

Lesson 9

Trading Options with OptionStation Pro

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OptionStation Pro



OptionStation Pro is your options trading control center. In this window, you can view all options for any optionable stock in real time. With OptionStation Pro, you can create, analyze and monitor any number of actual or theoretical options positions, then place and track your trades.

OptionStation Pro opens in its own window. Simply click on the OptionStation Pro icon in the TradingApps Launcher.

The screenshot displays the OptionStation Pro window for Bank of America Corporation (BAC). The main section shows an 'Option Chains' table with columns for Volume, Implied Volatility, Theta, Gamma, Delta, Last, Bid, Ask, Strike, and Delta/Gamma. It lists 'CALLS' and 'PUTS' for two expiration dates: Jan 15, 16 (100) and Feb 19, 16 (100). The 'Feb 19, 16 (100) - Amer Monthly' chain is expanded, showing various strike prices from 13 to 24. The 'Theoretical Positions' section at the bottom shows a 'Vertical' spread strategy: buying 5 calls at strike 16 and selling 5 calls at strike 20, both expiring on 2/19/2016. The net cost is 5 @ 0.88, with a Delta of 0.5466 and Gamma of 0.1571.

OptionStation Pro displays four panels by default: Asset, Option Chains, Theoretical Positions and Real Positions. There are five additional panels that are displayed as tabs in different parts of the platform: Settings, 2D Graph, 3D Graph, Order Bar and Orders. You may click on any tab to roll out the panel. Panels can also be pinned to OptionStation Pro by clicking on the pin icon at the top right corner of the panel.

You may customize the location, size and layout of the panels to match your style of trading. To return the panels to their original size and position, click on the **File** menu at the upper left of OptionStation Pro and select **Reset to Default**.

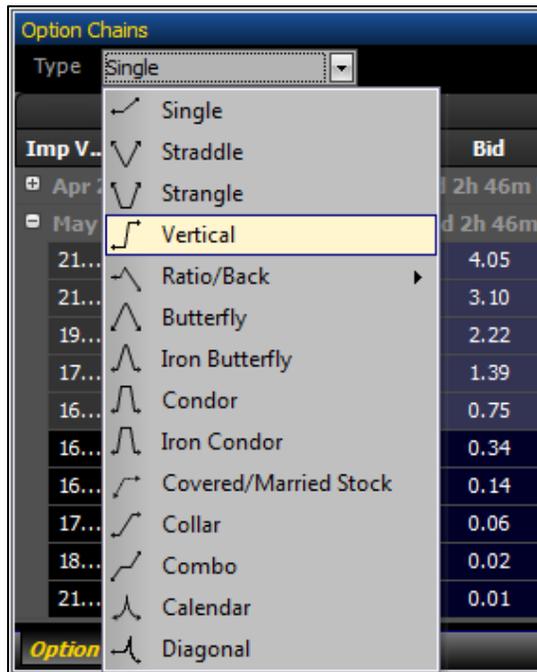
Each panel is designed to give you information about a specific area of your options analysis and trading. Each has its own set of analysis columns that can be modified and customized to your trading requirements.

The **Asset** panel gives you real-time price analysis of the underlying asset. Enter the desired symbol in the Symbol box on the left of the Asset panel. The Symbol box displays a drop-down list that automatically fills when characters are typed in the Symbol box. Once the desired symbol is displayed in the Symbol box, OptionStation Pro will load the data that is associated with the symbol. The symbol description is displayed the Symbol box.

MSFT	Symbol	Last	Net Chg	Bid	Ask	High	Low	Volume	Hist Vol...
Microsoft Corp	MSFT	28.08	-0.17	28.07	28.08	28.35	27.96	19,821,360	18.62 %

The **Option Chains** panel gives you real-time options price analysis, including implied volatilities, Greek risk measures and probability information. Options are listed under label rows that display the expiration month and year; these can be expanded by clicking the plus sign on the left. Strike prices run down the middle of this section, with calls on the left and puts on the right.

