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Transcript

So we can probably start to think. Wait, where am I? Yeah. Okay. Alright, you can. So II mixed it up a little bit. Instead of going as the what happened, you know, in the past we've been talking about risk mitigation and some sort of insurance policies. I figured I and II remember somebody asking a few people asking. Can we, what are options? Why, how can we, we can mitigate our strategy, mitigate our risk a little bit. So I can, let me use this, this, class for an options overview and at least introduce people to options, not to speculate or trade, but at least to get a sense of what an option is and how you can use it for risk mitigation. So just, simply, you know, I, I have some. points and then we will do a few examples. So an option, as the name suggests, is the option to write or the right to buy or sell at a predetermined price. And it's routed through the stock exchange. It's routed through. It's an enforceable contract, basically. It's not like you're taking a flyer on the direction of the market. It is a genuine risk mitigation tool and 90% of institutions should use it or do use it because at least they have some way to ensure that in the event of a big fall, there is some protection. So the way I see it is that the way we insure our houses, cars and businesses, we pay an annual insurance premium. Which is really a small value of the, fraction of the value of the property, maybe like 4%, 2%, 3%, whatever it is. Same way we can use the options market to have some insurance policies against losses and you can do it for stocks, indices, EDFs. So how does it work? You can do, the good thing is the options can be weekly, daily, monthly, and for many stocks, you can have it for two, three years. as well. The longer term options which are called leaps. So let's just simplify some of the jargon and get an understanding of what the terms are. Premium is just like an insurance policy premium. You. The premium is the price of the option per share. and just interrupt me if I'm going too fast, or if you have any questions. Because at least this is a very And many times this is a challenging topic, you know. So the premium is what you're paying for the price of the option. And the premium will vary like as it varies in whatever your property you're insuring and for how much time. And what is an exercise price? So say the exercise price is the price at which you want to protect your stocks or you want to protect your position. which is called the strike price. Now the strike price and the excise price are the same and it is the price at which an option holder can buy or sell the underlying if they

exercise. The exercise price and the strike price are used interchangeably and they all mean the same. The underlying could be for the stock, it could be for the index or it could be for an ETF as well. You can take an option on pretty much everything. So a call option gives you the right to buy a stock, but you don't have to buy it if the price is not in your favor. So why don't we look at some of the call options for Nvidia? Okay, so the price of Nvidia today is 185, 85.41. Now, if I feel that the markets are going up, I could buy an option at 180 to 50, which is a strike price for a premium of 780. But the reason why we do options is also because we feel that we don't want to see the price falling down. So I said, okay, I'm going to buy a put. A put is at 180. If I feel that the stock price is going to go below 180, I will pay a small premium of $3.78 and that will protect me, which gives me a right to sell. the stock at 180. So suppose the stock falls at 160, I'm protected because I have physical, not physically in the old days, you would physically give you a stock certificate and say like, I'm done. I've got out at 180. Now your contract is, you know, electronic of course, and then you're protected yourself from the difference of 180 to 160. So why won't people simply take a stop loss and say my stop loss is at 180? So what happens is, I'll give you an example that a lot of people don't like the concept of having a stop loss. And instead of that, they feel that, look, instead of me worrying about when I should take a loss, why don't I just buy an option? And then if the option, if the stock price falls, the option will increase in value naturally, right? So That is a psychological thing. And also it's like you don't have the time, you don't know what the stock price is. Every month you say, okay, here's my insurance money. I'm giving $3. This is my protection at 160 or 180 or whatever the price is. Cool. That makes sense. Yes or no. Yeah, just ask questions if you feel there's a, you know, there's confusion or anything. Now, What is the meaning of, I told you, I showed you what is a call option, what is a put option, and what is an expiration date? Now, unlike your insurance premium, which extends throughout the whole year, this premium is only good till 20th of February. So that there is an expiration date. If you naturally want a longer dated option, the premiums are going to be higher. That's just how it is. Okay. The contract size is always going to be 100. It's if it's if 111 option is always equal to 100 shares. So basically, when you're doing suppose you want suppose you own 100 shares of Nvidia, you would buy one put for $3 and 78, which is an investment of $378 per 100 shares. What is the one of the common terms in options are moneyness and value. So what does in the money mean? Simply in the money means an option which has a positive intrinsic value, a call with a stock price above the strike or a put with the stock price below the strike. So for example, if Nvidia is priced at 185, The 180 strike price call is in the money and has an intrinsic value, which is the difference between the 185 and the 180. And theoretically that should be priced at 5. Now let us see what it is. Okay. So all these calls are in the money, right? So what is the intrinsic value is $5.41. Yet there is a time value of 399. So when you go to buy the option, the $180 option, you're going to pay 940, not 541. Why is that?

Because there is a premium from now till the 20th of February. That is called the time value. So whoever is selling you the option is protecting themselves from that loss, right? So naturally he's going to charge you some premium which is higher than the intrinsic value. If he charged you only the intrinsic value, you could immediately Or if he charged you less than the intrinsic value, you could immediately, you know, do a stock trade against the option trade and make some money. And that never happens. You will never have someone giving you an option or selling you an option below the time, below the intrinsic value. Correct? Any questions?

Yeah, Bhavesh, I think. Hi, yeah. Hey, morning, everyone. I think it will become, this is the first time actually, I've heard these terms many, many times, and I know many of my friends, they use this strategy and then they always talk about it, like they kind of gain more than the standard or the typical practices. in this process, but at the same time, yeah, they do caution that, this is something one has to know and understand how the things work before they really play and use this model. Yeah, I'm still trying to understand. These are pretty new to me. I'm still trying to understand, okay, call is for the buy, put is for the sell, and there is something called margin. But then do you put just like a regular trade, if you want to buy something for 180, do you and if you want to buy, let's say, ten shares, you still put 1800 above there or you just pay the premium in the beginning? Yes, the premium. How it kind of executes, I think that model probably as you go along, probably that will give some more clarity.

Okay. So then what I'll do is I'll finish talking about the terms. And then we'll come to the examples after we do that. I think that might be. And then we can always switch between the two spreadsheets.

Yeah, definitely having a theory or a theoretical knowledge about and the terms awareness of those things will definitely help understand it later.

