



Options are a form of derivative contract that gives buyers of the contracts (the option holders) the right (but not the obligation) to buy or sell a security at a chosen price at some point in the future.

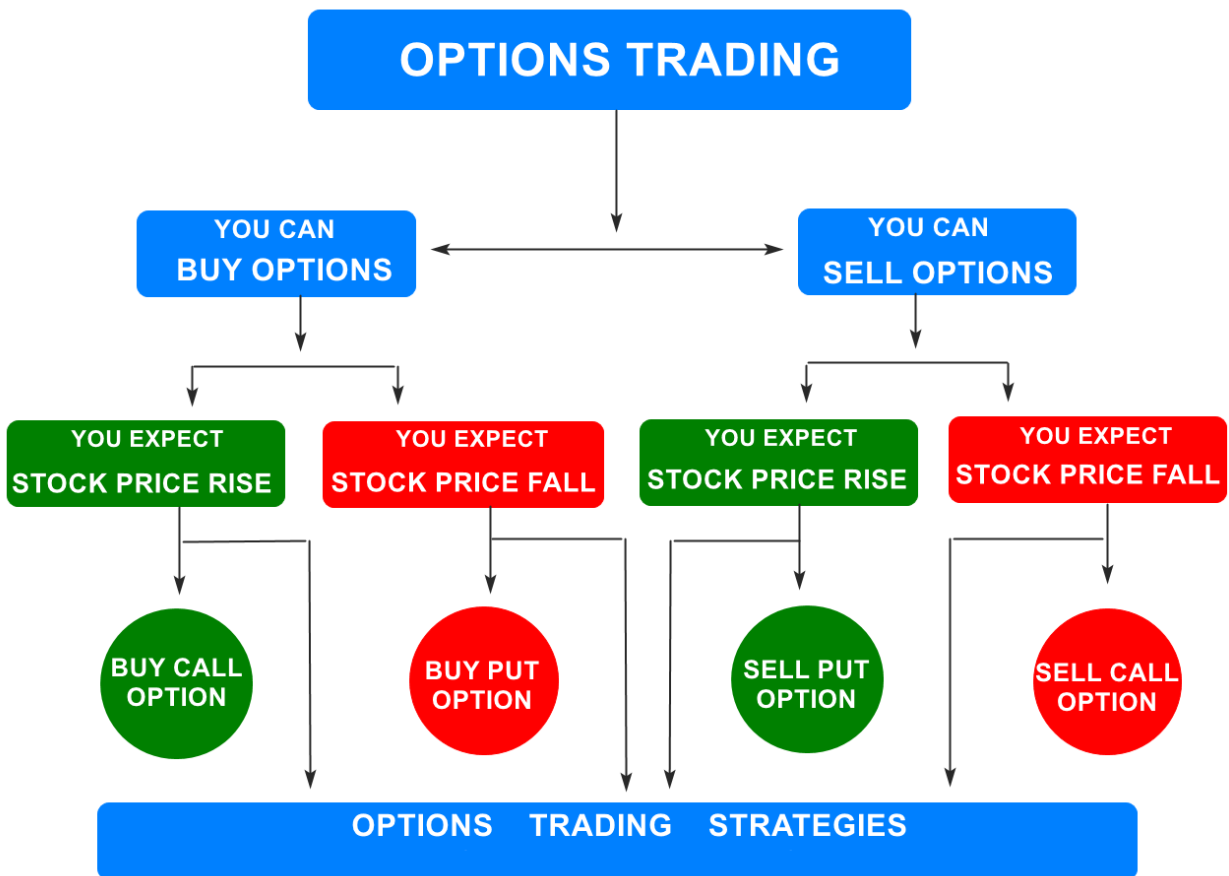
Option buyers are charged an amount called a premium by the sellers for such a right.

Options are generally divided into "call" and "put" contracts.

With a call option, the buyer of the contract purchases the right to *buy* the underlying asset in the future at a predetermined price, called exercise price or strike price.

