Fidelity INVESTMENTS

A Fidelity Investments Webinar

Selling Options

BROKERAGE: OPTIONS

Options Trading Webinar Series

Introduction to Options

Get to know the basics of options trading; learn key terms and concepts essential for any new options trader.

Buying Options

Understand what to expect when buying options; learn the difference between calls and puts.

Selling Options

Understand what to expect when selling options; learn how to navigate the risks associated with selling.

Options Trade Management

Now that you've placed a trade, learn strategies to manage before, during, and after its expiration.

Options Pricing

Understand how options are priced and learn how you can help get the best returns.

Sell Covered Calls

Execute a Trade

Sell Cash-Secured Puts

Agenda

Sell Covered Calls

What Is a Covered Call?

Buy stock and sell calls on a share-for-share basis

- The covered call seller (writer/shorter) has the obligation to sell stock (if assigned) at an agreed-upon price (the strike) up to and until the expiration date.
- In exchange, the covered call seller receives a premium.
- The covered call seller has the entire downside risk of the underlying security minus the premium.
- Upside potential is limited to the premium received.

Why Sell Covered Calls?

Sell a covered call if you are neutral to moderately bullish on the stock

- Increase income by the amount of the premium received minus commissions.
- Slightly reduce stock price risk (by the amount of the premium received minus commission).

Covered Call Strategy

Situation

Long 100 shares of QRS stock at $92

Market Forecast

Neutral to moderately bullish on the stock

Action

Sell one QRS APR 95 call for $1

Company trading symbols are provided as examples and for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.
Examples do not take into account commissions.