OK, so let's I'll finish this here. So just to give you an idea and then we will go straight to the examples. So in the money is an option with a positive intrinsic value. which basically means that if you are buying an option which has a strike price of $180, you're already in the money for five bucks. So just look at it between now and February 20th. You've bought the option at 180. It closes at, you know, 5 bucks higher. You've already got that $5. That's why you're paying that premium. Out of the money option has no intrinsic value, naturally, because you are buying a strike price of 190, which means you're saying that NVIDIA will close above 190 or higher by February 20th. And I want to buy a strike price of 190 and I'm willing to pay a premium for it instead of buying 18,100 180 times 100 shares, 18,500. Instead, I will just pay the premium and if it goes above 190, I'm going to make some money out of it. But there is no intrinsic value. It is purely a time value. Add the money is exactly

the underlying price. Now, this is the intrinsic value. This is what I just walked you through. This is the time value. And as we'll see in the option spreadsheet, a time value will always be for an option that is far out. It is above the current price for a call. So these are the positions and actions we take. And if somebody has bought a call, it's a long call. If somebody has bought a put, it's a long put. Long is always for something that you buy. Now, what is the risk of, what is the advantage? Like you just said that, look, it's just going to cost me. One option is going to cost me a premium of $3.92. I'm taking a risk for the underlying of 100 shares for just 392. I don't want to risk anything more in the stock market. If it goes up, I made some money. If it doesn't, I've paid 392. So that is one advantage that your investment is very small. Your upside could be large. You know, Nvidia could come out with blockbuster results, which means what you've paid the $4 or $3 for your option could be worth 7, 8 or 9, which means you've doubled your money. Okay, now let's switch to the spreadsheet and let's walk through some examples. Yeah. So.

So by the way, when you're talking about 392, is it like per share?

It's per option. It's per option. Multiplied by 100, always.

Oh, if we are putting it for 100, then 392 times 100.

Yes. So suppose you say, sorry, go ahead. Yeah.

Yeah. So we are basically, in this situation, one could lose $392.

Exactly. And nothing more. That's it. You're done.

I see. Versus on the, if it goes higher, you can make thousands of dollars.

You could probably, you see, the way I look at it is if the 190 strike price is a premium of 394, the premium for a 185 is 633. Suppose it moves up by that same $5, right? What is the value 394 to 633? So you could probably double. That's what could happen. Yeah.

By the way, the chart that you're showing calls, ports, these numbers, is it like available or is it your own chart or is it?

No, it's, and I'll give you the websites also for it. It's dynamic, it's updated every, your brokerage will also have it. Yeah.

And you can list out the different, for different symbols. You can just list out, okay, how does the table look like for that one?

Yes. So whatever you, it's exactly like this. And once we go through these, I'll give you the websites also. Every brokerage will have it.

I see. Okay, got it.

Better way you're trading, Fidelity, Interactive, all of them.

Charles Schwab or everyone?

Everyone. Yeah. I see.

Got it. Thank you.

Sure. And the interesting thing is that whatever you read here, They will have a very, very similar, or at least a a good analysis of what these are, because it's it's almost like a compliance issue that the option trader has to go through it, you know, at least from the brokerage viewpoint. So you, you know, if you ever decide to do it, you will get more input continuously. Yeah. Okay. So let's let's do this. Options that are in the money have a larger intrinsic value and a lower time value. You see, in all of these guys below 185 are in the money. Okay, so the intrinsic value, if you want to buy an option for a strike price of 150, naturally the intrinsic value is 185 minus 150, which is 35.41. And there's a small time value to it of $1. As we go higher and higher, The time value you can see it's it keeps increasing and if it is out of the money then it is the price you're paying. Basically you're the premium you're paying is just for the the the hope of getting a good price by February 20th. So this is there is really no value in here except what the seller is willing to. take the risk of giving you that options. So if two of you guys are making a bet on, you know, sitting at a coffee table and saying, look, I'm betting you five bucks, that this will go over 190. And the guy says, no, wait, I'm not going to give it to you for less than you pay a premium of seven. It's, you know, in a very simplistic example, it's that. So let's do, let's buy a call premium for a premium of $17.57. And we bought a $170 strike, which is in the money. We've ponied up $17.57 for an investment of 1757. Now, on February 20th, the price is closed at 1 95. So we made a nice gain of $7 and 43 cents, which is basically your 42% gain And so the break even now look at the break even. Why is this break even important? Okay, even though your strike price is $170, so somebody is giving you the opportunity to buy the stock at 70, your cost is actually 187. Okay, your premium is going to cost you that much. But still, if it goes to 195, you made a profit of 743. And your percentage gain is very, very high. It's 42%. OK, suppose you say, fine, I don't want to do all this option options. I'm just going to buy the shares for 185.41. It goes to 195 in the same example. Now you made a profit of $9.59, but your gain percentage loss is only 5%. So this is why somebody will say that, listen, why am I buying 100 shares of 18,000? 541 uh I'm not paying a premium but my gain is very small so that's the reason people will say that listen uh if I'm a Trader or if I don't want to even if I don't even if I'm an investor like even very smart investors will buy options from time to time because they feel that the investment outlay might be too high so they will do they'll do a combination of uh See, I have too many shares of NVIDIA. I don't want to expose

anymore, but I think the results will be excellent. Maybe even I would do an option and for a small premium. OK, so is this is this making sense? This this spreadsheet, this example.

No, actually not yet. Of course, the second line, second row is is a typical one that we do or I or most of the people do every day. The first one is still the closing. means it's a so is this is it like as of that given day, the closing price was 195. Now someone wants to someone wants to work. They do a call for 170. I mean, is it like, okay, if the stock drops, then they will buy it at 170. Is that right?

No, no, no, no. You are buying a strike price of 170 as if yes. Okay. So good, good, good, good question. So for the moment, you'll say yes, you have the right to buy it at 170, even though the closing price is 195. Exactly. Exactly.

Okay. And then after that, if you happen to buy at 170, the difference between 195 and 170 is $25. Investment gain, but you are paying a premium of 743. So that's why you're paying.

1757, 1757.

Is that a premium or?

Yes, this is the price you have paid to buy the call.

Okay, so you have already bought irrespective of whether you get it or not.

Exactly, exactly. Yeah. Today you have today you have given a check for 1757 times $100 times 100 options, which is 1757. You've already given that money. Yeah.

So if only if it goes down to 170, you will make a gain of 743 because 1757 you've already paid as a premium, just like insurance premium.

Right.

You made a gain of only 743. How then, how does it translate into 42% gain?

Because your 743 is on your investment of only 1757.

Oh, I see. So you can put in less money. Yes.

Yes.

What if it does not go to 170 and rather it goes to, let's say 200?

Oh, then you're making more money. Yeah. Yeah, I have given you some more. Then you made 154%.

I see.

So there are more examples here. Say you chose that, okay, I don't want to buy the 170. I am going to be a little more speculative. And I'll say, okay, fine, I'm just going to buy the 190 strike price. Now, what is the strike price? 190. My premium is only 394. Why? Because there is no intrinsic value. I'm basically paying a premium on a speculative trade or on the hope that it'll go to at least 185 plus the 394. So my break even in this case is 193.94. Why? Because my strike price is 190. and my premium which I've paid out is 394. But even if it goes up to a gain up to 200, look at my percentage gain. I made 6 bucks after taking out the cost of my premium on an investment of 394. So my my profit is 154%.

And in which case you would lose the money you put in the.

