



# One Leg or Two? Optimizing your options strategy

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# Agenda

Options strategies

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Considerations

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Single leg option strategy

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2 legged option strategy

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Common pitfalls to avoid

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# Consider a Bullish Outlook

We'll cover 2 scenarios:

- Trading a breakout
- Trading a long-term trend



Factors to consider:

- Time horizon (Theta)
- Volatility outlook (Implied Volatility)
- Expectations of price movement
- What you're trading
- Probabilities and risk reward

# Trading a Breakout

If you have a **short time horizon**, looking for ways to **minimize capital** or expect an **increase in volatility**, then you may want to consider....

A **long call** option strategy

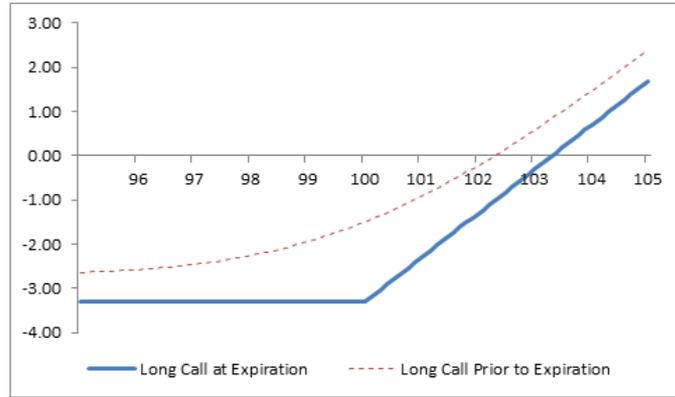


## Trader's Tip

Allow your outlook to define the strategy.  
Don't allow your strategy to define your outlook.

# Long Call: Single Leg Strategy

Profit/Loss diagram and table: Long 100 Call @ 3.30



Outlook	Bullish
Construction	Buying a call
Max Gain	Unlimited
Max Loss	Call premium paid
Breakeven @ expiration	Strike price + Call premium paid



## Trader's Tip

There are several different approaches that can tailor your trade to your risk and trade style.

Read more about the [long call strategy](#).



News & Research > Learning Center > Options Strategy Guide

# Placing the Trade

Strike	Bid	Ask	% Chg	Volume	Open Int	IV Mid	Delta	Gamma	Theta	Vega
Jan 17 '20 (248 days)										
CALLS										
165	30.95	32.10	6.62	26	7,084	28.35 %	0.7662	0.007	-0.0249	0.4754
170	27.95	28.25	9.96	108	26,436	27.82 %	0.7279	0.0077	-0.0268	0.5144
175	24.35	24.95	8.74	153	27,989	27.38 %	0.6861	0.0084	-0.0286	0.5488
180	21.55	21.85	8.68	274	19,105	26.93 %	0.6417	0.009	-0.0299	0.5772
185	18.70	19.00	9.94	271	12,999	26.53 %	0.595	0.0094	-0.0308	0.5983
190	16.10	16.45	10.07	2,949	18,770	26.17 %	0.5469	0.0098	-0.0312	0.6116
195	13.75	14.10	8.53	300	14,895	25.84 %	0.4982	0.01	-0.0312	0.6157
200	11.70	11.90	7.34	1,708	71,218	25.58 %	0.4498	0.01	-0.0308	0.6111
205	9.85	10.10	8.85	532	12,484	25.29 %	0.402	0.0099	-0.0298	0.5978
210	8.20	8.50	8.11	2,227	22,557	25.02 %	0.3565	0.0096	-0.0285	0.5769

TRADE

INDIVIDUAL

Margin Buying Power \$9,188.68  
Non-Margin Buying Power \$4,576.92

Symbol 200117C190

Action Buy to Open

Quantity 1

Order Type Limit

Limit 16.40

TIF Day

Conditions None Type Margin

Preview Clear All

JAN 17 2020 \$190 CALL

16.40 +  
1.50(10.07%)

B 16.10 x 10  
A 16.45 x 3  
V 2,949



## Trader's Tip

Account can be selected to pre-fill trade ticket when selected under settings.

# Long Call Considerations

- Timeframe of breakout
- Time decay
- In-the-money (ITM)
- Out-of-the-money (OTM)
- Implied volatility

Delta 71.443 | Gamma .0723 | Theta -3.687 | Vega 58.383



## Trader's Tip

Delta is used to measure the equivalent long/short share exposure.

