

## TRANSCRIPT

# Trading and analyzing options

*Presenters: Matt Davison and Nicholas Delisse*

**Matt Davison:** All right, thanks for joining us here for part 4 of our Active Trader Pro demonstration session. Today in this session we're going to be covering the options tools that we have available for you through Active Trader Pro. So the natural spot to start, of course, for looking at options is going to be taking a look at the options chain. And the way that we would get that, if we go up to the tabs right here in the gray bar, we see all of our tools for options are going to be listed under this options tab.

We click on that, the very first thing that we'll see is the option chain. Now when we pull up the option chain, there's a couple of things that we have to do. We'll expand that out and make it our whole page here. And when we go in and start looking at one of the symbols-- I'll just use Microsoft as an example for today-- we'll pull this up and you'll note that we don't have any of the expiration dates selected to view.

Now that is not the default. If this is your first time using Active Trader Pro, it's going to show you something a little bit different. Typically it shows you the first couple of expirations. And the way that you change that or you alter it is actually to come up here to the Settings window right up in the green bar, and then down to the option chain, and this is where you can select a number of your defaults for the chain. So first of all we have selected calls and puts, but if you're only trading one side of that equation you can make the default calls or puts.

You can also select the number of strikes that you want to have default show up. So typically I think it starts it off at 10 right here, but if you want to see just the nearest at the money, five strikes, 10, 20, or you can see every single strike that exists on any particular expiration.

We, of course, have no expirations, and the reason we do that is because it helps us go in there and isolate the exact expiration that we're wanting to look at. Again, the default here is going to be the next three months, but you can also see the next nine months or after nine months as the default if that's what your preference is.

And then the weekly contract. So this is going to be a difference, not all options are going to have these weeklies. Basically what that means is that it's going to expire typically every Friday for the next two months. Some only have what we would term as a monthly option, which is typically the third Friday of every month. So we show the weeklies, but you can turn those off if you're only interested in trading the monthly options.

And then we have the default as the option chain trade ticket toggled on. Basically this is meaning that once we click one of those bids or ask-- and we'll demonstrate that here in just a second-- it will actually snap the contract to the bottom and we can place the trade directly through the options chain. As well as you've probably seen a screen similar to this before when we were looking at the positions windows and some of the other things that you can do in some of the other windows through Active Trader Pro.

Again, you can go in there and we have a list of all these different items that you can select on the left hand side. You can add them over to the selected

columns and they'll show up as column headers on the actual option chain. So with that said, once you make everything the way that you're wanting to see it, we'd just hit Apply. Going forward when you open the Options window, it'll pop that up.

So a couple things to note on the options chain here. First of all, it's going to give you the quote in the upper left hand corner for the security as well as the dollar change for the day and the percent change, as well as the volume. So regular quote information, as we keep going to the right hand side it'll give you the historical volatility and the implied volatility for this particular underlying symbol. These are calculations that are just trying to let us know the actualized versus the expected volatility in the security. If you're looking for more information on that, we have some other pre-recorded sessions that you can check out through [fidelity.com](http://fidelity.com).

And then if we keep going over here on the right, it's giving us the call to put ratio. So it gives us-- if we hover over the actual bar here, you'll notice it has the volume calls, the put-- puts ratio for today. So that's how many calls versus puts have traded today. And then we also have that for the open interest. So coming into the day, how many were calls, how many were puts, taking a ratio to-- basically dividing the two to see which side of the equation that we're on. As we go down, we have calls and puts here. We can select that dropdown, that's going to give us a number of different things. So we can switch over to just calls, just puts, or a variety of other strategies. I'll circle back to that here in just a moment. And we have these strikes. So we have 20 selected. Just to make this maybe a little bit more feasible for the eye, I'll switch that over to five so we can select a couple different expirations here in just a moment.

And then we have all volume open interest, but we can also sort for that. So if we're only looking for the option chain to display certain contracts that have a certain volume, maybe you're looking for a certain number of contracts that need to be traded that day for it to show up, you can select that there. Or if you're looking for a certain contract to have at least a certain amount of open interest, you can enter that here right at the bottom.