Option Chains												
Type: Single												
CALLS						PUTS						
Imp V...	Theta	Gamma	Delta	Bid	Ask	Strike	Bid	Ask	Delta	Gamma	Theta	Imp V...
+ Apr 20, 13 (100) - Amer Monthly 25d 2h 48m left												
+ May 18, 13 (100) - Amer Monthly 53d 2h 48m left												
22....	-0.0018	0.0299	0.9673	4.05	4.15	24	0.05	0.06	-0.0473	0.0364	-0.0025	25.29 %
20....	-0.0026	0.0556	0.9401	3.10	3.15	25	0.10	0.11	-0.0882	0.0644	-0.0037	23.22 %
19....	-0.0045	0.1081	0.8601	2.21	2.23	26	0.20	0.21	-0.1633	0.1079	-0.0053	21.35 %
17....	-0.0060	0.1749	0.7287	1.39	1.40	27	0.41	0.42	-0.2934	0.1595	-0.0069	20.15 %
16....	-0.0068	0.2233	0.5282	0.74	0.75	28	0.80	0.82	-0.4719	0.1878	-0.0078	19.80 %
16....	-0.0058	0.2030	0.3100	0.33	0.34	29	1.44	1.46	-0.6435	0.1661	-0.0077	20.97 %
16....	-0.0041	0.1338	0.1578	0.14	0.15	30	2.27	2.29	-0.7558	0.1241	-0.0073	23.63 %
17....	-0.0026	0.0758	0.0775	0.06	0.07	31	3.20	3.25	-0.8109	0.0907	-0.0074	27.87 %
18....	-0.0016	0.0406	0.0379	0.02	0.04	32	4.15	4.20	-0.8506	0.0695	-0.0071	31.27 %
21....	-0.0012	0.0252	0.0242	0.01	0.03	33	5.10	5.20	-0.8743	0.0552	-0.0071	34.96 %



Options are also listed and grouped based on the type of spread selected in the Type drop-down. This drop-down allows you to organize and build all of the available options into numerous combinations of positions for a specific spread. This helps you compare, analyze and select the right options strategy for your objectives. The Option Chains panel displays the total premium for the spread (bid, ask or mid prices) as well as the composite Greeks and volatility values.

The number of strike prices and expiration dates displayed in the Option Chains panel is controlled by the **Option Chains** settings found in the **Settings** panel. This allows you to view only those options that are relevant to your trading.

The columns in the Spread Chains panel can also be modified by right-clicking anywhere on the panel and selecting **Format Columns** from the right-click menu. Columns such as **Delta** and **Theta** show the current real-time price risk for each option. There are dozens of additional options-related analysis columns that you can add to the Spread Chains panel.

Creating Theoretical Options Positions

To enter and analyze a theoretical position, click on the bid or ask for the option or spread. Clicking on the left side of the strike column will use calls; clicking on the right side of the strike column will use puts. Clicking the bid of the option or spread will create a short position; clicking the ask will create a long position. You can build a buy or sell for any of the standard options strategies. The positions created are displayed in the **Theoretical Positions** panel. You can create any number of positions to analyze, chart and compare.

Type	Description	Mkt Price	Delta	Gamma	Actions
Vertical	5 BAC Feb 19, 16 16/20 Long Ca...	5 @ 0.89	0.5470	0.1573	Actions
Buy	5 2/19/2016 16 Call	BAC 160219C16	0.92	31.49 %	
Sell	-5 2/19/2016 20 Call	BAC 160219C20	0.03	33.48 %	
Iron Condor	5 BAC Feb 19, 16 12/16/20/24 L...	5 @ 0.56	-0.3490	0.2287	Actions
Sell	-5 2/19/2016 12 Put	BAC 160219P12	0.02	47.18 %	
Buy	5 2/19/2016 16 Put	BAC 160219P16	0.54	30.55 %	
Buy	5 2/19/2016 20 Call	BAC 160219C20	0.04	33.48 %	
Sell	-5 2/19/2016 24 Call	BAC 160219C24	0.00	53.38 %	

The Theoretical Positions panel allows you to analyze, chart and monitor multiple options positions in real time. You can adjust options position legs on the fly, changing strike, type, expiration date, quantity and price to create an unlimited number of potential position scenarios. Use the checkboxes to the left of the displayed theoretical positions to select the positions to graph.

The analysis columns in the Theoretical Positions panel display values for both the overall position and individual legs. There are many other analysis columns that can be added to this panel by right-clicking on the column headers and selecting **Format Columns** from the right-click menu.

Placing a Trade

From the **Theoretical Positions** panel, you can also turn any position into a trade by clicking the **Actions** button on the right of the panel and selecting **Trade**. You may also delete a theoretical position by clicking on **Delete Position** from this menu.

Delta	Gamma	All
0.5525	0.1548	Actions
60219C16	0.93	Trade
60219C20	0.03	Delete Position

Clicking on **Trade** will send the order details to the **OptionStation Pro Order Bar**.