You would lose money. You would lose money here. If the stock closed at 192, then you're going to lose the 49%. So, you know, you are going to now look at this one where you've lost, you've lost 100%. If the stock went to 160, and this is the first example that we did. You bought at the 170 strike price. Now it went below your strike price. So what is the logical thing? You are not going to pay to buy the stock at 170, correct? You're not going to take the delivery. When the stock price is 160, you would rather buy it from the market, which means you've lost your entire premium. 100% is gone. See this example here.

So if it goes below the price that you have put in, then you would lose everything.

Your premium, basically, your loss is capped.

Right. I see, which is kind of similar to the scenario. If someone buys the stock, let's say, at that price 190, and then the stock drops in the market, it goes down to 160. In that case, also, they have lost $30 per stock. In this case, at least you have capped the losses.

Exactly. So it's a good hedge in the if you do not want to, if you do not want to make a very large investment. Yeah.

But in, but I guess in the difference between the regular scenario, if you buy it at, let's say 190. Yeah. 185 and then it goes down to 160. You're still holding it.

Exactly.

You are not losing. It is your temporary loss. If it bounces back, okay, we are not lost it. But in case of this model, if it goes below, if you had put in a strike price of 170 and if it goes below that, your premium is gone.

Your premium is gone. So 90% of investors will say, fine, I don't want to get involved in this. Dave, yeah, I'm going to come to you. So most of us will say, forget all this nonsense. I just, I'm buying the stock. When it comes back, it comes back. But you know, there is. But if you want to restrict your loss and you want to say, OK, this is my, this is my limit. What if

NVIDIA keeps falling to 140 or there is another deepseek scare or some other scare? And if it goes to 100, then what I've bought at 185, now I'm looking at 8,500 in losses. So that's the thing. Yeah. Dave, you had a question.

Got it.

Yeah.

Got it. Thank you.

Sure. I think I'm a little confused about the gain or loss percentage. I understand. when you're, when you're, when the closing price is below, right, you're not going to, like you're going to lose your premium. I understand that. So you, know, but in terms of gain, right, you're paying your strike price as well as the premium. So your break even amount is what you're paying for, right?

But you're only paying the premium. You are not paying the stock price, strike price. your outlay from your pocket, your investment is only your premium. The break even is the price which you see for you to make money after.

Right. Okay. But if I'm only paying the premium, I'm a little confused about that part. How am I only paying the premium when I'm able to place the value at that price if it goes up? Like it seems like there's more upside to always using options then.

It depends. It depends. There can be a lot of upside because there is no cap. If Nvidia goes to 210, your $3 investment can go to 25, right? So the upside can be very proportional. That is a good thing because, you know, you've just, but what happens in real life is that very, there's, you have basically 14 days left. just two weeks before the results come out or something, which means you're $3.20. So if the stock drops by five or three, your premium will vanish very fast. That's what's going to happen. So you are basically looking at the $3.92 disappearing.

Okay. And what happens when it, like if it drops, but also bounces back up, like as long as I'm in that period of time, it's fine?

That is the 90% of our problems happen because they decay by the date. And you know, Nvidia will go to 200 just the day after your option has expired. So even if you had held a stock and bought it and you know, so the time value is often very, very, let's say I'll give you an example. What happens is say there's something gone mad on Monday or Tuesday. So what is that? 185 now suddenly the stock price is 175. Correct. So you're dropped only 10 bucks, but your premium will drop from 392 to maybe a dollar because you're so much more out of the money. Look at the out of the money for a $10 difference. What is the

premium here for this 633? Now you're out to 200 bucks. Okay, it's only $15, but look at how different the premium is. 126 is a quarter of 633. So suppose this stock goes to 175, your $13, what used to be a premium is going to drop by, you know, you see the differences in the premiums for every $5. This is what will tell you will happen if there is a difference of price of 5 bucks. Each $5 difference translates to a And it becomes worse when you go further and further out. So a lot of people will buy intrinsic value monies, you know, the in the money options instead of prime, because these are all purely speculative. They drop very fast. They drop and you don't have much time for a bounce back. If Nvidia drops by 10 bucks tomorrow, the chances of this $2 option making any money are Practically zero. It'll be very, very difficult.

Okay.

Okay. Yeah.

But in this example, like if the premium is, so currently it is 185 and then for the 220, the premium is like only 11 cents. So is it something someone is hoping that the, you know. Oh yeah.

You see this open interest? You see that this is an actual genuine number. These are 120,000 options, which means 120,000 multiplied by $100 is the open interest for people who are expecting this to go to 220.

If it goes to 220, then what would happen? They have paid, let's say they have paid the premium of, let's say they're buying 111 cents, 11 cents, 900 is $11. Correct. So they just pay $11. That's it. And I hope that, hey, probably someday it goes to 220, right? Then what would happen when it reaches 220?

So if it goes to 221, if it goes to 220, it's zero, you still lost 11 cents. If it goes to 221, then that's worth a dollar.

If it goes to 225, then you make $5, $5, yeah. You will automatically get from someone from the broker. And then after that, do you have to say, hey, it reaches, let's say 225. Now I want to sell it or you can keep it open any other time.

You will not even wait till 4 o'clock. You will see whatever. You'll see the closing price and sell it or even by mid-afternoon. No, so do you do it or the broker does it? You do it. You do it. 99% of options are not exercised. You don't want the physical, because if you want the physical delivery, you will have to pay the full amount.

So if it reaches, let's say, 225, you say, hey, the chances of growth is further more. I don't want to sell it even 225, let it go to, let's say, 230, so we can wait for any time.

No, you have to take the decision by 220, by 20th of February.

OK, so the timeline is the is the only factor where you, but can you cancel it or once you have paid the premium, you don't have a way to back out?

You can, you can sell it at any point. You can sell it after 2 minutes. Yeah.

OK.

Yeah.

By the way, we hear this margin calls on these options. So like that is when like the differences exceed.

No, the margin calls are on the shares, because for an option you have to pay the full premium.

Okay, okay.

Have to pay it. The they will. The moment you you place the one option also, they will charge you for the 100. Yeah. Okay. So anytime you buy like a option, like, say, you know, just wanna buy for 11 cents, like Kaalbhai just said, you'll have to fork out $11. Okay, okay, yeah, yeah, they will just deduct it right away. Yeah.

So, Bhavesh, I think open interest we are yet to understand, right? What is that terminology?

So that means there are these are the actual number of options that are open. These are these are the people who have these are open 119,000 open options in the market today as of Friday closing.

Oh, so only so this indicates that there are options are available to buy.

No, no, no. These are people who have already bought it. There is no limit. As long as you find a seller for your for your purchase, there's no limit. These are the actuals that are already open.

I see. I see. I see. Okay. A lot of understand. Okay. Yeah.