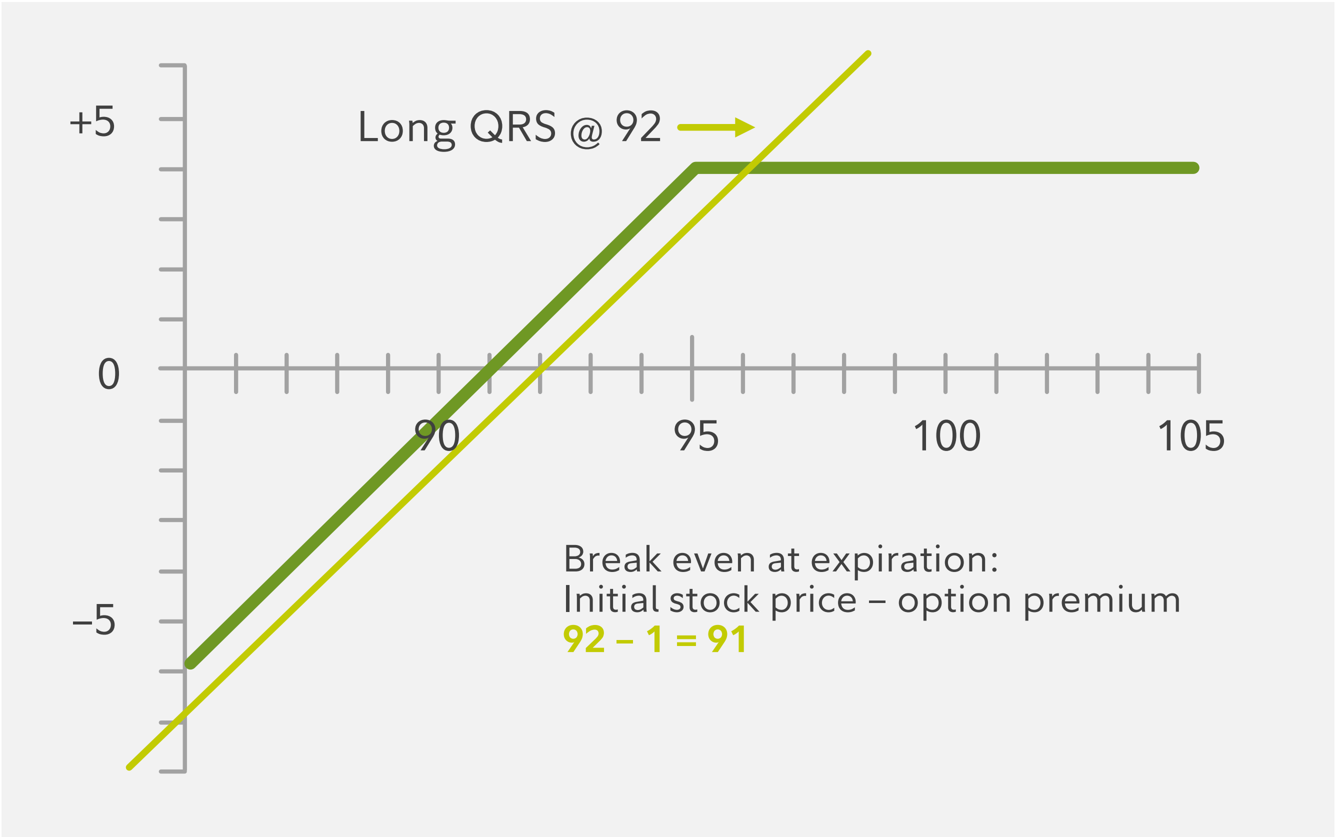
Covered Call: Profit and Loss Table

Long 100 QRS @ 92
Sell one QRS APR 95 Call @ 1.00

PRICE AT EXP	STOCK P/(L)	CALL P/(L)	TOTAL P/(L)
100	8.00	(4.00)	4.00
95	3.00	1.00	4.00
91	(1.00)	1.00	0 (Breakeven)
90	(2.00)	1.00	(1.00)
85	(7.00)	1.00	(6.00)
80	(12.00)	1.00	(11.00)

Covered Call: Profit and Loss Diagram

Long QRS @ 92, Sell One 95 Call @ 1.00



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Strategy Management

Now What?

1. Buy to Close
2. Roll
3. Let It Expire

Sell Cash-Secured Puts

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What Is a Cash-Secured Put?

Selling a put and simultaneously setting aside cash to fulfill the obligation, if assigned

- The cash-secured put seller has an obligation to buy stock at strike until expiration.
- The profit potential limited to the premium received.
- There is substantial downside risk.
- The amount of cash necessary to cover the obligation is required.

Why Sell Cash-Secured Puts?

1. Target a buying price
2. Earn income
3. Earn interest on cash

Cash-Secured Put Strategy

Situation

Have $9,000 cash in account and QRS stock trading at $92

Market Forecast

Neutral to slightly bullish on the stock

Would like to buy stock if the price dips lower

Action

Sell one QRS 90 put for $1 (receive $100)

Deposit $9,000 to cover the obligation

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Cash-Secured Puts: Profit and Loss Table

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Sell 1 QRS APR 90 Put @ 1.00

STOCK PX AT EXP	PREMIUM RECEIVED	PUT VALUE AT EXP	PROFIT/(LOSS)
100	1.00	0	1.00
95	1.00	0	1.00
90	1.00	0	1.00
89	1.00	(1.00)	0 (Breakeven)
85	1.00	(5.00)	(4.00)
80	1.00	(10.00)	(9.00)

