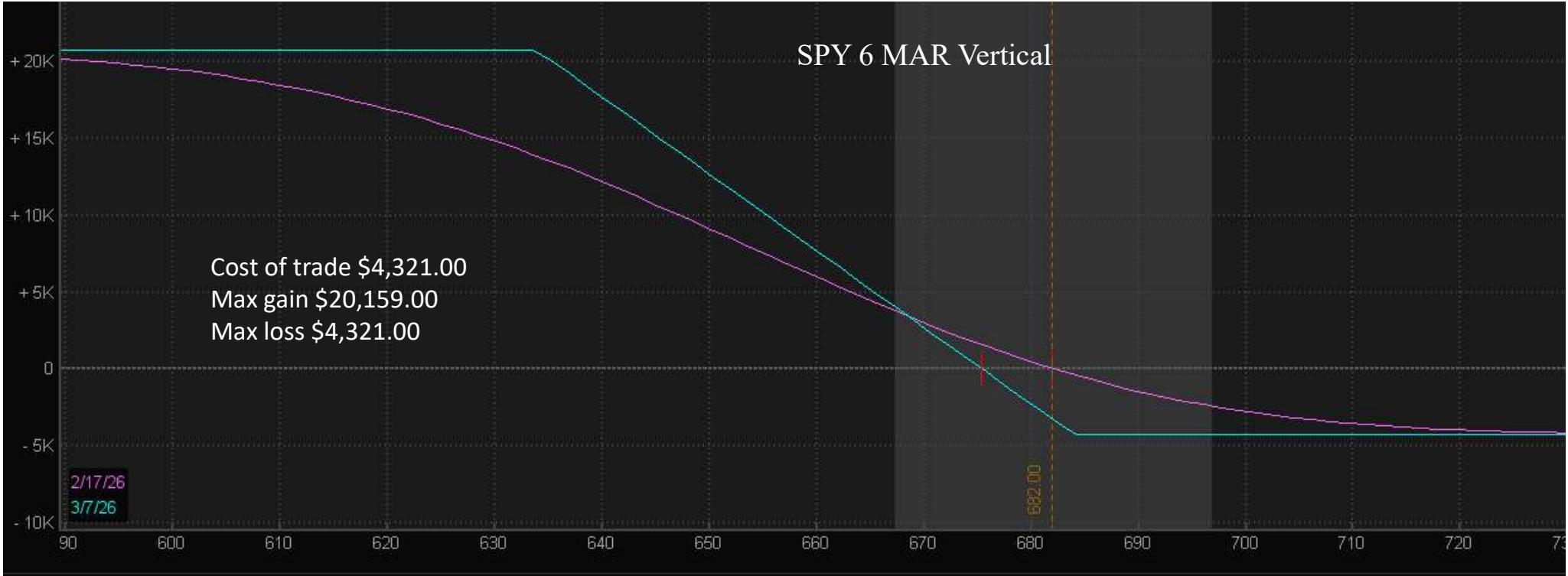


| Price Slices | | Use Margin Style Volatility for P/L Calculations | | | | | | Option P/L Calculation (Live) | |
|--------------|--------|--|-------|--------|-------|----------|---------|-------------------------------|--|
| Stk Price | Offset | Delta | Gamma | Theta | Vega | P/L Open | P/L Day | | |
| 683.83 | \$0 | -40.30 | 1.22 | -10.99 | 36.62 | \$0.04 | \$0.04 | | |

| | | | | | | | |
|---|----------|------|----|---------------------|-----|-----|-------|
| ✓ | VERTICAL | BUY | +1 | SPY 6 MAR 26 (Week | 684 | PUT | 8.24 |
| | | SELL | -1 | SPY 6 MAR 26 (We... | 634 | PUT | DEBIT |

