

How to Leverage Your Money with Options



Our Plan:

- What is an Option
- Stock versus Call
- Understand the Key Terms
- When to Trade Options



Big Mistake To Avoid:

Trying to learn *everything*
about *everything* all at once.



What is an option?



The governance of the two entities is based on the right to buy or sell stock.



Option Seller

**Gets paid but takes
on obligations.**



Option Buyer

**Pays for the right to
buy or sell a stock.**





Call Option

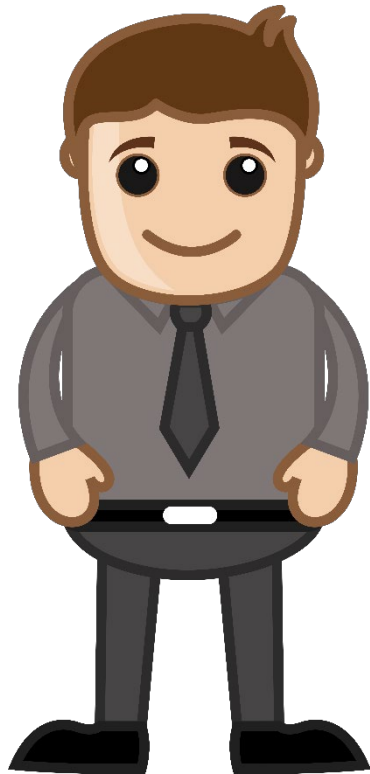


Put Option



Option Seller

**“I have obligations to
SELL the stock.”**



CALL Option

Option Buyer

**“I have the right to
buy the stock.”**





Shares



Price



Expiration



Premium



1 MSFT Feb 150 Call @ 6.10



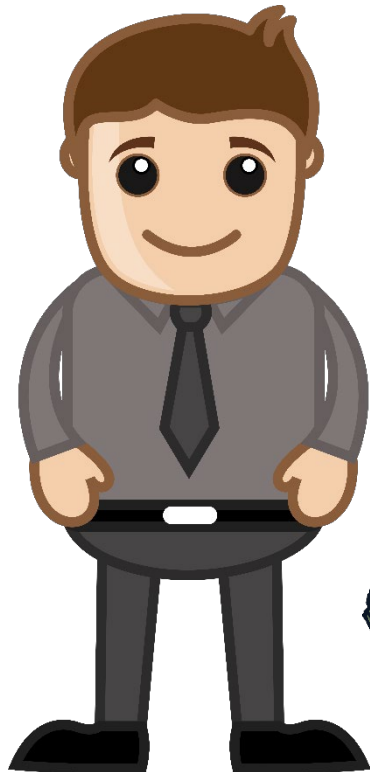
CALL Option



1 MSFT Feb 150 Call @ 6.10

“If exercised, I have the obligation to sell 100 shares of MSFT.”

“I have the right to buy 100 shares of MSFT.”



Contract



1 MSFT Feb 150 Call @ 6.10

“If exercised, I have the obligation to sell 100 shares of MSFT for \$150.”

“I have the right to buy 100 shares of MSFT at \$150.”



Strike Price



1 MSFT Feb 150 Call @ 6.10

“My obligations end the 3rd
Friday of February.”

“My rights expire the 3rd
Friday of February.”



Expiration



1 MSFT Feb 150 Call @ 6.10

“You’ll pay me \$610.”

“I’ll pay \$6.10 per share or
\$610 for this.”



Premium



Stock vs Call

(the power of leverage)



Buying a Stock



AAPL trading at \$130
How much would it cost
to buy 100 shares?



AAPL



Daily

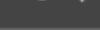
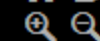


Scenario #1

AAPL drops to \$125

How much are your 100 shares worth now?

Do you have to sell your shares?



AAPL



Daily



Scenario #2

AAPL rises to \$140

How much are your 100 shares worth now?

Do you have to sell your shares?



