TRANSCRIPT

What you need to know when making your first options trade

Edward Modla: Welcome to those of you who are joining us for the first time. And thank you to those who have stuck with us through the three sessions. We've covered a lot -- options basics, core concepts, some elements of pricing, some Greeks. I want to now outline some things you might need to know and some considerations before making your first trade. And I'll have a brief explanation, a bit more of a random presentation here but with useful material. And I'm really looking forward to John walking through an example and helping people understand what they'll see and how it works when you do enter a trade and track it.

First the disclaimer. Options are a complex tool not suitable for everyone. It does take a deep and complete understanding of the product before using it in a live account.

And here's our outline for today. I'm going to start by defining cycles and chains through an example and some definitions. I'll also outline the different types of orders that are allowed but really focusing on the most common types with some commentary there along with some metrics you might be using --

volume and open interest and some of the Greek metrics that you could see on your platform. Have a discussion there before just outlining contract adjustments. And before we get to contract adjustments there's an exercise that I will show which will provide some insight -- especially for those of you who are new to options but even those of you who have traded options who may not dissect your account statement every time you have an open position. I'll have an exercise walking through what you can expect to see there.

So starting with cycles and chains and going way back to the launch of the industry in the early '70s. Of course there was a different capabilities from a technical perspective back in the early '70s through the '80s and stocks that had options listed were broken up into one of three cycles. And the expiration dates they were given depended on which cycle they were a part of. Well as we've made progress through the years and technology can handle a whole lot more this structure -- this foundation -- has still remained in place although with an awful lot of changes.

Back in the day many, many years ago options expirations did not overlap each other amongst the cycles. But today the two near term consecutive calendar months will trade. For a little bit of background the exchanges have complete control over what stocks will get listed options. And they have some criteria that they look for including having a stock price above three dollars a share, listed on a national exchange. I believe the current criteria is for at least seven million shares in float and for at least 2,000 unique shareholders outside of insiders. Those are the type of criteria that the exchange looks at when they decide a particular stock is going to get options.

The exchanges also decide what expiration dates are going to be listed. Now that stock will be given one of these cycle designations. And at the very least they will have four expirations going out to four months. And a monthly expiration -- for clarity -- is the third Friday of the month. So every single option that exists -- every single stock that has options will have four trading months. And it includes -- I'm going to the bullets here -- the two nearest term consecutive calendar months. We're going to clear this up on an example on the next slide. So the first two near-term consecutive months -- all stocks will have those. Plus, the next two farther-term cycle months that correspond to which cycle that stock is listed in.

Many of you are already thinking there's a lot of symbols that have an awful lot more expirations than this. And that's true. Over time as the exchanges from a technical perspective could manage a greater number of expirations we've seen leaps get listed. We've seen weeklies. There certainly are a lot more expirations and strike prices available. By last count the last I had heard the total number of options that exist across all stocks, all expirations, and all strikes is just under one million. And that's a pretty hefty number. So the exchanges don't take this decision lightly. And when stocks do trade frequently the exchanges want to give investors what they're looking for. And that's when leaps, and weeklies, and certain symbols -- maybe multiple expirations within the week -- will come into play.

It's so useful to know this information if you're trying to look ahead because many symbols only have these four months. Less frequently traded stocks may just have four months and now you can tell exactly which months they will be. And as one expires what's the next one that's going to come on the board to be listed. Let's just look through a quick example before we move forward into the chains.

Here we have stock XYZ and we're saying that it's a Cycle 2 option and let's just say we are currently in December. So which months are available to trade? Assume there's no weeklies here, no leaps, nothing extraordinary with the more frequently traded symbols. Which two are going to trade? We know the first two months are going to trade. That's December and January. And then the next two months according to its cycle. If we already have December and January and this is a Cycle 2 option the next two are February and May. So you would expect to see December, January, February, and May expirations.

After December expires what will we have? Now the front two still have to be there -- January and February. They're already there. And then the next two according to Cycle 2. And that would be May and August. So in this case when December expires you know August is going to be added. And once again with the symbols that trade a lot more frequently there's a lot more expirations than just this. And it can be difficult to figure out. And I've been posed the question by investors who say, "Hey, I'm interested to know, when is November of 2020 or March of 2021 going to be listed?" And in symbols that have a very high number of expirations it can be tough to figure out what is the sequence, what's the methodology being used. But here's where it all starts with these four expiration months and their cycles.

