

Reading the Option Chain

The chain is the cockpit; not reading it is flying blind.

Calls on one side, puts on the other, strikes down the middle. Bid is roughly where you sell, ask is roughly where you buy. Check both before you trust the last price.

TERMS

Strike (center column): The fixed price column running down the middle of the chain.

At-the-money (ATM): The strike closest to the current stock price. It shifts as price moves.

Bid / Ask: Bid is what buyers offer, roughly your sell price. Ask is what sellers want, roughly your buy price.

Mark: The midpoint between bid and ask. Your fair-value reference price.

Volume / Open interest: Volume is today's trades, it resets daily. Open interest is every contract still open.

BEFORE YOU ACT, CHECK

- ☐ Am I looking at the calls side, the puts side, or the strike column between them?
- ☐ Which strike is closest to the stock's current price? That's the ATM row.
- ☐ Did I check bid, ask, and mark instead of trusting a possibly-stale last price?
- ☐ Is the spread narrow or wide? A wide spread means a costlier fill.

QUICK RECALL

1. What's the difference between the bid and the ask price?
Bid is what a buyer will pay, roughly where you'd sell. Ask is what a seller wants, roughly where you'd buy.
2. What does a wide bid/ask spread signal?
Thin liquidity. Fewer people are trading the contract, so it costs more to get in and out.

NUMBERS

Bid / ask, 150 call at \$148 stock	\$2.00 / \$2.40	A \$0.40 spread. You'd sell near \$2.00, buy near \$2.40.
Mark	\$2.20	Midpoint of bid and ask. Your fair-value reference, not a guaranteed fill.
Volume / open interest	342 / 1,847	342 contracts traded today; 1,847 are still open across all holders.

THE TRAP

"The last price is what I'd actually pay or receive."

Last shows the most recent trade, and on a quiet option that can be hours old. Bid, ask, and mark reflect the market right now. Sell near the bid, buy near the ask, and use mark as your fair-value reference.

CARRY FORWARD

- Chain layout: calls on one side, puts on the other, strikes down the middle.
- Bid is roughly your sell price, ask is your buy price, mark is the midpoint.
- Volume is today's trades; open interest is every contract still open. Check both.

Next: Module 1.5 Moneyness and What a Premium Is Made Of: in-, at-, and out-of-the-money.

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