The **OptionStation Pro Order Bar** will display the options details and you may adjust the order settings before placing the order. Once the order is filled, the position will appear in the **Real Positions** panel.

The screenshot shows the 'OptionStation Pro Order Bar' window. It displays the following information:

Description	Est Max Reward	Est Max Risk	Est Price	Est Cost
5 BAC Feb 19, 16 16/20 Long Call Vertical	1,555.00	445.00	0.89	445.00

Side	Open / Close	Quant...	Symbol	Expiration	Strike	Type	Term
Buy	Open	5	BAC 160219C16	Feb 19, 16	16	Call	Monthly
Sell	Open	5	BAC 160219C20	Feb 19, 16	20	Call	Monthly

Quantity	Order Type	Limit Price	Stop Price	Route	Duration	Account Number
5	Limit	0.89	0.89	Intelligent	Day	SIM65328

Natural Mid **DEBIT**

0.89 0.88 Activation Rule Cancel Place Order

Managing Orders

You may click on the **Orders** tab at the bottom of OptionStation Pro to view the real-time status of orders entered during the current trading day. Orders are color-coded based on their status. You may cancel or replace an active order by clicking on the **Cancel...** button.

Account	Entered	Order #	Spread	Symbol	Side	Quantity	Limit	Order Status	Qty Filled	Action
SIM65328	3/25/2013 1:00:58 PM	2-7289-7127	BTO Call Vertical	MSFT-Spread		5	Ma...	Filled	5	Cancel...
				MSFT 130518C28	Buy to Open	5		5		
				MSFT 130518C29	Sell to Open	5		5		
SIM65328	3/25/2013 1:59:39 PM	2-7291-6327	BTO Put Iron Co...	MSFT-Spread		5	Ma...	Rejected	0	Cancel...
SIM65328	3/25/2013 2:00:02 PM	2-7291-6493	STC Call Vertical	MSFT-Spread		5	Ma...	Filled	5	Cancel...
SIM65328	3/25/2013 2:00:43 PM	2-7291-6862		MSFT 130518C28	Buy to Open	5	0.79	UROut	0	Cancel...
SIM65328	3/25/2013 2:01:54 PM	2-7291-7326		MSFT 130518C28	Buy to Open	5	0.79	Received	0	Cancel...

Managing Real Positions

The **Real Positions** panel is where your open positions will be listed. By default, positions are grouped by Underlying. You may group positions differently by clicking and dragging the column headers for **Underlying**, **Account**, **Expiration** or spread **Type** into the top area of the **Real Positions** panel.

Account	Type	Description	Est Closi...	Est Closing...	Trade C...	Underlying...	Expiration	All
Underlying: BAC (Count=4)			-20.00	250.00 (CR)	270.00	16.31		
SIM65328	Single	5 BAC Feb 19, 16 12 Short Put	-5.00	15.00	10.00(CR)	16.31	2/19/2016	Actions
	Short	-5	Feb 19, 16	12	Put	BAC 160219P12		
SIM65328	Single	5 BAC Feb 19, 16 16 Long Put	+0.00	265.00(CR)	265.00	16.31	2/19/2016	Actions
SIM65328	Single	5 BAC Feb 19, 16 20 Long Call	-5.00	15.00(CR)	20.00	16.31	2/19/2016	Actions
SIM65328	Single	5 BAC Feb 19, 16 24 Short Call	-10.00	15.00	5.00(CR)	16.31	2/19/2016	Actions
Underlying: MSFT (Count=2)			-75.00	2,135.00 (CR)	2,210.00	53.70		
SIM65328	Single	5 MSFT Feb 19, 16 50 Long Call	-75.00	2,300.00(CR)	2,375.00	53.70	2/19/2016	Actions
			-95.00	2,385.00	2,480.00			

Filled positions first appear as individual legs in the **Real Positions** panel. Click the + button on the left of the row to view more details. Using the green arrow button  on the right side of each leg row, you can split the leg into additional legs, delete the leg or send an order to close the leg.

You can also re-combine legs into real spread positions using OptionStation Pro's **SpreadMaster** feature. For example, you can create named spreads from existing legs to make it easier to keep track of your positions and to close spreads with a single order.

SpreadMaster

SpreadMaster allows you to reconstruct two or more filled option legs into named spreads so that you can manage your real positions as spreads. When theoretical spreads are filled in the market, they are "stripped" of their spread name (identity) and single legs are returned. You can combine filled leg positions into real position spreads, making it easier to manage your leg positions.

