

1. Key Concepts & Vocabulary to Take Note Of

① What is an Option?

- An option is a financial contract that gives you the **Right** (a choice) to buy or sell an asset, but **NO Obligation** (no forced responsibility) if it goes against you.

Option = Right,
but **NO Obligation**



Choice, not Compulsion

② Call Option (CE)

- An option you buy when you have a **Bullish View** (you expect the market/stock price to go UP).
- CE = Call Option

CE = Call Option



Expected
to go UP

③ Put Option (PE)

- An option you buy when you have a **Bearish View** (you expect the market/stock price to go DOWN).
- PE = Put Option

PE = Put Option



Expected
to go DOWN

④ Premium

- The actual token price per unit you pay to buy an option contract.
- Total amount paid = Premium $\times$ Lot Size.

Example:

Premium = ₹100

Lot Size = 65

Total = ₹100 $\times$ 65 = ₹6,500



⑤ Strike Price

- The specific price level (e.g. 24,000) chosen for the contract.
- It is the price at which you have the right to buy or sell the asset.

Example:

Strike Price = 24,000
(for example)



⑥ Lot Size

- The fixed quantity set by the stock exchange (e.g. 65 units for Nifty in the video example).
- You don't normally buy just 1 unit.
- Your total cash layout is always Premium $\times$ Lot Size.

Example (Nifty):

Lot Size = 65 units

If Premium = ₹100

Total amount = ₹100 $\times$ 65
= ₹6,500

You trade
in lot sizes,
not single
units.



⑦ Expiry Date

- The validity end-date of the contract (weekly or monthly).
- Options with farther expiry dates cost higher premiums because the seller takes on risk over a longer period.



Weekly or Monthly

- Weekly expiry (shorter duration)
- Monthly expiry (longer duration)

More time
to expiry
→
generally
higher premium
(more risk
for the seller)

2. Primary Advantages of Options

1 Asymmetric Risk - Reward

- As an option buyer, your loss is strictly limited (capped at the premium paid), while your profit potential is theoretically unlimited if the market moves strongly in your direction.

Limited Loss

- Maximum loss = Premium paid.
- You cannot lose more than what you paid.



Your total loss is strictly limited to the premium paid.

Unlimited Profit Potential

- If the market moves strongly in your favour, profit can be very high.



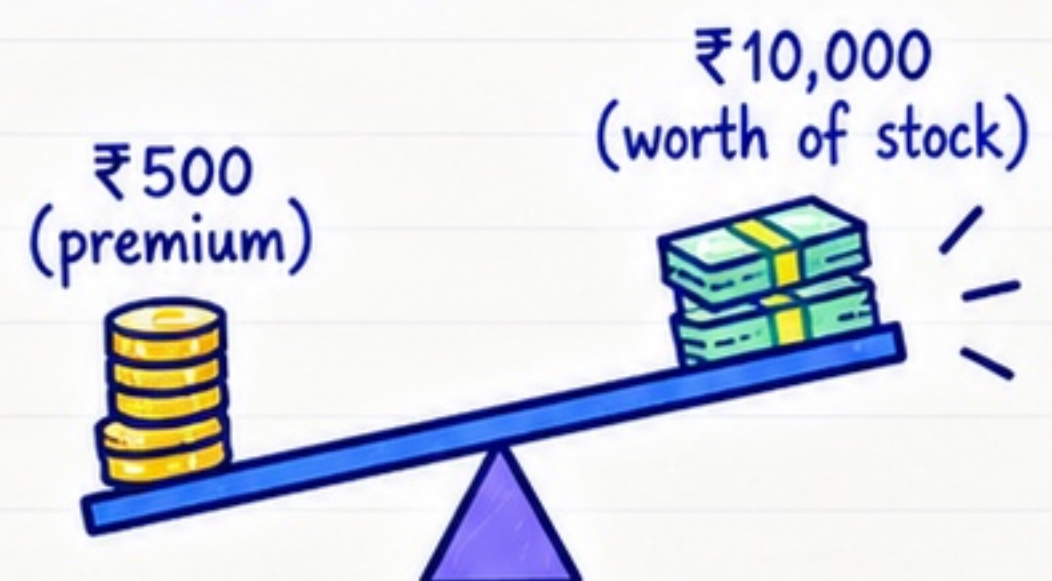
There is no upper limit to your profit if the market moves strongly in your direction.

2 Leverage & Lower Capital

- You can control a high-value asset using only a small fraction of capital.

