02. Strike Price, Premium and Expiry

Option Trading Basics in 60 Minutes
Understand the values that determine an option contract's price.

1. Strike Price

- Meaning of strike price.
- In-the-money, at-the-money and out-of-the-money options.
- How strike selection changes the payoff profile.

2. Option Premium

- Intrinsic value and time value.
- Factors that influence premium: underlying price, time, volatility and interest rates.
- Why an option premium can fall even when the market moves in the expected direction.

3. Expiry

- How time to expiry affects an option.
- Time decay and the role of theta.
- Expiry-day risks and contract-specific settlement rules.

Educational overview only. Options are complex, leveraged instruments and can result in substantial or total loss of the premium paid; some option strategies can carry much larger losses. This material is not investment advice or a recommendation to trade.