Manage your trade:

- Leave alone
- Close out
- Roll out

# Trading a Long-Term Trend

If you have a **longer term horizon**, looking for ways to **minimize capital at risk**, or concerned with a **higher probability trade**, then you may want to consider...

A **bull call spread** option strategy



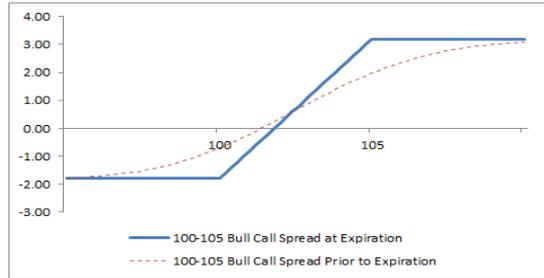
## Trader's Tip

Spread trades are slower to reach max gain/loss when compared to a single leg strategy.

# Bull Call Spread: 2 Legged Strategy

## Profit/Loss diagram and table: bull call spread

Long 1 100 Call at (3.30)  
Short 1 105 Call at 1.50  
Net Cost = (1.80)



Outlook	Bullish
Construction	Buying a lower strike call and selling a higher strike call
Max Gain	Difference between the strikes – premium paid
Max Loss	Premium paid
Breakeven @ expiration	Lower strike price + Premium paid



## Trader's Tip

Traders will typically buy the lower strike ITM and sell higher strike OTM.

Read more about the [bull call spread strategy](#).



News & Research > Learning Center > Options Strategy Guide

# Placing the Trade

Net Bid	Mid	Net Ask	Strike	Net Bid	Mid	Net Ask
13.75	17.175	20.60	140 / 160	2.99	3.14	3.29
13.60	16.075	18.55	145 / 165	3.60	3.775	3.95
13.25	14.775	16.30	150 / 170	4.25	4.475	4.70
12.35	13.725	15.10	155 / 175	5.00	5.225	5.45
11.55	13.125	14.70	160 / 180	5.85	6.075	6.30
11.95	12.675	13.40	165 / 185	6.75	7.00	7.25
11.50	11.825	12.15	170 / 190	7.65	7.925	8.20
10.25	10.725	11.20	175 / 195	8.65	8.925	9.20
9.65	9.90	10.15	180 / 200	9.65	10.00	10.35
8.60	8.875	9.15	185 / 205	10.65	10.95	11.25
7.60	7.925	8.25	190 / 210	11.60	11.90	12.20
6.65	6.975	7.30	195 / 215	12.60	13.05	13.50
5.90	6.075	6.25	200 / 220	13.35	13.975	14.60
5.05	5.55	6.05	205 / 225	14.35	14.70	15.05
4.25	4.475	4.70	210 / 230	13.30	14.60	15.90
3.55	3.945	4.34	215 / 235	14.15	15.40	16.65
2.74	3.01	3.28	220 / 240	14.15	16.40	18.65
1.88	2.32	2.76	225 / 245	15.10	17.40	19.70
2.02	2.155	2.29	230 / 250	15.65	18.725	21.80
1.30	1.605	1.91	235 / 255	16.15	19.05	21.95
1.25	1.605	1.96	240 / 260	15.40	19.35	23.30
0.84	0.95	1.06	250 / 270	15.95	19.975	24.00
0.25	0.505	0.76	260 / 280	15.75	19.975	24.70

**MULTI-LEG OPTION TRADE**

INDIVIDUAL

Margin Buying Power: \$9,188.68    Non-Margin Buying Power: \$4,576.92

Symbol: [ ]    Spread: [ ]

Leg 1: Buy to Open | 1 | Jan 17 2020 | 190 | Call

Leg 2: Sell to Open | 1 | Jan 17 2020 | 210 | Call

Order Type: [ ]    Amount: [ ]    Net Debit: 8.00

TIF: Day    Conditions: None    Route: AUTO

Trade Type: Margin

Net Bid: 7.60    Mid: 7.925    Net Ask: 8.25

Preview    Clear All

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Exchange Quotes    Leg Quotes

	Net Bid	Mid	Net Ask
COMP	7.60	7.925	8.25
CRQE	6.85	8.25	9.65
ISE	3.55	7.80	12.05

PROFIT/LOSS AT EXPIRATION

Max Gain: \$1,200.00

Max Loss: -\$800.00

Break Even: AAPL at 198.00

Analyze Profit & Loss



## Trader's Tip

Mid-point price is what many traders will try to achieve.

