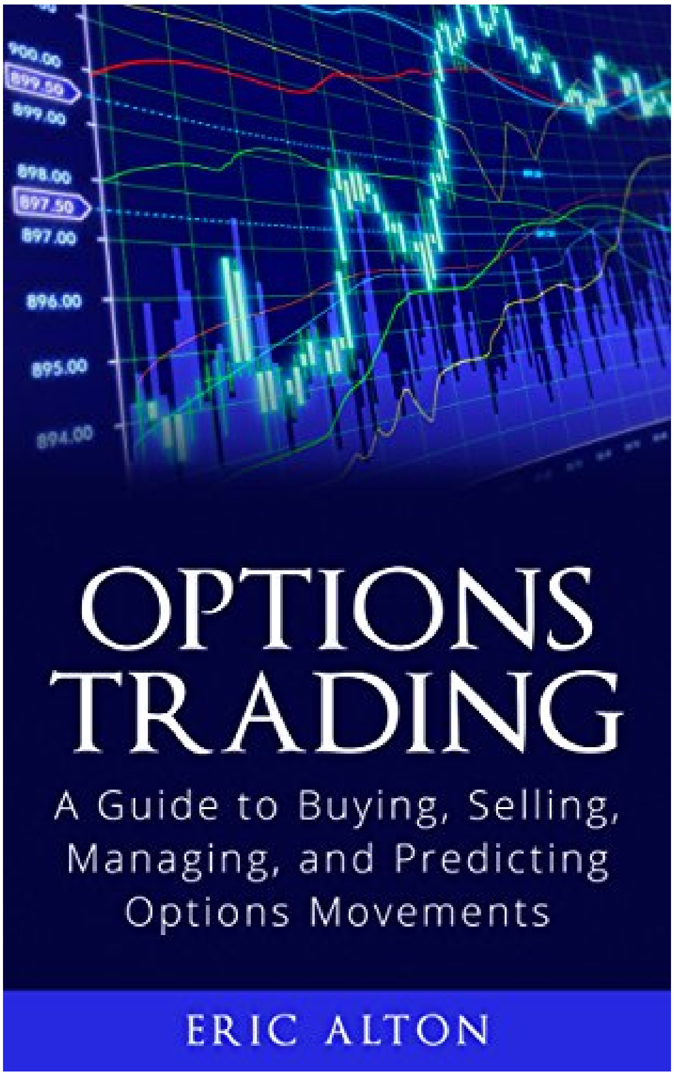
Options Trading: A Guide to Buying, Selling, Managing, and Predicting Options Movements

by

Brian Matsumoto



Synopsis

Unlock the Secrets to Options TradingRead this book for FREE on Kindle UnlimitedWhen we think about the stock market, we generally envision a place where entrepreneurs, investors, and licensed brokers try to sell, buy, and manage everything investment-related—stocks, bonds, mutual funds, property, etc. Yet many investors tend to overlook the advantages of another investment opportunity—options trading. This book will take readers through both the basic and more complex topics of options trading—the benefits and risks, the most effective trading strategies, the value of short vs. long-term options, and how to analyze options charts. Options trading can be a highly rewarding investment endeavor, but a particular set of skills are needed in order to reap the many benefits. This book will provide you with the information you need to find success in the world of options trading.During and after reading this book:Gain the skills, knowledge, and experience needed to succeed in options trading.Go from feeling unsure about options opportunities to feeling confident.Replace your stress-filled days in the stock market with positive and rewarding experiences.No longer be the hesitant investor who doubts his or her actions; you'll feel in control with every decision and action.And much, much more!Take action NOW!★Click the orange 'Buy Now with One Click' button on the top right hand corner of your screen to download your copy today!★Risk Free: Offer includes a 30-day Money-Back Guarantee - no questions asked.

