

Title:

Options Trading Basics

Word Count:

565

Summary:

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You many know many wealthy individuals make lots of money using options and you can try too.

Stock and Bond trading strategies run the gamut from the simple 'buy and hold forever' to the

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Article Body:

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So-called 'American' options can be exercised anytime before expiration, 'European' options ar

Options officially expire on the Saturday after the third Friday of the contract's expiration

With some basic terminology and mechanics out of the way, on to some basic strategies.

There are one of two choices made when selling any option. Since all have a set expiration dat

A great many investors do in fact hold until maturity and then exercise the option to trade th

$(\$2 + \$25) \times 100 = \$2700$  (Ignoring commissions.)

This strategy makes sense provided the market price is anything above \$27.

But suppose the investor speculates that the price has peaked prior to the end of the life of

Now suppose the market price is below the strike price, but the option is soon to expire or th

The final basic alternative is to simply let the contract expire. Unlike futures, there's no c

Observe that options carry the usual uncertainties associated with stocks: prices can rise or

One consequence of that fact is: as time passes, the price of the option itself can change (th

Selling the option, not the underlying asset, is one way to offset that premium loss or even p

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