This W-- and let me actually go ahead and take a moment here to select one of these expirations just so we can see what a marketplace looks like. We'll note that September 16 is the next monthly option that we have. All these dates here with the Ws in parentheses, these are considered weekly options which is why they're showing up as weekly. If we toggle that off we'll see those weeklies will disappear, they're going to go away. It'll leave us just with the monthly options and quarterly options if they do exist on that particular security.

And then as far as adjusted options go, sometimes securities undergo either splits or spin offs, mergers, and when that happens the option is going to be adjusted and sometimes there's two different types. So if you toggle that on-- Microsoft I don't believe has anything going on with it right now, but if you are working with a security that has something going on and you have the adjusted contract, you can turn that on and off. This is simply going to hide that volume open interest histogram.

So that's referencing this right here on the left hand side, this over here. We turn that off, it just gets rid of the histogram. All it's trying to do is just demonstrate or visually show you where most of the open interest and the

volume is. I like to leave it on. And then we have the trade chain, you can turn that on or off at your disposal.

So as you can see here, we can go in there and select all these different options. We can have multiple up at the same time, so let's just add a couple of random dates on here. So we have September 16, 20, and the 15th. Notice that because I have the five strikes it's giving me the five strikes that are nearest to the current spot price for the underlying security. If I went on there and changed it to 10, it's going to give me the 10 nearest contracts that are at or closest to the current price of the security.

However, if we really wanted to, we could go on there and select all the strikes. Or if we're looking for a specific range we could enter that in. So maybe we're looking for anything between 250 and 350 for Microsoft. If I type that in there you'll see it'll expand all the contracts that exist for Microsoft between 250 right here and everything in between, all the way down to 350. So with that being said, let me just maybe show one other thing that we can do here with the chain. And maybe you're looking for a particular option and you want to know, hey, this is looking like the closest one that we have to after earnings for right now.

It's going to get added-- weekly contracts get added as we get closer and closer to that date, but maybe we're looking for this and say, hey, we want to know what the straddle is pricing in on this particular security. We can change calls and puts, we can go down there, and if we hit straddle what this will do is this will look at both the call and the put at the same strike price and it will net out what those are trading for.

So we can do that with the straddle. We can go in there, and maybe we're looking for something like a buy-write. And if we go in there and it's looking at the buy-write if we were to buy shares at the current spot price and then we were to take and sell the call against it, it nets that out for us. It gives us the net bid, the mid, and the ask. So you can do that with a number of different strategies here on this particular dropdown. I'll switch it back to the calls and puts here for just a moment.

Final thing I want to demonstrate in this options tool is-- let's say for example that we've made a decision and we want to go in there and buy an option or sell an option. Well we can trade directly through this option chain, and the way that we would do that-- let's say we wanted to go in there and just buy an at the money call for Microsoft.

If we come over to the columns that say Bid and Ask, if we click on the bid-- on the ask, excuse me, it's going to select Buy to Open, it'll fill in our contract expiration or strike and that it's a call. We would just need to change how many contracts we want. If we don't want one, we could put in whatever number that we want.

And we have all of our regular order types. Notice if we wanted to make this into, let's say, a spread. If we were to go out and sell the one right above it, if we click on the bid that will do sell to open for a contract, it'll put in the date, the strike, and it nets out the amount-- the net debit. Since we're buying the strategy, we're paying a debit, it's going to put it naturally at the ask. But notice it'll give us the bid and the mid price for this particular strategy, and you can adjust that net debit amount to whatever you want it to be.

You can do the same thing on the put side. Let's say we wanted to go the opposite way. And what this will do if we click the bid on the 275, the-- I'm sorry, the ask on the 275-- the bid on the 270, it puts in a spread to the downside here. We can go in there, we can delete individual contracts, just be left with the spread. You can also go in there and add legs if you think that's easier than actually going in there and clicking the button.

And of course, we can always modify this. Maybe we don't want to do 270 because we don't like this price. Maybe we're willing to pay a little bit more so we wanted to move it to 260. And you can see how that affects the net debit as well as what the actual spread for that particular strategy would be.

