

Classroom Session 2: What you need to know about volatility

Week 2

Homework

Please complete this homework before the next class in this course. We will review the answers and the project at the beginning of the next class.

What is implied volatility (IV)?

- A. Probability of profit percentage
- B. The 1 year, 1 standard deviation expected range
- C. The volatility of the stock recent activity
- D. The expected change in option premium for an increase in Delta

What is the approximate daily expected move when IV (implied volatility) is 16%?

- A. 0.5%
- B. 1%
- C. 1.6%
- D. 16%

What is Vega? The option 'Greek' that represents the change in option premium for...

- A. A 1% increase in HV (historical volatility)
- B. A \$1 move up in underlying price
- C. The passage of 1 day
- D. A 1% increase in IV (implied volatility)

Which of these is considered the most expensive option contract?

- A. Jan XYZ Call @ 25, 3.15 with an IV of 14%
- B. Jul ABC Call @ 30, 1.10 with an IV of 29%
- C. Apr RST Put @ 350, 14.25 with an IV of 12%
- D. Aug JKL Put @ 5, 0.65 with an IV of 15%



Rising fear and uncertainty in the market will have what effect on IV (implied volatility)?

- A. IV levels will rise
- B. IV levels will fall
- C. IV levels will remain unchanged
- D. Not enough information

What can you learn from identifying the vertical (call/put) IV (implied volatility) skew?

- A. How long your trade will take to become profitable
- B. The date of an upcoming earnings announcement
- C. The direction in which the market expects the stock to move
- D. The direction in which the market expects a move to be more violent if it occurs

Where can you find the IV30 Percentile?

- A. Active Trader Pro > Options > Options Statistics
- B. Fidelity.com > News & Research > Options > Trading Ideas
- C. Active Trader Pro > Options > Option Summary
- D. Active Trader Pro > Accounts > Account Summary

Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, please read [Characteristics and Risks of Standardized Options](#). Supporting documentation for any claims, if applicable, will be furnished upon request.

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.

Greeks are mathematical equations used to determine the effect of various factors in options.

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