Example:

You can control ₹10,000 worth of stock using just a ₹500 premium.



Key Takeaway:

- A small amount of capital (premium) gives you exposure to a much larger value in the market.
- This is called leverage.



Small capital

- Control large value
- Potentially higher returns

3. Big Beginner Mistakes to Avoid

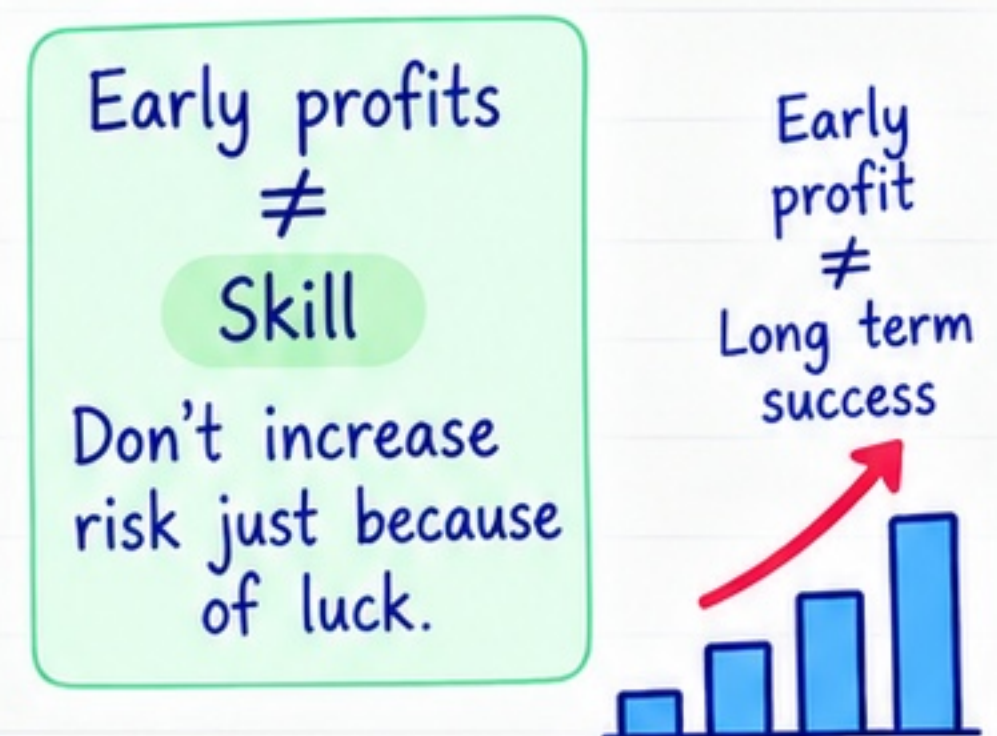
1 Seeking Quick Wealth

- Treating options as a "get-rich-quick" scheme without proper technical understanding leads to severe capital wipeouts.



2 Beginner's Luck & Overconfidence

- Getting lucky on early trades often leads to taking larger, unmanaged risks later.



3 Trading on Social Media / Channel Tips

- Executing trades based purely on tips without personal analysis or paper testing.