129.73

127.50

125.00

122.50

120.00

117.50

115.00

112.50

110.00

107.50

105.00

102.50

100.00

97.50

95.00

Jun

2017

+ AAPL-Daily

◀ ▶ ⌂ 🔍



Buy Stocks Long Example

Stock Price	Initial Cost of 100 shares @ \$130/share	Cash if Sold	Profit/Loss
\$120			
\$125			
\$130			
\$135			
\$140			



Buy Stocks Long Example

Stock Price	Initial Cost of 100 shares @ \$130/share	Cash if Sold	Profit/Loss
\$120	(\$13,000)		
\$125	(\$13,000)		
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\$135	(\$13,000)		
\$140	(\$13,000)		



Buy Stocks Long Example

Stock Price	Initial Cost of 100 shares @ \$130/share	Cash if Sold	Profit/Loss
\$120	(\$13,000)		
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\$140	(\$13,000)		



Buy Stocks Long Example

Stock Price	Initial Cost of 100 shares @ \$130/share	Cash if Sold	Profit/Loss
\$120	(\$13,000)		
\$125	(\$13,000)	\$12,500	(\$500)
\$130	(\$13,000)	\$13,000	\$0
\$135	(\$13,000)		
\$140	(\$13,000)		



Buy Stocks Long Example

Stock Price	Initial Cost of 100 shares @ \$130/share	Cash if Sold	Profit/Loss
\$120	(\$13,000)	\$12,000	(\$1,000)
\$125	(\$13,000)	\$12,500	(\$500)
\$130	(\$13,000)	\$13,000	\$0
\$135	(\$13,000)		
\$140	(\$13,000)		



Buy Stocks Long Example

Stock Price	Initial Cost of 100 shares @ \$130/share	Cash if Sold	Profit/Loss
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\$140	(\$13,000)		

