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# What is an Option?



Toronto Stock Exchange | TSX Venture Exchange | **Montréal Exchange** | Natural Gas Exchange | Montréal Climate Exchange | Boston Options Exchange

Canadian Derivatives Clearing Corporation | TMX Datalinx | Equicom | PC Bond | Shorcan

# What is an Option?



- The options market is a derivative market.
- Derivatives include any financial instrument that acquires its value from an underlying security.
- We can purchase and sell options on stocks, exchange-traded funds, futures, currencies and commodities.



# Standardized Characteristics



- One contract controls 100 shares of the underlying security.
- Has a fixed exercise or strike price.
- Has an expiration date.
- The option contract selected will be based on the investor's or trader's objectives.



# Strike Price



- Refers to the underlying (stock) price.
- The price at which the option holder has the right buy/sell the underlying security.
- The obligation to buy or deliver the underlying security in the case of an option writer.
- Fixed aspect of an option contract.



## Calls

Month / Strike	Bid Price	Ask Price	Last Price	Vol.	Impl. Vol.
+ 09 AU 13.000	3.360	3.450	3.320	0	N/Av
+ 09 AU 13.500	2.860	2.960	2.780	0	N/Av
+ 09 AU 14.000	2.370	2.460	2.310	0	N/Av
+ 09 AU 14.500	1.870	1.960	1.810	0	N/Av
+ 09 AU 15.000	1.370	1.460	1.270	0	N/Av
+ 09 AU 15.500	0.880	0.960	0.940	85	N/Av
+ 09 AU 16.000	0.390	0.460	0.450	30	N/Av
+ 09 AU 16.500	0.010	0.050	0.150	0	N/Av
+ 09 AU 17.000	0.000	0.030	0.030	0	N/Av
+ 09 AU 17.500	0.000	0.090	0.090	0	N/Av
+ 09 AU 18.000	0.000	0.090	0.090	0	N/Av
+ 09 SE 10.000	6.330	6.450	6.300	0	N/Av
+ 09 SE 10.500	5.850	5.950	5.800	0	N/Av
+ 09 SE 11.000	5.360	5.450	5.300	0	N/Av
+ 09 SE 11.500	4.860	4.960	4.800	0	N/Av
+ 09 SE 12.000	4.370	4.470	4.310	0	N/Av
+ 09 SE 12.500	3.870	3.970	3.800	0	N/Av
+ 09 SE 13.000	3.370	3.500	3.300	0	27.64



PRICE at which you have the right to **BUY** the underlying security



# Puts

Month / Strike	Bid Price	Ask Price	Last Price	Vol.	Impl. Vol.
+ 09 AU 13.000	0.000	0.150	0.150	0	N/Av
+ 09 AU 13.500	0.000	0.150	0.150	0	N/Av
+ 09 AU 14.000	0.000	0.150	0.150	0	N/Av
+ 09 AU 14.500	0.000	0.150	0.150	0	N/Av
+ 09 AU 15.000	0.000	0.150	0.040	0	N/Av
+ 09 AU 15.500	0.000	0.080	0.080	0	N/Av
+ 09 AU 16.000	0.000	0.040	0.090	0	N/Av
+ 09 AU 16.500	0.100	0.190	0.110	100	N/Av
+ 09 AU 17.000	0.570	0.660	0.860	0	N/Av
+ 09 AU 17.500	1.070	1.160	1.340	0	N/Av
+ 09 AU 18.000	1.570	1.640	1.820	0	N/Av
+ 09 SE 10.000	0.000	0.140	0.140	0	99.99
+ 09 SE 10.500	0.000	0.140	0.140	0	97.11
+ 09 SE 11.000	0.000	0.140	0.140	0	88.53
+ 09 SE 11.500	0.000	0.140	0.140	0	80.26
+ 09 SE 12.000	0.000	0.140	0.140	0	72.27
+ 09 SE 12.500	0.000	0.150	0.160	0	66.48
+ 09 SE 13.000	0.050	0.140	0.140	0	61.27



**PRICE** at which you have the *right to SELL* the underlying security





# Expiration Date



- Options typically expire on the Saturday following the third Friday of the expiration month selected.
- If the option has no intrinsic value, it will expire worthless.
- As an option buyer or holder, we run the risk of losing our entire premium.