With a put option, the buyer acquires the right to *sell* the underlying asset in the future at the predetermined price.

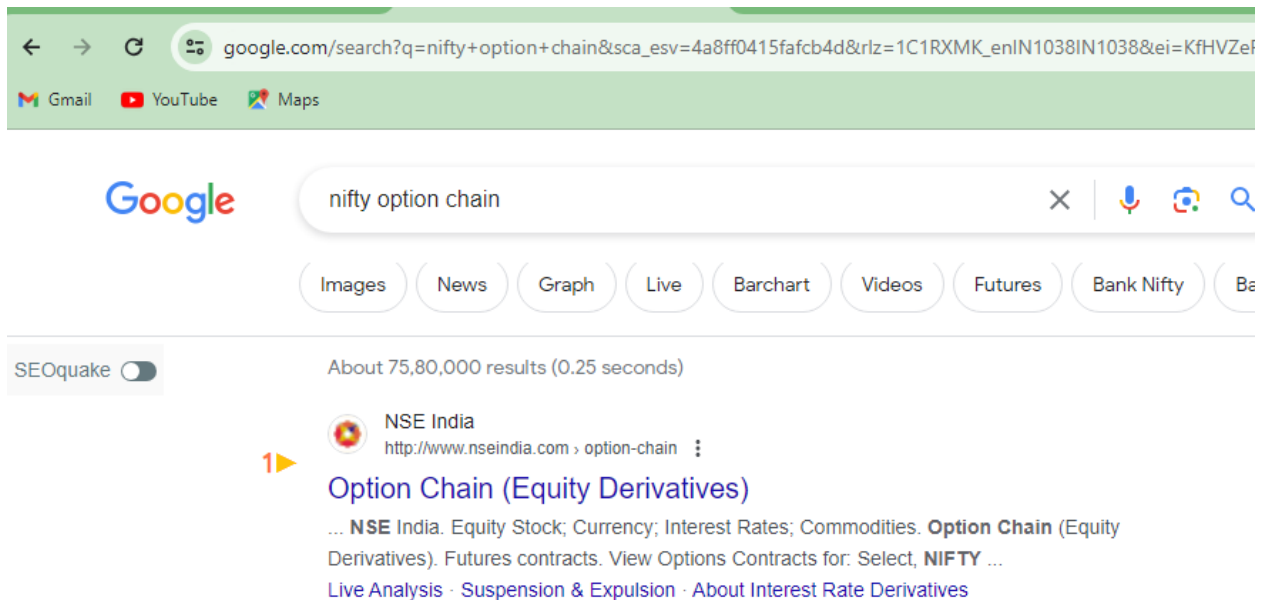
### Options Trading Basics:-



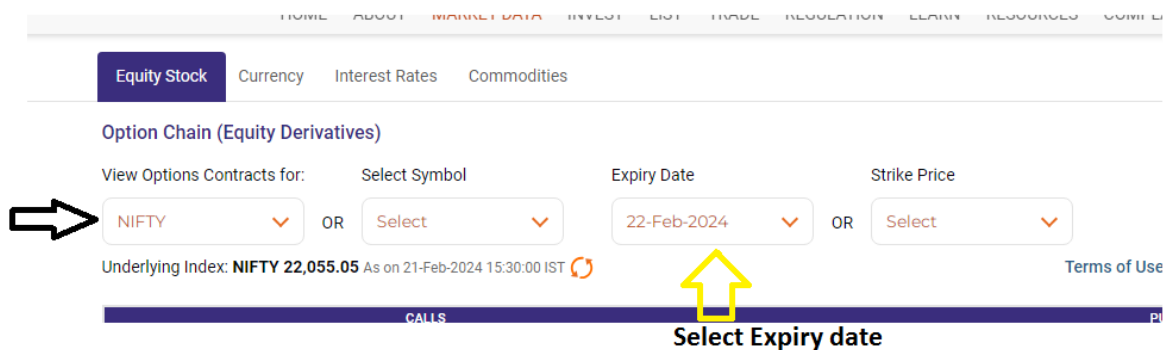
1. Buy a call option or sell a put option only when you expect the market to go up.
2. Buy a put option or sell a call option only when you expect the market to go down
3. The buyer of an option has unlimited profit potential and limited risk (to the extent of the premium paid)
4. The seller of an option has an unlimited risk potential and limited reward (to the extent of the premium received)

# Option Chain: What is It and How To Read It?

Step 1:- search Nifty option Chain & click on [www.nseindia.com](http://www.nseindia.com) as shown below.



