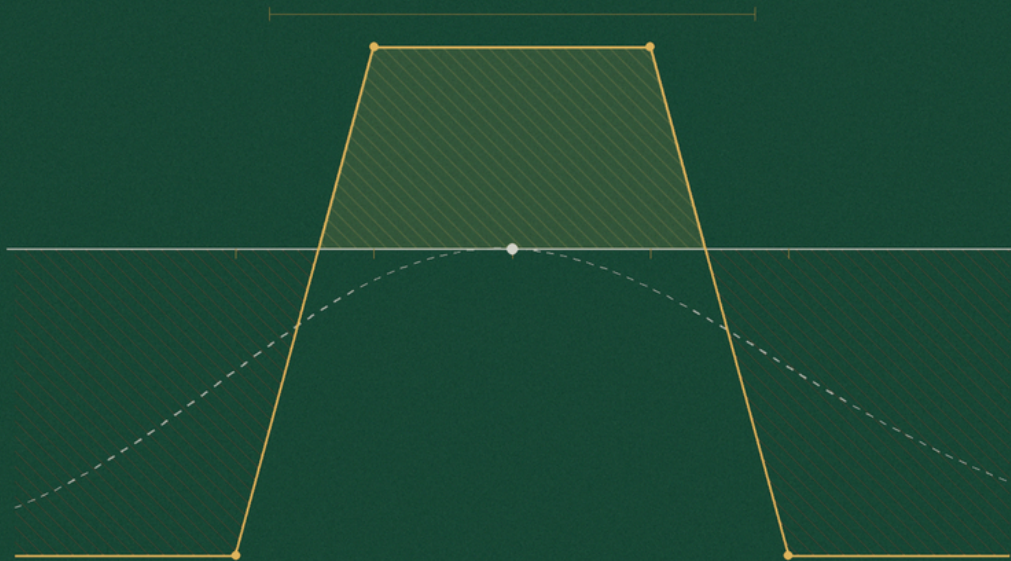


THE COMPLETE GUIDE TO

OPTIONS TRADING

*From Fundamentals
to Advanced Strategies*

CALLS • PUTS • SPREADS • GREEKS



MATT DANADEL

THE COMPLETE GUIDE TO OPTIONS TRADING

From first contract to professional practice: the complete textbook of listed options.

First edition · 2026

Copyright © 2026 Matt Danadel. All rights reserved.

No part of this book may be reproduced, distributed, or transmitted in any form or by any means, electronic or mechanical, without the prior written permission of the author, except for brief quotations in reviews and certain other noncommercial uses permitted by copyright law.

RISK DISCLOSURE & DISCLAIMER

This book is for educational and informational purposes only. It is not financial, investment, tax, or legal advice, and it is not a recommendation to buy or sell any security, asset, or financial instrument. Trading and investing carry substantial risk, and you can lose some or all of your money. Options in particular are leveraged instruments: buying them can lose the entire premium, and selling them can produce losses greater than your initial deposit. All figures, names, and examples in this book are hypothetical and used purely for illustration, and past performance never guarantees future results. You are solely responsible for your own decisions, and you should do your own research and consult a licensed professional before acting. The author and publisher accept no liability for any loss or damage that results from using this book. Nothing in this book is an offer or solicitation to buy or sell any security or asset, and the material may not be appropriate or available in every jurisdiction. By reading it, you accept these terms.

MATTDANADEL.COM

How to Use This Book

This book assumes zero knowledge and ends at professional practice. It is built to be read in order: every chapter names its prerequisites, defines every term before first use, and teaches each core concept three ways (plain-English intuition, a figure, and a worked example with every calculation shown). Chapters close with Key Takeaways, a Knowledge Check, Practice Problems, and one harder Challenge; all answers live in Appendix E so you can attempt the questions honestly first.

Parts 6 and 7 are a strategy library. Each of the sixteen structures gets the same fixed dossier (purpose, construction, outlook, ideal volatility conditions, maximum profit and loss, break-evens, Greeks, capital, assignment risk) followed by worked trades, management rules, and failure modes. Appendix C compares the whole library on one page.

One standing example runs through the book: XYZ, a fictional mid-volatility, dividend-paying stock trading at \$102.50, with a 45-day option chain that stays internally consistent from Chapter 6 through Chapter 50 (it is priced at roughly 23 implied volatility with a mild equity skew, a 4.5% rate, and one \$0.80 dividend before expiration; the chain itself teaches you to discover each of those facts). Your own chains will differ in numbers and rhyme in structure. ACME, a second fictional name, appears when a fresh board is cleaner.

Part 5 stands slightly apart: it is where trades come from (the chart, the business, and the shortest clock), and it doubles as the bridge to this book's sibling.