One final thing to note here, we can see a number of different things at the top. Just like most of our other windows like the positions window, you can drag and drop. Let's say we wanted to put the bid here for some reason. I don't know why we would do that, but if you wanted to you could drag any of these columns to any spot on the chart that you want. Maybe, for example, you don't even think that theta or Vega is something that's necessary, that's not something that you use, if you right-click on any of these column headers it'll remove it for you. And we can also add them.

So maybe-- what are we missing here? Well, looks like we're missing gamma. If we want to add gamma, we can do that. And let's say-- the normal order I would say is delta, gamma, theta, vega, right? That's how most people have it set up. You can set that up for your option chain, as well as any of the other columns that you want. So anything here that you might want to see, you can add and adjust it on the column headers just like you would in the regular positions window.

All right. With that being said, that is pretty much the synopsis for the option chain. Nick, I will turn it over to you to take us through the options statistics.

**Nicholas Delisse:** Perfect. I appreciate that, Matt, and everyone should be able to see my screen now. So I pull up the options statistics tools, and this is simply by going to Options then Option Statistics. And we'll start with looking at Microsoft as well. A lot of people will connect with Matt or myself when they first see this tool and they'll go, I found the Holy Grail. How do I interpret this tool, how do I figure out where the market's going to go? And everybody of course wishes to have that accurate crystal ball, but unfortunately this isn't it.

This will be no different than maybe looking at a chart. We're seeing different price action and we're interpreting the price action we see off the chart, similar to how we might look at a lot of this data. Now the most important data on this particular tool is what we see up here at the very, very top right here, this volatility data. We see IV 30, 60, 90, in addition to HV 10, 20, 30, and 60. In addition, we also have the 52 week range of both implied and historic volatility.

And if you'll notice there's a little caret here you can mouse over and it'll give you the IV percentile, in essence showing you where in the last 52 weeks implied and historic volatility currently fall. Many traders will utilize this because they'll look for securities that maybe are in the upper end of that range where implied volatility is in the 75th, 80th, 90th percentile, and they'll look for those types of securities to sell options on. Or they'd look for securities where implied volatility is at the bottom end of the range to buy options on.



Breaking down from here, we do have some interesting information. One of the other things here is we have total volume, both today and average over the last 90 days. Now a part of why this is interesting information is this can be a good gauge of liquidity of an options contract.

If, for example, we use the example of securities-- just went alphabetically, we started with security A, just going alphabetically, we see this has a 90 day average volume of right about \$700. And if I pull up an option chain that I've linked to this, I see-- of course, I haven't turned off weekly options, but we only have monthlies. September, October, November, and so on. Now if I go to security B, even fewer on the daily average volume. And notice we now no longer have those LEAP contracts here.

But if I look at security C, now we're back to average over 90,000 contracts traded per day. And naturally, we now see those weekly expirations. We would also see this play out with having wider bid and ask spreads. And so this information becomes more important when maybe you're using a filters or screening tool and you're just eliminating securities that have options that don't meet minimum volume criteria. It wouldn't be a situation where you're looking and going, well, I want options that have this specific criteria and so I'm trading this. Well, it's kind of putting the cart before the horse. What would be more productive is maybe developing opinions based on charts and chart information.

Now down here below, as we then shift back to Microsoft for the example, we're going to see options that are sold on the bid, bought on the ask, and of course they're broken down between calls and puts.

They wanted to sell it to the bid, else they might simply have placed a limit order to sell and come in at the ask price as a listed price. So the more aggressive party was the one wanting to sell, so many traders will assume that it's sold to the bid or bought from the ask.

Now if a trade occurs between the bid or the ask, like maybe there is a three cent-wide spread, an option trading it, or two cent-wide spread-- \$0.25 by \$0.27-- and the trade occurs at \$0.26. Well, was it sold to the bid or bought on the offer? We don't know. Some other assumptions can be made that maybe it's trading at \$0.25 by \$0.28 and the trade occurs at \$0.26. Well that's closer to the bid, so more likely it was sold versus bought. But still we don't know, which is why since we're not seeing the full picture of this.

Now we can also see how many of these options were significantly out of the money, or whether they were closer in the money. Net deltas and net premiums is really taking a look at whether options were bought or sold what those total values would be. So naturally if a call is bought, then that's positive delta. If a call is sold, that's negative delta, and that's going to net those out together.