Step 2:- Then select index Nifty and expiry date as shown below.



### Step 3:-

CALLS													PUTS												
OI	CHNG IN DI	VOLUME	IV	LTP	CHNG	BID QTY	BID	ASK	ASK QTY	STRIKE	BID QTY	BID	ASK	ASK QTY	CHNG	LTP	IV	VOLUME	CHNG IN OI	OI					
1,350	-445	1,346	-	582.90	-207.90	600	574.90	620.25	1,500	21,400.00	150	0.70	0.90	5,300	-3.00	0.90	23.61	8,10,277	-29,319	75,495					
300	-79	261	-	537.55	-200.45	600	530.35	564.80	50	21,450.00	800	1.00	1.10	5,050	-3.40	1.10	22.59	4,69,485	-256	34,185					
3,753	-250	7,582	-	483.50	-211.75	200	482.35	487.95	150	21,500.00	3,000	1.30	1.65	50	-3.70	1.65	21.98	14,53,952	86,694	1,95,877					
546	-121	623	-	434.50	-214.30	600	429.95	469.30	1,500	21,550.00	250	1.80	1.95	24,650	-4.35	1.95	20.85	8,84,623	12,546	44,221					
2,918	-782	3,761	-	384.50	-208.25	650	383.65	388.00	50	21,600.00	1,050	2.50	3.30	50	-5.20	2.55	20.04	18,61,260	23,472	1,02,228					
981	-93	1,229	-	338.00	-205.40	400	334.70	342.45	200	21,650.00	200	3.70	4.45	50	-5.75	3.70	19.57	12,13,580	19,826	47,887					
14,291	-1,489	16,037	-	288.00	-211.60	50	289.10	292.00	100	21,700.00	750	6.10	6.50	700	-5.60	6.10	19.28	25,91,148	32,430	1,25,615					
1,504	11	4,920	-	244.60	-208.55	50	241.80	245.00	100	21,750.00	850	9.20	9.85	300	-4.75	9.85	18.85	17,62,241	24,650	72,955					
10,339	-3,431	66,381	-	201.00	-205.90	200	197.35	201.00	50	21,800.00	1,800	15.45	15.85	800	-3.25	15.35	18.96	27,09,827	36,502	1,37,208					
5,202	-1,884	38,354	-	156.95	-203.80	50	157.05	162.25	150	21,850.00	50	24.35	25.00	900	1.45	25.00	19.33	16,77,872	8,833	55,523					
22,958	1,199	2,34,605	-	122.05	-196.05	50	122.00	124.80	200	21,900.00	450	38.10	39.70	50	8.65	38.10	19.90	28,23,979	41,510	1,32,759					
18,664	12,818	2,63,341	7.17	91.55	-182.25	100	91.60	94.65	50	21,950.00	50	57.45	59.75	550	22.25	59.75	20.80	18,89,075	8,066	52,747					
1,15,489	62,562	16,97,186	10.18	66.10	-168.85	9,100	66.00	68.95	300	22,000.00	100	81.05	83.60	50	34.65	81.75	21.76	41,99,956	-11,116	1,59,755					
61,122	44,071	12,31,155	11.76	47.95	-149.30	500	46.25	48.00	2,350	22,050.00	100	141.55	144.00	50	56.40	142.55	22.87	21,22,224	6,145	59,150					
1,79,910	84,027	29,19,378	12.68	32.00	-129.80	100	31.80	32.00	600	22,100.00	50	145.85	149.35	50	72.20	146.55	24.53	37,48,315	-62,640	84,563					
1,16,848	63,705	24,99,717	13.62	21.85	-108.55	900	21.35	21.95	100	22,150.00	450	186.00	187.30	50	93.40	186.00	26.34	22,89,364	-26,933	26,996					