Sort review

About the AuthorDr. Brian Matsumoto is a retired research scientist who has worked for 30 years documenting experiments with technologically advanced cameras. He now spends his time photographing with a variety of cameras and lenses, and is interested in expanding a camera's potential by pairing it with specialized optics such as microscopes and telescopes. He enjoys spending time outdoors and carries his camera on all of his hikes to photograph nature. In addition to the nine books he has written for Rocky Nook, Dr. Matsumoto has published several articles and has had his photographs published in a number of periodicals. His photographs have also appeared on the covers of American Laboratory, BioTechniques, and BioPhotonics. He is experienced in the technical aspects of photography and is an adjunct instructor for the Hooke College of Applied Sciences. Dr. Matsumoto recently served as a judge for the Olympus BioScapes International Digital Imaging Competition.Carol F. Roullard has been an avid photographer since her high school years when she first experimented with black-and-white artistic composition. Since then, she has continued photographing mainly nature and architecture. Ms. Roullard has used a variety of cameras covering a wide range of makes and models, from simple point-and-shoot to complex professional-level cameras. In addition to co-authoring eight books for Rocky Nook, Ms. Roullard produces award-winning fine art photography and utilizes her previous art business experience to manage her online gallery and present her work at art shows. Recently, Ms. Roullard has begun giving speeches for writers and photography associations. As a former Project Management Quality and Compliance Engineer, Carol spent a number of years developing procedural and quality control methodology for IT projects. In addition, she has developed and conducted training sessions covering best practices for procedural and quality control, breaking down complex subjects into easy-to-use approaches to learning.

