



A Fidelity Investments Webinar
Selling Options

BROKERAGE: OPTIONS





Options Trading Webinar Series

Introduction to Options

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

Buying Options

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

Selling Options

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

Options Trade Management

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

Options Pricing

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



Agenda



Sell Covered Calls

What Is a Covered Call?

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

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

Why Sell Covered Calls?

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

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

Covered Call Strategy



Situation

Long 100 shares
of QRS stock
at \$92



Market Forecast

Neutral to
moderately bullish
on the stock



Action

Sell one QRS APR 95
call for \$1

Covered Call: Profit and Loss Table



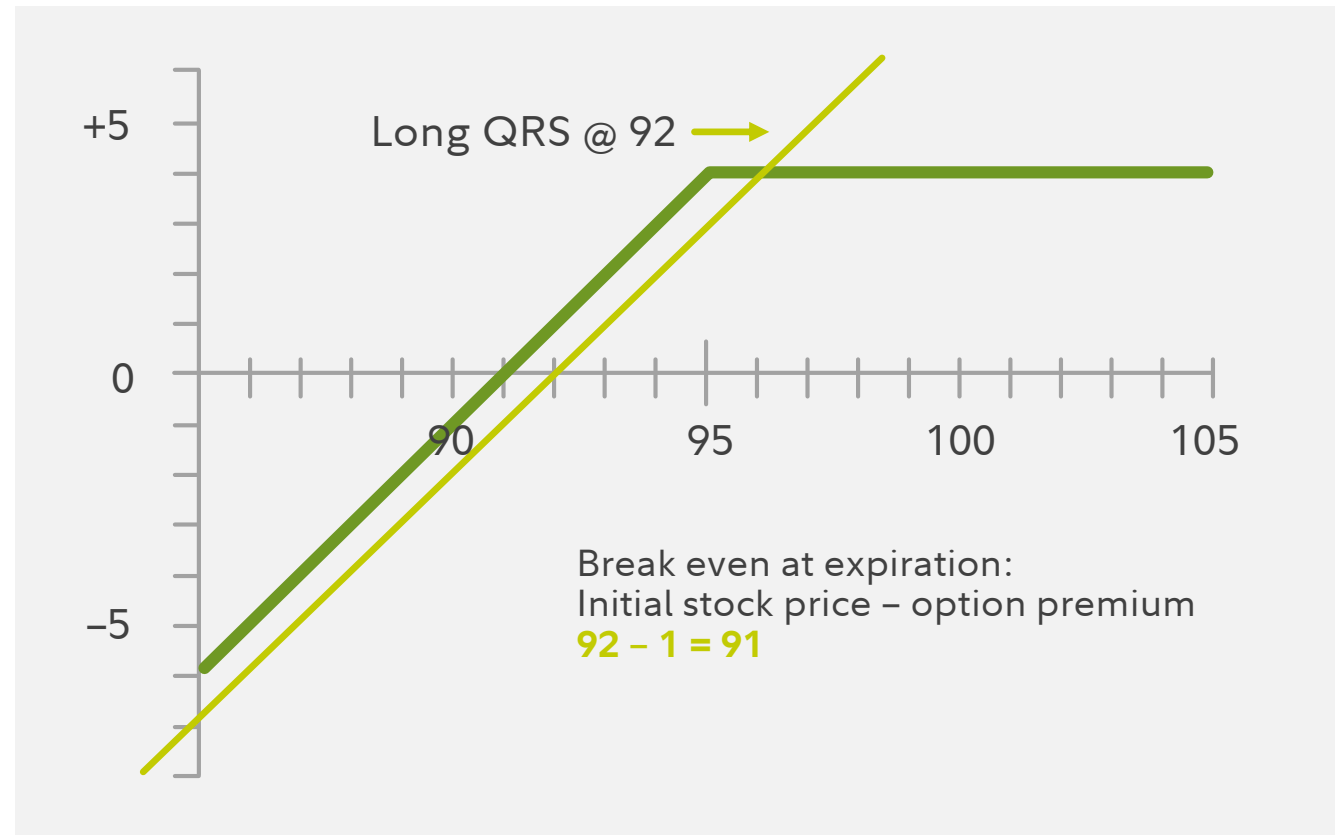
Long 100 QRS @ 92
Sell one QRS APR 95 Call @ 1.00