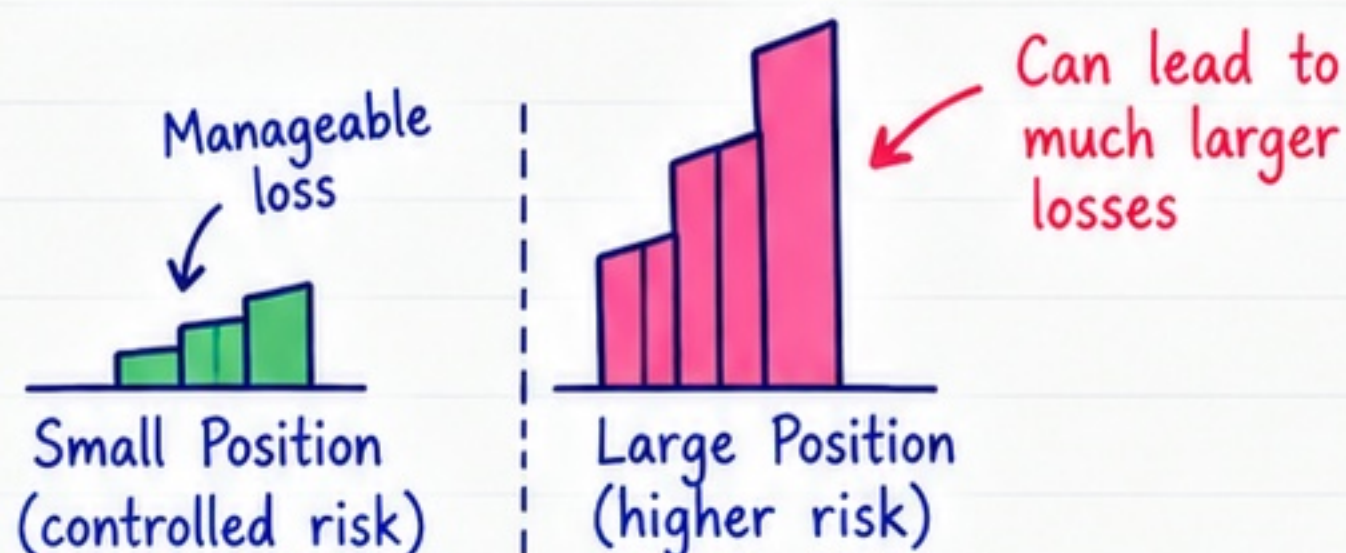


Do your own analysis and testing.



4 Neglecting Risk Management

- Assuming larger position sizes guarantee larger profits, without placing stop-loss orders.



Bigger position $\neq$ Bigger profit (it can also mean bigger loss)



Always use stop-loss and keep position sizes small and controlled.

4. Successful Trading Habits to Adopt

1 Always Set a Stop-Loss

- Define your exit point and risk budget before entering a trade.



Plan before you trade:

- Entry price
- Stop-loss level
- Risk amount
- Exit plan

Helps to limit losses and avoid emotional decisions.

2 Proper Position Sizing

- Keep initial quantity sizes small and controlled.



Do not put a large portion of your capital in a single trade.

3 Paper Trading First

- Practice entries, exits, and strategies on paper with dummy trades before risking real capital.

Benefits:

- Gain experience
- Build confidence
- Understand how options work in real market conditions.



4 Emotional Discipline & Patience

- Stick strictly to your predefined trading rules rather than making panic-driven moves.

Avoid FOMO
(Fear of missing out)
and impulsive decisions.



Be Patient
Be Disciplined

Follow your plan:

- Entry rules
- Exit rules
- Risk management rules
- Don't react emotionally to market noise.

5. The Example to Remember Forever : The Property Flat Booking Analogy

Imagine a real estate builder launches a brand new 2=BHK flat priced at ₹50 Lakhs.

1 The Booking (Paying the Premium)

- Instead of paying ₹50 Lakhs upfront, the builder allows you to book the flat by paying a 1% booking token = ₹50,000.
- This ₹50,000 token is your **Option Premium**.



2-BHK Flat
₹50 Lakhs

1% Booking Token
= ₹50,000
(Option Premium)

2 Scenario A – Market Surges (Call Option Scenario)

- The project becomes an instant hit, and flat prices jump to ₹55 Lakhs.
- Since you hold the booking contract at ₹50 Lakhs, your contract is now worth much more.
- You can sell your contract or lock in a **₹4.5 Lakh net profit** (₹5 Lakh gain minus your ₹50,000 token).
- A small ₹50,000 outlay generated a huge return!



Gain = ₹55L - ₹50L = ₹5 Lakh
Net Profit = ₹5L - ₹50,000
= ₹4.5 Lakh
(from a ₹50,000 outlay)

3 Scenario B – Market Crashes (Capped Loss Scenario)

- The area suffers bad news and the builder drops flat prices to ₹45 Lakhs.
- Because you bought an Option (Right, not Obligation), you are NOT forced to pay the remaining ₹49.5 Lakhs to complete the purchase.
- You simply forfeit your ₹50,000 booking token and walk away.
- Your total loss is strictly capped at **₹50,000**, preventing a ₹5 Lakh loss on the property purchase.



You forfeit the ₹50,000 booking token (Option Premium) and walk away.
Total Loss = ₹50,000
(capped at premium)

6. Strike Price vs Premium - Key Difference & Example

1 The Core Difference

Strike Price (The Target Benchmark)

- The **fixed contract price level** chosen by you (e.g. 24,000 in Nifty) at which you hold the right to buy or sell the underlying asset on or before the expiry date.
- It is the **benchmark price** written into the option contract.