Account	Description	Est Closin...	Est Closing C...	Trade Cost	Underlying L...	Expiration	All
Underlying: BAC (Count=3)		-15.00	255.00 (CR)	270.00	16.31		
Type: Single (Count=2)		+0.00	285.00 (CR)	285.00			
SIM65328	5 BAC Feb 19, 16 16 Long Put	+5.00	270.00(CR)	265.00	16.31	2/19/2016	Actions
SIM65328	5 BAC Feb 19, 16 20 Long Call	-5.00	15.00(CR)	20.00	16.31	2/19/2016	Actions
Type: Strangle (Count=1)		-15.00	30.00	15.00 (CR)			
SIM65328	5 BAC Feb 19, 16 24/12 Short Strangle	-15.00	30.00	15.00(CR)	16.31	2/19/2016	Actions
	Short	-5	Feb 19, 16	24	Call	BAC 160219C24	
	Short	-5	Feb 19, 16	12	Put	BAC 160219P12	
		-90.00	2,390.00 (CR)	2,480.00			

Create a new and empty real spread by clicking the **Actions** button to the right of a spread row and selecting **Create New Position** from the pop-up menu. A spread named **Custom** will appear at the bottom of the list. Drag legs onto the new **Custom** spread title row one at a time. A **+** sign appears to the left of the **Custom** spread row indicating where the leg will be added. Using spread-recognition technology, the name of the spread will change automatically as determined by the combination of legs, prices and expirations.

Individual common legs (i.e., those that represent the same side, type, price and expiration) can have their quantities added together into a single leg. To do this, click the **Actions** button to the right of a

spread row and select **Merge Common Legs** from the pop-up menu.

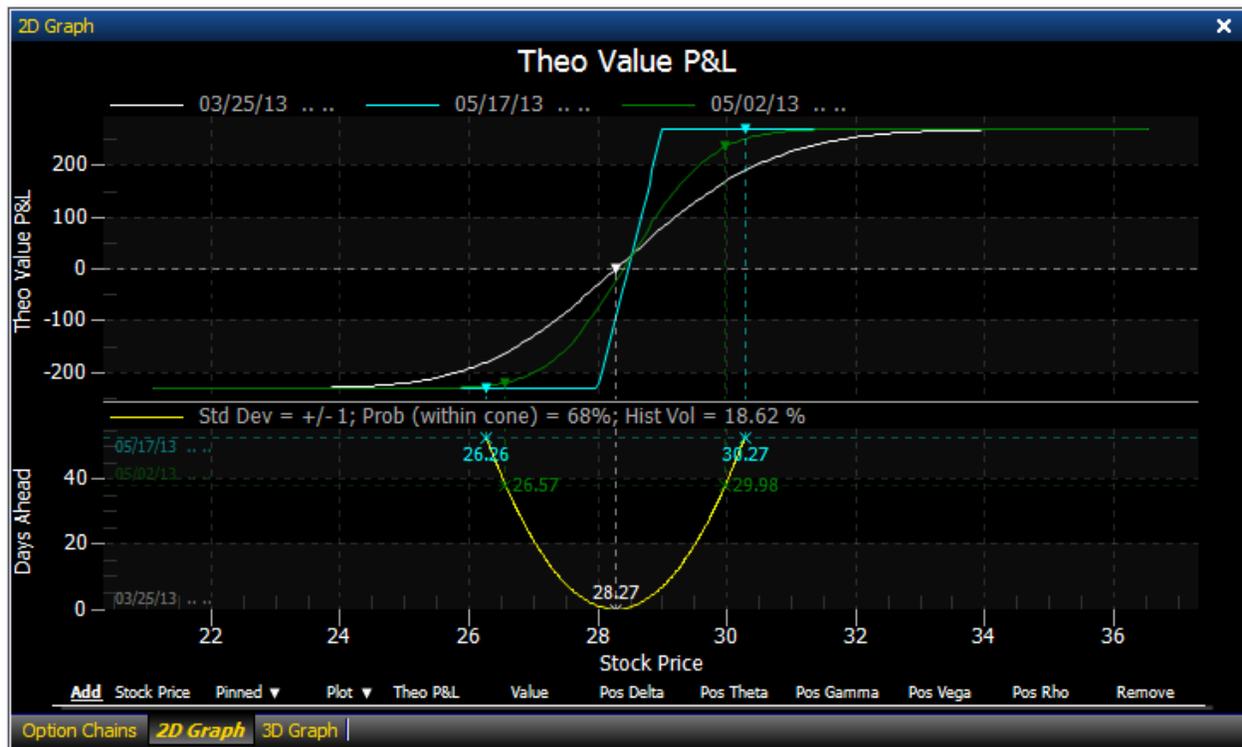
Trade Cost	Underlying L...	Expiration	All
270.00	16.31		
285.00			
265.00	16.31	2/19/2016	Actions
20.00	16.31		
15.00 (CR)			
15.00(CR)	16.31		
	Call		
	Put		