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

Covered Call: Profit and Loss Diagram

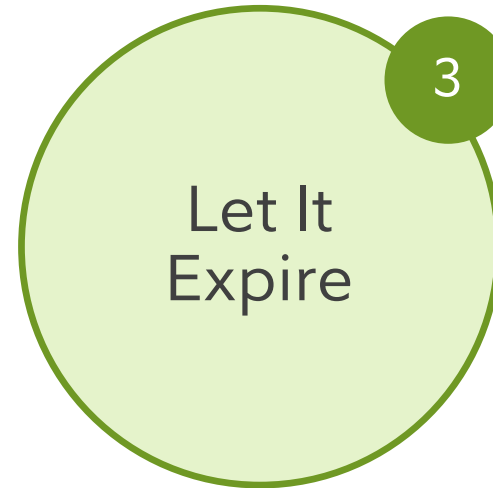
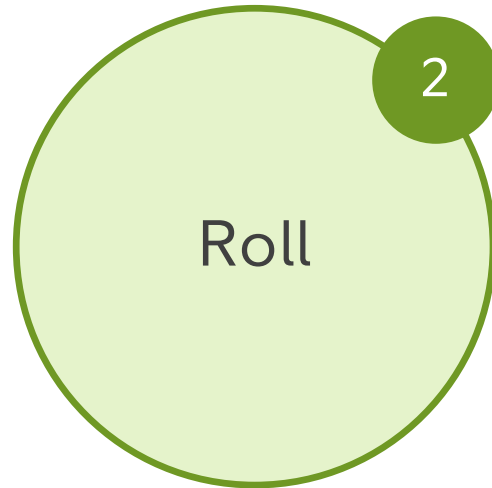


Long QRS @ 92,
Sell One 95 Call
@ 1.00



Strategy Management

Now What?





Sell Cash-Secured Puts

What Is a Cash-Secured Put?

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

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

Why Sell Cash-Secured Puts?

1

Target a
buying
price

2

Earn
income

3

Earn
interest
on cash

Cash-Secured Put Strategy



Situation

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



Market Forecast

Neutral to slightly bullish on the stock
Would like to buy stock if the price dips lower



Action

Sell one QRS 90 put for \$1 (receive \$100)
Deposit \$9,000 to cover the obligation