So it's these are so you you'll see that the maximum open interest will be close to Surprisingly, in NVIDIA, it's not. It's further out. You see, this one has an open interest of 85,000. Then this one has 37,000. Then people are very bullish here. They think it'll go to 200. So 97,000 options are open for the $200 strike price. And then here's another 89,000. It seems that nobody likes these middle numbers. They like a round number. And this is a strikingly high number. That 220, they think it will, I don't know, maybe results are out on

the 19th or maybe it's the week after. You will see a lot of activity during earnings date. And that I'm assuming Nvidia is always in February. So it could be because of that, one day before or after. Here, naturally, the open interest is lower because people don't want to put out so much premium. This is a fairly high number. And you can see this is the volume that was the transaction. Those were the transactions done on Friday. 36,000 options were traded. 83,000 options were traded for this strike price. And one thing is very interesting is that if you see the open interest on the number of calls, This is about 631,000 options, right? Open interest. See it on the put side. 433. More people are optimistic than pessimistic. Though there is no theory as such, it just gives you an idea. If it gets very lopsided on one way, then you have to think about it as a contrarian indicator. But Human nature is that they will be more optimist. So it'll be rare to see more puts on NVIDIA at least. You may see it on a stock that keeps falling, which is a weak stock. But in an NVIDIA, you will rarely see more put options than call options.

It's kind of similar to the strategy or thought process where hey, you expect the price to go up, then of course you will put a call, you want to buy that, versus, hey, this is not expected to grow more. So we want to sell it and then do a put. So in this example where you are showing 200, let's say for 200 price, the premium is 126. If someone says, okay, I want to get 100, they will put $126. And then if it reaches 200, if it reaches 205, then you will make 5 times 100, you'll make $500. Correct.

Is that right? That is exactly right.

So 500 minus 126 is the net gain. Yes. 374 is that what you would get again? And if it doesn't reach 200 by the time, then you lose that 126.

That's it. That is.

Okay. Got it. Got it. Okay. Getting it.

Thank you. That's yeah, that's it. You do it. I mean, if you see it a couple of times or do it a few times, you'll you'll get the gist of it.

Okay, got it. Thank you.

And here are some more examples, you know, with closing price going to 160 and what can go wrong, you know. So basically. You know, the thing is when, you know, people talk about exercising options, so by the time the closing date approaches, 99% of people do not take physical delivery. You have the right to buy the share, but you know, you're booking the profit and say, forget it, and I'm, I made the money. I don't want to keep the share. Here is an example of, you know, you're making a 60% gain because your premium was not very high. you made 470 net. Okay. Here is that example where you were saying

that, okay, at least I can keep the share, you know, even though it's gone down, but you still own it. You can always wait for it to come back another day. You know, what happens in, in a, and what I've seen in real life is that people think that, okay, I'll just make a smaller outlay. what will happen is that every month they'll continue to chase that price. And then you realize that you've spent maybe $20, $30 in premiums alone, but you've not made your price, which would have been simpler if you just bought the stock and held on to it. But it differs with the thing. OTM out of the money options are the examples I showed you. Here are some. I won't read it out. Okay. Let's look at some put options for the negative side, and then we'll come back and talk about us being insurance companies where we are selling the call and hoping for some people to pay us premiums. Okay, so in the put options, you are doing the opposite. Your strategy is, let me read it out because I kind of wrote it, selling a put You are basically giving the put option purchasers the right to sell you shares at the exercise price. When you're setting up our, sorry, no, wait, and that's my bad, my bad. Let me just go to buying puts. Okay. I own 100 shares of Nvidia for the long term and I don't want to look at daily price actions or worry about Bitcoin or geopolitics and macroeconomic factors. I don't have the time. I don't have the inclination. I don't even have the expertise to trade the stock. And I want to protect myself if it fails. I could put I could put stop losses. But what I've observed in life is that if you tell someone to put a stop loss, there is a psychological feeling. I don't want to take a loss. Okay. But then you need some protection, right? You can't Many people would prefer to buy an option because they don't like this thing of a loss appearing on their trading account or mentally, I don't like losing. Okay, but if a put option has given you that chance of actually making a profit when the stock goes down, you would rather do that. Let's take one example. We are buying a put option for a strike price of 205. This is the 205 stock option. And you're saying that I'm going to pay an investment of 1990. And if the stock tanks, it goes to 175. I made a profit of $10, which is the strike price minus the closing price that's made me 40 bucks, sorry, 30 bucks, but I've invested 1990. Okay, I've still made a profit of $10 on my investment of 1990, which is a 50.75% profit, which is fairly good. If I had simply sold the stock, okay, I think no Nvidia is going to go down and it closes at 175. I've still not made a profit because I've sold the stock, but theoretically I've gained about 10 bucks. by selling it early. But my profit is only 5.6 1%. Okay, you could have also done the 3rd thing and said, Fine, I'm just putting a stop loss. It touches 175, no premium, nothing. I've saved myself the the pain of seeing it go to 161 40. I'm done. So there are 3 ways you can do it. And these are the kind of profits you make in all these scenarios. Suppose you're like very bearish and you think the whole market is going to tank. Now you're getting a very nice position here. If the premium is only 247, this is a very low premium according to me for a volatile stock like NVIDIA, you're getting to protect yourself below 175 for just $2. A lot of people would take it. You know, that's a fairly low premium. It's nothing. Now, if it goes to 170, you've already made a,

you've already doubled your money, 102% profit. Okay. So puts can work very well if you're bearish or if you want to have some insurance protection. But it goes the other way around. When NVIDIA goes to 210, Now you've lost your entire investment of 1990 and that's gone. And instead, if you had just, but the, the, if you have taken the put, but if you have bought the put for 1990, remember you're still holding your share. Okay, so you're not lost everything. You have made a profit from the current price of 185 41 to 210. So net loss is not that bad. You've still profited. So sometimes buying a put option helps you from downside risk and lets you keep the share as well. In a stop loss scenario, you would have given up the share. If you had sold the share stock, you would have given up a very good company. But a put option gives you that little bit of flexibility that if the stock falls, I'm making some money.

So, you are saying buying a put option. So it's like, yeah, I mean, it's not that buy-buy. Put is always there to sell and then you are just buying the put option. Similarly, you can say buy the call option. Correct. Right. But do you use the term sell the call option or sell the put option?

No, if you're buying, you're always buying.

We are always buying.

Yeah. If you're paying the premium, you're buying.

Oh, okay. And then on the expiry date, it kind of, the money kind of goes to the broker.

Initially, it'll go to the broker at the beginning. When you buy the port, you're forking out 1990 initially, or you're taking 247, whatever you decide to do, that'll go immediately to the broker. Now if it goes in your favor, you will sell it at a profit or if it goes against you, it's gone.

Okay, okay, okay, got it. Thank you.

So here's a good way to also look at it. Say you have, you should always make your break even charts. It's very simple, like say you've got a put option and you're paying a premium of 247. you want it to fall below 175, which means your break even is a while. So here's what happens is the cost of the premium must always be included, you know. So 175 in your mind, you're thinking, oh, it's gone below 175. I'm making a profit. I'm making a profit. Not yet. You've paid 247, so you're breaking even at 172.53. The cost of the premium sometimes people tend to forget that, you know, you still have a little bit to go. You have to include that cost of the premium. So very often people will say, why am I paying a premium? I would rather have a stop loss. That way I don't have to. I can save this. But you know, it's very individual how they prefer to do that.