You may also click the **Actions** button to the right of a spread row to **Lock Position**. A lock icon will appear to the left of the spread row, indicating that the real spread and its legs are locked and cannot be accidentally added to or removed without first unlocking.

Graphing Options Positions

The **2D Graph** and **3D Graph** panels are your options scenario testing tools. They allow you to graphically represent and evaluate the profit, loss and other risk measures for any options position or strategy, based on changes in asset price, time to expiration and volatility.

Below the position graph, the probability curve shows the probability of the underlying asset's price movement based on the asset's volatility and the time left to expiration. It shares the same X-axis as the spread profile representing the underlying asset price. However, the Y-axis along the left shows the number of days to expiration.



Position graphs also allow you to compare one or more potential positions and determine the relative risk/reward ratios, breakeven points and maximum gain and loss points. In addition, possible changes in the asset price and volatility can also be factored into your decision-making process.

Graphs are created by selecting positions from the **Theoretical Position** panel or the **Real Positions** panel. Click the checkbox next to any position and the graph will automatically appear. You may select multiple positions simultaneously and the graph will adjust accordingly. You are able to see your spread in a classic, two-dimensional plot as well as a three-dimensional view that can provide a more expanded profile of the overall effects of time and volatility. To view either the **2D Graph** or **3D Graph**, click on the corresponding tab next to the **Option Chains** tab.

The graph can draw up to four plots representing four different dates between now and the day of expiration. The number of plots can be changed from the **Settings** panel. By default, the graph type is set to theoretical profit and loss, but you may also graph the Greeks (Delta, Gamma, Theta, Vega or Rho).

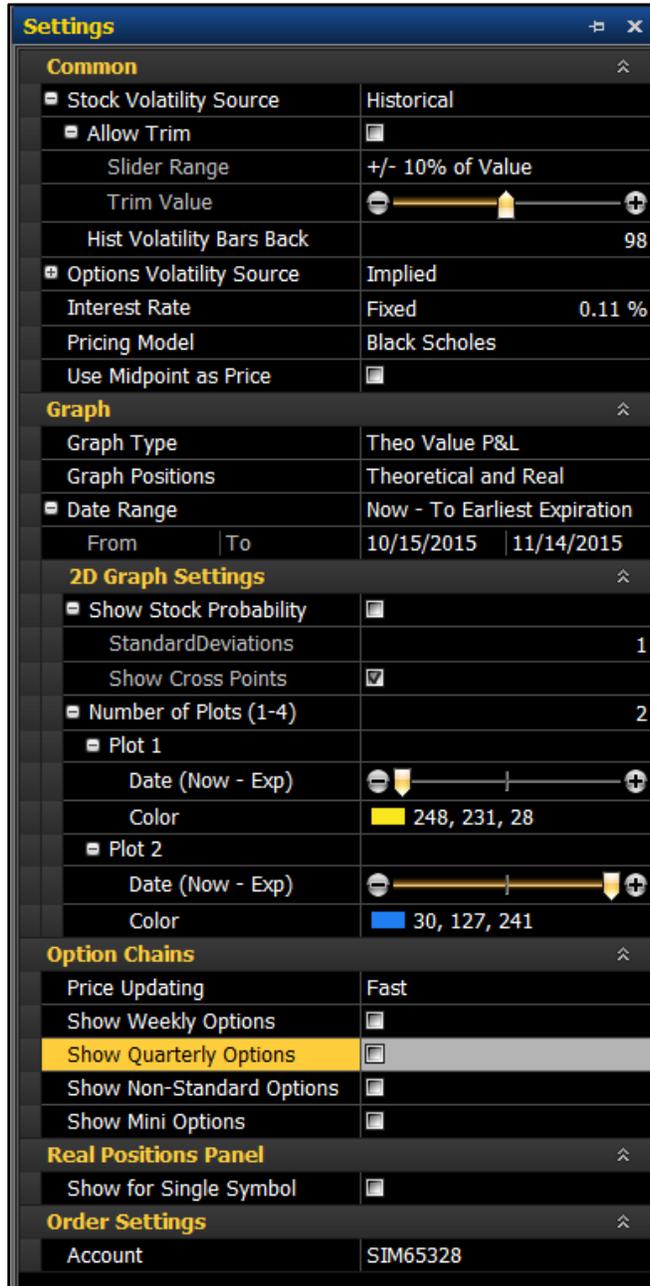
At the bottom of the **2D Graph** panel, you will find an area where different price points can be defined for real-time analysis and monitoring. This is very helpful in determining what a profit or loss might be if the underlying asset price were to change 5% or 10% higher or lower. You can also see how the Greeks will behave with changes in the underlying stock.