Cash-Secured Puts: Profit and Loss Table



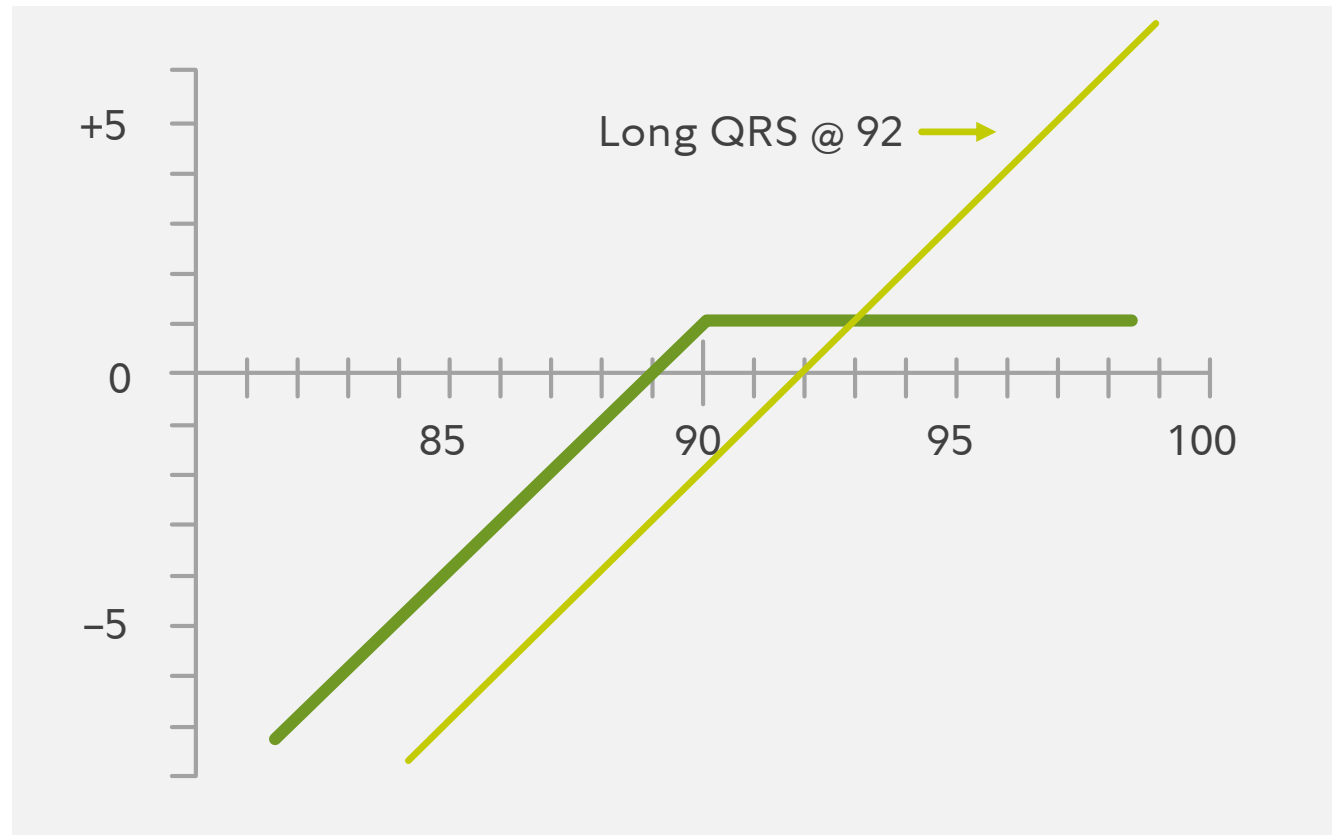
Sell 1 QRS APR 90 Put @ 1.00

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

Cash-Secured Puts: Profit and Loss Diagram

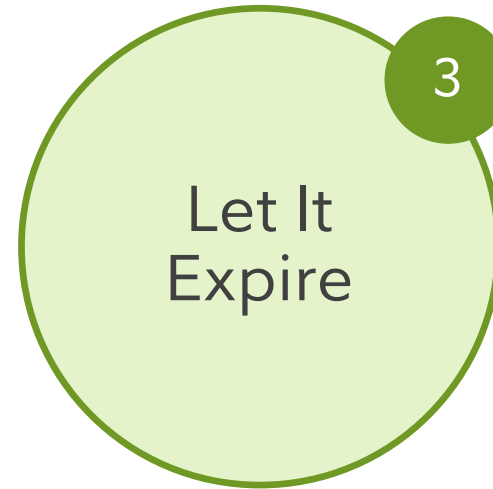
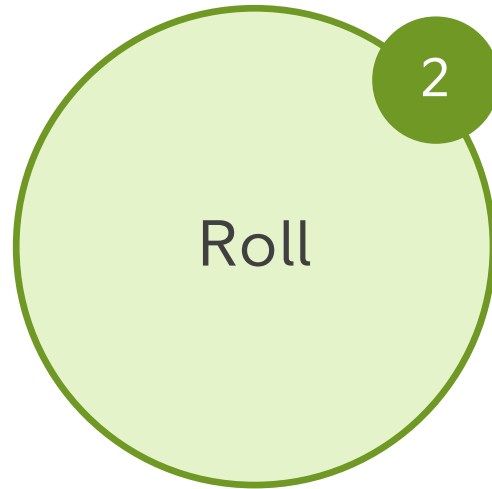


Long QRS @ 92,
Sell 90 Put @
1.00



Strategy Management

Now What?

