

This training course is designed to introduce delegates with the basics of options.

Learning objectives

Acquiring insight and knowledge of:

- Derivatives in general
- Options trading
- Option positions
- Valuation of options
- Contract specifications of options
- Option styles
- Early exercise
- Option strategies

Target group

Mercurious' Options courses are particularly suitable for members of the financial and commodity community, including:

- Traders
- Analysts
- Risk managers
- Executives
- Back office staff
- Asset managers
- Investment managers
- Portfolio managers
- Financial consultants

Training

The training course will provide delegates in-depth knowledge and skills with respect to options, their features and applications. They learn to understand the motivation of market participants to enter options positions (long and short) for purpose of hedging, arbitrage or speculation. Delegates will get a real feel for options contracts by following their proceeds using real world examples.

The training sessions have a strong interactive character whereby the involvement of participants is of utmost importance. A clear overall picture of the working of options, their markets, relevant developments, risks and other relevant issues is provided during the training sessions by means of exercises, calculations and theory.

Content

This training course covers one full day. While dealing with each subject, attention is given to the various characteristics, aspects, opportunities and risks attached to that subject. We can tailor the course to match your specific requirements. For example, the course can be split into specific sections or used as a building block for an extended course.

Options – Basic course

MORNING

Derivatives

- Definitions of contracts for difference
 - Forwards
 - Futures
 - Options
 - Swaps
- Comparison of options and futures
 - Conditional vs. unconditional
 - Right vs. obligation
 - Risks
 - Extrinsic value
 - Leverage
 - Margin
- Plain vanilla vs. exotics
- Contract specifications

Trading

- Buying vs. selling & rights vs. obligations
- Market participants
 - Hedgers
 - Arbitragers
 - Speculators

Positions

- Opening & closing positions
- Short selling
- Clearing institutions
- Margin & leverage
- Settlement
- Roll-over

AFTERNOON

Pricing of options

- Premium
- Pricing
 - Price drivers
 - Market fundamentals
 - Contract fundamentals
- In, at or out-of-the-money
 - At-the-money
 - In-the-money
 - Out-of-the-money
- Decay of premium
- Put-call parity (*PCP*)

Early exercise

- Exercise & assignment
- Early exercise & timing
- Styles (European vs. American)

Option strategies

- Long & short positions in calls & puts
- Call & put spreads (price & time)
- Long & short straddles & strangles
- Ratio spreads