Well, I guess the biggest difference is in case of options. You're putting a smaller, smaller amount of money, blocking a small amount versus if you have, if you were to buy 100 of at the price of 175, you are blocking 17,500.

Right.

Versus now you're blocking only $247.

Right. But the 247 is only good for a quick, sharp move by in 14 days.

But then one can do it like for six months also, right?

The premium will be six times.

Okay.

It'll cost you a lot more. I'll show you some charts of the premiums that are there for six months ahead. Because you see that the guy who's selling you the option has to protect himself. No, he's an insurance. Think of it like an insurance company that if you want a bigger property protection or a longer property protection, the premiums will increase. So that, you know, the, the, that's why they call it time value. So the time value here is low. It's only what, 20 days, not even when today is the 7th, 2 weeks, basically. When you have an expiration date, you'll see all these, the, you know, this, this will be where is the premium right now, last price, these will be exceedingly high.

So in this scenarios, the decision, the day you make, you buy the premium, you buy it, you cannot change your mind. You're saying that you can still buy or sell?

You can, if you see us, you can even do a stop loss on the option itself. It's the same amount of, there is a fairly large amount of volumes. See, 84,000 options were traded. just for this strike price on Friday, or at least maybe in that period. But no, sorry, that is the daily volume. So it's fairly liquid. If you decide that, look, I made a mistake, you can get away with a small loss.

Oh, it's not that you would have to pay the full premium.

No, you'd pay the fair premium, but when you sell it, say you bought it for 247, But you decided that, no, I made a mistake. I'm getting a price of two bucks. You square up, you sell it. Yeah.

Okay.

Yeah, yeah. You can always sell it. Say you bought the, suppose you bought the call option for 1129, say 17750, or take the round number 1340. Okay. And markets are like a little, you bought the call option, okay? And then NVIDIA has dropped by $2. Likely this will drop to

1150 or maybe 10 bucks or something. But you feel that Nvidia is going to fall even further. You can square up your auction the same day. You can say that, okay, I'm just taking a $3 loss and you don't have to wait till expiration date. It's also as if you're trading the stock. Sorry.

You don't have to lose the full premium.

You don't have to lose the full premium. Yeah.

Okay, got it. Thank you.

Yeah, and you'll see the quote quotes if you see your brokerage account and you know, you can see the quote immediately and change your mind or some people like how we were averaging some of our stocks. A lot of people will average their options also if it's fallen five bucks or 10 bucks or something. Yeah, it's just like a regular trade. But it's time bound and much more volatile.

So this kind of analogy is kind of, let's say if you buy insurance for your home and yearly insurance, you pay the premium for the whole year. And then three months down the road, you feel that, hey, you know, I want to come out of this company and probably I'll buy premium from some or I'll buy insurance from some other company. then the insurance company will sort of prorate it and they'll charge you only for that duration. And so you have not lost the whole premium?

Not not necessary. No, no, no, it's not like that. It's not like that. It's it's a trade just like any other stock trade. It it it's completely demand and supply driven. You could, if you if you bought an option, say your expiration is like one month, right? You're not going to get 50% of it. Fifteen days later, it could be.

I understand it will not it will not be that kind of a ratio, where in case of the regular insurances, but I think more than the price, what I'm trying to understand here is. that there is a way to back out if you feel that, hey, I do not want to wait until the expiry date. Okay, whatever date it will not be in that proportion. It will not be in that ratio. But there is somewhere, sometimes you may have to make lose, lose more. And but you have a way to come out.

You have a way to have an absolute way. You can come out in two seconds. You can come out before the expiration date. There's a big window. And sometimes, like for example, what happened on Wednesday and Thursday, some of my put options were actually had shot up because the markets were very badly down three days in a row. All of a sudden, those were like dormant for a long time. Those were my insurance on the index. And suddenly they shot up on Thursday, Tuesday, Wednesday, Thursday, three days, the

markets were tanking. So I luckily those premiums saved some of my losses. So that helped a little bit.

Got it. Thank you.

And I exited, you know, so it was the only thing that was in the green that day. So these are examples you can, you know, I'll put the spreadsheet up. You can look at it, you know, it's Excel. So you could probably download the file and play around with it. It's it's pretty easy. Let's look on the flip side. Here is what and then let's look at if you're if you're if you're trying to sell options. Okay, now you want to be the insurance company. You're looking. You're looking at some people who you feel are paying. Okay, so there there is a good logic to buying to selling options as well. It is a slightly more, it's a more risky way to do it. Let's look at this. When you sell a call, suppose you're selling a call. I have 100 shares of Nvidia and my feeling is that look, Nvidia is going to go down. So I'm going to sell a call now. When you're selling a call, you're doing the opposite, right? You're bearish. When you're buying a call, you're bullish, you're optimistic. But I am worried that the stock will go down, but I don't want to part with my shares. I want to keep my 100 shares for posterity. Instead, I will collect a premium. So if the stock goes down, the buyer will not exercise that option. And instead, I would have just collected a premium, which will help the pain of seeing my stock drop. It's an underlying hedge. Should the stock go up, I've sort of capped it. I've lost the opportunity and theoretical gain because I have collected the premium. So whenever you sell a call, you must own the stock. Now insurance company has the capacity to pay you, you know, if there is a damage to your house or your car, you must have the capacity to have those shares if you're selling a covered call. So let's look at a first example of selling a covered call. Okay, now you have sold the strike, $170 strike for 1757 and you've received this premium. Now that premium has come to you and the stock has closed at 195, but you've lost money. Why have you lost money? Because the gain has gone to 25, but you've collected only 1757. so your net loss is 17743. Okay, but if the stock price has gone down to 185, you have received a premium of 1757, but you've lost 15 bucks here from 185 to 170, your net gain is 257. Let's, if you want to ask Please go ahead and ask question about this one.

So, Bhavesh, in this case, the wash sale rules, they are on the strike plus the premium, right? As you said, like my effective price is, I have to include the cost of the premium. Or is that still the?

Which one in the or?

The 30 days thing, right? If, hey, if I bought the stock at 185 and if I sell it at a loss of, let's say, in a regular scenario at 170, okay, I incurred a loss of $15 per share and then I should

not buy it again within 30 days. Otherwise, you know, I'll not be able to take that loss. So if we, if I buy the premium, let's say 185, but then I paid a premium of $20 unless it is 185 plus 20.

I don't believe the wash sales rules will apply to options.

To the premiums.

Yeah, yeah, to options it will not apply because by definition you have to trade within that period of time. So I don't think they will disallow you from taking that loss on an option. I don't believe so, but good point. I will check up for you.

Yeah, I guess the question here is like the, because the premium is kind of added to the value, to the price of the stock.

In your statement, it'll come separately as an option trade.

