

TRANSCRIPT

## Options trading A-Z

*Presenters: Michael McCrary and Ed Modla*

**Michael McCrary:** My name is Michael McCrary. I'm a regional brokerage consultant here covering the various branches within the southeast. And I'll work with a lot of the financial advisors, locally here in the office, and their self-directed clients, on an as-needed basis. They'll bring me in to discuss a pretty wide variety of topics. So with that, now we'll just go ahead and get it started. I'd like to welcome Ed Modla of the Options Industry Council, and thank you for joining us today, Ed.

**Ed Modla:** Good to be here. Thanks, Michael for the introduction. Thanks, everyone to joining us in person and for the large online audience. Always a pleasure to teach options to a receptive audience. A little bit about my background, I got started in the industry back in 1997, so 25 years now in the options business. I went right from graduation to the trading floors in Chicago and New York and learned as an options market maker in the trading pits. Spent time trading options professionally in IBM, Amazon, Dow Jones, Options On Futures. My career took a few turns after some industry unforeseen developments took place. 2001, 2008 for example, but here for the last eight years now with OCC,

teaching options to investors, and advisors, and anybody that wants to learn about them.

Officially, I work for the Options Clearing Corporation, that is known as the backbone of the industry. We clear options trades when you trade them. Who knows what clearing means? When you trade an option, what is clearing mean? Very few. Very simply, when you trade an options contract you're the counterparty. You buy an option, someone has sold it to you. Without the function of clearing you're tied to that other side, that other person, you have counterparty risk. What we do at OCC is sever that tie. We jump in between the buyer and seller and take the opposite side to each investor, and therefore manage risk within. That's what clearing the option means, and it's how we manage risk in the industry. So within OCC, we have the investor education department, that's who I work for and manage a team of six options professionals, who create content and deliver presentations just like this one. First our disclaimers, and then our outline for today, we'll be breaking this up into a couple of different segments. First, we'll talk about the decision to list options in the first place, along with options basics that ground floor level, a bit about options pricing, the key terminology, including moneyness. Every investor who uses options needs to know what moneyness means and how to interpret and evaluate moneyness in various circumstances. And then we'll go

through exercise and assignment. What buyers and holders need to know with respect to exercise and sellers what they need to with respect to assignment. That's session one. Throughout the sessions today, I feel like there is likely information education for everybody. No matter what your skill level is, if you're brand new you're going to learn a lot today. If you're a seasoned options user, you're going to learn at least something today during the course of these three sessions.

So we'll get started. Not every stock gets options listed on it. There are not options traded on every equity underlying. That decision is made at the exchange level. Each options exchange makes a unique decision on whether or not they want to trade or list options on a security. And there are rules that govern minimum requirements for this decision. First of all, the shares need to trade on a national stock exchange and need to trade at a minimum price of \$3 for three consecutive trading days, more on that in a second. They're also needs to be 7 million publicly held shares outstanding, that's 7 million shares in float. 2,000 unique shareholders, that's excluding insiders, and all of this criteria is looked at by the exchanges to then decide should we list options. I can tell you the exchanges are always trying to fill demand from market participants and investors. If you want to trade options the exchange wants to give them to you. But they don't take this decision lightly. There's technology

that is required. There's market makers who have to make bids and offers across all strikes and expirations. So they take this decision seriously trying to give the public what it wants. Most often this question comes up to me in the situation of an IPO, particularly a high-profile IPO. Investors will want to know when am I going to be able to trade options on this IPO that is coming out. And here's where that second criteria minimum of share price of three days for three consecutive trading days. That three-day rule is generally what we guide investors towards expecting with a big IPO. After an IPOs and fulfills three trading days then the exchanges might decide to list options.

So here we have stocks trading on their own stock exchange. Shares are trading hands separate from that entirely are options exchanges where bids and offers and executions for options contracts are taking place. Let's get into the basics. What are options? They are contracts that have a value. They have a price and a value. We'll pick apart where that value comes from through the presentation today. But they're contracts have a value and the buyer of an options contract has paid the price upfront, cash debit, out of their account, non-refundable and in exchange for that payment now owns the right to execute a transaction in shares of stock. They own the right to buy or sell an underlying asset. For our purposes today, that will be shares of stock and we'll

also clarify for the purposes of today, we're talking about standard equity options that call for the receipt or delivery of 100 shares of stock.