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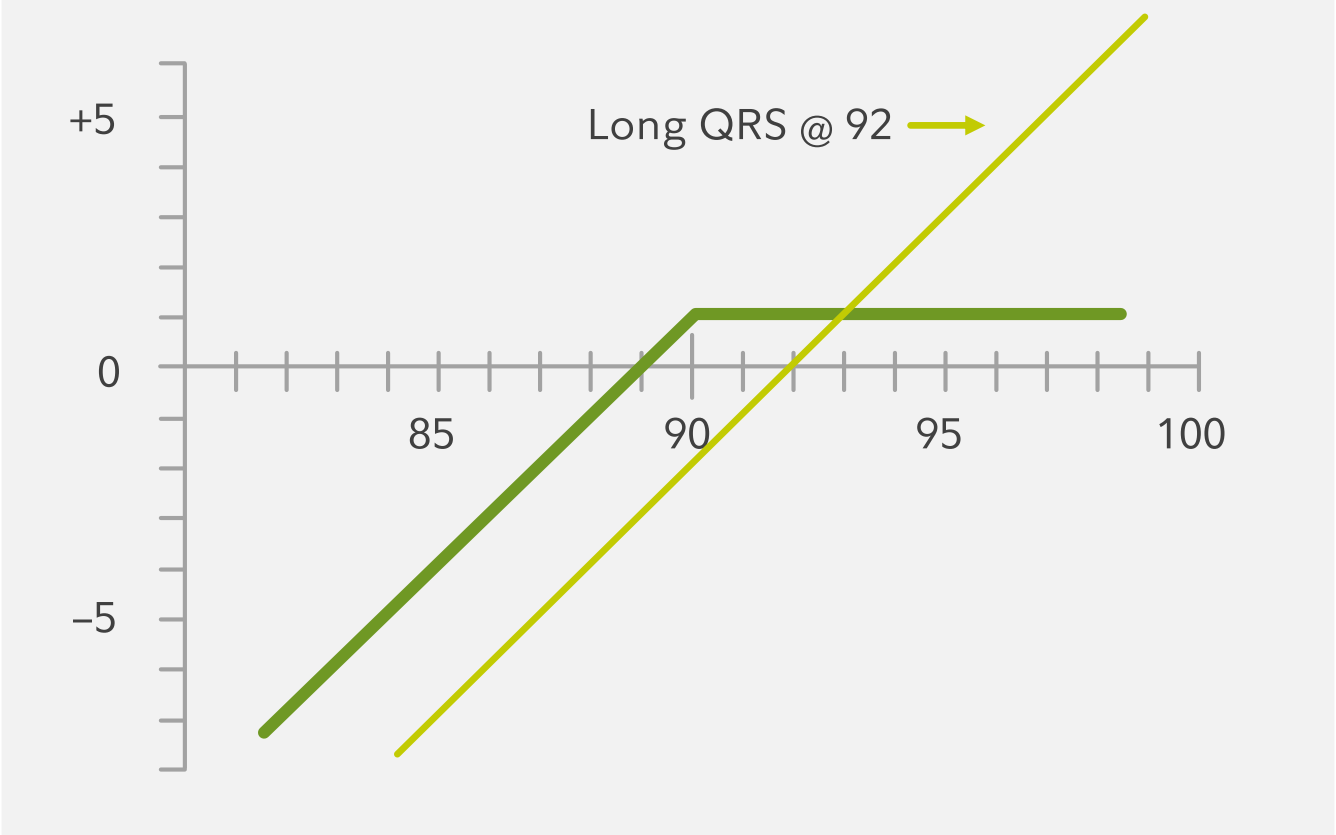
Examples do not take into account commissions.

Cash-Secured Puts: Profit and Loss Diagram

Long QRS @ 92, Sell 90 Put @ 1.00



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Strategy Management

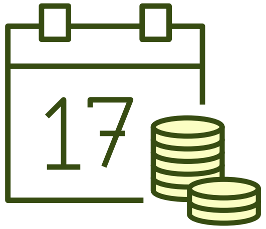
Now What?

1. Buy to Close
2. Roll
3. Let It Expire

Summary of Selling Options

Selling Covered Calls

- Obligation to sell stock at the strike price up to and until expiration
- Downside risk in the underlying security minus the premium
- Upside potential is limited
- Income generation



Selling Cash-Secured Puts

- Obligation to buy stock at the strike price until expiration
- Profit potential limited to premium received
- Substantial downside risk
- Amount of cash necessary to cover the obligation is required
- Income generation

Execute a Trade

Before You Place a Trade, Consider...