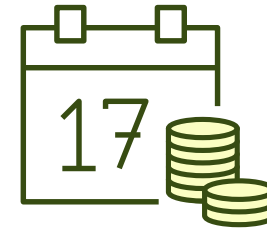


Summary of Selling Options



Selling Covered Calls

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



Selling Cash-Secured Puts

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



Execute a Trade

Before You Place a Trade, Consider...



1

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

2

Consider how much risk you are comfortable taking on

3

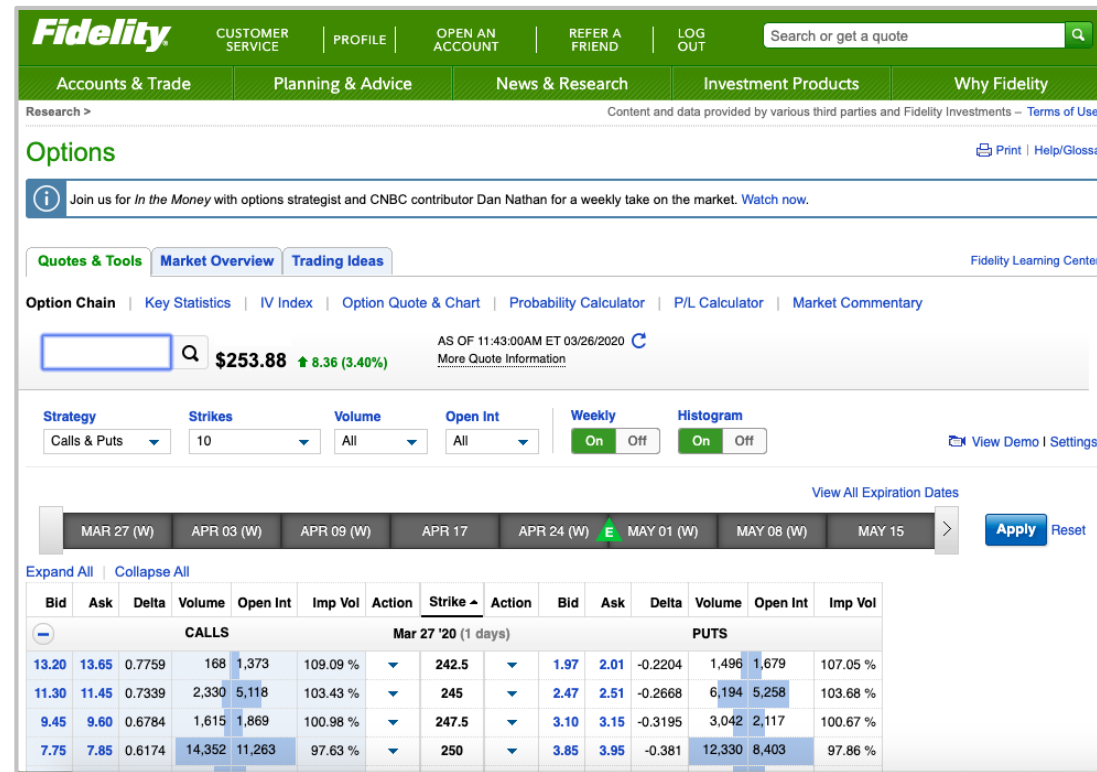
Be aware of position size to manage your risk

Place a Trade on Fidelity.com

News & Research > Options > Option Chain

Benefits of starting a trade from the Option Chain

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



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Options

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Quotes & Tools | Market Overview | Trading Ideas | Fidelity Learning Center

Option Chain | Key Statistics | IV Index | Option Quote & Chart | Probability Calculator | P/L Calculator | Market Commentary

AS OF 11:43:00AM ET 03/26/2020 [More Quote Information](#)

Strategy: Calls & Puts | Strikes: 10 | Volume: All | Open Int: All | Weekly: On | Histogram: On

View All Expiration Dates

MAR 27 (W) | APR 03 (W) | APR 09 (W) | APR 17 | APR 24 (W) | **E** MAY 01 (W) | MAY 08 (W) | MAY 15 | [Apply](#) [Reset](#)