So buyers pay for rights. Sellers of options are paid the premium, cash credit immediately into their account, and in exchange for that payment, sellers are willingly taking on the obligation to fulfill the other side of the stock transaction that buyers have paid the right to. Whether you're a buyer or seller of options, you are choosing what side of this stock transaction do you want to be on? Do you want to have the right to buy or the right to sell? Are you comfortable with the obligation to buy or the obligation to sell? You decide which side you want to be on. You also can decide what price is this transaction potentially going to take place at? That's called the strike price of the option. You choose the strike price of your liking.

Options expire. They're not like shares of stock that can be an investment indefinitely. Options have an expiration date. Again, the investor chooses what expiration date are they most comfortable with. What expiration date are you most comfortable with? All of these details play a large role in determining what does this contract cost in the first place, once you sift through these details. So we say you can either buy or sell an underlying asset. How do you

know which one it is? Well, there's two types of options. There are calls and puts, and you can buy or sell either of them.

Here's a nice visual on how to remind yourselves of what it means to be a buyer, what it means to be a seller. The buyer of a call option has paid the option premium upfront, cash debit out of their account, and now has the right to purchase shares of stock at the strike price they've chosen, and they own that right until the option expires.

You might already be thinking, if I choose my strike price, the lower that price gets, the more that's going to cost. If the stock's trading 75, and I can buy an option giving me the right to buy shares at 70, or an option to buy shares at 60, stands to reason that the right to buy shares at 60 is going to cost more.

Specifically, at least \$10 more. So as you go lower in strike price for buying calls the price of the contract goes up. And as your strike price goes higher for calls the price of the contract decreases and goes down. And that functionality is true across all of these four outright positions. So those are call buyers.

Put buyers have similarly paid premium upfront, cash debit, but now have purchased the right to sell shares of stock at the strike price, and they have this right until expiration. This investor might be bearish in the underlying shares and feel that after a market price correction, the right to sell stock at that fixed

price is going to increase in value and they want to profit off of that. This investor also might be interested in protecting a long stock position. They're bullish, they're long stock, but they want to make sure they don't lose too much if something bad happens, so they purchase a put option giving them the right to sell shares at a given strike price, no matter how low they go, and they have that protection in place through expiration.

Buyers and holders are also known to be long the contracts. Don't confuse this with market direction. Most commonly in the market when you hear the terms long and short you're thinking long is bullish, short is bearish, that is true that is one definition. But in our options space when we're talking about positions, being long means you own the option. It has nothing to do with market direction, has nothing to do with bullish or bearish. If you buy a call or put you're long the option.

Similarly, on the sell side, you can be the seller of an option. Synonymous terms are being the writer of the option, or being short the option. Has nothing to do with market direction. Being short on option means you've sold it. A call seller is paid premium upfront and willingly takes on the obligation to sell shares of stock at the strike price they've chosen and has this obligation through expiration. Most commonly this investor already owns the shares.

They've identified a level where they're comfortable selling stock. So they sell a call option at that strike price and get paid for doing that.

There are differences between using this approach versus a limit order, but most commonly investors are looking to receive option premium, get paid cash into their account, and take on an obligation that they are perfectly comfortable with, which is selling their shares at a target price. Selling puts cash credit into their account immediately. The put seller now has taken on the obligation to buy shares of stock at the strike price of the option up until the expiration date. Also, most commonly put sellers are perfectly comfortable with that obligation. Stocks trading 75 looks a little bit too expensive at the moment you'd rather buy it at 70. A put seller can sell a put option with a strike price of 70, get paid option premium, it's an immediate cash credit and now has taken on an obligation to buy shares of stock at 70 which they are perfectly comfortable with. The cash credit from the option is yours to keep no matter what happens, whether you have to buy stock or not, the cash credit is yours. And again the typical standard contract is 100 shares of underlying and the strike price and expiration date come to your choosing.

So we talk about these different strategies and the analysis maybe some examples of what lead you to choosing various strategies that we're talking



about today in the simple form Michael what kind of conversations, discussions are you having with clients about this?

