Options

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Options cheatsheet

Options Greeks Cheat Sheet

Implied Volatility (IV)

What it is: The market's expectation of how much the stock price will move over the next year, expressed as a percentage.

Value	What it means
0–20%	Low volatility — stock expected to be calm
20–50%	Normal range for most stocks
50–80%	High volatility — big moves expected
80%+	Extreme volatility — options are expensive

> **Your WD put:** IV = 93% → Market expects massive swings. Options are pricey.

Delta (Δ)

What it is: How much the option's price moves when the stock moves **$1**.

Value	What it means
0.00 to +1.00	Calls — rises when stock rises
0.00 to −1.00	Puts — falls when stock rises
±0.50	Roughly 50/50 chance of expiring in the money
±0.80–1.00	Deep in the money — moves almost like the stock
±0.01–0.10	Far out of the money — very unlikely to profit

> **Your WD put:** Delta = −0.0805 → For every $1 WD rises, your put loses ~$0.08. For every $1 WD falls, your put gains ~$0.08.

Gamma (Γ)

What it is: How much **delta itself changes** when the stock moves $1. Think of it as delta's sensitivity.

Value	What it means
High (0.05+)	Delta changes rapidly — option is very sensitive to price moves
Low (0.001–0.005)	Delta barely changes with price moves
Near expiration	Gamma spikes dramatically

> **Your WD put:** Gamma = 0.0002 → If WD drops $1, delta moves from −0.0805 to about −0.0807. Very small — you're far out of the money.

Theta (Θ)

What it is: How much value the option **loses each day** just from time passing, assuming the stock price stays flat. Always negative for buyers.

Value	What it means
−0.01 to −0.05	Slow decay — often far from expiration
−0.05 to −0.20	Moderate decay
−0.20+	Fast decay — usually near expiration or high IV

> **Your WD put:** Theta = −0.1049 → You lose ~$10.49 per day (×100 shares per contract) just from time passing. Over 30 days = ~$314 lost to time decay alone.

Vega (ν)

What it is: How much the option's price changes when **IV moves 1%**.

Value	What it means
High (0.50+)	Very sensitive to volatility changes
Low (0.01–0.10)	Less affected by volatility shifts
Long options	You benefit when IV rises
Short options	You benefit when IV falls

> **Example:** If your option has a Vega of 0.30 and IV jumps from 93% to 94%, the option gains $0.30 in value (×100 = $30 per contract).

Rho (ρ)

What it is: How much the option's price changes when **interest rates move 1%**. Usually the least important Greek for short-term traders.

Value	What it means
Positive (calls)	Rising rates slightly increase call value
Negative (puts)	Rising rates slightly decrease put value
Near zero	Short-dated options barely affected

Quick Reference: Your WD Put ($300 Strike, Jan 2028)

Greek	Your Value	Plain English
IV	93%	Market expects huge moves — option is expensive

Greek	Your Value	Plain English
Delta	−0.0805	Gains ~$8 per contract for every $1 WD falls
Gamma	0.0002	Delta barely changes — you're far out of the money
Theta	−0.1049	Loses ~$10.49/day per contract from time alone
Contract cost	$6,200	$62 quote × 100 shares

Key Concepts to Remember

- **One contract = 100 shares.** Always multiply the quoted price by 100 to get your actual cost.
- **Out of the money (OTM):** The stock price hasn't reached your strike yet. For puts, this means the stock is *above* your strike price.
- **In the money (ITM):** Your option has intrinsic value. For puts, this means the stock is *below* your strike.
- **Time decay accelerates** as expiration approaches — the last 30 days are the fastest decay period.
- **IV crush:** After major news events (earnings, etc.), IV often drops sharply, taking option prices with it even if the stock moves in your favour.

Terms

CoCH (Cash on cash return)

CoCR shows the actual return a trade generated on the cash you had on the line (risked)

CoCR = Return / Capital required x 100

EG: $150 (return) / $5,000 (capital required) = 3.0% (CoCR)





Sell Cash-Secured Puts

Collect Premium Income

Assigned Shares

Sell Covered Calls

Collect Premium Income

Shares Called Away

Capital Gain

THE OPTIONS WHEEL

Recurring Income Engine

wait

s

you

What are Options?