And then the reverse with puts. If a put is bought, that's negative delta, if a put is sold, that's positive delta. And again it's netting those particular figures out. And many traders, they might then look at this and go, well, net off of the deltas-- call is being bought and sold, the put's being bought and sold, there's a little bit of positive delta here.

But this might be, again, no different than looking at a chart and saying, well, what is the chart showing us? And there could be a big hole in this information, especially, especially if a lot of these particular trades occurred between the bid the ask and aren't being reflected in this particular data.

Shifting over to today's biggest trades, it kind of really piggybacks off of this options statistics tool. It's a lot of the similar concepts. Now if you're looking at this on the website, the option statistics might also be called key statistics, and today's biggest trades are on the same page. This has broken out a little bit more. We have-- of course options that are traded at or above the ask are in green, options that are traded at or below the bid are in red. But if they're traded between the bid and the ask, then it's simply in black. If it's on the light color scheme where it might be in white if you have a darker color scheme in the background.

But we look at this top trade right here, well look at what the price was. It was at \$8.50. The bid of \$8.30 and an ask of \$8.70-- did this trader buy this option or sell this option? We don't know. Not only that, but many traders will look at this and go, oh, a trader bought a put, they must be bearish. Well what if they'd sold a bunch of puts to generate income and they're simply closing out of them now? Would that change your opinion on whether they're bullish or bearish? Likely.

What if they're long a bunch of stock with this particular scenario, what if they're there long a hundred thousand shares of stock and they're simply buying puts to protect their stock position? Would that change your opinion if they're bullish or bearish? Likely. And so just keep a lot of these things in mind that you might look at this and go, oh, somebody is buying these calls or

selling these calls, but we really don't know whether they're bullish or bearish because we don't know their entire position they have in their account. We don't know if they have other stocks in their account, we don't know if they're legging into a spread. We don't if they're opening or closing a trade, which can all have different ramifications for their overall net position.

And even then a lot of traders will look at this and go, oh, these are huge, huge, huge trades. These have to be institutions. And I remember stepping through the math demonstrating this particular tool last week. We're looking at-- I think it was Apple. And if you were responsible for, like, the top four largest trades-- it might even be the top five largest trades-- one was a condor. It was a four-legged condor and it was something that you could have put the trade on for, like, \$3,000. It really didn't take that much to be able to put the trade on.

Actually, I think it was actually just a call butterfly. It didn't take much to put the trade on. Now with something like this we can do the math and say, well, one contract at \$850-- if they're buying is \$850 times 1,000, well that's \$850,000. That's a little bit of a-- a bigger position, but million dollars could still place this trade. So it's not necessarily a \$20 billion hedge fund that's doing this. These really could be individual investors. And as we drop down a little bit more, well this trade was worth about \$2.00. Well multiply that out, that is a worth \$200 a contract. And as they just moved that decimal over a little bit more, then we're getting something like \$100,000, \$120,000 worth of options that have traded hands. And you too could be one of the biggest trades on this particular screen.

So it's important that when you're looking at this that-- many traders will look at this and go, well, this is-- tell me what the big boys are doing, so to speak. Well maybe not. This could be just a small individual trader that is placing these kinds of trades. Even looking down here where we see an option trades for \$0.30 and there's 200 contracts, well how much would that take to hit that? Well \$6,000 is \$30 times 200. It's really not that big of a trader that could be placing these types of trades.

So with that, doing a segue way over to kind of going along on these tabs, the next tool-- Matt, why don't you take us through the probability calculator?

**Matt Davison:** Yeah, absolutely, Nick. And the beauty of the next couple of tools that we're going to show here is they're a little bit more on the advanced or at least the intermediate side of taking your options trade planning to the next level. So for example, I'll go back to Microsoft here, and just scrolling through, we're looking at the January 20, 2023.

What if we wanted to go in there and we were noticing some out of the money concentration in the open interest at the 300 level-- in the 320-- and we wanted to evaluate what is the actual probability of Microsoft getting to that level by our date of January 20?