**Michael McCrary:** Yeah, and I think this slide is probably one of the most important slides within the deck. Most of us in the industry whenever we took the series seven we had to pass the options portion of it right? That was a big component of it and we had this ingrained in our mind going into that test but ultimately this makes it very easy for clients to really write this matrix out on a post-it note, put it on your computer monitor until this is ingrained in your mind. Because this every single option strategy the single-leg option strategies build from this matrix. And then also the multi-leg option strategies also build from this matrix. So really the conversations I'll have with clients as we're going through this matrix all together is just first asking yourself, what's your outlook? Because you have to have an outlook right? You're either bullish or bearish you're making a directional bet you think the stock's going up you think the stock's going down.

So once you've defined what that outlook is, if it's bullish and as Ed was mentioning, I mean that's where you take the long haul, or you take the short put. If you're bearish then you're going to buy the long put or you're going to go shorter call. So at that point, the question is, do you want to pay a premium

or do you want to collect a premium? And a lot of people would rather collect money. And that's what we're talking about with clients right now. How do you use options for income and selling calls and selling puts tend to be the more popular conversation that we'll get into. But they definitely have different risk profiles. The long options certainly you're paying a premium you could lose every bit of that premium that does go into that option trade so you have to be prepared to let that just go away if the market doesn't move in your favor, but on the upside of that, you've got more substantial upside whenever you're buying an option.

Whereas, on the call side or the short side if you're selling options, you're using it for income. The income the premium that you're collecting that's kind of the maximum amount that you're going to collect, but ultimately you're OK with that because you're-- in my mind buying calls or buying options and correct me if I'm wrong here, but I mean you've got to be right on three things. You have to be right on the direction that the stock moves, you have to be right on the strike price that you choose, and you have to be right on the expiration date right? So if you're wrong on one of those three things and you're buying an option that's where you can lose everything that you put into it. But at least if you're selling options the time decay is working in your favor. The strike price that you choose is important. And I think that's where we're

getting into some of the next slides when we talk about the strike selection and option pricing. So in the money, out of the money, at the money and I think all of those are going to be crucial as you're trying to determine what's realistic. What's an attractive level that actually should be going in at so that.

**Ed Modla:** Yeah, you're absolutely right. When it comes to long options in order to be profitable on a long options position you have to be right on the direction that you expected the underlying to move to a certain extent the magnitude of that move and you have to be right on the timing of that move. Buying options of being profitable, there's a time and a place for it. But it's generally for your most confident market directional opinions because you have to be right on all those three things. If any one of them don't go right it might not work out in your favor. And I'll emphasize one other thing that Michael had pointed out, the entire universe of options spreads and strategies comes from this matrix.

These four pieces that I just outlined for you and you may have heard of condors, and butterflies, vertical spreads, diagonals, all of those complex strategies are built by combining these four pieces in some way, shape, or form. The entire universe of options strategies comes from understanding these four pieces. Let's get into the options pricing a bit from a ground floor,

what does it mean when you're looking on your chain you're seeing the options price. What types of things are you interpreting and thinking about there?

First of all, a common question is, where does this price come from? Does it come from the exchange or does it come from a professional when I see what an option is trading for I want to buy an option and I discover what price I have to pay to get it. Where does that price come from? There's a few different parts to this discussion but ultimately market forces are driving prices higher and lower, the same way a share price is driven, by supply and demand. By the forces of buyers versus sellers where the market is always trying to find that level of equilibrium. If there's more buyers than prices are getting driven higher if there's more sellers prices are getting driven down.

The markets always trying to find that level where there's no trading sometimes that doesn't happen all day it's always trying to find that level it is market forces and the consensus of all orders that come from every market participant. You, me, money managers, institutional investors everybody else who's putting in orders is driving options prices and that's where they settle. So everyone has an influence of course, if you're entering one lots and two lots people like us entering smaller trades versus institutional investors who might

be entering 1,000, 2000, 5,000, contracts at a time the larger size has a greater influence. But at the end of the day, it's the culmination of all market participants and all bids and offers that end up determining where options prices settle.

