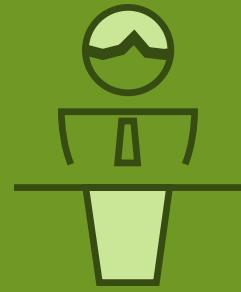




A Fidelity Investments Webinar
Selling Options

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

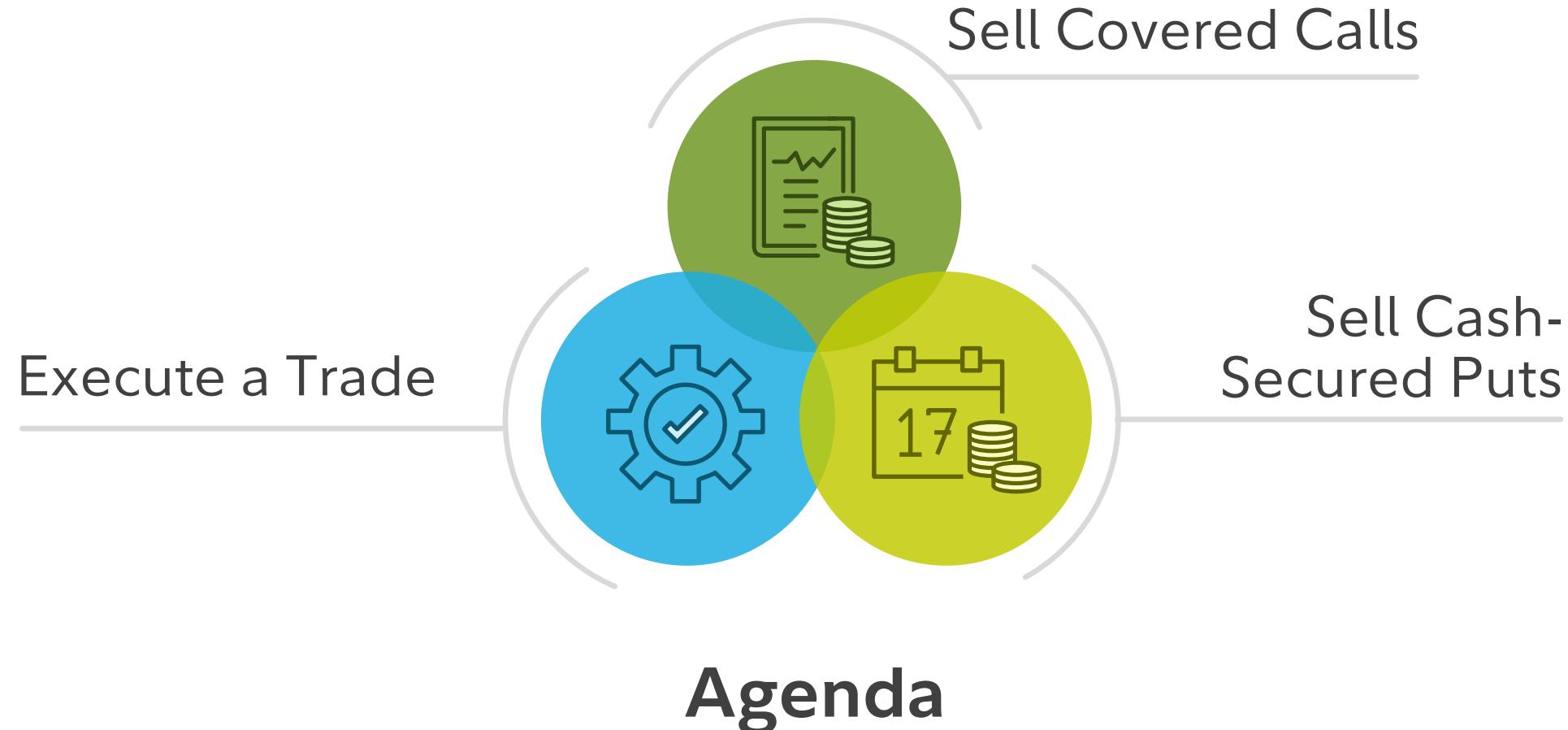
Understand what to expect when selling options; learn how to navigate the risks associated with selling.

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.