This book stands alone, but it has a sibling: The Complete Trader covers risk rules, journaling, candlesticks, and the trading psychology canon that this book imports and extends. Where the text says "risk 1-2% per trade," "1R," or "expectancy," that is the shared language of the pair.

Education, not advice: read the note on risk at the end of this book before trading anything.

Contents

PART 0: ORIENTATION

1 What an Option Actually Is	6
2 Why Options Exist (and Who Actually Wins)	10
3 Where Options Live (Structure, History, and the Path of Your Order)	14

PART 1: THE CONTRACT

4 Calls, Completely	19
5 Puts, Completely	22
6 Anatomy of a Premium	26
7 Expiration Mechanics (Exercise, Assignment, and the Finish Line)	30
8 Reading the Chain Like a Professional	34

PART 2: PRICING (WHERE PREMIUM COMES FROM)

9 Probability and Expected Value (The Casino Chapter)	39
10 Time (The Rent, Measured)	42
11 Volatility I (The Number the Market Is Actually Quoting)	45
12 Pricing Models (The Machine, Opened)	49
13 Put-Call Parity and Synthetics (The Rosetta Stone)	52
14 Dividends, Rates, and Early Exercise (The Calendar's Fine Print)	56

PART 3: THE GREEKS (THE DASHBOARD)

15 Delta (Direction, Measured)	60
16 Gamma (The Accelerator)	62
17 Theta (The Rent, Itemized)	64
18 Vega (The Volatility Dial)	66
19 Rho, Lambda, and the Minor Greeks (The Rest of the Dashboard)	68
20 Portfolio Greeks and Hedging (The Market Maker's Day)	70

PART 4: VOLATILITY IN PRACTICE

21 The Volatility Surface (Smile, Skew, and the Term Structure)	73
22 IV Rank, Vol Crush, and the Event Calendar	77
23 Trading Volatility Itself (The Honest Chapter)	80

PART 5: FINDING THE TRADE

24 Technical Analysis for Options Traders (The Chart's Honest Testimony)	84
25 Fundamentals and Catalysts (The Why and the When)	89
26 ODTE (The Shortest Game, Told Straight)	94

PART 6: THE STRATEGY LIBRARY I (THE FOUNDATIONS)

27 The Long Call	99
28 The Long Put	102

29 The Covered Call	104
30 The Cash-Secured Put	106
31 Protective Puts and Collars (The Insurance Desk)	108

PART 7: THE STRATEGY LIBRARY II (SPREADS AND STRUCTURES)

32 Vertical Spreads (The Workhorse)	112
33 Calendar Spreads (Trading the Clock)	115
34 Diagonal Spreads (The Poor Man's Covered Call, Done Rich)	117
35 Butterflies (Paying Pennies to Pin a Price)	119
36 Condors and Iron Condors (Renting Out a Range)	122
37 Iron Butterflies and Jade Lizards (Premium Selling, Shaped)	125
38 Straddles and Strangles (Buying and Selling the Move Itself)	127
39 Ratio Spreads and Backspreads (Asymmetry on Purpose)	129
40 Synthetics and Box Spreads (Closing the Loop)	131

PART 8: EXECUTION, CAPITAL, AND RISK

41 Position Sizing and Capital Allocation (The 1R Translation)	135
42 Margin and Buying Power (What the Broker Reserves, and Why It Grows)	137
43 The Trade Management Framework (One Tree for Everything)	139
44 Assignment and Expiration Operations (The Ops Manual)	141
45 Brokers, Execution Quality, and Taxes (The Unpaid Staff Work)	142

PART 9: THE PROFESSIONAL LAYER

46 Psychology for Options Specifically	145
47 Journaling and Performance Analysis (The Grade That Counts)	146
48 The Institutional Perspective (Who You're Trading With)	147
49 History's Exams (Four Days the Textbook Predicted)	148
50 Myths, Ethics, and the Capstone	150

APPENDICES

A Formula Reference	153
B Greeks Quick Tables	154
C Strategy Comparison Matrix	155
D Master Glossary	157
E Answer Key	163
F Further Reading	179

Orientation

Three chapters before any strategy, any Greek, any chart. What an option is, why the market for them exists, and what actually happens when you click buy. Professionals are unshakeable on exactly these fundamentals, which is why they get the front of the book.

IN THIS PART

1	What an Option Actually Is	6
2	Why Options Exist (and Who Actually Wins)	10
3	Where Options Live (Structure, History, and the Path of Your Order)	14

1. What an Option Actually Is

You have almost certainly used an option this year. If you have ever put down a deposit to hold an apartment while you decided, bought trip insurance, or paid a fee to lock in a price “for the next 30 days,” you have paid money today for the right to make a choice later. That is the entire idea. Everything else in this book is detail.