Pricing models, we'll get to a little bit more detail on pricing models in a few slides. But they are used as a guide most often for investors to calculate, we'll mention options calculator a few times today it's a wonderful learning tool if you've never utilized an options calculator and change some variables you can learn an awful lot we'll look at that and talk about that. But pricing models overall provide theoretical, or hypothetical, values for option premiums but the forces of supply and demand are going to override anything a pricing model will tell you. And that's because of one of those variables, which is called implied volatility, which we will discuss a bit today, which is an unknown.

Now to the concept of moneyness, every investor who uses options is going to look at their options chain and immediately look to see what its moneyness is.

There are three terms associated with moneyness. In-the-money, at-the-money, and out-of-the-money. And the purpose here is to try to compare where is the strike price of this option in relation to where the stock price currently is. And I like to explain this, I think it's easiest to remember and understand looking at the perspective of the option buyer or option holder.

If you are a call buyer and your strike price gives you the right to buy shares at a better price than the open market is currently offering then it is an in-the-money option. There's inherent value already there. If the stock is trading 75 and you buy a call option that gives you the right to buy shares at 65, stock's already at 75. It's in-the-money you can then further calculate very simply by doing the arithmetic how much is it in-the-money, say \$10, and then you would expect at least to pay \$10 for this option if not more. If you're going to buy it it's going to cost you at least \$10. That intrinsic or inherent value is going to be a minimum part of the price of the option.

At-the-money by definition is when the strike price and the stock price are equal to each other. In practice, at-the-money options are considered to be the strike prices that are very close to where the stock is, not necessarily to the penny, but when you say you're trading at-the-money options or where's the at-the-money option trading generally, you're talking about the strikes very close it's a bit of a gray term but close strike price prices to where the stock is trading.

And then out-of-the-money again from the buyer's perspective the call buyer owns the right to buy stock. If that right is to purchase shares at a worse price than the market is currently offering then the option is out-of-the-money All of

the value in out-of-the-money options is a function of the possibility that the stock price moves from 50 up to 55 or 60 or beyond. The possibility and what does the market think that possibility might be for the shares to move of that magnitude within that time frame as Michael is pointing out the direction, the magnitude, the time frame. What likelihood is the market think that might happen? And that will drive supply and demand and determine what the prices of those options are.

Puts or the exact same definition. So I'll do this rather quickly it's just looking at it from the opposite perspective. But same definition for a put buyer who owns the right to sell shares of stock. If they own that right to sell stock at a better price than is currently being offered in the open market. That's an in-the-money put option. These are strike prices above where the stock is currently trading. A 60 strike put provides the owner or holder of the option the right to sell shares at 60, stocks trading 50, that is in-the-money by \$10. That option is going to cost at least \$10 if you're going to purchase it.

At-the-money is one the two numbers the strike price and stock price more or less equal each other and then put options are out-of-the-money for your lower strike prices where the put buyer or holder has the right to sell shares at a worse price than they could get if they sold shares in the open market. And

again, those options whatever value is there, whatever price is there, is a function of the market's determination of how likely is it this stock is going to move and be volatile and push those strike prices to potentially become in-the-money.

Touch on pricing models a bit here it's important to at least grasp and understand. And we have talked about options calculators at least once or twice. If you're going to use a calculator, you're going to have to put in some inputs. And so a wonderful learning exercise to do so. The pricing model inputs that you need to consider of course, you start with stock price.

Everybody knows what the stock price is. The strike price you choose that it's a fixed number. Implied volatility, I'll get to in a second. Days until expiration, you choose your expiration date you know exactly what that is, the cost of money or sometimes called the cost of carry or just carry for short, is risk-free interest rates, less dividends. We'll talk about dividends and great detail in session two.

Interest rates are specifically the risk-free rate of return that you can earn on cash between today and expiration. All of those inputs go into the pricing model and the output becomes call and put premiums. If you insert all of these variables, the output is call input premiums. And they are theoretical in nature



because implied volatility, we have an entire segment of in session two about implied volatility, is looking forward at what volatility might we observe in the stock price moving forward. It's an unknown, it's an uncertainty. But you have to insert a number into the pricing model if you're going to calculate option values. That's why these results of premiums are theoretical. Because implied volatility is not a known number like all of the others are.