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



Covered Call: Profit and Loss Table



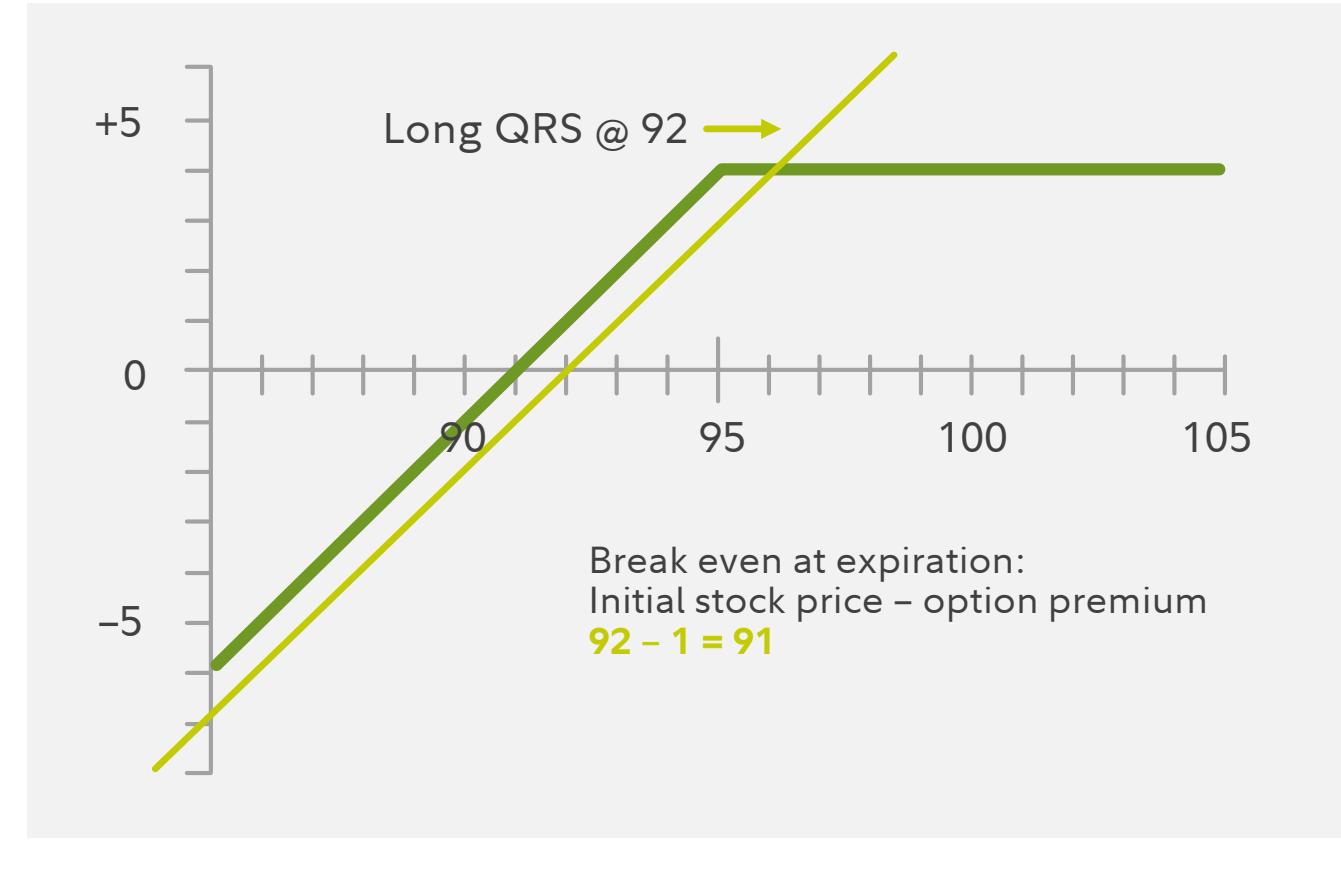
Long 100 QRS @ 92
Sell one QRS APR 95 Call @ 1.00

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



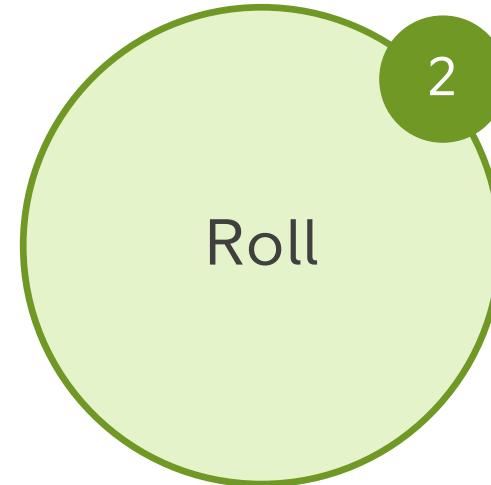
Strategy Management



Now What?