So now let's look at an options chain starting with a few questions. First of all what are options chains. I'll define that. And then what's their use and value, and where do you get them. So options chains in its most simple definition is just a compilation of data -- an array of information detailing what options are available to trade in a security. When you're on your trading platform you'll type in a trading symbol and retrieve a full list of expiration dates and strike prices along with information that is likely going to be allowed to be filtered to your liking -- where you can choose what other information do you want to see.

In addition to the expiration and strike you'll likely want to see the bid and the offer, possibly the bid-ask mean, also the size on each of the bid and offer. That might be something that doesn't auto populate that you have to look for -- the bid size and the ask size. And that's important if there's an option that's free even bid offered at three twenty and you're an investor who wants to go in and let's say you own shares and you're trying to sell a covered call and you want to sell five calls at three dollars, you would want to see is that three dollar bid good for at least five. If not, then you'd want to know if there's only one, or two, or three being bid there and if the rest would have to go down to a lower price -- 290 or 280. So that size is important, volume.

I'll have more on open interest in a little bit. And then the Greeks, you can look at implied volatility and delta, gamma, theta, vega, rho-- whichever ones you want to look at. And I'll have an example of that up in a second. You can find these really on any brokerage firm trading platform -- your Fidelity platform John's going to walk through a lot of this here in just a couple of minutes. And usually it's tailorable. It's something you can filter and select which columns you want to see.

So let's look at an example. Very quick. I'm not going to spend too much time here as John's going to do the more thorough example and explanation. But here you have stock XYZ. And in the green box there you see where the stock is trading, it's current change on the day, and then some stock information. As you move forward you can look for specific options -- at the money, in the money, out of the money. Select which group you want to look at, which expiration date, calls, puts, or both. And then you retrieve the information.

Here you have strike price, whether it's call or put, the bid/ask mean, the bid ask itself, its change on the date. Now volume's going to be volume printed today. And open interest is the outstanding number of contracts based on the close yesterday. A little note on open interest in a couple of minutes. Now you see you have all the Greeks -- whichever you want to look at. You want to track implied volatility, if you want to look further into all of the Greeks if that's something you track and want to be familiar with you can change and filter and put up the columns that are most useful to you.

So there's cycles and there's some chains. Now let's get into a little bit more on the execution side and analysis side. And here we have order types. That's the first one we're going to walk through. There's a lot of different orders you can have and the types of orders you're going to enter is coming up next. But first of all, when you're trading options it's different than just buying shares or selling shares. You are either opening a new options position or you're closing that position.

So when you buy to open you're buying to open a call or buying to open a put it's a purchase transaction that initiates a new position. If you're buying to close -- and this may seem a little counterintuitive -- you're buying something but you're closing out an existing position. This follows sell to open. Buy to close is a purchase transaction but to reduce or eliminate a position that had already been sold to open.

And you can see the sell definitions here. A sale transaction to open initiates a new position. And the sell to close follows the buy to open. So it's really not too difficult to understand. Just know you have these four different types of transactions you might be making. If you're opening a new position it's either buy or sell to open something new. Subsequent to that would be your closing transaction and it would be the opposite -- either buy or sell the opposite of what you had previously done.

Just like like with stocks there's a number of different types of orders you can enter. The exchanges will accept stop orders, stop limit orders. But really when it comes to executing trades market orders and limit orders are most frequent. A market order is simply an order that will get filled at the best available price. Now you're at the mercy of that available price. I've heard an analogy here. This is similar to sitting down in a seafood restaurant and ordering something off the menu that's listed at market price without asking what it is. You order the meal and the price comes back wherever it is and you have no control over what that might be.

So that's what market is. You are limited in your control over what the execution price is. There could be a time and place to use that. If you're really concerned about getting out of a position if things are moving rapidly and you understand the risk you're taking by entering a market order. There's nothing wrong with putting in that type of order as long as you understand what the limitations are. More frequently limit orders are used.

Now limit orders are an attempt to get filled but to set a limit on what that execution price might be. Now let's look at this graph. And we'll just take a look at the top option here. Strike of 311, call option is stock XYZ. And we see the bid ask 4.52 at 4.57. Now let's just say you had purchased this option previously and now you wanted to sell the option. Well in the most panicked state you might consider a market order if you're comfortable with the risks associated with that. Or you can choose a limit order and be as aggressive as you want to be. You can enter -- this would be a sell to close order -- limit order -- and you can put in a price of say 4.40 and 4.30.