1

Buying or selling one call is the equivalent of trading 100 shares of stock

2

Consider how much risk you are comfortable taking on

3

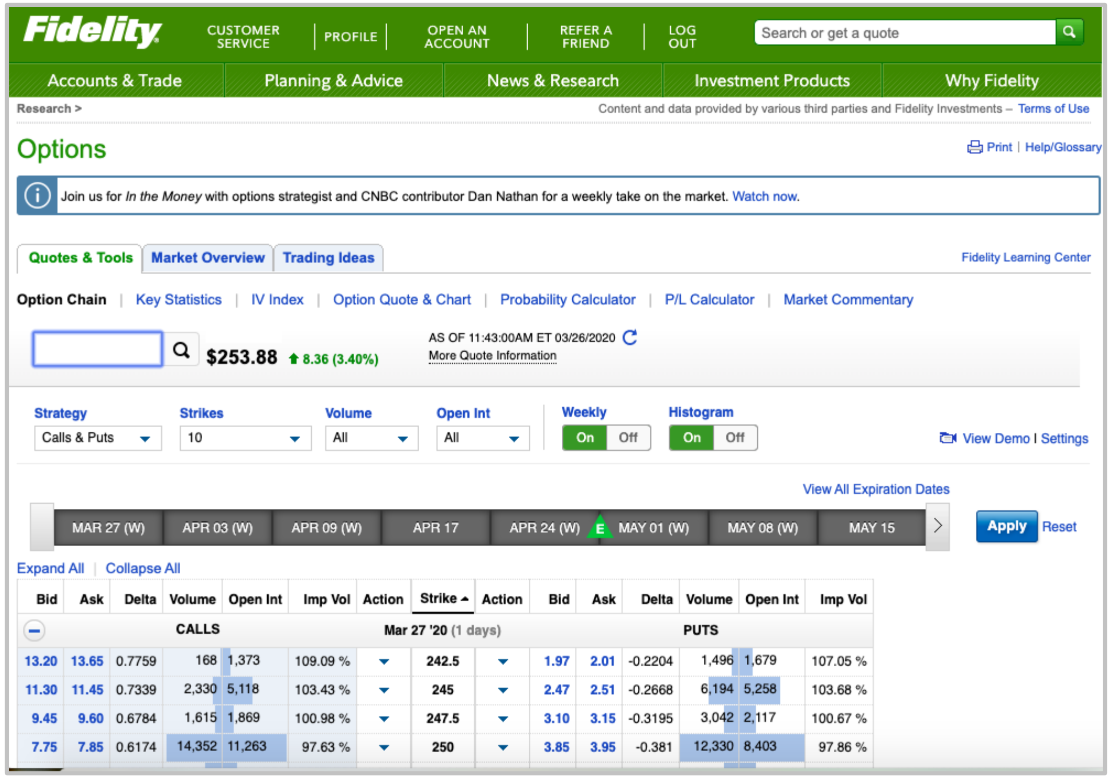
Be aware of position size to manage your risk