Buy to Close



Roll



Let It
Expire



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?

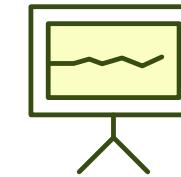


- 1 Target a buying price
- 2 Earn income
- 3 Earn interest on cash

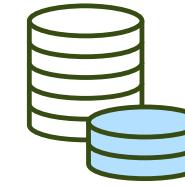
Cash-Secured Put Strategy



Situation



Market Forecast



Action

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

Neutral to slightly bullish on the stock

Would like to buy stock if the price dips lower

Sell one QRS 90 put for \$1 (receive \$100)

Deposit \$9,000 to cover the obligation

Cash-Secured Puts: Profit and Loss Table



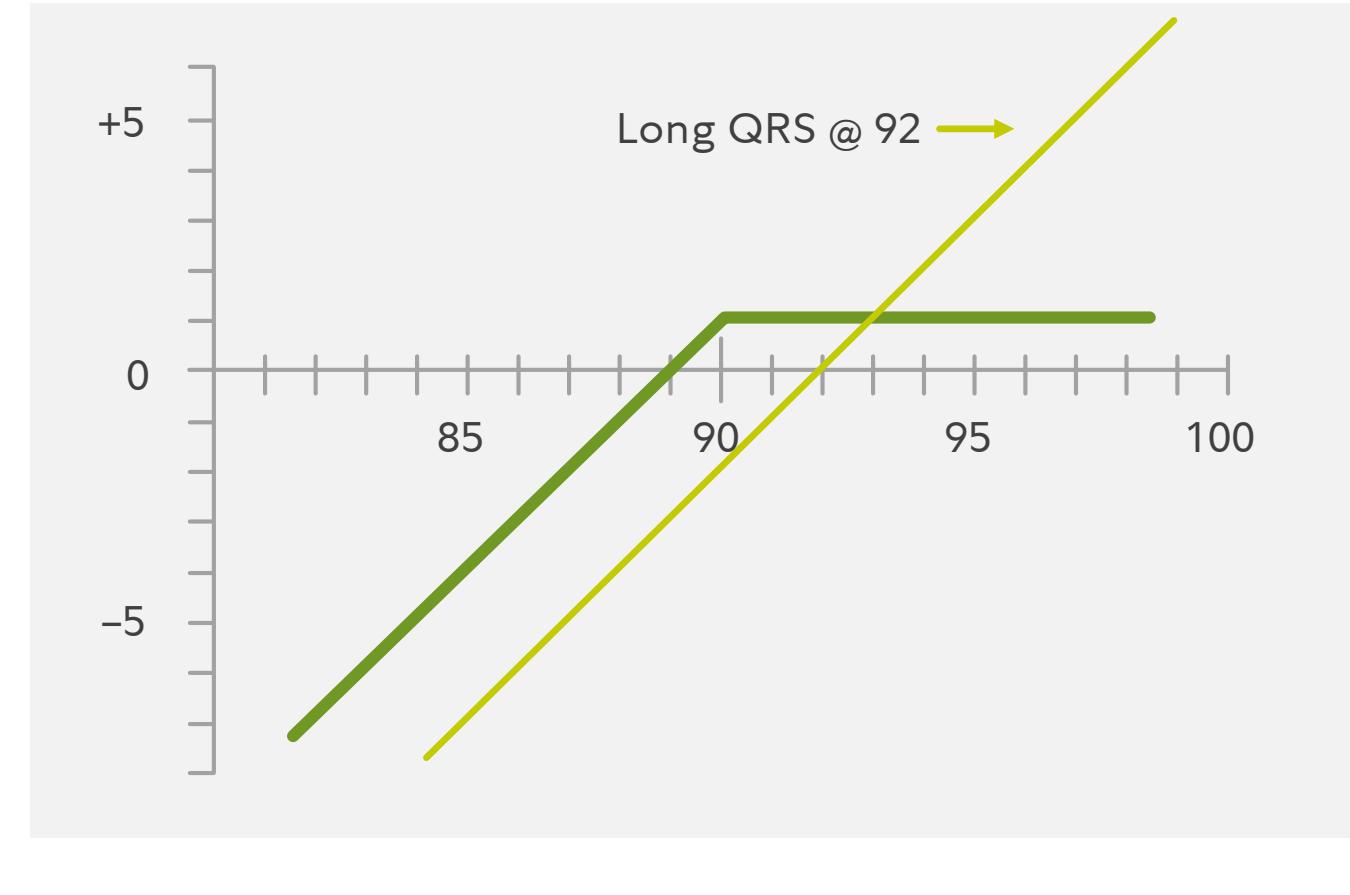
Sell 1 QRS APR 90 Put @ 1.00

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



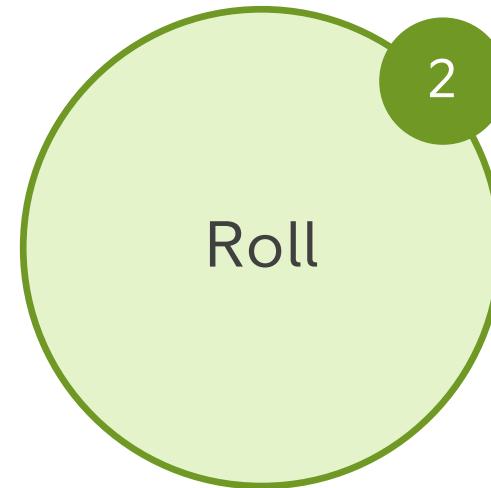
Strategy Management



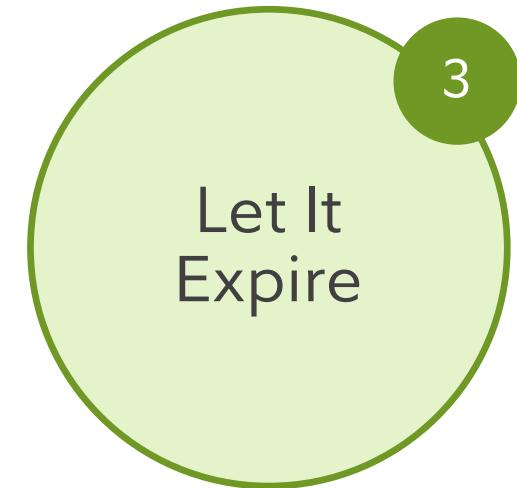
Now What?



Buy to Close



Roll



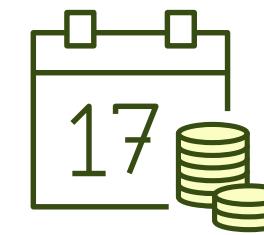
Let It Expire

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

CALLS										PUTS									
Bid	Ask	Delta	Volume	Open Int	Imp Vol	Action	Strike	Action	Bid	Ask	Delta	Volume	Open Int	Imp Vol					
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 %					

Place a Trade on Fidelity.com

News & Research > Options > Option Chain



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

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](#) [Last ARCX](#) [Change](#) [Bid ARCX](#) [Ask ARCX](#)

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

[Edit Symbol](#)

Action Qty Expiration Strike Call/Put

Buy to Open	<input type="button"/>	Dec 16,2022	295	<input type="button"/>	Call	<input type="button"/>
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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
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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](#)

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.

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

[Settings](#)

Positions [Orders](#) [Balances](#)

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

Symbol	Qty	Cur	Price	Val
016735102	100,000	CAD USD	n/a	n/a
03524A108	100,000	CAD USD	n/a	n/a
0HB1:GB	-20,200,000	EUR USD	35.80	-72
135087XG4	150,000	CAD USD	161.43	24
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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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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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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upcoming webinars

For more information, please visit
Fidelity.com > News & Research > Options

Questions? Contact a Fidelity representative at
877-907-4429

Important Information



Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, contact Fidelity Investments by calling 800-544-5115 to receive a copy of *Characteristics and Risks of Standardized Options*. 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.

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.

Any screenshots, charts, or company trading symbols mentioned, are provided 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. Investing involves risk, including risk of loss.

Technical analysis focuses on market action – specifically, volume and price. Technical analysis is only one approach to analyzing stocks. When considering what stocks to buy or sell, you should use the approach that you're most comfortable with. As with all your investments, you must make your own determination whether an investment in any particular security or securities is right for you based on your investment objectives, risk tolerance, and financial situation. Past performance is no guarantee of future results.

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