I have to say if, you're using pricing models and calculators and I've used them and professional firms use them. Sometimes you can get theoretical values because you're confident in your volatility assumption and then look out into the open market and see is the open market trading this option above or below where I think it should be? And then form an analysis and whether or not you want to be a buyer or seller. But if you're not doing that, just take home that these values are theoretical in nature. And it's going to be the forces of supply and demand that ultimately determine where options prices settle.

When I was a professional market maker we had to determine an implied volatility level and we certainly formed an opinion on where that should be but we always told ourselves we're not smarter than the market. We don't argue with the market. If there is more demand for options pushing prices higher,

then we're going to allow ourselves to move our volatility assumptions up and let the supply and demand forces dictate to us where volatility levels should be. But changing all of these variables and inputs and a pricing calculator and seeing how does that affect the premiums.

Let's change the stock price a little bit. And see what happens change the days to expiration, change volatility levels, and see how that affects the theoretical prices of and inputs. It's a wonderful learning exercise for those of you who are familiar with Greeks. I'm more or less describing Greeks without saying that word changes in stock price, changes in volatility levels, changes in days to expiration are all variables that Greeks try to forecast and interpret. Given this change in this particular variable how much might that affect option premiums? That's what I just described there. And you can do this using an options calculator.

So I'll exercise an assignment if you are long an option, you'll want to be familiar with exercise procedures and a few key details if you're short an option subject potential assignment. Similarly, you'll want to know a few key details. Option buyers as a review have the right to buy shares of stock this call option A buy shares of stock up until the expiration date. They're buying a put option they have the right to sell shares of stock at the strike price if they

choose to exercise the contract. Exercise in the contract is done completely at the option holder's discretion. And I'll say straight up front most options are not exercised. And in fact, there's a myth that most options expire worthless. You may have heard this, most options expire worthless 80% of options expire worthless.

I can tell you now it is absolutely false year after year OCC data has shown us consistently 70% of all options that are opened at some point are closed before ever reaching expiration. The profitability of which we cannot determine. We're not tracking opening prices and sale prices, but options get closed 70% of the time. 20% of all options that are opened are held through expiration and expire worthless, and the remaining 10% get exercised at some point in time.<sup>1</sup> So I think this myth comes from ignoring all of the sales, all the closing transactions, that occur, which is the bulk of options activity and focusing on only the options held until expiration of which the majority of those do expire worthless. Yes, maybe because the option holder cannot sell them for anything, so they choose not to. But it is not true that most options that are opened are expiring worthless. Most of them are closed and they could be closed at a profit or a loss.

<sup>1</sup>. *Options Clearing Corporation*, <https://www.optionseducation.org/referencelibrary/faq/options-exercise>

Now to exercise the buyer could contact the brokerage firm and provide those instructions to the firm but a buyer also needs to be familiar with auto-exercise, which is actually officially called exercise by exception, that's the official term. Exercise by exception. Short is Auto-ex. And what this procedure involves is and this is OCC determining what do we do what does OCC do with open long options positions if the investor doesn't tell us anything we've got to do something there's got to be a default process that we implement for all of those circumstances. We could just abandon all of those options. But that's not what the industry does.

Instead, what the industry will do if no instructions are given by the option holder. If the option is determined to be in-the-money, we just defined in-the-money earlier, by a penny or more comparing the strike price to the last traded price of the stock during regular trading hours then the option is exercised on the holder's behalf. Whether they've said anything or not, it's called auto-exercise. A holder will want to know that they are subject to potentially having their long option exercised even if they don't tell their brokerage firm to do so. It's called exercise by exception or Auto-ex.

**Michael McCrary:** And does it make sense to kind of talk about the European versus American?

**Ed Modla:** Absolutely.

**Michael McCrary:** So I think

**Ed Modla:** Go for it

**Michael McCrary:** Really quick, most options that we'll deal with clients are going to be American style, meaning you can exercise them at any time prior to the expiration date and they're usually issued on an underlying stock or an ETF and they settle with taking delivery of that underlying stock or ETF. Now, European style, they are only exercised on the expiration date. So at the very end, once those options expire at that point that's whenever you can choose to exercise. And those are typically index or issued on indexes and settle in cash.