60Seconds to FIRE



VIX and Options Premiums

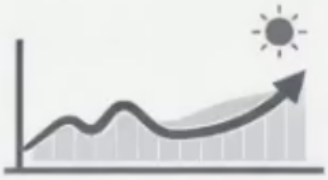
Understanding the Relationship Between Market **Fear and** Fear and **Option Pricing**

Calm Market

VIX: 10–15

Low market volatility

Cheap options



Normal Market

VIX: 15–20

Moderate volatility

Moderate option premiums



Fear or Panic Market

VIX: 25–40+

High market volatility

Very expensive options



Higher VIX = Higher Option Premiums

Options sellers often benefit from higher volatility environments

Trading strat

TP at 70%

SL at 150-200% of premium received

apply the 21 day rule

Andy strat

target 3% per month

wheel strategy

delta around 0.3

position size under 10%

Delta selection

0.10 Delta = Lower premium, higher probability

0.30 Delta = Balance approach

0.50 Delta = Higher premium, higher risk

Stop loss

Write an option for $1

Stop loss at $1.5-$2

Take profit

Buy same option you wrote but at a cheaper price

60 seconds to fire resources

Tally Up Time: ASML Cash Secured Put

The Trade

You already own 100 shares of ASML
Your Average Price: $1457.36 P/S

Current Price: $1371.45

You sell 1 Cash Secured Put option
Strike Price: $1290
Expiry: 30 days
Premium: $3900

$3900/$129000 = 3.02% in 30 Days

ASML

Two Outcomes

1. Stock stays above $1290
You don't buy the shares
You keep the $3900 (premium)

2. Stock drops below $1290
You buy 100 shares $1290
You keep the $3900 (Premium)

You lower your average cost per share down.

60Seconds to FIRE

Tally Up Time: SOFI Covered Call

The Trade

You already own 200 shares of SOFI
Your Average Price: $18.76 P/S

Current Price: $18.91

You sell 2 Covered Calls
Strike Price: $21
Expiry: 30 days
Premium: $122

$122/$3753 = 3.25% in 30 Days

SoFi

Two Outcomes

1. Stock stays below $21
You don't Sell the shares
You keep the $122 (premium)

2. Stock goes above $21
You Sell 200 shares @ $21
You keep the $122 (Premium)
Plus your capital gain

$122 + 448 = $570 / 3753 = 15.1% in 30 days.

60Seconds to FIRE

The Options Stock Checklist

- Is it a strong company ✓
- Does it trade 5M+ shares daily? ✓
- Does the options chain show 500–1000 open interest? ✓
- Are bid / ask spreads tight? ✓
- Is implied volatility reasonable? Not too high? ✓
- Does the share price fit my portfolio? ✓
- Is earnings approaching? ✓

60Seconds to Fire

IBKR LEVEL 3 APPROVAL

What IBKR Looks For



WHAT MATTERS MOST

INCOME
$50,000+ is generally viewed favourably.

LIQUID NET WORTH
$50,000+ is a reasonable benchmark.

INVESTMENT OBJECTIVE
Income generation.

TRADING EXPERIENCE
3+ years of stock investing is typically sufficient.

CONSISTENCY
Your financial profile, objectives and experience should align.

THE BIGGEST FACTOR
Trading experience is usually the most important factor.

IBKR does not publish specific income or net worth requirements for options approval. There are no guaranteed approval thresholds. A credible and consistent application is often approved without issue.

if you sell a CSP at 10, get assigned but the stock drops to 5, would you wait for it to get back above 10 before selling CCs

Defintions

Options Greeks Cheat Sheet

All examples below use BHP: current price $83.33, put strike $80, option price $1.15, 15 days to expiry.

Implied Volatility (IV)

What it is: The market's expectation of how much the stock price will move over the next year, expressed as a percentage.

Value	What it means
0–20%	Low volatility — stock expected to be calm
20–50%	Normal range for most stocks
50–80%	High volatility — big moves expected
80%+	Extreme volatility — options are expensive

> **Your BHP put:** IV ≈ 24% → Fairly normal volatility for a large ASX stock like BHP.

Delta (Δ)

What it is: How much the option's price moves when the stock moves **$1**.