Add	Stock Price	Pinned ▼	Plot ▼	Theo P&L	Value	Pos Delta	Pos Theta	Pos Gamma	Pos Vega	Pos Rho	Remove
●	26.74	Last-5% ▼	Plot 1 ▼	-135.26	79.74	72.4058	-1.1511	40.4278	7.1316	2.6986	×
●	28.15	Last ▼	Plot 1 ▼	-0.26	214.74	111.4573	-0.3932	7.4204	1.9143	4.2483	×
●	29.56	Last+5% ▼	Plot 1 ▼	148.30	363.30	90.0649	0.8572	-32.3681	-6.1876	3.3413	×

Click **Add** at the top left corner of this section to add different price points. Clicking on the actual price will enable you to modify price by either using the scroll bar or typing over the current price shown. The color dots to the left of the prices correspond to the color of the vertical lines displayed in the 2D Graph.

Formatting OptionStation Pro Settings

By default, the **Settings** panel is displayed in the upper right corner of OptionStation Pro. If the **Settings** panel is not visible, click on the **View** menu and select **Settings** to make it reappear.



Settings	
Common	
Stock Volatility Source	Historical
Allow Trim	<input checked="" type="checkbox"/>
Slider Range	+/- 10% of Value
Trim Value	<input type="text"/>
Hist Volatility Bars Back	98
Options Volatility Source	Implied
Interest Rate	Fixed 0.11 %
Pricing Model	Black Scholes
Use Midpoint as Price	<input checked="" type="checkbox"/>
Graph	
Graph Type	Theo Value P&L
Graph Positions	Theoretical and Real
Date Range	Now - To Earliest Expiration
From	To
	10/15/2015 11/14/2015
2D Graph Settings	
Show Stock Probability	<input checked="" type="checkbox"/>
Standard Deviations	1
Show Cross Points	<input checked="" type="checkbox"/>
Number of Plots (1-4)	2
Plot 1	
Date (Now - Exp)	<input type="text"/>
Color	248, 231, 28
Plot 2	
Date (Now - Exp)	<input type="text"/>
Color	30, 127, 241
Option Chains	
Price Updating	Fast
Show Weekly Options	<input checked="" type="checkbox"/>
Show Quarterly Options	<input checked="" type="checkbox"/>
Show Non-Standard Options	<input checked="" type="checkbox"/>
Show Mini Options	<input checked="" type="checkbox"/>
Real Positions Panel	
Show for Single Symbol	<input checked="" type="checkbox"/>
Order Settings	
Account	SIM65328

The **Common** section lets you manage settings that apply to the source and calculation parameters for volatility.

The **Graph** section allows you to define the view in your risk graph based on the parameters you select. This is a valuable tool in evaluating potential trades and testing how they would profit from market changes and time variables.

The **2D Graph Settings** is a sub-section of the Graph section that includes settings to control the number of plots and their appearance in the 2D Graph panel.

The **Option Chains** section allows you to include weekly, quarterly and non-standard options.

The **Real Positions Panel** section lets you specify the TradeStation account from which you want to view your real (existing) positions and whether or not to include closed positions.

The **Order Settings** section specifies the default TradeStation account number you want to use for placing orders.

A brief description will appear at the bottom of the **Settings** panel for any item that is selected. For example, clicking on **Interest Rate** displays the information below.

Interest Rate

Fixed – manually set risk-free interest rate.

Automatic – OptionStation Pro will automatically set the risk-free interest rate to the current IRX 13-week Treasury bill rate. This rate is used throughout OptionStation Pro for option pricing, sensitivity, and volatility calculations.

IMPORTANT INFORMATION:

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