2,78,921	1,72,949	56,69,153	14.33	14.30	-89.05	50	13.80	14.40	14,350	22,200.00	350	226.65	231.70	50	113.60	226.60	28.57	42,96,621	-1,505	64,028					
1,35,933	1,00,604	35,61,119	14.92	8.95	-70.50	500	8.65	8.95	750	22,250.00	50	273.00	275.65	50	134.75	273.05	30.94	14,92,053	4,407	15,429					
2,09,351	1,28,295	40,57,572	15.40	5.45	-53.00	11,250	5.20	5.50	3,500	22,300.00	300	318.25	323.85	50	155.70	323.45	33.39	10,93,715	233	20,649					
1,17,832	83,900	25,34,526	15.98	3.40	-38.35	2,700	3.30	3.40	50	22,350.00	50	365.05	371.90	200	167.45	367.70	36.38	2,46,370	-1,891	4,196					
1,69,570	99,490	30,23,832	16.65	2.10	-26.50	13,600	2.10	2.45	7,450	22,400.00	150	415.05	420.80	50	175.95	416.15	38.81	2,23,549	-2,104	4,477					
87,509	46,167	22,60,372	17.70	1.60	-17.35	150	1.60	1.85	2,100	22,450.00	600	442.85	470.35	200	190.10	469.15	42.45	27,431	266	1,491					
2,80,434	1,70,948	30,08,498	19.10	1.50	-10.35	500	1.50	1.60	2,100	22,500.00	100	494.90	519.95	100	197.95	518.40	44.67	54,345	1,020	5,150					
85,990	23,426	16,96,711	20.17	1.30	-5.90	3,600	1.15	1.30	950	22,550.00	600	536.85	600.90	600	203.25	568.75	48.10	3,008	-38	131					
1,59,142	32,177	23,70,373	21.44	1.15	-3.15	14,250	1.15	1.20	9,800	22,600.00	600	590.80	620.10	50	204.30	616.60	50.23	6,983	-394	817					
93,525	39,577	13,27,712	22.75	0.90	-1.70	4,850	0.90	1.15	1,700	22,650.00	200	663.20	670.10	400	208.30	667.80	53.43	593	-1	34					
1,61,037	52,627	18,32,862	24.00	0.80	-1.00	23,500	0.80	0.95	1,700	22,700.00	600	688.70	751.50	800	209.35	717.00	55.90	1,723	-51	206					
51,461	-1,654	6,02,968	25.16	0.70	-0.55	1,100	0.70	1.00	3,550	22,750.00	200	737.20	770.25	400	166.30	725.35	38.81	69	-21	35					
1,27,933	17,687	8,92,541	26.68	0.85	-0.30	1,800	0.70	0.85	2,000	22,800.00	250	787.95	817.00	100	219.35	822.35	63.24	781	-110	104					
29,532	8,022	2,69,628	28.39	0.85	-0.20	1,200	0.65	0.90	27,950	22,850.00	800	847.20	900.00	4,750	145.85	872.00	65.78	5	-	6					
58,728	7,416	4,93,990	29.43	0.80	-0.20	50	0.75	0.85	1,100	22,900.00	5,400	884.80	944.55	600	208.85	913.35	65.02	24	4	10					
25,423	-6,966	1,59,658	30.65	1.00	0.05	11,050	0.50	1.15	5,400	22,950.00	400	958.70	999.75	200	107.55	900.05	-	25	2	11					
1,56,531	27,826	10,21,369	32.10	0.70	-0.20	450	0.70	1.05	3,200	23,000.00	7,450	986.60	1,049.80	6,600	204.60	1,018.00	71.97	475	-43	266					