**Ed Modla:** Yeah, you'll want to know those key terms, or those settlement styles, on the options that you're trading, and as Michael said, typically index options will be European, you cannot exercise early. ETF and equity options are American style, you can exercise them on any day, up to and including expiration day. Now, for assignment, you're talking about options sellers have

an open short assignable position. Just as a reminder, for sellers of calls that's an obligation to sell shares of stock, and for sellers of puts that's an obligation to buy shares of stock. They are assigned if they are chosen and this is a two-tier system that starts with the OCC.

We determine all of the options that are going to be exercised and then implement a random mathematical method, regulator-approved, to choose a brokerage firm on the other side. For example, choosing Fidelity who may have open short positions. So you are assigned on X number of these options and then from there at the brokerage firm level there's another layer of a random assignment method that is undertaken for the firms than to choose individual accounts that are going to be assigned, all of that regulator approved.

As we go to demo and flip over switch positions here, we'll just say that we talked about a lot here and we're going to talk about a lot more in session two and I want to say upfront now learning options is about repetition. Some things you're going to hear our basic some things are not. But even if you're grasping some of the material we have, the more you hear these concepts over and over again after you hear them five, eight, ten times all of a sudden they start making sense. So we're going to go through some basic levels some

intermediate some advance we'll do all of the above, but as long as you're grasping understanding the concepts. It's a matter of repetition being dedicated to it. And then from there using the product responsibly.

**Michael McCrary:** And I'll add I think sometimes just hearing it from different sources, because we might have people in the audience here today they pick up on everything that you're saying but some might hear it in a different style delivered by somebody else. And then the light bulb may go off. So that's kind of where our learning center becomes extremely valuable. All of you you're here today so it's a pretty good chance that you've attended some of our online webinars. We have our strategy desk, they do daily and weekly presentations as well. So sometimes the more you repeat those courses than the more these topics and concepts really start to just kind of get ingrained. So I'm going to jump in for the brief demo. And the time we have remaining we'll leave some time for Q&A. But in meeting with a lot of self-directed clients I'll say many of our clients are just scratching the surface with what's available to them. Because at Fidelity we have the luxury of having a tremendous amount of tools and resources available for clients that want to manage the portfolio on their own and ultimately there's a lot that tends to get overlooked. Active trader pro it is our flagship trading platform and we're going to go through that in a brief demonstration and show you some of the tools and

benefits of that. But don't let the name scare you away from. It a lot of times clients will say you know what I'm not an active trader I don't think that's a platform that's anything that I might benefit from. Ultimately I think you don't have to be an Active Trader to benefit from it if you're self-directed in any way, shape or form and you're logging in and checking your portfolio on a day to day basis you can create a custom layout that makes your day-to-day maintenance and oversight within the portfolio a far more efficient process.

So with that, we'll jump into active trader pro here. So within active trader pro, we have just a very simple layout here. In the top left-hand corner, there's positions and to below there we have the chart and then to the right, we have an option chain. We've got the full page here. I'm just going to maximize this just for make it a bit easier for everyone here to see. This is a standard option chain where you've got the calls on the left and the puts on the right. You could certainly adjust this I'll always encourage clients if you're just focusing on calls then let's just eliminate some of the clutter let's just specify calls but there's also some more advanced strategies if you wanted to view the option chain using some of these other strategies you can very easily do so.

From here you'll select how many strikes you want to see. So right now, I've got 20 listed. But if I wanted to compress that to 10 I can see just to reduce number of 10 strike prices in this case I'll always look at all volume and open interest that just gives me the broader spectrum of all the different strike prices



that are selected regardless of what the open interest or volume may be. And then here you have this W here. You can actually hide weekly options. So options haven't always traded on a week to week basis. When do they start trading week-to-week, Ed, remind me there?

**Ed Modla:** Yours?

**Michael McCrary:** I'll put you on the spot there but I mean, it has been probably about a decade or so I guess you'd say but they used to only be issued on a month-to-month basis. And those are the ones that don't have a W. So if you see you'll find the options that expire on the Saturday following the third Friday of the month that's a standard monthly option. That's where you'll typically see the majority of the volume and open interest appearing but since weekly options have come out they give you the ability to trade these options on a more frequent basis. You tend to see slightly smaller open interest levels and lighter volume in those cases, which we'll talk a little bit more in the next session. I'll hide these. If you don't want to trade the weeklies you can just click the W and it takes the weeklies out of the expirations. So right now I just have December's. November's expire tomorrow so we won't bring those into the mix but I'll click on January and we'll go into February here. Now you'll notice we do try to point out when the company has

an earnings announcement and when they also have a dividend announcement. We'll talk a little bit more about dividends in the second session. But you always want to be mindful of when the company is announcing earnings because that earnings announcement is going to have some sort of impact on the stock price. Either up or down. We don't know what that move is going to be but we can anticipate volatility to increase as you approach that earnings date and once that earnings announcement's made that stock is usually going to make a move either to the upside or the downside.