You can go well below the bid to be very aggressive in exiting the position. If the bid is still there at 4.52 that's when you should get filled. If it disappears and it becomes 4.50 or 4.48 you should get filled at the best bid when your order is received by the exchange and it becomes a working order. So, very aggressive. You can go way down below the bid. On the other end of the spectrum you can go towards the ask if you want to be more restrictive on your price -- you think the market might move higher. Or you can use that bid/ask mean -- 4.54. You can start there and determine how aggressive to be from that point.

There's your order types and a little insight into how to use them. So now let's move on into a little more analysis, looking at your chains which is going to start with open interests. By definition open interest is the total number of open contracts carried over from the close of one business day to the open of the next. So it's looking back on yesterday's close and it's determining how many open contracts exist. There's going to be an equal number of open longs and an equal number of open shorts. And that number is open interest.

Some investors and some analysts can use open interest to spot trends. If there's large amounts of open interest -- for example, if the stock's trading at 75 and there's an incredible amount of open interest at the 95 or 100 strike an analyst might look deeper and determine that they believe that's a speculative trade and the large investor is being bullish on that particular stock. But open interest can also be misleading. You can't be certain what the motivation is behind a trade. And options inherently involve both stock trades and possibly other options trades. So you have to be careful with what open interest is.

And there could be volume without open interest actually increasing here. You see how it's calculated. There's two sides to every trade. If the buy is open and the sell is also open then the open interest increases by one. If one side or the other is open versus close there's no change at all. And if it's close versus close then the open interest will decrease by one. And you can see here if you have a lot of open versus open transactions and you have a lot of close versus close transactions, volume could be very high and open interest might not change much at all.

A little bit more analysis here. As investors sometimes ask is open interest relevant to determine liquidity and my ability to get in and out of a particular position or a particular option. And certainly you can use it. But because of how it's calculated there might be a lot of volume and you might not see that reflected in open interest. Going back to the chains that I described then earlier, it might be more beneficial to look at the bid/ask and the depth or the size of the bid/ask. That can give you a very good and possibly better gauge on your ability to enter and exit positions. What is the bid/ask? How tight is that spread? And what is the depth or the size on either side of the bid/ask?

Now let's do our exercise which is just going to involve outlining what you'll see in your account. And I think this is rather interesting. And I often pose the question to investors, what would you see in your account if you sold a put option and it expired worthless and you profited? When do you see your account balance reflect that profit? A lot of investors will say, "Immediately," because they've been told that you get cash right away. But let's look at it here through an example very quickly.

June 35 puts trading T-75 at $2.85. And in our case we're going to sell one of the June 35 puts at the bid of $2.75. We sold an option so we receive premium immediately up front in that cash amount of $2.75. So the cash balance on our account increases and we'll experience a credit of 275 dollars. Now think about what happens to the position side. We sold an option so the position will be short one June 35 put. Very likely that our account statement is going to value that put option as a debit and it's going to use a price equal to the best price we would have to pay to get out of this position. The market hadn't changed. That's $2.85. So the position will go in as a debit in the amount of 285 dollars. Immediately your account balance overall will drop by 10 dollars.

It's important to understand that that doesn't mean you've lost money right away. It means if you went in right away and bought it back you will have lost 10 dollars just on the spread. Here you have a credit followed by a debit. Now let's move forward. Three weeks later the markets consolidate, maybe the stock moved higher. And you have the put option trading $1.55 at $1.65. Well the cash didn't change so that's going to constant -- $275. But the position is now variable amount. It's moving with the market. We're still short one June 35 put but the valued at the best price we can get to buy to close this option -- that's now $1.65. So our account balance has gradually moved in our favor and is now up $110.

What if it expires out of the money. Think that through. Now again the cash position didn't change. That's constant. You're up $275. Now the option just expired worthless. The position disappeared. We have no option position, no debit. And our account balance over time gradually went up and profited $275. That should help you get some insight into what happens in your account and what you will see as you buy or sell options.

What I want to close with here is really just a reference to corporate actions and contract adjustments. Oftentimes you will come across situations of reverse splits, or mergers, or buyouts. Options contracts, of course, are written on 100 shares of stock. And the exercise and assignment activity involves buying or selling 100 shares. What happens if that changes and a stock no longer exists and bought out for cash. Or maybe the stock split. Or maybe there was a merger and 100 shares is now worth something different. In those instances there are adjustments made to the options to become what we call nonstandard or adjusted options contracts that no longer resemble the standardized versions.