Value	What it means
0.00 to +1.00	Calls — rises when stock rises
0.00 to −1.00	Puts — falls when stock rises
±0.50	Roughly 50/50 chance of expiring in the money

Value	What it means
±0.80–1.00	Deep in the money — moves almost like the stock
±0.01–0.10	Far out of the money — very unlikely to profit

> **Your BHP put:** Delta ≈ −0.20 → For every $1 BHP rises, this put loses ~$0.20. For every $1 BHP falls, it gains ~$0.20. Also read as roughly a 20% chance of expiring in the money.

Gamma (Γ)

What it is: How much **delta itself changes** when the stock moves $1. Think of it as delta's sensitivity.

Value	What it means
High (0.05+)	Delta changes rapidly — option is very sensitive to price moves
Low (0.001–0.005)	Delta barely changes with price moves
Near expiration	Gamma spikes dramatically

> **Your BHP put:** Gamma ≈ 0.07 → If BHP drops $1, delta moves from about −0.20 to roughly −0.27. Meaningful, because this put is only 15 days out and close to the strike.

Theta (Θ)

What it is: How much value the option **loses each day** just from time passing, assuming the stock price stays flat. Always negative for buyers.

Value	What it means
−0.01 to −0.05	Slow decay — often far from expiration
−0.05 to −0.20	Moderate decay
−0.20+	Fast decay — usually near expiration or high IV

>

> **Your BHP put:** Theta ≈ −0.04 → Loses about four cents per day (×100 shares per contract) just from time passing. As a seller, this works *for* you — every day BHP stays above $80, the option you sold decays toward zero.

Vega (ν)

What it is: How much the option's price changes when **IV moves 1%**.

Value	What it means
High (0.50+)	Very sensitive to volatility changes
Low (0.01–0.10)	Less affected by volatility shifts
Long options	You benefit when IV rises
Short options	You benefit when IV falls

> **Example:** If your BHP put has a Vega of 0.05 and IV jumps from 24% to 28%, the option gains roughly $0.20 in value (×100 = $20 per contract) — bad news if you're short the put.

Rho (ρ)

What it is: How much the option's price changes when **interest rates move 1%**. Usually the least important Greek for short-term traders.

Value	What it means
Positive (calls)	Rising rates slightly increase call value
Negative (puts)	Rising rates slightly decrease put value
Near zero	Short-dated options barely affected

> With only 15 days to expiry, Rho has almost no practical effect on your BHP put.

Delta as a Probability Estimate

Delta is commonly used as a rough estimate of the **probability an option expires in the money**. It's not mathematically exact (the true theoretical probability is a related figure called N(d2)), but it's close enough that most traders use it this way in practice.

Delta	Rough probability of expiring ITM
±0.10	~10% chance
±0.25	~25% chance
±0.50	~50% chance (coin flip)
±0.80	~80% chance

> Traders often pick strikes by targeting a delta — e.g. selling puts around 0.20–0.30 delta (like your BHP $80 put) to aim for roughly a 70–80% chance of keeping the full premium.

Buying vs. Selling Options — Risk Profile

	Buying (long)	Selling (short/writing)
Max loss	Limited to premium paid	Can be very large (naked calls: unlimited; naked/cash-secured puts: strike price × 100)
Max gain	Can be large/unlimited (calls)	Limited to premium collected
Time decay (theta)	Works against you	Works for you
Why WSB accounts blow up	Rarely from buying alone	Usually from selling naked options with leverage, then getting caught by a big move

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Income Strategies

Cash secured put: Sell a put and set aside cash equal to strike × 100. Keep the premium regardless. If assigned, you buy 100 shares at the strike price — often used on stocks you're happy to own anyway, effectively lowering your cost basis by the premium received.

Covered call (stock secured call): Own 100 shares, sell a call against them. Keep the premium regardless. If assigned, you sell your shares at the strike — a way to generate income from stock you already hold.

The wheel strategy: Sell cash secured puts to acquire shares you want; once assigned, sell covered calls against those shares to generate ongoing income; if called away, go back to selling puts. A cyclical income strategy combining both.