From here. I mean just scroll back up here we've got the December expirations and if I wanted to let's just kind of look at placing a trade how we might go about placing a trade here let's just say we've got Apple here. We're just using Apple as an example. By no means I'm recommending that you go out and buy or sell options on Apple. But ultimately if I wanted to Apple's right now at 151. If I wanted to sell a covered call at the 155 strike, I could go in here a couple of different ways and place that trade here. If I could just click on the bid or the ask, I've always found this to be the most effective way to go about placing a trade, is just clicking on the bid or the ask. Let me turn this off I'll come back to this trade and chain feature.

So if I click on the bid, then it's going to pull up the order ticket. And this is very similar to the order ticket that you're seeing on fidelity.com it's got the basic information, the action here cell to open buy to open by 2 close so to close. So I would say that those clients that have been accustomed to trading stocks once they get to the order ticket for an option for the first time, this is where they get kind of stuck deer in headlights, which one do I pick right? Because you've got four choices it's not just a straight buy or sell, now being asked to select buy to open, sell to open, buy to close, or sell to close. And I think it's pretty straightforward. If you just think about it logically. What are you looking to do with the option? Are you buying the option or are you selling the option? And in the case of a covered call we're selling the option. And then the next question you're asking yourself is, am I opening this transaction or am I closing this transaction? Well, in this case, I'm opening it. So I'm just going to select cell to open, plug in the quantity, and specify the limit, and then I'll preview everything and that will move forward and place the trade after we do the confirmation. Now, the other alternative is the trade and chain. So if I click trade and chain it's going to open up down below and a lot of clients like this feature. It's just embedded and if I wanted to add a leg here I could certainly do so. That makes it super simple.

So once we placed the trade, then I think the matter is just kind of monitoring it. And let's see if I go into positions and I'll maximize this for the time being.

So in this employee demo account, we've got a few sample trades and sample positions in place. We've got Bank of America calls, there's Citigroup, it looks like there's a covered call there, and right now everything's jumbled together.

So it's hard to kind of determine exactly how these positions are aligned and sometimes I see clients they might just-- there's so much available and sometimes some of the additional features are just buried below a link and that's what we see here. So if I don't view it under positions, I click this dropdown I'll see a few other choices that are specific to options. So I can now evaluate my holdings based on options by underlying, options by strategy, or options by expiration. So if I just check their options by underlying it's going to group them. I can see I've got just a long call and Bank of America, long call on Citigroup, and then there's a covered call there on Sirius.

From there if I go in and I'll look at options buy strategy there, I can just see I've got a covered call and then two long calls. And then the third choice here we've got our options by expiration. So this way I can say, OK, we've got options expiration tomorrow, do I have anything in the portfolio in the account that I need to tend to before these options expire? And I might wake up with an auto-exercise over the weekend if I don't take action. But in this case, it

looks like we're safe for another month. We've got some December options that are coming up. And then certainly we go into January and then June of 2024. So those are leaps. Those will take us out beyond a year. Those are long-term equity anticipation securities. That's what they referred to as whenever they go out beyond 12 months.

So with that, we'll keep it light on the demo, for now. I would just say because I wanted to leave some time for Q&A. But within throughout the country through all the various branches, there are individuals like myself, there's other regional brokerage consultants, if you'd like to dive deeper into the tools, I would just encourage you to reach out to your branch they can put me in contact with you we can set up some time. I'm visiting here locally, just as my colleagues are visiting local branches, but we can also set up a virtual meeting and we can share screens. You don't have to leave the comfort of your own home and I think that's a very convenient way to really make sure you're optimizing your experience using the tools available to you here at Fidelity. Thanks for your time, everyone.

END OF AUDIO FILE

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