Now it's really not important at this point -- especially if you're newer to options -- to understand what happens when there's a bankruptcy, or a merger, or a buyout. But be aware that there are changes that can occur to the options contracts. Particularly be aware of the symbol change. If there is a nonstandard option that exists somewhere it will have a numeric suffix to the symbol -- XYZ1 or XYZ2. And that's your indication that there's something unstandard about this contract and it notifies the investor to be careful about their investment. If something looks too good to be true it probably is and you don't want to get yourself into trouble thinking you're buying something at a great discount when the contract might represent something different.

That's just a reference. If you had questions further about that there's the OCC who handles these adjustments -- the options clearing corp. They administer and handle the adjustments. You can contact them there by email. So there's an overview of cycles and chains and some insight into how to look at chains and different columns. And now let's really put that to work into a live account and bring John in to go through the platform and really show our audience here how to utilize this and how to do some evaluation on the platform with their chains. So John, you can go ahead and do that.

John Deyeso: Thanks a lot Ed. Appreciate it. What I'd like to do in the demonstration portion of the third session here is we're going to cover a few topics that are covered in session one and two, and most of what was covered in session three. What I really want to take you folks through is the option chain in Active Trader Pro. That's essentially the option menu for whatever underlying security you're looking at. We'll talk about adding the option Greeks to that where you can see them. Intrinsic and extrinsic value column. So that makes it a little bit easier to see for you. And how to trade right from the option chain. And then we'll talk about the option summary page which will allow you to manage positions once they're in your account I think with a greater degree of ease.

So, diving right in here. I have an option chain up at the bottom of the screen. And how I got there is this options dropdown menu in the top center. This has all the option-related tools. This is Fidelity's trading software Active Trader Pro. As I mentioned in the previous session it's downloadable to Mac and PC. The big benefit is it's customizable. I create my view of the markets and my accounts. And it's streaming. All the information's coming in real time. It's a lot of flashy numbers but getting the information I need in real time.

Specific to the option chain let's go ahead and pull that up here. In the top left of the option chain it's going to ask you enter a symbol. In the previous session we were using the example of Tesla Motors so we'll just go ahead and stick with that company. When I put in a symbol in the top left it'll begin to show me here a few items that have information regarding that underlying security. What's the last trade? The last trade was 5.3667 of 31 dollars and 50 cents. So that's six percent from yesterday's close. The information here volume is related to the stock. So 17 million shares have traded hands so far today. It's about 2:30 in the afternoon. And it shows the historical volatility and the implied volatility -- 30 -- and then also they called the put ratio, showing us, again, on the top side where the volume of call to puts are and then showing again, across the board, this information. Volume is pertaining to the stock and then the HVIV and call and put ratio pertaining to the options with Tesla.

Down below can you choose some of the menu options. So I can tailor-make my options menu for a specific strategy. I'll just show calls and puts for right now. We can select how many strike prices we want to show at each expiration. So do you want a wide bandwidth from where it's trading now or maybe a more narrow one? I'll leave it at 10 just for an example purposes. Volume and open interest -- I'd leave that there. It's going to show you, again, as I had said, how many contracts it's created then and how many are issued not standing at each strike price per each expiration.

You do with this W here -- if I hover over it says hide weekly options. I do have the ability to show the weekly options if I want. Or I can clean up the chain a tad, click that off. And now it's just going to show me standard monthly expirations or even longer dated expirations outside of the normal cycle that Ed was talking about previously. If there were adjusted contracts I can click show adjusted contracts. If there was a merger or acquisition that took place that there's now adjusted and unadjusted contracts our chain will be able to break that out for you. So you could trade the adjusted or the non-adjusted.

What you do from here is you would select your expiration. And so you can see here as well we'll give you key bits of information. Like this blue square that's E here is showing earnings. It's telling you okay here is the estimated amount at 43 cents and then also the report date of April 22nd. So I can position myself before or after earnings dependent upon what my trade strategy is going to be. Let's just say that I was going out to the June expiry.

So if I click on that it's then going to show me all the options, calls on the left-hand side, puts on the right-hand side, strikes going down the middle for June 19th. That tells me it's 86 days away from expiration.