> **Important nuance:** If you get assigned on a cash secured put and plan to hold long-term, this isn't a realized loss — you've simply bought shares at (strike − premium), even if the market price is temporarily lower. It only becomes a real cash loss if you close the *option* itself at a worse price than you sold it for (e.g. via a stop loss).

Stop Loss & Take Profit on Options

These trigger a **buy-back** (if you're short) or a **sell** (if you're long) at a set option price, not the stock price.

If you sold (short) an option:

- Option price **rising** = bad for you (stock moving against your position)
- Set **stop loss above** your entry price (e.g. sold at $1.15 → stop loss at $2.15) to cap losses
- Set **take profit below** your entry price (e.g. take profit at $0.50) to lock in gains
- P&L formula: **(entry price − exit price) × 100 per contract**

If you bought (long) an option:

- Option price **falling** = bad for you
- Set **stop loss below** entry price
- Set **take profit above** entry price

> **Example:** Sell BHP put at $1.15, stop loss at $2.15. If triggered, you buy back at $2.15 having only received $1.15 — that's a **real cash loss of $100 per**

> **contract**, not a discount. This is different from being assigned shares at expiration, which is a stock purchase, not a cash loss (assuming you're happy to hold the shares).

Open Interest

The total number of contracts of a specific strike/expiry currently open (not yet closed, exercised, or expired) — different from **volume**, which is how many traded *today*.

- New contract created (both sides opening) → open interest **+1**
- Existing position closed (either side) → open interest **−1**
- One trader takes over another's existing position → open interest **unchanged**, volume still rises

Why it matters: Higher open interest generally means tighter spreads and easier entry/exit. Low open interest — common on many ASX options strikes, especially further OTM ones — often means wide spreads and harder fills. It's also watched as a sentiment/positioning indicator, especially around major expiries.

Trading Options on the ASX

- ASX-listed options trade through **ASX Trade**, cleared via **ASX Clear** — you never deal directly with your counterparty
- Requires a broker and a signed Client Agreement before trading options
- ASX options generally have **much lower liquidity** than US options — wider spreads, fewer strikes/expiries available
- Common brokers: **Interactive Brokers** (lowest fees, broadest access to both ASX and international options), **CMC Markets**, **IG Australia**

Quick Reference: Your BHP Put ($80 Strike, 15 Days to Expiry)

Greek	Approx. Value	Plain English

IV	~24%	Normal volatility for BHP
Delta	~−0.20	Gains ~$20 per contract for every $1 BHP falls; roughly 20% chance of finishing ITM
Gamma	~0.07	Delta shifts noticeably as BHP moves — this put is close to the strike
Theta	~−0.04	Loses ~$4/day per contract from time alone (works in your favour as the seller)
Contract credit	$115	$1.15 quote × 100 shares

Key Concepts to Remember

- **One contract = 100 shares.** Always multiply the quoted price by 100 to get your actual cost (or credit received).
- **Out of the money (OTM):** The stock price hasn't reached your strike yet. For puts, this means the stock is *above* your strike price.
- **In the money (ITM):** Your option has intrinsic value. For puts, this means the stock is *below* your strike.
- **Time decay accelerates** as expiration approaches — the last 30 days are the fastest decay period.
- **IV crush:** After major news events (earnings, etc.), IV often drops sharply, taking option prices with it even if the stock moves in your favour.
- **Assignment ≠ automatic loss.** Being assigned shares on a cash secured put just means buying stock at (strike − premium). It's only a realized cash loss if you close the option position itself at a worse price than you opened it.

Worked Example: BHP Cash Secured Put

Stock price: $83.33 | Strike: $80 | Expiry: 15 days | Option price: $1.15 (sell to open)

Scenario	What happens
Option price **decreases**	Good for you — stock staying above $80, option losing value toward zero
Option price **increases**	Bad for you — stock falling toward/below $80, higher chance of assignment

Scenario	What happens
Stop loss at $2.15 hit	You buy back at $2.15 vs. sold at $1.15 → **real loss of $100/contract**
Held to expiry, assigned at $80	You buy 100 shares at $80, keep the $1.15 premium → effective cost basis ≈ **$78.85/share**
Assigned but happy to hold long-term	Not a realized loss — you own shares you wanted, at a discount from the premium