LEARNING OBJECTIVES

By the end of this chapter you can: define an option contract and name its four fixed terms; explain the difference between a right and an obligation, and which side of the contract holds each; distinguish calls from puts, and buyers from sellers; compute the dollar cost of an option position using the contract multiplier; explain why an option’s seller gets paid up front.

Prerequisites: none. This is page one of the subject.

KEY DEFINITIONS

Option. A contract giving its buyer the right, but not the obligation, to buy or sell a specific asset at a fixed price, on or before a fixed date.

Underlying. The asset the contract references, such as a stock or an index. In this book: shares of the fictional XYZ Corporation unless stated otherwise.

Call. An option to buy the underlying at the fixed price.

Put. An option to sell the underlying at the fixed price.

Strike price. The fixed transaction price written into the contract.

Expiration. The date after which the contract no longer exists.

Premium. The price of the option itself, paid by the buyer to the seller.

Contract multiplier. Standard equity options cover 100 shares per contract, so every quoted premium is multiplied by 100 to get dollars.

The contract, in plain English

One sentence, four fixed terms: an option is a contract that names an **underlying**, a **strike price**, an **expiration date**, and a **type** (call or put). The only thing left to negotiate in the market is the fifth number, the **premium**: what the right is worth today.

Here is the insurance analogy that carries most of this chapter, because an option is priced and structured almost exactly like an insurance policy. When you insure a car, you pay a premium today. In exchange, the insurer takes on an obligation: if the bad event happens, they must pay, no matter how much it hurts. If nothing happens, they keep your premium and the policy simply ends. Notice the asymmetry, because it is the beating heart of every options concept you will ever learn: **the buyer of the contract has a right and a known, limited cost. The seller has an obligation and collects a known, limited fee for accepting it.**

Options split that insurance idea into two directions:

A call is a claim on good news. The buyer of an XYZ \$105 call has the right to buy XYZ shares at \$105 each, no matter how high the market price climbs before expiration. If XYZ never climbs, the right goes unused and expires. The call buyer’s dream is a rally.

A put is insurance against bad news. The buyer of an XYZ \$95 put has the right to sell XYZ shares at \$95 each, no matter how far the market price falls. It is a price floor for the owner of the shares, or a bet on decline for someone who owns nothing. The put buyer’s dream (or protection) is a fall.

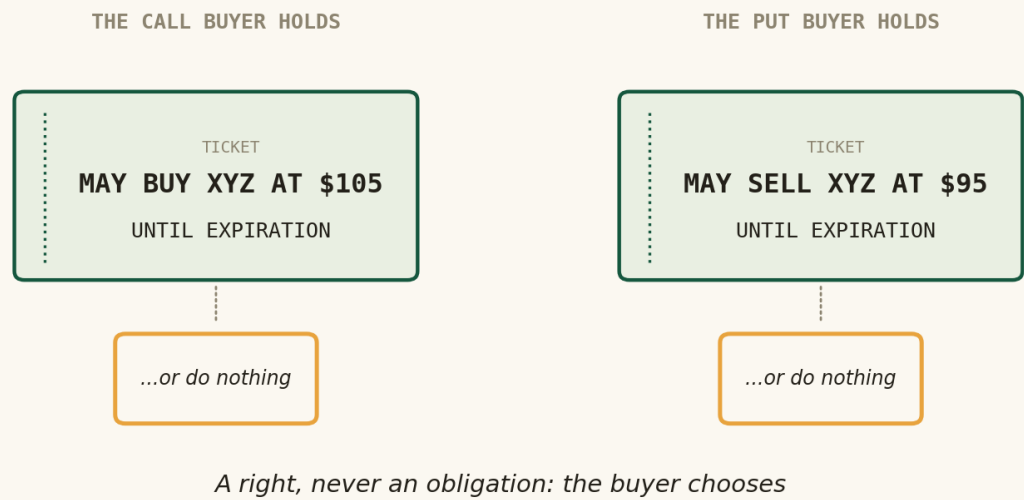


FIGURE 1.1 · RIGHTS, NOT OBLIGATIONS: EACH BUYER HOLDS A CHOICE, AND A DOOR MARKED NO

Every option has two sides

This is the fact beginners skip, and skipping it costs money later: options are not issued by the company or conjured by the exchange. **For every buyer there is a seller (also called the writer), and the seller is a trader like you.**

When you buy that XYZ \$105 call for its premium, someone else collected your premium and accepted an obligation in return: if you exercise your right to buy at \$105, they must deliver the shares at \$105, even if the market price is \$150. The four positions, then, and you will occupy each of them at some point in this book:

POSITION	YOU PAID OR COLLECTED	YOU HOLD	YOUR HOPE
Long call	paid premium	right to buy at strike	underlying rises
Short call	collected premium	obligation to sell at strike if assigned	underlying stays below strike
Long put	paid premium	right to sell at strike	underlying falls
Short put	collected premium	obligation to buy at strike if assigned	underlying stays above strike

(“Long” means you bought the contract; “short” means you sold it to open. Assignment, the mechanics of being called upon to fulfill the obligation, gets its full chapter in Part 1.)