Place a Trade on Fidelity.com

News & Research > Options > Option Chain

Benefits of starting a trade from the Option Chain

- Easily see all the available options
- Fully customizable to meet your needs

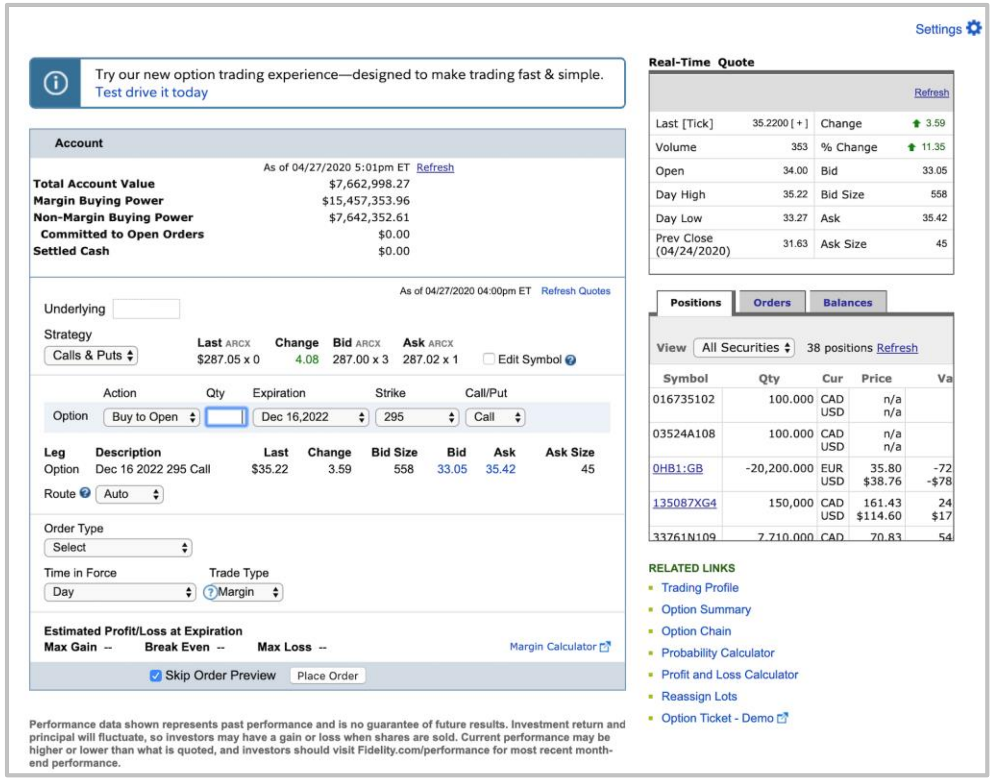


The screenshot is for illustrative purposes only.

Place a Trade on Fidelity.com

News & Research > Options > Option Chain

- Easy access to your balances and positions
- Quickly make adjustments to contract specifications



The screenshot is for illustrative purposes only.

Now What?

LONG OPTIONS	SHORT OPTIONS
Sell it	Buy it back
Exercise it	Fulfill obligation when assigned
Let it expire	Let it expire

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Visit the Fidelity Learning Center

Learn more about options

Read: Access the Options Strategy Guide

Watch: Check out videos that cover options basics

Attend: Register for monthly webinars

Glossary

Covered Call

A covered call is an options strategy designed to generate income on stocks you own—and don't expect to rise in price anytime soon. A covered call involves owning shares of the underlying stock and selling a call (which grants the buyer the right, but not the obligation, to buy that stock at a set price until the option expires).

Cash-Secured Put

A cash-secured put typically involves selling an at-the-money or out-of-the-money put option, while simultaneously setting aside enough cash to buy the stock.

Thank You

Please join us for our upcoming webinars

For more information, please visit

Fidelity.com > News & Research > Options

Questions? Contact a Fidelity representative at

877-907-4429

Important Information

Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, please read Characteristics and Risks of Standardized Options, and call 800-544- 5115 to be approved for options trading. Supporting documentation for any claims, if applicable, will be furnished upon request.

There are additional costs associated with option strategies that call for multiple purchases and sales of options, such as spreads, straddles, and collars, as compared with a single option trade. Examples in this presentation do not include transaction costs (commissions, margin interest, fees) or tax implications, but they should be considered prior to entering into any transactions.

A covered call writer forgoes participation in any increase in the stock price above the call exercise price, and continues to bear the downside risk of stock ownership if the stock price decreases more than the premium received.

The information in this presentation, including examples using actual securities and price data, is strictly for illustrative and educational purposes only and is not to be construed as an endorsement, recommendation.

Any screenshots, charts, or company trading symbols mentioned, are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security. Investing involves risk, including risk of loss.

Technical analysis focuses on market action – specifically, volume and price. Technical analysis is only one approach to analyzing stocks. When considering what stocks to buy or sell, you should use the approach that you're most comfortable with. As with all your investments, you must make your own determination whether an investment in any particular security or securities is right for you based on your investment objectives, risk tolerance, and financial situation. Past performance is no guarantee of future results.

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