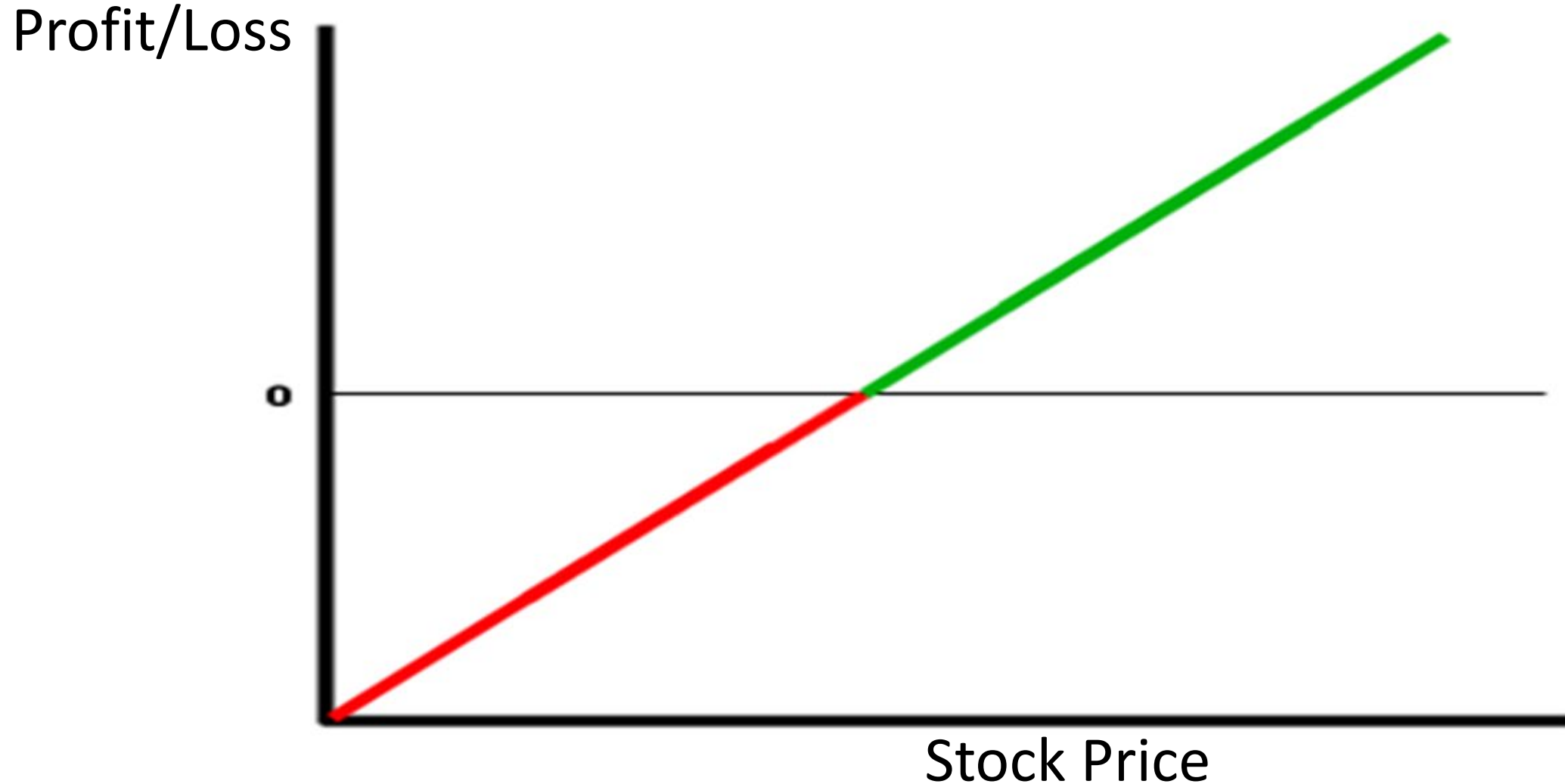


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\$130	(\$13,000)	\$13,000	\$0
\$135	(\$13,000)	\$13,500	\$500
\$140	(\$13,000)	\$14,000	\$1,000

What is maximum profit? **Unlimited** What is maximum risk? **\$13,000**

Long Stock (i.e. Buy Stock)

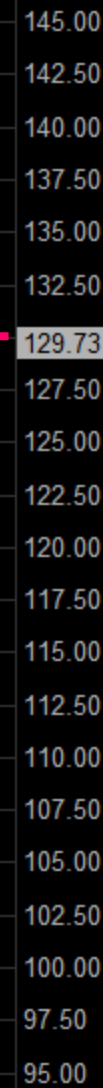


Buying a Call



AAPL

Daily



AAPL



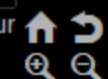
Daily



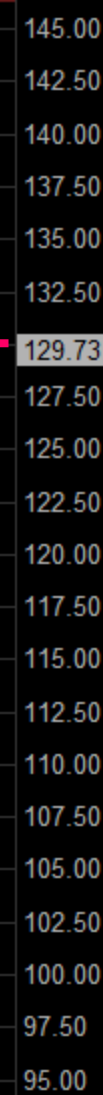
You buy one CALL option
on AAPL.
It gives you the *RIGHT to*
Buy AAPL at \$130.



145.00
142.50
140.00
137.50
135.00
132.50
129.73
127.50
125.00
122.50
120.00
117.50
115.00
112.50
110.00
107.50
105.00
102.50
100.00
97.50
95.00



Daily



AAPL



Daily



**Your one CALL costs
\$3.65 per share or \$365
for one contract.**



145.00

142.50

140.00

137.50

135.00

132.50

129.73

127.50

125.00

122.50

120.00

117.50

115.00

112.50

110.00

107.50

105.00

102.50

100.00

97.50

95.00

AAPL



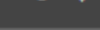
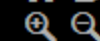
Daily



Scenario #1

AAPL drops to \$125

Will you want to exercise your RIGHT to BUY AAPL at \$130 if it is trading at \$125?



AAPL



Daily

Scenario #2

AAPL rises to \$140

Will you want to exercise your RIGHT to BUY AAPL at \$130 if it is trading at \$140?