Well luckily we have a tool for that. If we go back to Options on this tab right here, come to the probability calculator. Again, we're going to type in the symbol in the upper left hand corner, and let's expand this out. So once we expand this out we'll notice a couple of things. So first of all, it's going to give us our price targets one and two, a date, and a volatility assumption. It defaults to the historical volatility for the last 90 trading days, puts it at 31.48.

So first of all, we can go in there and if we just want to evaluate on the single leg, \$300, you type that in, hit Enter, and it'll immediately change your cone. Now notice-- I'll just point this out really quick. It's giving us 0% chance of that happening and 100% being under 300, and the reason why is because we haven't yet changed the date. So that would be the next thing that we want to look at.

Well, we don't really anticipate this happening by the end of today, August 25, 2022. So let's maybe scroll this out to our actual date, and we're going to use this January 20 date. And as soon as we do that, we'll notice-- it's pretty amazing. It's giving us a one third chance, on the dot. Don't often see it work out quite-- quite that neatly, but giving us exactly a 1 in 3 chance of this happening by the 20th.

Well, now let's evaluate that second price. So we-- we're looking at the 320. What happens when we enter into the two box the 320? Well now it's going to give us three separate probabilities. So there's a 22.29% chance, according to this volatility assumption, that we'll be above 320 by January 20. There'll be a 10.69% chance that we're between 300 and 320.

You can add these two numbers together of course to tell us what the probability of being above 300 are, and of course, it should add up to approximately one third or 33%. And sure enough it does. The probability of being under that, 67.02%.

So a couple of other things that it does here. Before we start messing around with the volatility assumption, let's just show what this is giving us. So all this is doing right here on the dropdown-- first of all, we can turn it off if we don't

want to see it. It defaults to this three month chart. It's just giving us a little bit of price action to see where it's been, but we can obviously do that for a longer period of time. It just condenses our box here on the left hand side. Personally, I like to look at it this way. It gives me one month of historical data and it gives me the widest cone here.

We have three standard deviations turned on, and basically it's giving us-- if we were to turn that off it's going to move from having three different shades of blue here to one. So if we just want to see our one standard deviation cone of probabilities given the historical volatility that we have inputted at the top, we click on that. And it's going to give us this cone and we can see where it would be in respect to different times.

So obviously, the other thing that we can do here is we can slide this over. Let's say we weren't interested in January 20. We don't-- we're using that expiration but we want to know, well, what's the probability of being at a certain price above the current market price by a certain date? Well we can start adjusting some of these things. We can drag this over and say, well, what if we want to know by November 30? Well notice this is starting to change our probabilities. And we can try to potentially line this up with the one standard deviation move, which is why it's giving us this cone. So one standard deviation move from currently where we're at with this volatility input. We'll notice that on November 30 it's giving it to us at roughly 321.55, and sure enough, we're looking at a probability of roughly 16. This is an approximation, but that's roughly where it should be if we're at the one standard deviation.

Of course, we can add back the two and the three. And as we do that, we start to move this up, and we'll see, well, where is the two standard deviation?

Roughly in this area, right? And we can do the same thing with the three. So if you're looking-- a lot of people are using these concepts for planning maybe what strikes you're going to be picking, this is going to be a helpful tool in order for you to be able to accomplish that.

And before we move on to one other example that I want to show, I'm just going to go back to looking at this 300. We'll go back to that original date of January 20. Note that the historical volatility 90 is 31.48%. It's giving us roughly 90 trading days in the past. However, if we go back to our option that we're looking at, well, it's actually 148 days that we're looking at. And we might say to ourselves, OK, well why am I going to use this assumption rather than a different one? And you don't have to.

First of all, we could switch this out and use a longer dated historical volatility. And we'll note that it's a little bit higher, and because it's a little bit higher, well, what's it doing? It's increasing our probability just a little bit that we'll be above the 300 by this date.

Another thing that you could choose to do, go back to the option chain. Rather than using the historical volatility, which is actualized or what actually happened in the marketplace for some period of time, we could choose to go in there and say, well, what's the implied volatility for the specific contract? We see this here, the implied volatility mid where the 300 is 25.91. So it's actually-- it's lower than that initial number that we had, and if we wanted to use this it'll automatically change this to custom and you'll see that it lowers our probability just a little bit over here.