Look inside the book

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Don't be discouraged if you struggle to grasp hold of various topics throughout this book. With time, patience, practice, and an open-mind, the topics found throughout this book will eventually click.Chapter 1—Options BasicsDiving into the world of stocks, investing, and options trading can be a somewhat complicated and complex task, though it doesn't necessarily need to be. With the right amount of background knowledge, foundational information, practice, and patience, anyone and everyone can immerse themselves in the financial marketplace and find financial and economic success. In order to successfully do this, however, you'll need to start with the basics. And for the sake of this book, these crucial basics will revolve around options trading.What is an Option?So, to help get you started and heading in the right direction, here is the most basic definition of options:Options: A contract that gives a buyer the right, but not the obligation, to buy or sell an asset for a specific, predetermined price before the passing of a certain date.For some, this sole definition might make perfect sense. Others, however, will require a bit more explanation about what an option is and entails, and that's perfectly okay. Actually, wanting and even needing to know more about options and options trading opens many helpful doors for the beginner options trader, and shows your dedication to learning about, understanding, and mastering everything there is to know about options.As we continue forward, it might be helpful to think of options as a security. In other words, options are financial investment opportunities that parallel those of stocks, penny stocks, bonds, mutual funds, and property, for example. These investment opportunities, including options, all fall under the same financial category—securities.So, what do we know about options so far? Well, we know it's a security, and we know that options are investment endeavors that are similar to stocks, bonds, etc. We also know that options are contracts that give you (the buyer), the freedom to buy or sell something for a predetermined price as long as it takes place before a pre-established expiration date. Are you still feeling a bit unsure? No worries. Take a look at the following scenario.Scenario #1: Buying a Used CarYou want to purchase a used car, but don't have the funds to do so at the moment. The car is lightly used and costs $15,000. You discuss your situation with the dealer and negotiate a deal called an options contract. 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You invested in a $500 option ($-15,000 initial investment + $-500 options investment = $-15,500).Event #2:The maker of the car that you plan to purchase at the end of the 2 week period has made an unexpected public announcement that the company is freezing its business,—effective immediately—and is closing its gates indefinitely. This sudden and surprising news causes the value of all the maker's cars to rise dramatically over night. Now, the same model, same condition car as your future car is valued at $40,000 and upwards.Because the car dealer sold you the $500 option (the non-refundable deposit on the car in exchange for the dealer's holding it for 2 weeks), he is obligated to sell you the car for the price previously agreed upon. In other words, he must still sell you the car for $15,000 cash, even though the car's selling value has appreciated to upwards of $40,000. The dealer's ability to recant on your negotiation is terminated by the $500 option—he's stuck in this contract. In this sense, you've made a $25, 500 profit. Here's why:1. You buy the car for $15,000 ($-15,000)2. You invested in a $500 option ($-15,000 initial + $-500 options = $-15,500)3. After purchase, you sell the car for $40,000 ($40,000 sell price + $-15,500 initial investment= $+25, 500 end profit).Event #3:1 week after you've created an options contract with the dealer (and 1 week before the 2 week expiration date passes), you return to the car dealership with your trusted mechanic who has agreed to do an inspection on the car before you buy it. During his inspection, he finds significant evidence that the car has been in an accident in the past. He suspects this because certain parts of the car's interior and exterior are not original, the engine has been replaced, etc. You confront the dealer about your worry and ask for a car report. He refuses to provide a recent car report. You find this odd, and don't want to risk buying a car with an accident in its past.Because of your concerns, you decide not to buy the car. Having created an options contract, you have the right to take back your $15,000 offer as long as it's before the 2 week expiration date. You won't get your $500 option back, but you aren't required to buy the car anymore and invest $15,000 in something you're not entirely sure about. Here's what you end up with:1. You lose your $500 option ($-500)2. You don't buy the car. ($-500 + 0 = $-500)Having read the scenario and the three different events that can occur, did you pick up on any important elements of options contracts? If you didn't, don't stress too much. We'll cover this topic in a later chapter. For now, however, it's important for you to know that options buyers are generally in a much better, more flexible position than sellers of options. In fact, we saw this in the previous examples. 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You, the buyer of the option, were able to go through with the deal or turn back on the deal, with only a small penalty imposed (losing the $500 options contract). The seller, on the other hand, had no choice but to follow through with the deal, even when the car's selling-value rose from $15,000 to $40,000 overnight. Because he created the $500 options contract with you, his hands were tied.Getting to Know the LanguageChapter 1—Options BasicsDiving into the world of stocks, investing, and options trading can be a somewhat complicated and complex task, though it doesn't necessarily need to be. With the right amount of background knowledge, foundational information, practice, and patience, anyone and everyone can immerse themselves in the financial marketplace and find financial and economic success. In order to successfully do this, however, you'll need to start with the basics. And for the sake of this book, these crucial basics will revolve around options trading.What is an Option?So, to help get you started and heading in the right direction, here is the most basic definition of options:Options: A contract that gives a buyer the right, but not the obligation, to buy or sell an asset for a specific, predetermined price before the passing of a certain date.Options: A contract that gives a buyer the right, but not the obligation, to buy or sell an asset for a specific, predetermined price before the passing of a certain date.For some, this sole definition might make perfect sense. Others, however, will require a bit more explanation about what an option is and entails, and that's perfectly okay. Actually, wanting and even needing to know more about options and options trading opens many helpful doors for the beginner options trader, and shows your dedication to learning about, understanding, and mastering everything there is to know about options.As we continue forward, it might be helpful to think of options as a security. In other words, options are financial investment opportunities that parallel those of stocks, penny stocks, bonds, mutual funds, and property, for example. These investment opportunities, including options, all fall under the same financial category—securities.So, what do we know about options so far? Well, we know it's a security, and we know that options are investment endeavors that are similar to stocks, bonds, etc. We also know that options are contracts that give you (the buyer), the freedom to buy or sell something for a predetermined price as long as it takes place before a pre-established expiration date. Are you still feeling a bit unsure? No worries. Take a look at the following scenario.Scenario #1: Buying a Used CarYou want to purchase a used car, but don't have the funds to do so at the moment. The car is lightly used and costs $15,000. You discuss your situation with the dealer and negotiate a deal called an options contract. The deal is as follows:The dealer agrees to hold the car for you for 2 weeks (until you can afford to pay cash).He will sell the car to you for the asking price of $15,000.He agrees to the previous 2 points by negotiating an options contract. He will hold the car for 2 weeks and sell it to you for $15,000 if you place a $500 options contract down (a non-refundable deposit). You agree.The dealer agrees to hold the car for you for 2 weeks (until you can afford to pay cash).He will sell the car to you for the asking price of $15,000.He agrees to the previous 2 points by negotiating an options contract. He will hold the car for 2 weeks and sell it to you for $15,000 if you place a $500 options contract down (a non-refundable deposit). You agree.At this point, you have invested in a $500 option (the non-refundable deposit you agreed to put down on the car in order for the dealer to hold it for you for 2 weeks).From here, one of three different events might happen:Event #1:You return to the car dealer at the end of the 2 week agreement period with $15,000 in cash. You pay $15,000 for the car and the dealer keeps the $500 option. You drive home in your new car. Here's how it works: 1. You buy the car for $15,000 cash ($-15,000)2. You invested in a $500 option ($-15,000 initial investment + $-500 options investment = $-15,500).Event #2:The maker of the car that you plan to purchase at the end of the 2 week period has made an unexpected public announcement that the company is freezing its business,—effective immediately—and is closing its gates indefinitely. This sudden and surprising news causes the value of all the maker's cars to rise dramatically over night. Now, the same model, same condition car as your future car is valued at $40,000 and upwards.Because the car dealer sold you the $500 option (the non-refundable deposit on the car in exchange for the dealer's holding it for 2 weeks), he is obligated to sell you the car for the price previously agreed upon. In other words, he must still sell you the car for $15,000 cash, even though the car's selling value has appreciated to upwards of $40,000. The dealer's ability to recant on your negotiation is terminated by the $500 option—he's stuck in this contract. In this sense, you've made a $25, 500 profit. Here's why:1. You buy the car for $15,000 ($-15,000)2. You invested in a $500 option ($-15,000 initial + $-500 options = $-15,500)3. After purchase, you sell the car for $40,000 ($40,000 sell price + $-15,500 initial investment= $+25, 500 end profit).Event #3:1 week after you've created an options contract with the dealer (and 1 week before the 2 week expiration date passes), you return to the car dealership with your trusted mechanic who has agreed to do an inspection on the car before you buy it. During his inspection, he finds significant evidence that the car has been in an accident in the past. He suspects this because certain parts of the car's interior and exterior are not original, the engine has been replaced, etc. You confront the dealer about your worry and ask for a car report. He refuses to provide a recent car report. You find this odd, and don't want to risk buying a car with an accident in its past.Because of your concerns, you decide not to buy the car. Having created an options contract, you have the right to take back your $15,000 offer as long as it's before the 2 week expiration date. You won't get your $500 option back, but you aren't required to buy the car anymore and invest $15,000 in something you're not entirely sure about. Here's what you end up with:1. You lose your $500 option ($-500)2. You don't buy the car. ($-500 + 0 = $-500)Having read the scenario and the three different events that can occur, did you pick up on any important elements of options contracts? If you didn't, don't stress too much. We'll cover this topic in a later chapter. For now, however, it's important for you to know that options buyers are generally in a much better, more flexible position than sellers of options. In fact, we saw this in the previous examples. You, the buyer of the option, were able to go through with the deal or turn back on the deal, with only a small penalty imposed (losing the $500 options contract). The seller, on the other hand, had no choice but to follow through with the deal, even when the car's selling-value rose from $15,000 to $40,000 overnight. Because he created the $500 options contract with you, his hands were tied.Getting to Know the Language