Buying a Call Example

Stock Price	Initial Cost of 1 AAPL 130 Call option	Option Value	Profit/Loss
\$120			
\$125			
\$130			
\$135			
\$140			



Buying a Call Example

Stock Price	Initial Cost of 1 AAPL 130 Call option	Option Value	Profit/Loss
\$120	(\$365)		
\$125	(\$365)		
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\$135	(\$365)		
\$140	(\$365)		



Buying a Call Example

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Buying a Call Example

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\$120	(\$365)	\$0	(\$365)
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\$120	(\$365)	\$0	(\$365)
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\$130	(\$365)	\$0	(\$365)
\$135	(\$365)	\$500	\$135
\$140	(\$365)		

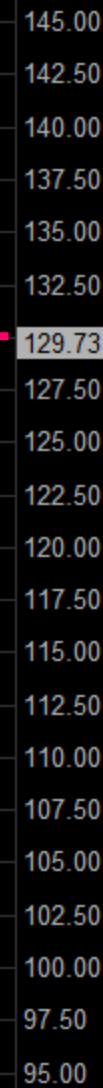


Buying a Call Example

Stock Price	Initial Cost of 1 AAPL 130 Call option	Option Value	Profit/Loss
\$120	(\$365)	\$0	(\$365)
\$125	(\$365)	\$0	(\$365)
\$130	(\$365)	\$0	(\$365)
\$135	(\$365)	\$500	\$135
\$140	(\$365)	\$1,000	\$635

What is maximum profit? **Unlimited**

What is maximum risk? **\$365**



AAPL



Daily

**March 1st****AAPL had risen to \$139.79****A 7.7% increase**



AAPL trade	Initial Cost Feb 6 th	Value March 1 st	Net Profit March 1 st	% Gain



AAPL trade	Initial Cost Feb 6 th	Value March 1 st	Net Profit March 1 st	% Gain
100 shares	(\$12,973)	\$13,979	\$1,006	7.7%



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100 shares	(\$12,973)	\$13,979	\$1,006	7.7%
1 contract	(\$365)	\$1,080	\$715	195%



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100 shares	(\$12,973)	\$13,979	\$1,006	7.7%
1 contract	(\$365)	\$1,080	\$715	195%
3 contracts	(\$1,095)	\$3,240	\$2,145	195%



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100 shares	(\$12,973)	\$13,979	\$1,006	7.7%
1 contract	(\$365)	\$1,080	\$715	195%
3 contracts	(\$1,095)	\$3,240	\$2,145	195%
10 contracts	(\$3,650)	\$10,800	\$7,150	195%

Long Call (i.e. Buy Call)



Key Terms *of* Options



Options Contract

Each option contract controls
100 shares of stock.

1 contract = 100 shares

10 contracts = 1,000 shares



Expiration Date

The date on which the buyer of the option ceases to have rights.



Seller's Point of View

“The more time I give, the more time unexpected things can happen. I need to charge more for this!”



NVDA Daily

Open 98.12 High 98.70 Low 97.10 Last 97.53 Net -0.59 Vol 8246K



Premium Increases

Less Time
= Less
Premium

More Time
= More
Premium

Expiration Date

The date on which the buyer of the option ceases to have rights.

Less Time = Less Premium
More Time = More Premium

Time Value decreases quickly as expiration approaches.



Strike Price

The price at which the buyer & seller agree to exchange the stock if the buyer decides to exercise his option.



NVDA ▾



Daily ▾

Open	98.12	High	98.70	Low	97.10	Last	97.53	Net	-0.59	Vol	8246K
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CALLS

Open 98.12 High 98.70 Low 97.10 Last 97.53 Net -0.59 Vol 8246K



STRIKE prices above the stock's price have no intrinsic value.

CALLS

Open 98.12 High 98.70 Low 97.10 Last 97.53 Net -0.59 Vol 8246K

Buyer's Point of View at Expiration

“Why would I exercise my right and buy the stock at a higher price? This option is worthless.”

STRIKE prices above the stock's price have no intrinsic value.



CALLS

Open 98.12 High 98.70 Low 97.10 Last 97.53 Net -0.59 Vol 8246K

**Out of the Money
(OTM)**

Premiums get lower
and lower the more
OTM an option is.



CALLS

Open 98.12 High 98.70 Low 97.10 Last 97.53 Net -0.59 Vol 8246K



STRIKE prices below
the stock's price do
have intrinsic value.