SPY 6 MAR Vertical

Cost of trade \$4,321.00
 Max gain \$20,159.00
 Max loss \$4,321.00

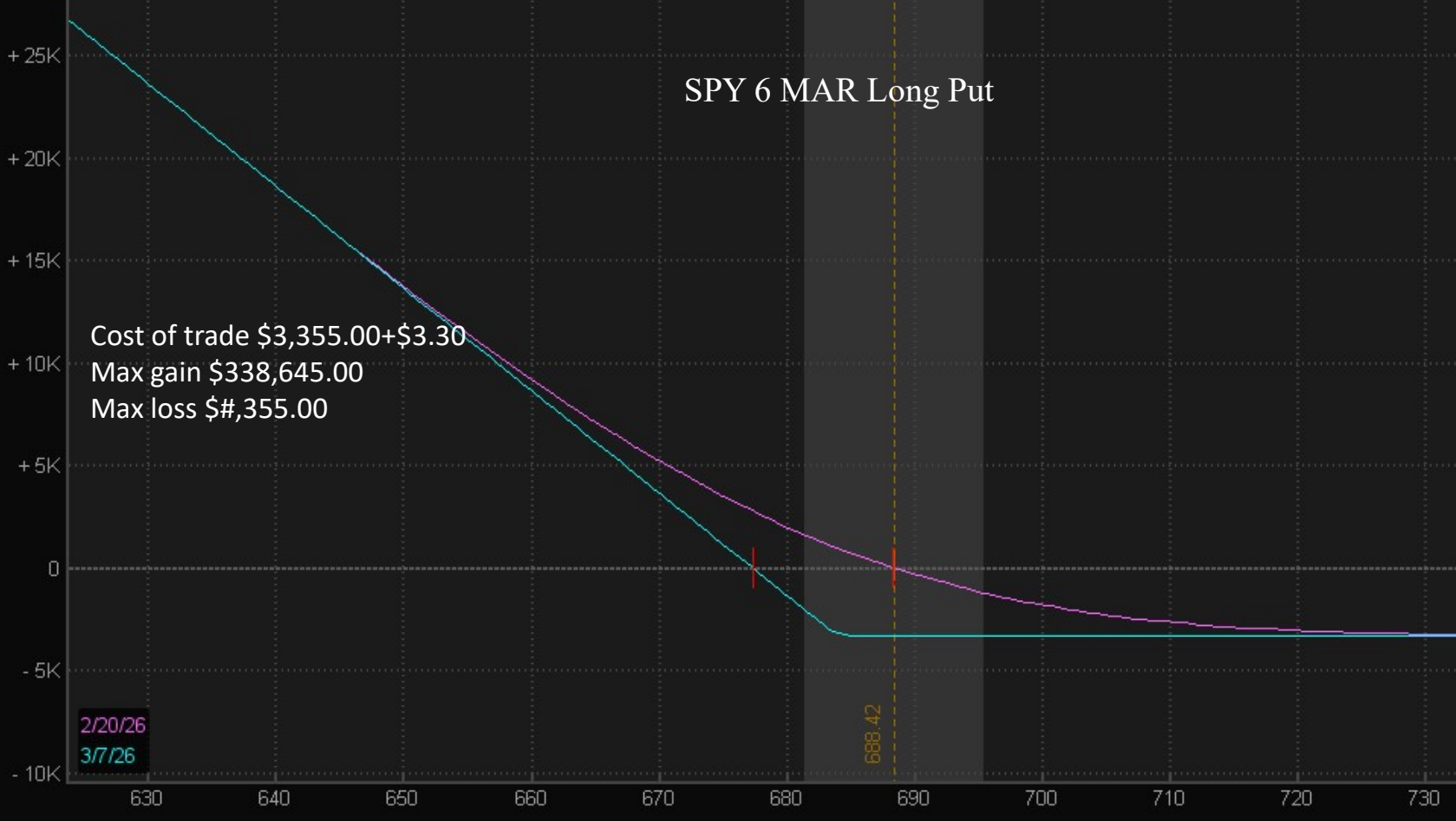


| Price Slices | | Use Margin Style Volatility for P/L Calculations | | | | | Option P/L Calculation (Live) | |
|--------------|--------|--|-------|--------|--------|----------|-------------------------------|--|
| Stk Price | Offset | Delta | Gamma | Theta | Vega | P/L Open | P/L Day | |
| 682.00 | \$0 | -213.66 | 6.33 | -45.13 | 174.84 | (\$3.21) | (\$3.21) | |

| Price Slices | | Use Margin Style Volatility for P/L Calculations | | | | | Option P/L Calculation (Live) | |
|--------------|--------|--|-------|--------|-------|----------|-------------------------------|--|
| Stk Price | Offset | Delta | Gamma | Theta | Vega | P/L Open | P/L Day | |
| 683.83 | \$0 | -40.30 | 1.22 | -10.99 | 36.62 | \$0.04 | \$0.04 | |

| | | | | | | | |
|-------------------------------------|----------|------|----|---------------------|-----|-----|-------|
| <input checked="" type="checkbox"/> | VERTICAL | BUY | +5 | SPY 6 MAR 26 (Week | 684 | PUT | 8.63 |
| | | SELL | -5 | SPY 6 MAR 26 (We... | 634 | PUT | DEBIT |

SPY 6 MAR Long Put



Price Slices Use Margin Style Volatility for P/L Calculations

| Stk Price | Offset | Delta | Gamma | Theta | Vega | P/L Open |
|-----------|--------|---------|-------|---------|--------|-----------|
| 688.62 | \$0 | -200.47 | 8.64 | -147.78 | 260.83 | (\$10.00) |

SINGLE BUY +5 SPY 6 MAR 26 (Week, 684 PUT 6.67

Option Basics II Presentation Outline

Review of Option Basics I

- Options Defined Calls & Puts
- Describe the Market

Investing Objectives and Sentiment as Guides to Option Trading

Selecting an Expiration and Strike Price

Option Pricing and Moneyness (Extrinsic Value & Intrinsic Value)

Trade Example: Vertical Hedge

The End