What people say about this book

Damita, “Really informative on Option Trading. It has been two years since I tried Option trading and I failed terrible since I followed a friend advice without having a good background information. Since am a "Not giving up" type I have picked my piece and ready to start again. I needed a book to giving me the background information that I need and How to go about the trade and this book has just done that, I have realized the terrible mistakes that I committed back then. I am ready to start again, thanks to the author for the great inspiration and information.”

Stepton, “Go for it!. I have heard that options trading can be a profitable type of business, but I had no clue what it is. This book gave a pretty good picture of what it is, as well as all of the difficulties that may come on the way. I think this is definitely not an easy type of business, but this book nevertheless gives a pretty good picture of how to go about it. To be honest, I think here you will find a good foundation, and from here on it is all about experience and taking action.”

Dawn Pickin, “Options made easy. This is a really interesting subject about taking out options on anything with a view to purchasing at a later date. The book is really clear and the information is detailed but still extremely interesting. The author obviously knows an awful lot about this subject and explains it an extremely straightforward manner that also engages the casual reader. It is well worth looking this book through to find about about a reasonably complex topic in a painless easy to understand way.”

CP's, “Discover the world of Options Trading. This book contains a lots of information about options trading. Some of us scared to be part of that world of investment because some how it has risk, but this book has information that there's benefits if we try the options trading investment. I like how this book explained to me well everything about options trading and I'm glad that it is easy to understand it. It has strategies here and tips to be successful i stock market. Well recommended!”

Frank, “This is a useful book.. Many people know about the work in the stock market. But not all are doing it because they do not possess all the information. Speaking about the sale and purchase of options is clear and accessible to everyone in this book. Any of us understand how to build a business plan and implement it. It is important that there is a use information on avoiding common pitfalls for beginners and experienced investors.”

Escaline, “This book is a great guide and I recommend it for those looking to .... I learned a lot from this book. I have been trading stocks since I was in college –at least a decade or so. One of the things that you often hear about investing is to only invest in what you know. Well, for all this time, I have never traded in options because I have never been able to get my head around them. Now that I have read this book, options trading finally clicked with me. Not only do I know get the power and opportunities that options trading provides, but I also now understand. This book is a great guide and I recommend it for those looking to explore the world of option trading."

Matt, "Very well said.. Many people are into trading. According to those who are older than I do, even before, there are people who invests in trading. To understand what is it all about, I grabbed this book. Well, it did tell a lot of things about trading and I get to understand its purpose and how it is done. Might try when I am already capable :)"

The book by Brian Matsumoto has a rating of 5 out of 3.6. 21 people have provided feedback.

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