Working on the left-hand side just looking at the calls what information is showing to me. It shows me the last trade for each option contract, the change since yesterday's close, the bid, the lined up highest buyer, the ask, the lined up lowest seller for that contract. You could see there's a difference between those. That's called the spread. That's really what makes the market. The buyer and seller aren't in agreement now. Otherwise they would execute a trade. You have -- I'll skip over IV mid for the moment.

They also have intrinsic value showing and time value. We talked about this previously. So intrinsic value -- let's look at the 5.10 call and it's trading at, just about -- it's jumping around here -- but just about at the 5.40 range. And so it's showing you the intrinsic value that the contract has and then additionally the time value. Those added together would give me the complete contract value. I could actually add these as columns so I don't need to necessarily eyeball it and do some back-of-the-envelope math really quickly. It'll just show me how much intrinsic value I'm buying as opposed to time value.

The delta, gamma, vega, theta, and rho columns are the option Greeks. Delta, the sensitivity that it's option for price fluctuations in the underlying. Gamma is your adjustments for delta. Vega is your sensitivity to changes in implied volatility. Theta is your time decay. And rho is the sensitivity of these contracts to changes in interest rates. And so, how did I get all these columns onto my option chain? Well in the top right I can go under settings and come down to option chain. And this is where at home you can tailor-make your own option chain.

On the left-hand side are all the available columns you can choose from. And you can see I added the option Greeks here. And then the right-hand side are the selected columns in the order in which they show up. So you can change the order of prominence and what you want to show up on your chain and where. So high degree of customization. You want to make sure you're seeing the information that you want. And you can change these columns.

So let's say I wanted IV mid to be the first column that shows up, let's just say. I drag and drop it and it changes where the column is. Or I can right click on it and remove the column. Away it goes and now here's the display format on my option chain. That's a little bit about navigating to the option chain and the pricing menu and how to get here. How can I trade from here? Well, you could see there's a little toggle on, toggle off button here in the top center -- trade in chain. It's a functionality that we built in so you could actually just transact right from here. You don't have to navigate away from here.

So let's say I was looking at this and the stock's currently trading around 535 dollars -- that's an at the money level. Let's say I wanted to go slightly out of the money at 550. Although, you know what, we did a purchase a call example previously. Let's be fair. Let's go on the other side. Look at purchasing a put. So our stock's at 5.35. Let's go slightly below where it's trading now and take a look at the 5.20 puts. Okay last trade was 96 dollars down 2.55. The stock's up so the puts are pricing down. Bid 94.25, asking 95.70. If I want to buy I do need to buy from a seller. So what our platform does is it makes the bid and offer interactive. And if I click on this ask price watch the bottom of the screen. I'll click on this and it's now filled in at the bottom of the screen any trade. It knew because I clicked on the asking price that I wanted to buy from that seller. The transaction type here is buy to open.

Just a little bit about what all these mean. You can see that there's buy to open, buy to close, and sell to open, sell to close. When you're initiating a trade -- I don't care if it's on a call or a put or if you're buying or you're selling -- then you're opening transaction. So the initiating trade to put on the trade is an opening transaction. So in this case it'd be a buy to open. And to close a trade -- so if I ever buy a put contract and I want to sell it before expiration for a price -- sold the put contract and want to buy it before expiration -- the converse, the exact opposite trade is necessary to close that out. So if I buy to open I need to sell to close. If I sold to open I buy to close.

We can go more in depth on that if you were to call our trading specialists, definitely walk you through your first trade. But certainly I hope that that's clear on what action you're taking. So buy to open hypothetically one June 19, 2020 5.20 put. Here you have the order type selection. It defaulted to a limit at the asking price that I clicked on. By no means do you have to place that order. Now here I can tweak it. I could change that to a different type of order. I'm only going to focus on the top two. There are different trades available through the platform but I think focusing on the top two they're really the predominant order types -- market limit.

Ed did a great job of talking about this, gave some good examples. Market, I'm going to buy at the next available price. Limit, I'm going to specify a price. And it's going to be a maximum price in terms of buying or a minimum price I'm willing to receive in terms of selling. Market will be held to that amount in a limit order. So let's say I wanted to buy this at market. You could see that

that dollar field went away or if I change it to limit it looks for me to put in a price. And you could see it's showing the last trade bid and ask right here as a reference if I wanted to put this in here. I could put the trade on good for today or good till cancelled. Good till cancelled would stay on for 180 days. Today would just expire itself if it didn't execute at the end of the trading session.