And it's more like a fees than more like a premium rather than the value of the stock itself.

Yeah, yeah, you're trading the option. You're not trading the stock at all then. You know, where your trade is just basically for your even your symbol and your ticker will be separate. You'll it'll be different from Nvidia. It'll be NVDX, you know, it'll have the 170 CA for the call to denote that symbol. It'll not be under that NVDA symbol.

I see. So these are considered the cost of the trades. Just like, can I compare it like, you know, the way we used to pay the commissions in the older days per trade?

You would actually be the trade itself. It would actually be the cost of the trade. The profit and loss would be what you paid for the premium and what price you sold it at. Yeah.

Okay.

So in your statement, it'll show like $392 cost, $650 sale. Profit is the difference. That's what it would show. As if there is no underlying, it's just in the ticker, it'll reference it, but it's almost like you've done a totally different security. Yeah.

Okay. Okay. Yeah.

It'll show as a different trade itself.

Got it. Thank you.

So the funder of selling a call is good in the sense that you're, you know, you're not messing around with the shares that you have. But what works in a call is good because, you know, the premiums are very high. And if you are comfortable, because you have the shares, There is a limit to your protected. You know, if the stock goes up too high, you can always

deliver your shares if somebody wants it. And if the stock keeps falling, there are people, and in fact, somebody had asked me about this ETF where people do this and people invest in these ETFs, where all they do is sell covered calls because the premiums are so high nowadays. There are a lot of these individual traders on Reddit and you guys must have heard of YOLO and zero-day expiry options where people are just throwing money like it's a casino. And people who are holding these stocks like the big hedge funds, they're happy to write you, send you calls. They have the stock, they're not worried. They're collecting premiums. And if you collect about 60, 70% of premiums in a year, You've made a lot of money. And your stock, you still kept your stock. So the same thing is an option. If you do it, if you sell the port.

So sorry, I missed the term covered call. What is the, what exactly is the covered call?

So when you're selling, so you bought the call, right? You wanted to, you expected the price to go up. Now you're selling the call. So every time you're buying a call, somebody has sold you that call, right?

Yeah, right.

And that somebody has the stock. It's not that they're doing a naked. They're doing a naked call. What is a naked call? Suppose the stock goes to 1,000 bucks. right? The Nvidia goes to $1,000. What will happen to the guy who sold it to you? How much money he's going to lose? Right.

Yeah.

So he's gonna say, why, take my 100 shares. I don't. I don't want to do anymore. So if he doesn't have the 100 shares, the poor guy has to go and buy those shares from the market and give it to you. Because you've said, I have paid you a premium. I want the shares at $200. It's gone to a thousand bucks. So any person who's selling a call better have the either the stock or the money to immediately buy it. And your broker will not will take that money from you and charge you an extra premium every time the stock keeps going up and you've sold the call. So that is something you have to be, I would not, and this is a class just to talk about options, calls and puts, but 99% of people will not do naked calls.

Right, I read it on your notes.

Yeah.

It's still trying to understand the meaning of the covered.

Covered means you own it. You own it. You own the stock. That's it.

Oh, I see. Rather than just the premium, you have that holding.

You have the holding because you can see here, you just deliver the shares. You want to cut your losses, right? So if you're on the wrong side of the trade, you should have the stock to deliver it. And if you don't have it, So when you're doing a trade online, the brokerage sees your account, whether you have those 100 shares or not. If not, they are going to take the money of the from for those 100 shares from your account and keep it on hold. They'll do that. Yeah.

Got it. Got it.

So again, to me, sometimes the covered calls make a decent amount of money because you're collecting premiums and if the market keeps going down, You know, you never have to deliver your shares. You're just collecting the premiums. And that's also a nice way to hedge your bets. Same thing with puts. When you do, when you're selling a put, you're also making sure that you have, you have the money, you know, you have the money to keep aside because when you've sold a put, you have given someone the right to buy that you are going to take the delivery of those shares from them at that expiration or at that exercise price. So if say NVIDIA falls and you have collected the premium, the guy who has bought the put from you is going to say, here, here's my 100 shares at 170. You have collected the premium. Now it's your headache. If it goes to 5 bucks, if it goes to 0, You know, you've lost 93% because you've collected a little bit of premium. So that's where you must have the money to holding and the holding capacity. If you're writing a put, it's not a naked put, they don't call it naked put, but selling a put means you should have the wherewithal to, you should have the money or the capacity to take the delivery of the shares. Remember, because you've sold a put, the guy who's bought the put from you at 170 bucks, he's not concerned where the stock goes after 170. He's found you and he said, here, here's my stock certificate at 170, I'm done. Now it's your headache.

So covered is applicable only to the put scenario.

Covered is, the term covered is applied to covered calls, but as a concept, you must have the coverage or the capacity to take the delivery of the stocks if you're selling a put. That's the thing.

Yeah, so the covered is applicable only to the put scenario.

No, It's for both when you're on the other side. When you're selling options, you must have stock coverage or money coverage.

Yeah.

That's what I'm saying.

But when you're buying.

When you're buying nothing, you're just paying a premium.

That's right.

Yeah.

Yeah. So then it is applicable only to the put scenario, the covered call.

No, no, no. So the coverage cover is applied to when you're selling a call option and you have the. So when you see a term covered call, it applies only to covered calls. Where I am saying the word covered means you should have the capacity. So maybe I'm confusing the word covered. Yeah, if you're saying. If you're selling an options, you must have capacity.

That's right. I got that part. Yeah. I mean, so that you kind of, you don't take that much of a risk. You have it as a backup. Okay. In the scenario it is needed, you can.

Correct.

You can sell it. Okay. Okay. I think I'll read more. Thank you.

So when you buy an option, you're basically just taking a small bet, but The bet can go wrong. And here's I've made a large list of advantages and large list of risks. So these are your biggest risk is your time decay. These things expire like 50% in a day. You see the expiration risk. It's just 20 days. Your percentage loss is very high. Volatility is very high. Like NVIDIA would trade between a $3 range. The option would trade in a 300 percentage range. Okay. Of course, your gains are also there because you're hedging and you're managing risk. You're generating some income with covered calls and you're defining your risk. Like the first thing you asked was like, okay, it's just costing me 392, not bad. You know, you're never not going to lose more than that. If you're buying something, you're just paying the premium. Now, I'll take you to this where you can see this.

So put is more risky than the call. Oh, sorry. Yeah, than the call.

Not necessarily. In what way?

As put, you have to think more in terms of, you know, having that. Well, I think that is more applicable to covered means having that capacity.

Yeah, yeah, yeah, yeah, yeah. So selling. So sometimes you'll come across a term called also writing a put or writing a call also a sell, selling a put and sorry, writing a put. Is the same thing. Anything which you sell, you're writing.

Yeah. Okay.