CALLS

Open 98.12 High 98.70 Low 97.10 Last 97.53 Net -0.59 Vol 8246K

STRIKE prices below
the stock's price do
have intrinsic value.

Buyer's Point of View at Expiration

"I could exercise my right and
buy the stock at a lower price?
This option is worth something!"

Apr

2017

May

Jun



CALLS

Open 98.12 High 98.70 Low 97.10 Last 97.53 Net -0.59 Vol 8246K

**Out of the Money
(OTM)**

**In the Money
(ITM)**

Premiums get higher
and higher the more
ITM an option is.



PUTS

Open 98.12 High 98.70 Low 97.10 Last 97.53 Net -0.59 Vol 8246K

**Out of the Money
(OTM)**

**In the Money
(ITM)**

For PUTS, you just
have to reverse it.



CALL Pricing

High 98.70 Low 97.10 Last 97.53 Net -0.59

37 days

65 days

Stock

\$0.26

\$0.55

\$0.81

\$1.39

\$2.41

\$3.50

\$6.47

\$7.61

\$13.40

\$14.60

\$25.65

\$26.13

135.00
130.00
125.00
120.00
115.00
110.00
105.00
100.00
97.53
95.00
90.00
85.00
80.00
75.00
70.00
65.00
60.00

Dec

2016

Jan

Feb

Mar

Apr

2017

May

Jun

NVDA-Daily

When to Trade Options



Core Philosophy:

Buy Rising Stocks In A Rising Market

&

Sell Falling Stocks In A Falling Market



Core Options Philosophy:

Bullish Trades on Rising Stocks
In A Rising Market

&

Bearish Trades on Falling Stocks
In A Falling Market





Market Ti...