PRO INSIGHT

Professionals do not think “buyer good, seller scary.” They think in terms of what is being exchanged: the buyer pays for *certainty of limited loss*; the seller is paid for *accepting uncertainty*. Insurance companies are the sellers of the everyday world, and they are famously not charities losing money. Neither side is inherently right. The price decides who got the better deal, which is why Part 2 of this book is entirely about price.

The multiplier: where the real dollars are

Quoted premiums look tiny. They are not. One standard equity option contract covers **100 shares**, so every quoted price is really that number times 100.

TRADE SETUP: YOUR FIRST WORKED EXAMPLE

XYZ trades at \$100. The 30-day \$105 call is quoted at a premium of \$2.00. You buy one contract.

Cost = $\$2.00 \times 100 \text{ shares} = \mathbf{\$200}$, paid today, gone from your account, and the most this position can ever lose.

The contract controls 100 shares that would cost \$10,000 to buy outright.

If you bought 5 contracts, the cost is $5 \times \$200 = \mathbf{\$1,000}$, controlling 500 shares' worth of upside.

Two habits to install now, in your first chapter. First, always translate quotes to dollars before entering any trade: “\$2.00” must become “\$200 per contract” in your head, automatically. Second, notice what the example just showed: \$1,000 controlling \$50,000 of stock exposure. That ratio is called leverage, and Chapter 2 is honest with you about both of its edges.

COMMON MISTAKE

Buying more contracts because each one “only costs \$200.” Cheap-looking premiums are how beginners accidentally build positions ten times larger than they would ever take in shares. Size by total dollars at risk and by the rules in Chapter 41, never by contract count.

WATCH OUT

We said the long call's \$200 is “the most this position can ever lose,” and that is true. It does not mean losing it is unlikely. A right that never becomes valuable expires worth exactly zero, and options expire on a schedule. Stock owners can wait indefinitely to be right. Option buyers rent their opinion by the month. This single difference drives most of the pricing logic in Part 2.

Key takeaways

An option is a contract with four fixed terms (underlying, strike, expiration, call/put) and one market-set price (the premium). Buyers hold rights and risk only the premium; sellers hold obligations and are paid the premium for accepting them. Calls are claims on upside; puts are floors against downside. Every contract has a trader on each side. One contract covers 100 shares, so quotes times 100 equals dollars.

KNOWLEDGE CHECK 1

- 1.1 Name the four fixed terms of every option contract, and the one term set by the market.
- 1.2 Your friend says “I sold a put, so I’m hoping the stock crashes.” What did they get backwards?
- 1.3 An XYZ \$95 put is quoted at \$1.40. What does one contract cost, and who receives that money?
- 1.4 Which side of an option trade has a known maximum loss on day one, and what is it?

PRACTICE PROBLEMS 1

P1.1 ACME trades at \$50. You buy 3 contracts of the \$55 call at \$0.85. Compute your total cost and the share-equivalent exposure you control.

P1.2 You sell (write) 2 contracts of the ACME \$45 put at \$1.10. How much do you collect, and what obligation have you accepted, stated in one sentence?

Challenge C1. Insurance framing: a homeowner pays \$1,200/year to insure a \$400,000 house against fire. Map every element of that policy onto option vocabulary (buyer, seller, premium, strike-like term, expiration, exercise). What everyday fact about insurance companies should shape how you think about option sellers?

Further reading: the OCC’s plain-language investor resources on option basics; your broker’s options agreement (read it once, actually).



END OF THE FREE SAMPLE

The next chapter is called
*Why Options Exist
(and Who Actually Wins).*

That question is where the working knowledge starts. Chapters 2 through 50 continue the way Chapter 1 taught the contract: plain language first, then the mechanics, then the numbers, with every strategy's construction, break-evens, maximum loss, and failure modes laid out before you ever risk a dollar.

The trader on the other side of your next order has usually done this course of study. The full book costs less than one avoided mistake.

READ THE FULL BOOK

www.MattDanadel.com/options