# Bull Call Spread Considerations

- Provide sufficient time to allow trade to develop
- Willing to cap gains to offset option centric risks
- Spreads need time to work towards max gain
- Max loss is less compared to outright long call

Delta 18.73 | Gamma .0009 | Theta -.535 | Vega 4.304



## Trader's Tip

Spreads help offset IV impacts and time decay.

Manage your trade:

- Leave alone
- Close out
- Roll out

# Common Pitfalls



Using the same strategy because it worked before

Selling the additional leg to stop losses on the long leg

No exit strategy needed

# Key Takeaways

- Key factors to analyze include: time horizon, outlook on IV, price move expectancy, reason for trade, and risk/reward balance
- Single and 2 legged option strategies should be considered for different reasons, know the tradeoffs of using one over the other
- Use an option strategy that gives you a risk/reward balance that matches what you're looking to trade
- Take advantage of the options tools we provide to help analyze these factors and make confident trading decisions

# Use the Fidelity Learning Center at home to...

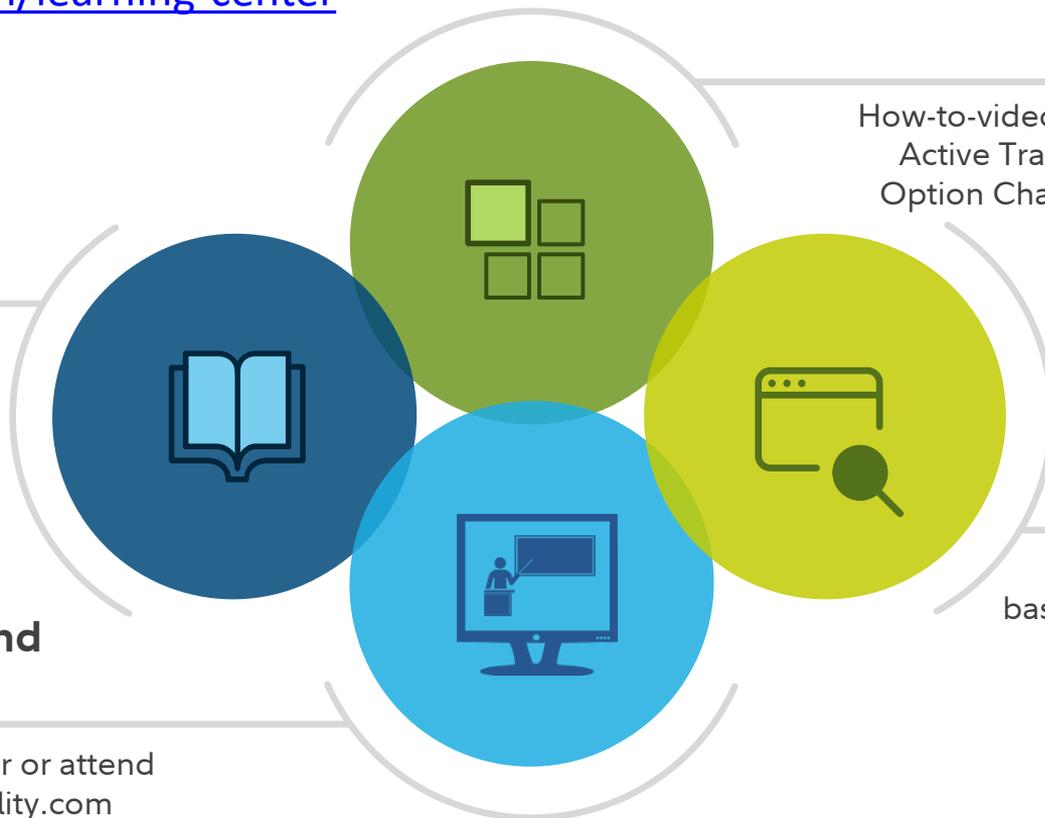
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## Watch videos

How-to-videos show you the tools in Active Trader Pro® - for example, Option Chain and Option Statistics

## Options Strategy Guide

Discover new strategies based on outlook, potential profit, and risk



## Read articles

Learn about strategies and trading tips

## Attend seminars and webinars

Register for a local seminar or attend monthly webinars on Fidelity.com

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- ✓ Download Active Trader Pro®
- ✓ Attend a coaching session
- ✓ Register for an options educational event

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trading platform

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Create a more effective, overall  
trading strategy

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