And, it obviously if it's a cash or margin portfolio I would just be mindful of what type you're placing the trade in. So if I were to place this at market I would just say preview and place. And I'd be the proud owner of the June 5.20 put on Tesla. That's how to access the option chain and how to place a trade right from it. It also has some nice embedded functionality. So we were looking at that 5.20 put. If I hover over you can see this little menu option pops up here right next to the strike price column for 5.20, on the right-hand side for puts. You could see all the different things I could do. I could end this dropdown menu actually and go to place a trade. I could add this option to my watch list. I could look at the analytics for it. So I'm buying it. I could view the analytics on the ask or for a hypothetical purchase. What's the profit and loss diagram look like? What's the max gain, max loss, break even? And also too, a map and bar chart of time decay.

So a lot of different things that I can do right from this chain and this order menu. Another tool that I want to show you really quickly before we go to the options summary page is our directed trade for options. Ed said it a few times. If you're going to place a market order sometimes it's good to know the market is always going to show you what is the best bid and best offer -- whether you're trading a stock or an option contract. But what's behind it? There are other buyers and sellers lined up behind the inside market. And you certainly would like to see the depth if you're going to go ahead and dive into the deep end with a market order. And so or even if you're placing a limit just understanding the depth of the market you're looking at.

So here we have... I went to trade in orders and directed trade options. When this is showing I can enter the underlying and expiration, the strike price, choose call or put, actions. So I'm able to trade right in here. But you can see down below. Here are the bid column on the left and the ask column on the right. You could see it's flashing in real time. This is how the market works. People are placing orders. They're being displayed on exchanges. The aggregated information that's displayed on the inside bid and offer. But you can see here that's quite a few contracts offered on the right-hand side here at 81.15.

So if I was trying to buy two or three contracts I would feel pretty confident that there was enough there if I wanted to place a market order. I just wanted to give a brief display of this tool because Ed talked about depth of market. I think it's a very important concept, especially if there's less liquidity in a particular name that you're trading. This tool can help you to navigate that.

The last piece is the option summary. I'll blow this up so it's a little bit bigger. So the way you get to option summary is in the top left under accounts. You could pull up your positions that you own and it would show all your options or we designed this page more specific to options. If you go under options by underline. And so here we show on the left-hand side here all the different underlying symbols that are in your account. So here this test account is Bank of America and several other symbols in here. And it'll tell you, "Okay, what is the strategy?" Well it looks like here Bank of America it is a long call for a April 17th 32 strike. There's also some long shares -- five shares. Then you can see there's some unpaired positions -- as I call them. Citi has 20 shares. You could see 10 shares here. Short 20 shares of FIRI. And then long stock of a hundred shares.

So it's going to show your underlying positions and your stock positions so you could look at them as a holistic strategy. And so here, obviously, we have a long outlook being long calls and long shares. And across the top it's showing you the change in those contracts, the current bid and ask, your volume, your day range. What I like about this is if I hover over this long call you see there's this menu pie chart again that appears to the right of it. If I click on that I now get some options. Do I want to buy more? Do I want to sell it to close? Some of you may be familiar with the term roll. What if you could -- all in one trade ticket -- sell this option that you're currently had bought and then buy a new one. Maybe you're doing it at a different level. So you're rolling up or rolling down as it's referred to.

Or maybe you go out in expiration. So you're rolling out. So this will give you some options here in May and in June at different strike prices. And it's actually calculating for you what's the differential, how much would it cost you to do that. And you could also create a custom roll. This is just going over some common ones that are around where it's trading now at the next couple of expiries. So the option summary I think is a great way to look at and organize you of your option trades by underlying position. It will break it down in the strategy total how you've done since you put in on. But it'll also allow you to control each individual leg of option strategies and the underlying security. And it'll allow easy functionality like adding more, closing, or rolling.

And it's specifically designed for a portfolio that maybe has a blend of equities, ETFs, and options overlaying that strategy.

So in totality we went over the option chain, how to add the information to the option chain -- like the Greeks, the intrinsic and extrinsic value -- how to trade right out of the option chain. We quickly went through the directed option ticket so that you could see the depth of market and in great detail. And then also the option summary page where you can get a great view of the options that are currently in your account and easily manage those.

END OF AUDIO FILE

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.

Greeks are mathematical calculations used to determine the effect of various factors on options.

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