So you can choose any of the HVs that we have for the respective time frames, you could go and pull the IV number either from the option statistics or the option chain itself, or you could just say, hey, I think it's all wrong. I'm going to use my own volatility assumption which I think means volatility is going to be higher or lower than any one of those things, so maybe I just want to enter my own. Maybe I think implied volatility is going to be on the 40% side, so I can plug that in and see how it affects my numbers.

Conversely, we could also take a much lower estimate. Maybe you think that things are going to calm down between now and January. Let's use an even lower volatility metric, and you can see how that is going to affect your probabilities.

One other thing that I want to show because we actually have in this test account an example of an option position that we already have. Just note that if you put in a symbol and you already have the options position, it'll switch over and it's going to give you, based on the positions that you have, all this information at the bottom as well as the Greeks, probability of profit, basis, unrealized gain or loss, and the IV. And notice as we switch over dates, it basically is going to tell us, hey, we're currently at this price.

I mean, it should be relatively 50/50, but if we switch this out-- let's say we're using a 40 for this particular contract. We want to know, hey, what are our chances of getting above or at 240 maybe before January? Maybe we want to look at the first day of December. We can see our probability of accomplishing that, and it tells you based on this above 40/below 40 price, we can just scroll out and see the different dates based on our volatility assumption. So of course, as we go further and further out in time, being beneath 40 is going to

lower and then above 40 is going to be higher. So that's the probability calculator. And Nick, I'll turn it over to you to take us through the next tool, or profit and loss calculator.

**Nicholas Delisse:** Perfect. I appreciate that, Matt. And really, the profit loss calculator is just the next tool on that tab screen. So as we're then moving over, we see the profit loss calculator over here. Now I have Microsoft in here just like Matt was using. Don't have any symbols in here yet, no positions in the account. But the one really powerful aspect of this tool is, you can come down into the bottom right hand corner and click Add Simulated Position. We can simulate actually having a position in the account.

So let's say we select the Buy to Open, one contract, and we'll go with the October monthly expiration, October 21. And we'll do something that's at the money, a \$275 contract, and we'll get calls on this particular example. We can see, of course, the midpoint is \$12.70. Hit Apply, and now this adds this down here below.

Something else to keep in mind is there is an account dropdown here that if you have more than one account, you might want to change that. Because if you do have positions in one account, they will also show up here and they'll show you your net Greeks like Matt was showing. But don't be surprised if this is defaulting to maybe an IRA and you don't have position IRA, they're in your brokerage account. You might need to shift which account that you are looking at.

Now of course if you click on this heading here-- so go down or come back up, it'll expand and contract. Or of course you can click on this caret. I spoke with a

lot of people that have accidentally clicked and hidden this and they can't find it anymore. Simply click on this heading area, this will expand it and contract it. Now the most important part of this particular tool is this theoretical price column right here. We have quantity, bid ask. Evaluation price was the price that we told the tool. And since we've added this in here, this will actually stay here up through expiration. So if we came back in a month, beginning of September, this would still be in this account showing this evaluation price, whether it's higher or lower.

Now lot of people get caught up in this graph up here, but this theoretical price-- this is really, as I said, the most important part of this particular tool. Now why is it the most important part? Well it's because what we can do with this tool. If we give a different date to the tool, so maybe we say we've had-- three weeks have gone by and it's-- the September monthly expiration date has come by.

Well, what would you expect to see with an option if everything stays the same except date goes by? Well we expect to see time decay reflected. And sure enough, we see that here in the theoretical price that the theoretical price has dropped to reflect the time decay.

Well what if more time goes by, what if we're Monday before expiration? We can see even more time decay has happened. Now what if we change price? Well this is a long call, so naturally if we change price upward, we would expect price to go up. So maybe we make this-- as opposed to \$275, we make this \$285.

You see price went up to reflect that. Not only that, but we're seeing changes in these Greeks as we change price, as we change times. It will take us back to \$275, delta went from 90 to 50. So this will show you what your-- your expected Greeks values will be as well.

