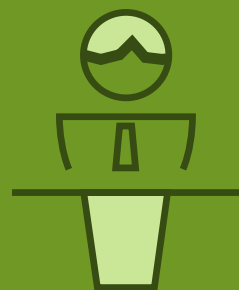




A Fidelity Investments Webinar
Selling Options

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)

Company trading symbols are provided as examples and for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.

8 Examples do not take into account commissions.

Covered Call: Profit and Loss Diagram

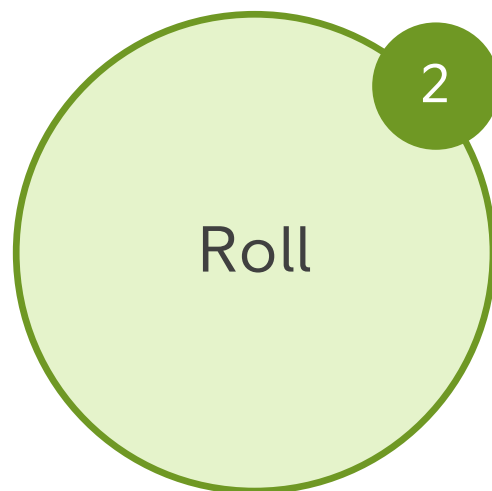


Long QRS @ 92,
Sell One 95 Call
@ 1.00



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



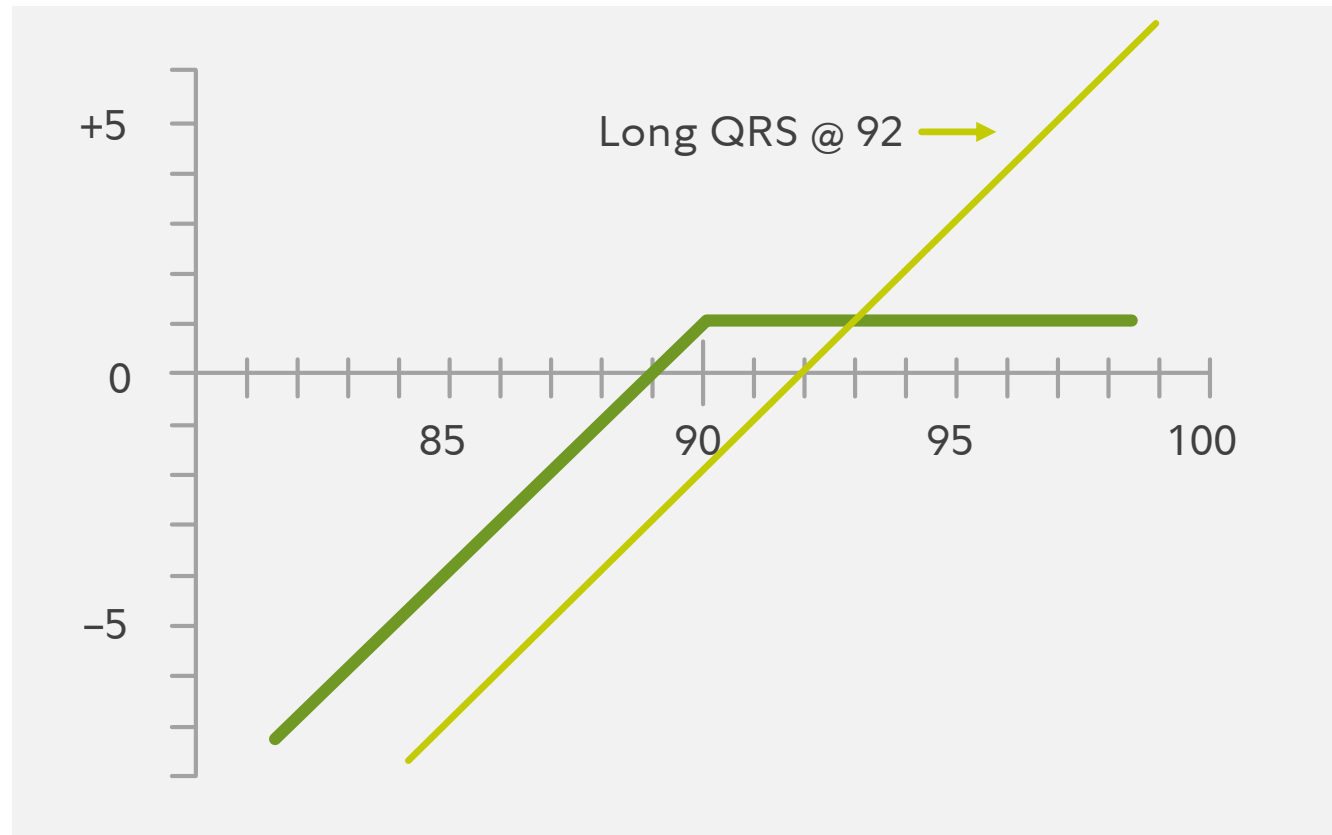
Sell 1 QRS APR 90 Put @ 1.00

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

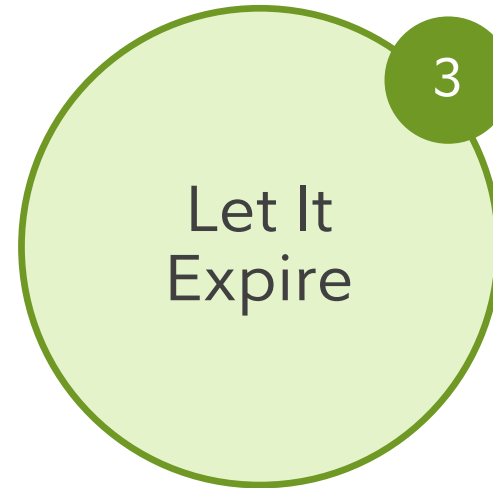
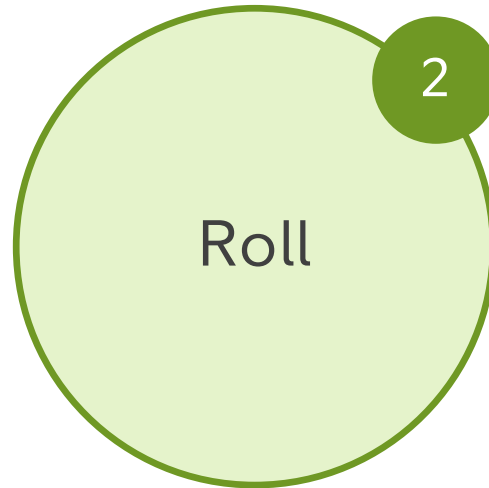


Long QRS @ 92,
Sell 90 Put @
1.00



Strategy Management

Now What?

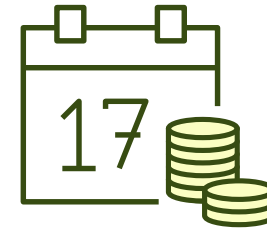


Summary of Selling Options



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

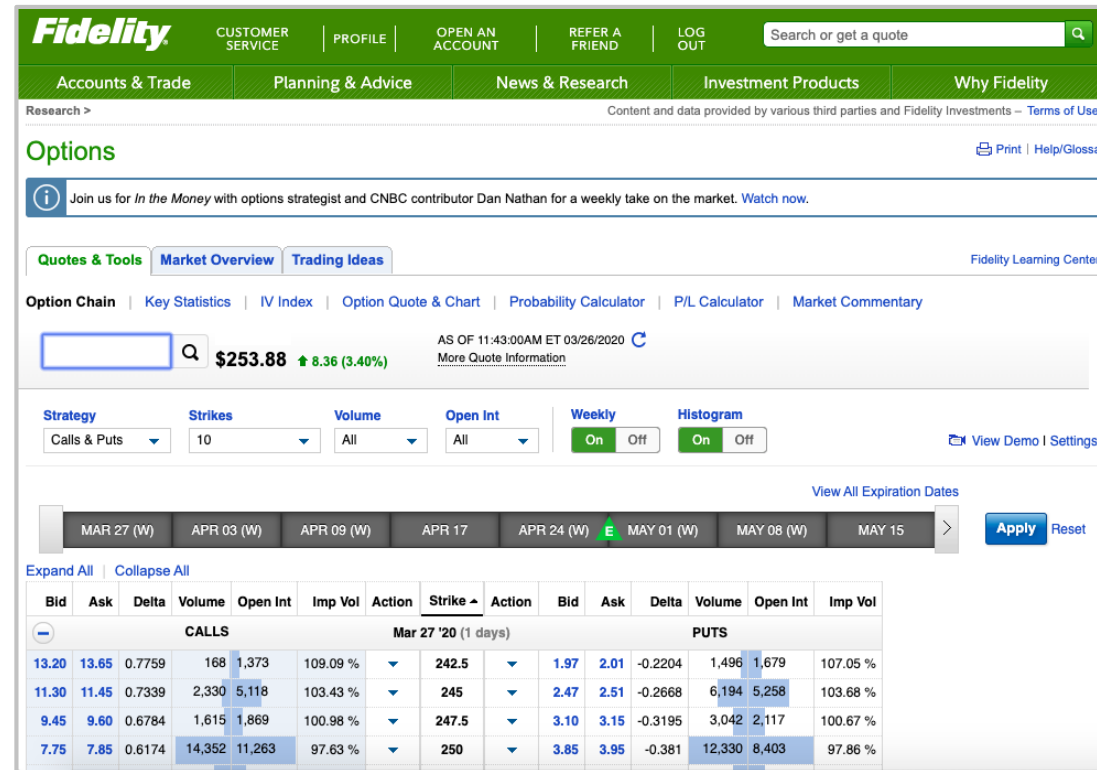
Be aware of position size to manage your risk

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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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) | **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															

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

[Settings](#)

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[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**

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

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 [Select](#)

Time in Force [Day](#) Trade Type [Margin](#)

Estimated Profit/Loss at Expiration

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

Skip Order Preview [Place Order](#)

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 [All Securities](#) 38 positions [Refresh](#)

Symbol	Qty	Cur	Price	Val
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](#)

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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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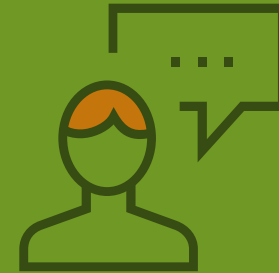
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Learn more
about options

Read: Access the Options Strategy Guide

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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



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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.

The information in this presentation, including examples using actual securities and price data, is strictly for illustrative and educational purposes only and is not to be construed as an endorsement, recommendation.

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