Bid	Ask	Delta	Volume	Open Int	Imp Vol	Action	Strike	Action	Bid	Ask	Delta	Volume	Open Int	Imp Vol	
CALLS															
Mar 27 '20 (1 days)															
13.20	13.65	0.7759	168	1,373	109.09 %	▼	242.5	▼	1.97	2.01	-0.2204	1,496	1,679	107.05 %	
11.30	11.45	0.7339	2,330	5,118	103.43 %	▼	245	▼	2.47	2.51	-0.2668	6,194	5,258	103.68 %	
9.45	9.60	0.6784	1,615	1,869	100.98 %	▼	247.5	▼	3.10	3.15	-0.3195	3,042	2,117	100.67 %	
7.75	7.85	0.6174	14,352	11,263	97.63 %	▼	250	▼	3.85	3.95	-0.381	12,330	8,403	97.86 %	
PUTS															

Place a Trade on Fidelity.com

News & Research > Options > Option Chain

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

Settings

i Try our new option trading experience—designed to make trading fast & simple.
[Test drive it today](#)

Account

As of 04/27/2020 5:01pm ET Refresh	
Total Account Value	\$7,662,998.27
Margin Buying Power	\$15,457,353.96
Non-Margin Buying Power	\$7,642,352.61
Committed to Open Orders	\$0.00
Settled Cash	\$0.00

As of 04/27/2020 04:00pm ET [Refresh Quotes](#)

Underlying

Strategy **Calls & Puts** Edit Symbol

Last ARCX	Change	Bid ARCX	Ask ARCX	
\$287.05 x 0	4.08	287.00 x 3	287.02 x 1	

Action	Qty	Expiration	Strike	Call/Put
Option	Buy to Open	Dec 16, 2022	295	Call

Leg	Description	Last	Change	Bid Size	Bid	Ask	Ask Size
Option	Dec 16 2022 295 Call	\$35.22	3.59	558	33.05	35.42	45

Route Auto

Order Type

Time in Force Trade Type Margin

Estimated Profit/Loss at Expiration

Max Gain -- Break Even -- Max Loss -- [Margin Calculator](#)

Skip Order Preview

Real-Time Quote [Refresh](#)

Last [Tick]	35.2200 [+]	Change	+ 3.59
Volume	353	% Change	+ 11.35
Open	34.00	Bid	33.05
Day High	35.22	Bid Size	558
Day Low	33.27	Ask	35.42
Prev Close (04/24/2020)	31.63	Ask Size	45

Positions Orders Balances

View 38 positions [Refresh](#)

Symbol	Qty	Cur	Price	Va
016735102	100.000	CAD	n/a	
		USD	n/a	
03524A108	100.000	CAD	n/a	
		USD	n/a	
0HBI:GB	-20,200.000	EUR	35.80	-72
		USD	\$38.76	-\$78
135087XG4	150,000	CAD	161.43	24
		USD	\$114.60	\$17
33761N109	7,710.000	CAD	70.83	54

RELATED LINKS

- [Trading Profile](#)
- [Option Summary](#)
- [Option Chain](#)
- [Probability Calculator](#)
- [Profit and Loss Calculator](#)
- [Reassign Lots](#)
- [Option Ticket - Demo](#)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal will fluctuate, so investors may have a gain or loss when shares are sold. Current performance may be higher or lower than what is quoted, and investors should visit [Fidelity.com/performance](#) for most recent month-end performance.

22 The screenshot is for illustrative purposes only.

Now What?

LONG OPTIONS

Sell it

Exercise it

Let it expire

SHORT OPTIONS

Buy it back

Fulfill obligation
when assigned

Let it expire



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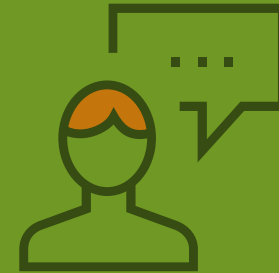
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Visit the Fidelity Learning Center



Learn more
about options

Read: Access the Options Strategy Guide

Watch: Check out videos that cover options basics

Attend: Register for monthly webinars

Glossary

Covered Call

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

Cash-Secured Put

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

Thank You



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Important Information



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

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

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

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