And if we expect the stock to go to \$300 by this date, then this will show us theoretically we expect this option to be worth \$25.08 on this particular date. Now we could do some rough math in our head. We know this option is \$25 in the money. It's \$0.08 of time premium is what this is impacting. This bid ask spread might be \$24.90 by 25 and 1/2, but we know what-- theoretically know what that option should be worth given these changes in parameter.

Very, very useful to look at. If we've sold the covered call or a cash back put, for example, we can look at expectations on what the stock moves in our favor and time goes by what would values be? Especially if you're looking at it from a risk management standpoint and going, well, if this trade moves against me, when should I close? I'm gonna hit reset with this real quick and I'm going to zoom in-- zoom out just a little bit so that we can see this top chart a little bit better here.

With this as we change the date, now we go forward those first three weeks and we see this second line. Now this dark blue first line, that's what the value of this position would be given changes in price today. This orange line represents time decay, time based on this date. And this light blue line represents the expiration diagram. So we can very quickly see that as this value goes down or goes up, we would make or lose money.

Now the way some traders might look at this is maybe from a stop loss perspective and say, well, I'm going to lose half this value here. What might that look like? Well if you spent roughly 13,000-- \$1,300 dollars on this particular position and this dropped in half, well we can take a look at, well, what would be a 50% loss?

Well, if the stock drops between \$260 and \$270 within three weeks, would we be at a 50% loss? We can actually take a look at \$265 and we can see this value would be about \$5 now, representing a \$762 loss, a \$7.62 loss if that's where it's at at that time, representing that approximate 50% loss.

And so as opposed to setting stop losses on positions, you could set price alerts to say, well, what if this stock did this, what would the value of my option theoretically be? And you can make those particular changes. Now remember, this is saying all things stay the same. This is saying implied volatility hasn't changed, this is saying other things like interest rates and such haven't changed. But you do have the ability to modify price, time, and implied volatility right here.

Again, this might be we're looking at three more weeks down the road and well, price is now quite a bit more than the 50%, drop this is now a 75% drop. And so we can see Microsoft might have to be still at \$275 to only be a 50% drop. Great way to look at, and answer the question of, if I'm wrong, how much might I lose?

What might the value be if I'm wrong? And not just looking at it from the rose glasses perspective of, well if I'm right and Microsoft is at \$350 I'm going to

make \$75 minus what I spent. Be positive-- it would be very beneficial to look at it from the perspective of, well what would if I'm wrong?

That said, there are a lot of complex, different ways to really leverage this tool to get a lot out of this tool. And we actually have other sessions where we'll literally spend 30 minutes to an hour just on this tool rather than trying to cram all of our option tools into a shorter period of time. So definitely take a look at some of those other classes if you want to dive deeper into this tool. With that, any other thoughts, any other tools we'd like to show, Matt, before we wrap up the session?

**Matt Davison:** Yeah, just one final thing to think about here, which is, hey, we've done all this analysis, we've done all this analyzing of our positions. How do we actually monitor it? You could do this one of two ways. I know Nick likes to go over here to Accounts and click on Options by Underlying.

Of course, we can also see them in our regular positions as well, but Options by Underlying is going to bring up this window here. You can also get there from Options and then going to the Options Summary.

What this does, it'll bring up a window where we can take off any unpaired positions, any unpaired shares, and it'll just leave us with the net option. However, if you want to see the shares you can do that as well. We only have the one in here, but it will show you how those strategies are also paired. So if you're putting on spreads, butterflies, condors, it'll show you that pairing right here. If I start to expand out this window, we can see a number of things that we would want to be seeing, right?

So first of all, our options margin requirement, our regular margin requirement. If we start scrolling to the right here we can see our normal quote information, day range. You can see how much we're up or down for the day or overall on the option. But where I think this starts to get helpful is, it'll do two things.

So first of all, it will show us our margin requirement for the individual position as well as we can use our net deltas, gammas, thetas, and vegas if we're trying to manage our portfolio of our options exposure. So that's going to be really helpful here, and you'll see how that will go in there and add that up for you for each and every position.