Because you're the selling the call or writing the call. Why is that? Because. Yeah. Because you're you're like the you're the market. You're the market maker, right? When when you're when you're on the other side. And most people who will do this are pretty big players. Retailers will not, retailers will be always buying either the call or the put. And most, most people will not write anything or sell anything till at least they're 5 to 10 years in the business. Yeah. But I was thinking of maybe not into going into this today, but you know, I just brought it out there. So this is a option charts. I/O is you can see anything like you will see the Nvidia. This is for look at this. This is an option. This is the same graph, the same thing that I put for you guys. and it it goes all the way to 50 bucks. But you know, for our purpose. I just put 20% up and down. Yeah. So you can see that this is on 220. Just take a look at where the premiums will go when let's just take a $5 premium for the 390 premium for the 190. Okay. Now, if you want to see what happens in in March, okay, look at how much the premium is. 1040. This is the time value.

Yeah, for the same price, it's the timing.

Yeah, now if you want to do it for like, if you want to do it for the end of the year, look at that. My God, 33 bucks. So the thing is, A lot of people will say, fine, I don't want to spend 1 90. I'm going to buy a call for 33 50, and we have plenty of time. But this 33 will fluctuate. It could go to 0. It could go to 70. The time value will always keep increasing with time. Yeah.

But having that longer time, even though you paid the premium, you can always back out, can't you?

Yes, you can. Yes, you can. You could make a small profit if you bought it for 30. If you bought it for 3350 and say by June, July, it's gone up to 45 bucks, you made a nice gain. Exit.

Right. Okay.

Yeah. If it's gone, if it's fallen to 27, you can exit, you know, you can You can put in a stop loss or you can, I won't go into that now, but there will be traders who will trade it for another option and then they'll do something on the other side. So there are like a zillion strategies. Yeah.

Right, right.

Yeah, it's a whole different ball game. And I actually knew people in my office who would do this 24/7 for a living, but it's a very specialized thing. What for us, basically, it's useful because it's helped me, like I said, on Thursday, I had some QQQs, which is the NASDAQ, and that went up when the whole market was falling because it was a put option. So that helped me. And at some point, like I said, it's an insurance premium. If you have a portfolio, you want a little bit of you don't mind paying a couple of percentage in, in premiums just to

protect yourself. So if you're not a stop loss kind of a person, or you're not trading and you're not paying attention, having these can be very helpful. Because, you know, a couple of maybe five, 6% saving definitely helps the portfolio. Yeah.

So going this, To understand options, I kind of hear that people say that, hey, it could be very, very risky. And then, it takes a very long time to kind of understand and become savvy if you really want to deal with it. Is it really that complicated or one can understand and then start gradually in a shorter time? Or is it really a very deep and complex topic? Miss, what you explained, it gives a good information in the terminology, how the model works. Of course, one would have to understand and anticipate for each and every equity on how that would work. But in terms of understanding the concepts and the model, Is it really very, very complicated that someone will really need a long, let's say, years to understand it or not?

No, no, no, no, no, no, no, no, I don't think so. I would think that maybe two to three months will be enough to at least help you with the risk management. Yeah, with the hedging. Yes.

I see. Got it.

If you want to do it as a more as as a more involved strategy, yes, then you know you're very unlikely to make money in the beginning for maybe six months, one year, because there are there are strategies which will which will do four legs. You will have a call, you'll have a port, you'll have a hedge for a longer dated option. Look at it this way. If you own shares, If you own shares of Nvidia and you know you're collecting somebody, somebody will automatically sell these because look at the premium that they're getting 40 bucks. That's 25% of your stock value, right? Yeah. You're collecting this premium. Now you're protected by 40 bucks. from a stock price that you own. Suppose it's 185 and I say, dude, somebody's giving me a premium of 40 bucks. Here, I'm selling the call. Okay, I'm writing the call. What happens? If it goes up, then I lose my upside, but I'm protected for 25% of my stock for the year. So that is not, and I'm not doing this every day. I'm not going to be doing it, you know, for a profit. But that is a very nice premium to collect, you know, and if it goes against me, I have the shares to deliver it. So those things are not complicated. But what will happen is like, say, just give me a second. Let me shut that off. So suppose there are a lot of people who will say that, look, I don't want to pay the premium for a port, you know, it's 30 bucks. And they don't own the shares. Sorry, they own the shares, but they're not comfortable with writing a call. They are rather, they are more interested in paying a premium for, you know, $20 for the port or something and say, at least I'm protected below 175. I don't mind paying 23 bucks or whatever. Then what they'll do is they will sell a call

and collect the premium and use that premium to pay for the put premium. Those things will take you a year. You see what I'm saying?

Yeah, yeah.

When you're doing like several legs of a thing, that will become very complicated. But even those people do that. People do that a lot. Yeah.

Got it. The deeper someone needs to, then of course, the deeper knowledge they would need to have.

Right.

Got it. But overall, the concept wise is, yeah, I mean, it's a it's something, you know, if someone doesn't pay an attention, they may not understand it for years and years.

Right.

And if someone kind of just tries to pay attention and understand it, they can get a pretty good understanding of it in a short time. It depends on the interest of an individual.

Yeah, yeah, yeah, yeah.

Okay.

Thanks. Sure. Oh, 2 30.

This one is this one is a live chart, right, Babishi?

Yeah, yeah, yeah, there's a live chart and you can. Everybody has it. Bar chart has a very good one too. I like.

I have Charles Charles Sharp. So that's so I should go to the website, but the broker site and look at it for the options chart. Or or these these are like 3rd party independent.

No, the brokers, all the brokers give you, all the brokers will give you. Fidelity gave me, yeah.

So they're typically in which section? In somewhere they call it like options or something.

Yeah, they'll call it options and you know, they will give you a nice literature to, you know, understand what we did today. And then they'll also ask you, it's very, it's an interesting thing that because now with all this AI and all that, it's almost as if you're talking to someone and they'll ask you questions. What is your strategy? What do you feel the market will go? Here's a suggestion. So.

Okay, got it.

Yeah, it's, you know, it's all that is available. And bar chart gives you, see, you know what we were talking about? Look at this, that auctions IO did not have that. You see the change in a day? Look at that. 87%, that's the movement in the auction. So these things are inherently inherently so volatile. And this is just this is near the money. And if you do like, put in calls together side by side. So yeah, look at these now, 10%. And if something has fallen. where's that come? Yeah. This wasn't so volatile there. Yeah. Cool. Bar chart is good. Options IO is good. Brokers are good. Almost everybody has that. Yahoo Finance will have it. Yeah.

Okay, go ahead. So Babeji, a couple days back, one of the members in the team, they were doing something like that. I didn't really But they said, okay, hey, I have put it in. I think the love or someone. yeah, So was it playing with, was it doing the options?

Yes, I think he did it for this company called Micro Strategy.

Oh, that is a crypto ETF.

Crypto, crypto. Yeah, he did it for that. I've MSTR.

MSTR.

Yeah.

So he did. He did a call options and then he did a call.

Yeah.

Because then he said like that humongous gain that he in because in that case actually that was a day on Friday the way it kind of jumped everything.

