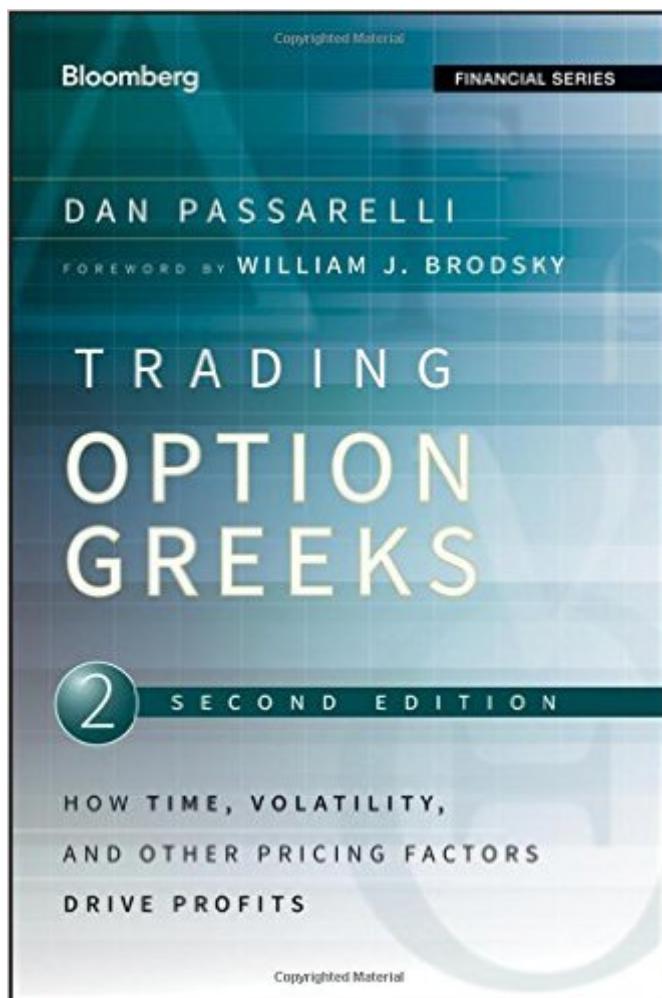


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# Trading Options Greeks: How Time, Volatility, And Other Pricing Factors Drive Profits



## Synopsis

A top options trader details a practical approach for pricing and trading options in any market condition. The options market is always changing, and in order to keep up with it you need the greeks—“delta, gamma, theta, vega, and rho”—which are the best techniques for valuing options and executing trades regardless of market conditions. In the Second Edition of *Trading Options Greeks*, veteran options trader Dan Pasarelli puts these tools in perspective by offering fresh insights on option trading and valuation. An essential guide for both professional and aspiring traders, this book explains the greeks in a straightforward and accessible style. It skillfully shows how they can be used to facilitate trading strategies that seek to profit from volatility, time decay, or changes in interest rates. Along the way, it makes use of new charts and examples, and discusses how the proper application of the greeks can lead to more accurate pricing and trading as well as alert you to a range of other opportunities. Completely updated with new material, information on spreads, put-call parity and synthetic options, trading volatility, and advanced option trading is also included. Explores how to exploit the dynamics of option pricing to improve your trading. Having a comprehensive understanding of the greeks is essential to long-term options trading success. *Trading Options Greeks*, Second Edition shows you how to use the greeks to find better trades, effectively manage them, and ultimately, become more profitable.

## Book Information

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## Customer Reviews

Learning to trade options has definitely been a challenge. When I first started, I would get panicky because I could not tell why I was losing money. Dan Passarelli's book on the option greeks helped take the mystery out of it for me as well as helped me learn how to better manage my trades. My

first trading coach would have us measure our risk based only on absolute risk, ie if the value of our trade went to zero. But think about it: how many trades have you lost money on because the value of your call, put, or spread went to zero? Probably very few. Nearly all of my losses have been because of day-to-day, incremental risk, and this is what the greeks help us measure. Learning about the greeks is helping me improve my results immensely, and this book has been a huge part of that. Here is a snap shot of some of the things I've learned that have helped me use the greeks to better manage my trades:- Why I make or lose money because of delta and how to use delta to determine when to take profits or cut bait- How to calculate a new delta based on gamma- How to use vega to predict if my trade will make or lose money based on a rise or fall in volatility- Why sometimes it's important to impose a time stop due to theta eroding the value of a long position- The importance of measuring your entire position in regards to each of the greeks (because the greeks are cumulative)As a former market maker, Passarelli used the greeks every day in his trading, and while he takes the time to explain concepts as advanced as gamma scalping, he also breaks things down in simple terms with real-life examples, especially at the beginning.

I am still reading this book and I find this a very useful book. This book is for intermediate level to advanced level option students and professionals. CBOE website has lot of info on option greeks (all free in webcasts section, where one can download presentation and also go through the webinar). This is the book that shows the details of option strategies and brings it together. Author gives examples of what one is buying or selling based on option greeks (selling theta, buying vega). This book complements with other books and texts that I have. In order to implement and/or see what author is suggesting one certainly needs an option calculator or website (most brokers give this).The following resources will help (no particular order or preference). Bottom line, need a option calculator with greeks, list of options strategies and adjustments one can make and see the P/L.1. Jabbour (option trading handbook), great book, that gives details of all adjustments without greeks. I have the first edition. Second edition is out, I do not have it.2. Most important spreadsheet is from optiontradingtips.com (awesome to see the plot of profit / loss and play with it) to make new trades or adjustments. Easy to play with. This along with CBOE webinar's explaining expiry profit/loss table that you can hand calculate in 5 minutes will show the exact strategy. Or use the spreadsheet and see all the greeks and P/L. One can add a stock (short or long) in the spreadsheet and what happens. The author of this spreadsheet is generous to give this free spreadsheet.3. John Hull's book on Options for MBA/Finance and CFA students (textbook, I have an old edition that is good enough), chapter 14 (and solutions are free) on Option sensitivities and Option hedging is excellent.

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