You can see if you're maybe overexposed in one direction or the other, or maybe you have too much theta exposure on a particular trade. You can easily monitor that from this window right here. And of course, if we want to go in there and add something, just like any other column, you can go in there and you can add net vega, net theta. And of course we can move those and adjust them to be wherever we want to see them. So just like any other thing, drag and drop to any location that you would like on this particular window.

Other thing that's helpful-- so right now we have it grouped by underlying, but if you have a lot of positions maybe you want to see only things that are expiring soon. So we can switch it to Options by Expiration. If you have a bunch of stuff, this is especially helpful to make sure you don't miss anything that you need to have managed prior to expiration if you're not looking to take assignment or exercise. So oftentimes, either that Thursday or Friday going into an option's expiration you have a bunch of options. It's helpful to view them by this screen.

Of course if you do it this way it does take it out of the strategies, so you have to be prepared for how things might be re-paired or rearranged to make sure you're not going into a position where you're uncovered where you don't want to be. But at least you'll know what's expiring for that week and you can maybe take a closer look at that overall position for that underlying. So I wanted to definitely show that as the best page to probably monitor your options' positions.

And then finally, that pretty much concludes everything that we wanted to cover in the session. Wanted to take a minute or two to just think about some next steps. So first of all, this is a session that we decided to record because there's a lot of demand for it. But it's one of only many things that we do here at Fidelity through the Trading Strategy Desk. So if you're on fidelity.com and you're looking for more ways to get involved, more education regarding either Active Trader Pro, trading in general, options, we can certainly provide that for you.

So if you go to News and Research on the green bar right here and then down to the Learning Center, this will take you to our main page. If we scroll about 2/3 of the way down, we'll see we do put on live webinars, usually a couple a month. We also have the online classes for beginners. So we actually offer this as a live class.

So if you attend this but you still have questions, one of the advantages of attending the live classes is you're joining us through Zoom. You're not on camera. You can see us and see our screen, but you can type in questions. We



can't see you or hear you, but you can certainly type those questions in and we will answer them in real time in the session.

And we have them not just on Active Trader Pro, but if you're looking to get into options and you've never really done that before, or you're on the newer side, we have this Options for Beginners. If you've been trading options for a while but you want to take it to that next level, Options Intermediate is a great course. And then Technical Analysis and Trading Basics for those that are not just trading options but also stock as well. If you're looking to upgrade your level of analysis, your entry and exits, these are excellent classes to attend. In addition to those classes we also offer daily trading and investing coaching sessions. So if you click on this right here, this will take you to our page. So we do daily market briefings, one in the morning-- 9:15, one in the afternoon starting at 4:00. We do that every day, Monday through Thursday. We do Friday mornings as well. We have a midday briefing on Friday, we don't do one after 4:00. So those are excellent sessions where we just take a broad look at what's going on in the market, any big news that we need to be aware of. And typically we go in and look at charts based on what the audience is providing to us.

We also have sessions on options trading, trading tools, trading basics, technical analysis. And we have webinar followup. So if you saw something today, for example, like the profit loss calculator-- we went through it relatively quickly because it's just mainly to show you the demonstration of where it is and some of the basic features. But as an example, we have a whole class that's dedicated towards using that tool.

So if you wanted, for example, to learn more about that, you would come up here to either Trading Tools or Options Trading-- sometimes it's in both-- and you would be able to sign up for these classes. So I have them on a number of different topics ranging from trading, technical analysis, options. We would highly encourage anybody that's interested to go there and look for more information. Other than that, thank you so much for watching and attending with us for these four sessions.

END OF AUDIO FILE

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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.

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Technical analysis focuses on market action - specifically, volume and price. Technical analysis is only one approach to analyzing stocks. When considering which 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 as to 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.

Stop loss orders do not guarantee the execution price you will receive and have additional risks that may be compounded in periods of market volatility. Stop loss orders could be triggered by price swings and could result in an execution well below your trigger price.

Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt, and is not suitable for all investors. Please assess your financial circumstances and risk tolerance before trading on margin. If the market value of the securities in your margin account declines, you may be required to deposit more money or securities in order to maintain your line of credit. If you are unable to do so, Fidelity may be required to sell all or a portion of your pledged assets. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

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