Strike Price
= Target / Benchmark Price



Premium (The Down Payment / Token Fee)

- The **actual cash price per unit** that you pay upfront to purchase the option contract.
- This is your total risk outlay.
- Total Cost = Premium $\times$ Lot Size.

Example:

Premium = ₹100
Lot Size = 65
Total Cost = ₹100 $\times$ 65
= ₹6,500



Premium
= Token / Upfront Cost

2 The Property Analogy (To Remember Forever)

Using the flat booking example from Episode 1: Suppose a builder launches a new 2-BHK apartment.



Strike Price = Agreement Price
(₹50 Lakhs)

- This is the locked-in price at which you hold the right to purchase the flat.



Premium = Booking Token
(₹50,000)

- This is the actual non-refundable cash token (1% of property value) you pay today to secure that right.

How they interact in different market conditions:

1 When Property Market Rises to ₹55 Lakhs



- Strike Price:** Remains fixed at ₹50 Lakhs.
- Premium:** The value of your paper contract shoots up to ₹5 Lakhs+ because holding a contract that allows buying a ₹55 Lakh flat for ₹50 Lakhs is now extremely valuable.

2 When Property Market Drops to ₹45 Lakhs



- Strike Price:** Remains fixed at ₹50 Lakhs, but nobody wants to buy at ₹50 Lakhs when open market rates are ₹45 Lakhs.
- Premium:** The contract value collapses to ₹0. You walk away forfeiting only your initial ₹50,000 token (capped loss).

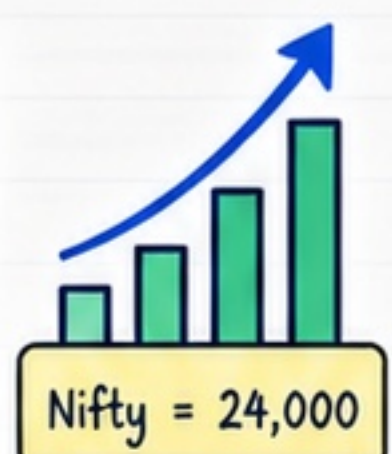
3 Stock Market Translation (Nifty Example)

If Nifty is currently trading at 24,000:

- Strike Price:** You select the 24,000 Call Option (CE).
- Premium:** You pay ₹100 per unit.
- Total Outlay:** ₹100 $\times$ 65 (Lot Size) = ₹6,500.

In this trade:

- 24,000 is your **Strike Price** (the price level you are betting Nifty will surpass).
- ₹6,500 is your **Premium** (the actual money paid for the right to hold that bet).



1 Where Options Trade (The 4 Asset Classes)

Options contracts aren't just for stocks and market indices. Options trading takes place across four major markets:

1 Equity Indices & Stocks

- Nifty, Bank Nifty, Reliance, HDFC Bank, etc.



2 Commodities

- Gold, Silver, Crude Oil, Natural Gas.



3 Currencies

- USD/INR, GBP/INR currency pairs.



4 Cryptocurrencies

- Bitcoin, Ethereum, etc.



2 Contract Denominations & Mechanics

1 Strike Price Increments

- For Nifty, options strike prices are listed in 50-point intervals.
- E.g., 24,000, 24,050, 24,100.

NIFTY STRIKE PRICES	
24,000	} 50 points interval
24,050	
24,100	
24,150	

2 Lot Size

- Stock exchanges set fixed lot sizes rather than single-share trading.
- E.g., Nifty lot size is 65 units.

NIFTY
Lot Size = 65 units

You trade 1 lot = 65 units (not 1 share).

3 Weekly Expiry Schedule

- Nifty weekly options expire every Tuesday.



4 Why Farther Expiry Dates Cost More

- Farther expiration dates give you a longer window for the market to move in your favor, increasing your opportunity to profit.
- Because this longer duration increases the risk for the option seller, the seller demands a higher premium upfront.



3 The "Bigger Position" Illusion

Retail Trap

- Beginners often fall into the trap of believing that taking a larger position size guarantees a larger profit.



The Reality

- Because leverage works both ways, increasing position size without defined risk controls only accelerates account blowups if the trade turns against you.



4 Operator Traps & Emotional Discipline

How Operators Exploit Beginners

- Market operators intentionally engineer sharp, sudden price swings to trigger emotional panic and confusion in retail traders.



The Shield

- If you define your entry, target, and stop-loss in your system before entering the trade, you remove emotion and protect yourself from panic-driven mistakes during operator spikes.