## Calls

Month / Strike	Bid Price	Ask Price	Last Price	Vol.	Impl. Vol.
+ 09 AU 13.000	3.360	3.450	3.320	0	N/Av
+ 09 AU 13.500	2.860	2.960	2.780	0	N/Av
+ 09 AU 14.000	2.370	2.460	2.310	0	N/Av
+ 09 AU 14.500	1.870	1.960	1.810	0	N/Av
+ 09 AU 15.000	1.370	1.460	1.270	0	N/Av
+ 09 AU 15.500	0.880	0.960	0.940	85	N/Av
+ 09 AU 16.000	0.390	0.460	0.450	30	N/Av
+ 09 AU 16.500	0.010	0.050	0.150	0	N/Av
+ 09 AU 17.000	0.000	0.030	0.030	0	N/Av
+ 09 AU 17.500	0.000	0.090	0.090	0	N/Av
+ 09 AU 18.000	0.000	0.090	0.090	0	N/Av
+ 09 SE 10.000	6.330	6.450	6.300	0	N/Av
+ 09 SE 10.500	5.850	5.950	5.800	0	N/Av
+ 09 SE 11.000	5.360	5.450	5.300	0	N/Av
+ 09 SE 11.500	4.860	4.960	4.800	0	N/Av
+ 09 SE 12.000	4.370	4.470	4.310	0	N/Av
+ 09 SE 12.500	3.870	3.970	3.800	0	N/Av
+ 09 SE 13.000	3.370	3.500	3.300	0	27.64



**TIME** at which you have the *right to BUY* the underlying security



## Puts

Month / Strike	Bid Price	Ask Price	Last Price	Vol.	Impl. Vol.
+ 09 AU 13.000	0.000	0.150	0.150	0	N/Av
+ 09 AU 13.500	0.000	0.150	0.150	0	N/Av
+ 09 AU 14.000	0.000	0.150	0.150	0	N/Av
+ 09 AU 14.500	0.000	0.150	0.150	0	N/Av
+ 09 AU 15.000	0.000	0.150	0.040	0	N/Av
+ 09 AU 15.500	0.000	0.080	0.080	0	N/Av
+ 09 AU 16.000	0.000	0.040	0.090	0	N/Av
+ 09 AU 16.500	0.100	0.190	0.110	100	N/Av
+ 09 AU 17.000	0.570	0.660	0.860	0	N/Av
+ 09 AU 17.500	1.070	1.160	1.340	0	N/Av
+ 09 AU 18.000	1.570	1.640	1.820	0	N/Av
+ 09 SE 10.000	0.000	0.140	0.140	0	99.99
+ 09 SE 10.500	0.000	0.140	0.140	0	97.11
+ 09 SE 11.000	0.000	0.140	0.140	0	88.53
+ 09 SE 11.500	0.000	0.140	0.140	0	80.26
+ 09 SE 12.000	0.000	0.140	0.140	0	72.27
+ 09 SE 12.500	0.000	0.150	0.160	0	66.48
+ 09 SE 13.000	0.050	0.140	0.140	0	61.27



**TIME** at which you have the *right to SELL* the underlying security



# Option Premium



- Option prices are often referred to as the premium.
- The option premium is listed on a per share basis.
- Since one contract controls 100 shares, we must multiply by the premium by 100.



# Option Premium



Month/Strike	Bid Price	Ask Price	Last Price		
+ 09 SE 15.500	1.080	1.180	1.070	0	30.61
+ 09 SE 16.000	0.690	0.800	0.740	85	28.00
+ 09 SE 16.500	0.380	0.490	0.430	105	24.63
+ 09 SE 17.000	0.160	0.270	0.260	2	23.82
+ 09 SE 17.500	0.050	0.160	0.140	0	24.25

- Each contract trades independently.
- Priced differently based on the strike price and expiration month.
- Listed on a per share basis.
- Since one contract controls 100 shares, we multiply the premium to find the contract value.



# Rights and Obligations



## **Option Buyer**

CALL = Right to BUY underlying at a specific price.

PUT = Right to SELL underlying at a specific price.

## **Option Writer**

CALL = Obligation to DELIVER at a specific price.

PUT = Obligation to BUY at a specific price.





Nom du présentateur  
Titre  
**Optionsource.net**