Add New

Price



Graph Control Panel



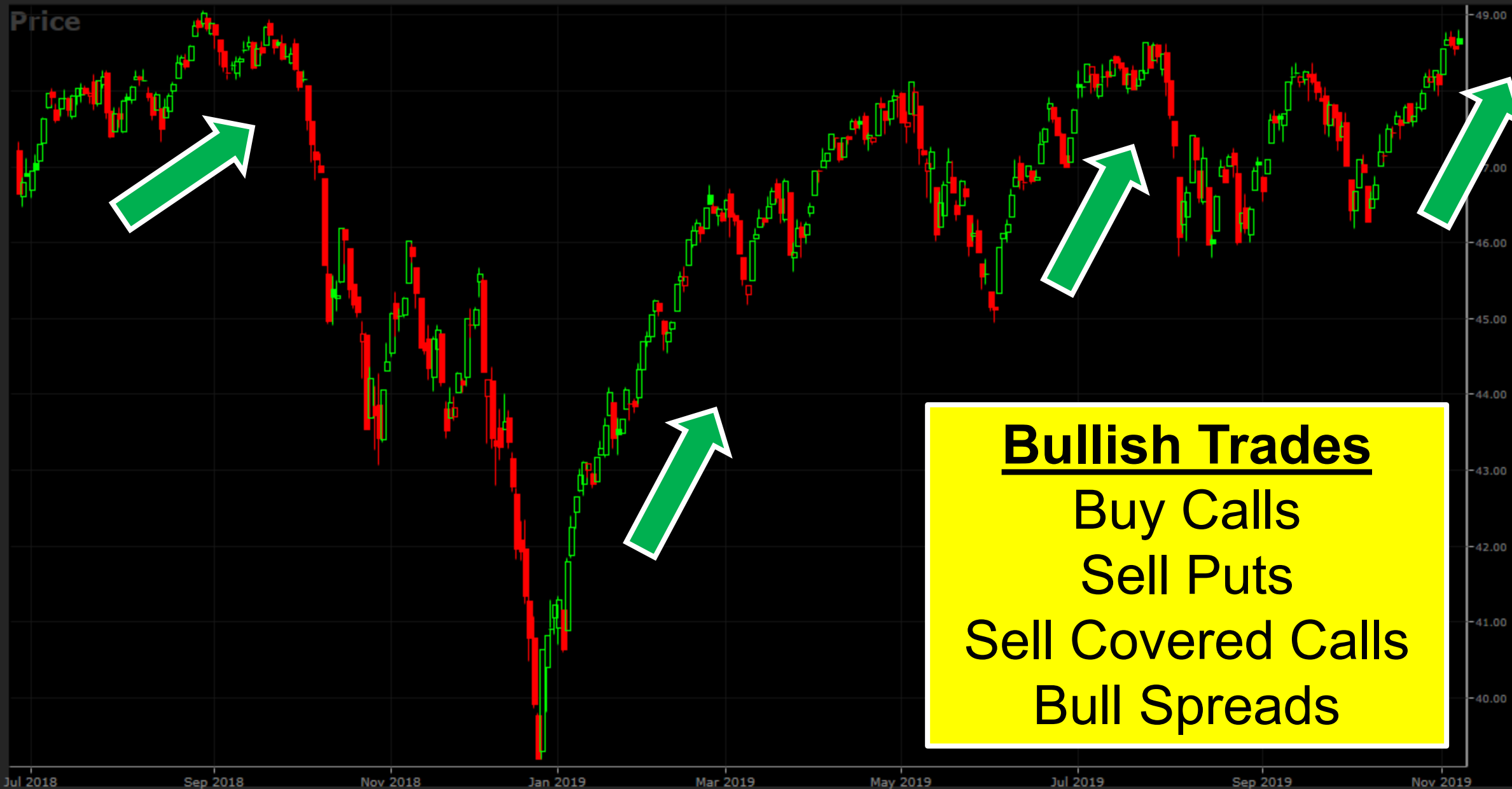


Market Ti...



Add New

Price



Bullish Trades

Buy Calls

Sell Puts

Sell Covered Calls

Bull Spreads



Graph Control Panel



Market Ti...



Add New

Price



Bearish Trades

Buy Puts

Bear Spreads



Graph Control Panel

Use the Colors in the Color Guard to help.

Green Light with MTI & BSR rising = Bullish

Red Light with MTI & BSR falling = Bearish

NASDAQ Comp IXIC 5,805.149 -31.0103 -0.53 %
S & P 500 SPX 2,328.95 -15.9799 -0.68 %

Buy Sell Holds
780 1,069 5,812
(10.2%) (14.2%) (75.6%)

Momo Inc MOMO 38.18 0.32 0.85 % 1.59
Nat'l Beve FIZZ 85.60 0.05 0.06 % 1.51
Auxilio AUXO 6.30 0.10 1.68 % 1.48
Coherent COHR 192.79 -2.82 -1.44 % 1.44
Pampa En PAM 58.27 0.02 0.03 % 1.44

VectorVest Events

Market Close on 4/13/2017

Live Events

Date	Event
April 20	Executive Premier Workshop
April 20	Executive Premier Workshop
May 4	Worrv-Free Investing Seminar

Alerts

Graphs

UniSearch

BackTester

Portfolios

Views

Derby

Watchdog

Training

Tools

Market Timing Gauge

Market Close on 4/13/2017



The Color Guard is Bearish

VectorVest does not advocate buying any stocks at this time.

Training

Click here to visit the:

[VectorVest University](#)