### Summary of Above Diagram:-

- The **Call options** are on to the left side of the Option Chain.
- The **Put options** are on to the right side of the Option Chain.
- The strikes are increasing in the center of the Option Chain.
- ITM For Call options** – all option strikes lower than ATM options are ITM options. Hence they have a pale yellow background
- OTM For Call options** – all option strikes higher than ATM options are OTM options. Hence they have a white background.
- ITM For Put Options** – all option strikes higher than ATM are ITM options. Hence they have a pale yellow background.
- ITM For Put Options** – all option strikes lower than ATM are OTM options. Hence they have a white background.
- The pale yellow and white background from NSE is just a segregation method to bifurcate the ITM and OTM options.

Beginners stepping in options trading will see the options chain as a complex data. Option chain is a chart that will give in-depth information related to all stock contracts available for Nifty stocks.

The best thing about the option chain is that it provides valuable information about the current security value and how it will affect it in the long term. Understanding the option chain will help investors make correct choices within the market. This article will give you a clear understanding of the Options chain to make the right trading decision.

## **What is an Options Chain?**

Options chain can be defined as the listing of all option contracts. It comes with two different sections: call and put.

A call option means a contract that gives you the right but does not give you the obligation to buy an underlying asset at a particular price and within the option's expiration date.

On the other hand, a put option means a contract that gives you the right but does not give you the obligation to sell an underlying asset at a particular price and within the option's expiration date.

An option strike means the stock price at which the investor is ready to buy the stock if the choice is exercised.

An option chain lists all option contracts, including put and call option for given security. However, several traders focus on net change, 'bid,' 'last price,' and 'ask,' columns to assess current market conditions.

Option chain is also called the option matrix. With the help of the option matrix, several skilled traders can easily see the direction of price movements.

Option Matrix also allows users to analyze and identify the points at which a low or high level of liquidity appears. Typically, it limits the traders to evaluate the depth and liquidity of specific strikes.

## **How To Read The Options Chain Chart?**

Here are components of the options chart that will help you to read the options chain chart easily. Let's look at the given below:

- **Options Type**

Typically, options have two different types:

- a. Call Option

Call option means a contract that extends the right to buy underlying at a specific price within a specified date

- b. Put Option

Put option is also a contract that extends the right to sell underlying at a specific price within a specified date.

- **Strike Price**

Strike price means a price at which both buyers and sellers of the Option agree to execute a contract. When the options price goes beyond the strike price, the options trade turns out to be profitable.

- **Open Interest or OI**

Open Interest means the Interest of traders during a specific strike price. The higher the amount, the Interest will be more among the traders for the actual strike price of an option. Since there's more Interest among traders, there will be high liquidity to trade your opinion.

- **Change in Open Interest**

It shows all the significant changes taken place in the Open Interest before the expiration date. The significant difference in OI signifies that either contracts are closed, exercised, or squared off.

- **Volume**

The volume shows the trader's interest, and the total number of contracts of an option for a specific price traded within the market.

Volume is calculated daily and can even help understand the current Interest of several traders.

- **Implied Volatility or IV**

Implied Volatility showed the price swing. High Implied volatility means there will be a high swing in prices, and low implied Volatility means there will be few or low swings in prices.

- **Last Traded Option or LTP**

LTP means the last traded price of an option.

- **Bid Price**

Bid Price means the actual value quoted within the last buy order. A price above the Last Traded Price (LTP) may indicate rising demand for options.

- **Bid Quantity**

Bid Quantity is the total number of buy orders booked for a particular strike price. However, it tells you about the current demand for the strike price of an option.

- **Ask Quantity**

Ask Quantity is the total number of open sell orders for a particular strike price. It indicates the availability of the options.

- **Ask Price**

Ask Price is the value quotes within the last sell order.

The **Call options** are on to the left side of the Option Chain.

The **Put options** are on to the right side of the Option Chain.

The strikes are stacked on an increasing order in the center of the Option Chain.

**ITM For Call options** – all option strikes lower than ATM options are ITM option. Hence they have a pale yellow background

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