Right, right. See that I think he this see you can see the gains here. 213% or 300% or something. Yeah. That's what he did. He probably bought it for, you know, a few bucks and then it closed that.

But you know, the because the premium is a smaller denomination, right, in terms of like $5 or $3 or means one would have to buy a bigger number in order to make a bigger gain. Means 200% gain of, let's say of $5 is like, okay, $10.

10, but times times 100 times 100. It's always 100. It's always 100.

Oh, the oh, the in the in case of options one has to do like minimum 100.

Minimum 100. So see you. It'll show you one option. But the underlying is always 100 shares is always 100.

I see.

So even if you have the 3 92 that we saw in our chart is 392, not $3 92, because By minimum, if you have by one option, your minimum cost is 780, 1,757. Minimum is always one, but its underlying is 100. Even these small ones like 11 cents is basically $110. Yeah, it's always by 100. But again, then, if you're doing very small, 174, even if it doubles, you'll make like, say, $200, then you probably want to do five or at least 10 or something like that. Yeah.

Okay.

It depends on each person's individual at this capacity.

Yeah, because the percentage, it really matters based on the principal amount or the original amount.

Exactly.

Yeah, okay, my $100 and $100 becomes $500. Oh, I made 500% gain, but the absolute value is like $500.

I think we are running out of time. Just to recap, I have never traded options in my entire life. What I understand is, you know, we're talking about the premiums, but at the same time, I have to have enough cash collaterals in my account to be eligible also. It's not like I'm just buying a $2,000 call or something, but that is margin on it. So if I am betting $50,000 and the margin is 30% on that, that means in my account there should be 15,000 cash available. And if the stock prices goes down, the brokerage, either they will charge me interest pertaining to the value of my portfolio. Absolutely. And that's how the margin cost comes in. So I have never ventured inside it. So I had a question for you. If at some point you can like, you know, guide or have a session on what they call cash secured puts. I'm not 100% sure, but what I hear every now and then is, let's say for example, Amazon currently is at $210 and I want to sell cash secured puts at say 180 or something like that, then there is a premium involved to it. What it allows me to do is it allows me to collect that premium. And I keep the premium till Amazon doesn't hit 180.

Correct.

If it hits 180, I'm obliged to buy it. And, you know, so that means if I bought one option, that means I have to have $18,000. in my account.

Exactly, exactly.

So and if it doesn't close it at 180 and let's say it closes at 190 or whatever it is, whatever premium I had collected, I keep it. Is that correct?

That is correct, yes, because that's the first thing I said, the exactly that the you must have the capacity to see Amazon go from 180 to zero, you have to have $18,000. They will not let you write a port or sell a port without that. So when you're writing or selling options, it's not the right thing to do for, you know, if you're starting out. And different brokerages, basically you have to have that money. Simply.

Yeah. But what I'm doing here is I am sick. I mean, okay, I'm taking a bag that right now Amazon is just 210. I mean, what I'm saying is I don't want to buy Amazon at 210. I'm willing to buy Amazon at 180. I understand. Amazon can go down to 150 or 100. Yeah, that's my loss. But as long as I have $18,000 in my brokerage account, I'm secure. Means, okay, I'm buying. So if Amazon goes to 180, I will own Amazon at 180.

Correct.

But if Amazon only falls to 205 or something like that till my options are expired, because this kind of, I think the cash puts are always on a very longer date. Like they are like 12. I mean, normally people will buy it at six months or 12 months or something like that, and they collect that premium as well.

Sure. Yeah.

So that is something like, First of all, I have account with Swap, but to open an option account with them is also a challenge. They ask you a question, this, that. And I have never been successful. So I recently opened an account with interactive brokers where I can do it, but I haven't funded it yet.

Got it.

So I want to tip my toe in there, but I want to do it mostly with cash secure output. That means, let's say like Amazon or like Uber or something like that. I would appreciate if we can do some kind of a lesson in there to understand like how that will work.

Like, the mechanics of it. Yeah, sure. We can schedule something at some point. Yeah, sure. We'll do it.

Yeah, that's that would be. And if it is possible, if we can do it while it's like, I mean, if it's not possible in a live, but we can always like, you know. be doing it to understand on a Friday or something like that, or a Thursday, so that if you want, you can like, you know, understand and and follow the strategy and see it on a Monday or Tuesday that you know whether it makes sense or not.

Yeah, I I think we can work out something of that nature. Sure. And let me give it some thought. Yeah, sure.

OK. Yeah.

Because, you know, mechanics of The account. Cool. Okay, guys. Thanks. It's thanks a lot. Pretty long session.

Yeah.

I think I'm sure we'll be visiting this topic again. All right. Good luck, guys. Have a great session.

Actually, when I go to like Charles shop, I see. there's a tab called options. Once I go to that options, okay, it says enter the symbol. Let's say I enter Nvidia. It kind of simply shows that, okay, you know what you want to do as if you're placing an order call or put an all. But where do I see the chart in terms of the premium rates and those kind of things?

It should show up very similar to this and give you these, you know, these different options for the chart that no no whenever like whenever you press options it'll it'll ask you like you know you want it how close you want it to the money you want to show all it it should be like that it should show you five strikes which means between you know just this much or 50 strikes which is all the way so it should show you that

okay okay I'll I'll explore

yeah explore that and then you know about If we do one session for the mechanics, then I can easily walk you through that and help you out there.

Yeah, okay. And before we wrap up the session, one last question. You know what happened on Friday and I was kind of looking at it. Probably it was not a big catalyst or the thought process that it changed. Is it something like. Was there a big catalyst or it's the bargain hunters?

No, not just that. MicroStrategy actually didn't fall apart, which was the fear. You see, it was up 26% on Friday. The fear was that if MicroStrategy tanked because of Bitcoin, the contagion would have spread everywhere.

I see, because it sort of controlled for whatever reason.

Yeah.

That brought the market sentiments up.

It brought the market sentiment very strongly in the morning. And it turned around and a lot of dip bias came out. A lot of dip bias came out, which was, you know, which is great for the market. But I see.

Okay.

So then when they go out, 9000 bucks. Yeah.

Yeah, so Monday kind of fits if it is going to be stay in a positive direction, hopefully.

I'm very happy when the market keeps going up. So I'm not, you know, I don't want the market to go down, but my focus has become very cautious. So I don't know yet. I really don't know how.

But the whole fear of like, you know, what is AI is doing to the SaaS and all. That kind of thing kind of got a little bit settled there.

That was another good thing that at least, you know, if it's not on the front page, now the front page is crypto, suddenly people are talking less about that. So it's always sometimes when you wake up in the morning and say, oh, this is what is happening, I also want to get into jump in, you know. So sometimes that diverts the, that becomes a catalyst and diverts the, the fear, you know, to something other fear.

Got it. Got it. Thanks a lot. Thank you.

No problem. Take care, guys. Yeah.

Thank you. Bye bye.