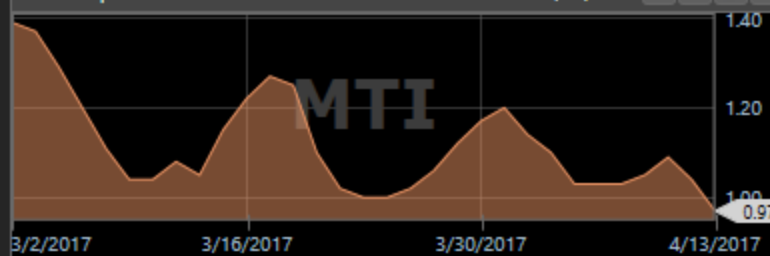
Color Guard

Market Close on 4/13/2017

Date	Price	RT	BSR	MTI	Trend	Call
Apr 13	41.010 (R) *	0.97 (R)	0.73 (R)	0.97	C/Dn	C/Dn
Apr 12	41.261 (Y)	0.99 (Y)	0.94 (R)	1.04	UpUp	C/Up
Apr 11	41.504 (G) *	1.00 (Y)	1.25 (G)	1.09	UpUp	C/Up
Apr 10	41.420 (G) *	1.00 (Y)	1.13 (Y)	1.05	C/Up	C/Up
Apr 07	41.352 (Y)	0.99 (Y)	1.03 (Y)	1.03	DnUp	C/Dn
Apr 06	41.355 (Y)	0.99 (Y)	1.02 (G)	1.03	DnUp	C/Dn

Mini-Graph

Market Close on 4/13/2017



Top RT Industries

Market Close on 4/13/2017

Industry Name	Price	Change	% Change	RT
Retail (Major Chains)	60.31	-0.33	-0.54 %	1.39
Business Svc (Schoo	27.64	0.02	0.07 %	1.22
Personal (Soap & Clr	55.58	-0.28	-0.50 %	1.22
Market (ClsdEndFnd	12.67	-0.02	-0.14 %	1.20
Computer (Graphics)	64.76	-0.24	-0.36 %	1.19

Top RT Sectors

Market Close on 4/13/2017

Sector Name	Price	Change	% Change	RT
Utility	38.87	-0.27	-0.69 %	1.14
Market	218.63	-1.31	-0.59 %	1.08
Real Estate Manager	36.80	-0.02	-0.05 %	1.08
Leisure	33.15	-0.22	-0.66 %	1.04
ETFs	46.76	-0.22	-0.47 %	1.03

Strategy

4/13/2017 EOD

Learn how to Make Money with VectorVest
Don't miss this week's Timing & Strategy Video

Special Offers

EXECUTIVE PREMIER
WORKSHOP

Market Closed

Case Study





Price



Graph Control Panel



AAPL



Add New

October 10th
AAPL traded at \$230.09



Graph Control Panel

**You're bullish on AAPL.
You want to buy the *RIGHT*
to Buy AAPL at \$230.**





AAPL



Add New

You buy:

1 AAPL Jan 230 Call @ \$12.45



Graph Control Panel

**Your one CALL gives you the
RIGHT to BUY 100 shares of
AAPL at a certain price (\$230)
by the expiration date (3rd
Friday of January).**





AAPL



Add New

**Your one CALL costs
\$12.45 per share or
\$1,245 for one contract.**



Graph Control Panel



AAPL



Add New

December 2nd

AAPL had risen to \$264.16
The stock increased 14.8%.



Graph Control Panel

December 2nd

**The CALL value had risen to \$35.58.
The option increased 185%!**



Today You Learned:

- What an Option Is
- Stock versus Option
- Key Terms & Market Direction
- The Power of Leverage



THE OPTIONS JUMPSTARTER

Learn How To Profit By Trading Options



The Options JumpStarter

Module 1	Module 2	Module 3	Module 4	Module 5	Module 6
Option Foundation Builder	Trade Set-Up Calls	Trade Set-Up Puts	Trade Selection	Trade Management	Trade Execution
Focus on the Most Important...	Profit System for Up Markets...	Profit System for Down Markets...	Pick the Best Candidate...	Be Prepared. Know What to Do.	Ready. Set. Trade.
<ul style="list-style-type: none">✓ Building Block Matrix✓ Price/Value Calculator✓ Sweet Spot Identifier	<ul style="list-style-type: none">✓ Prepare for Blastoff✓ Successful Set-Ups✓ Know Your Rights	<ul style="list-style-type: none">✓ Prepare for Blastoff✓ Successful Set-Ups✓ Know Your Rights	<ul style="list-style-type: none">✓ Pattern Identifier✓ Stock Filter✓ Option Criteria	<ul style="list-style-type: none">✓ Set Objectives✓ Profit Targets✓ Exit Criteria	<ul style="list-style-type: none">✓ How to Enter Trades✓ How to Exit Trades✓ Trading Checklist



THE OPTIONS JUMPSTARTER

Special Event Price:

\$295 +

ticket to next mastery course

