

How to Read an Options Chain Part I

By Ryan Watkins, Chief Content Creator at [TraderTactics.com](https://www.TraderTactics.com)

Options can be complex, but they can also be simple if you want them to be. One of the analysis tools every option trader must know how to use is an Option Chain. Let us look at an Option Chain and break it down into “digestible” parts.

What is an Option Chain?

An Option Chain lets an options trader select the correct option to place a trade. There are several parts to an Option Chain, let’s take to look at the different parts of a standard option chain.

Expiration Selection Day/Month/Year:

MSFT	1	MICROSOFT CORP COM	218.59
Underlying			
		Last X	Net Chng
		218.59 Q	-.83
Option Chain Exp. types: Regular Days to exp.: 20 - max			
>	15 JAN 21	(28)	100
>	19 FEB 21	(63)	100
>	19 MAR 21	(91)	100
>	16 APR 21	(119)	100
>	18 JUN 21	(182)	100
>	16 JUL 21	(210)	100
>	17 SEP 21	(273)	100
>	21 JAN 22	(399)	100
>	18 MAR 22	(455)	100
>	17 JUN 22	(546)	100
>	16 SEP 22	(637)	100
>	20 JAN 23	(763)	100

This is an example of Microsoft (MSFT). The last price traded was \$218.59. In this part of an Option Chain, we would select the expiration date we are interested in trading.

Let’s use the **15 Jan 21**, that is, the January 15th, 2021 expiration date. It has 28 days left until that options contract will expire. That is shown as (28).

The “Chain” is displayed like this:

CALLS				Strikes:	14	PUTS			
Volume	Open.Int.	Bid X	Ask X	Exp.	Strike	Bid X	Ask X	Volume	Open.Int.
> 15 JAN 21 (28) 100									30.75%
90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563	15,280
226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186	24,689
198	6,224	23.50 Z	25.35 I	15 JAN 21	195	.85 Q	1.10 H	3,545	14,825
492	24,710	19.55 B	20.80 I	15 JAN 21	200	1.30 B	1.58 B	1,743	30,407
154	3,302	15.15 P	16.50 I	15 JAN 21	205	1.85 B	2.37 B	5,172	15,192
602	22,685	11.30 M	12.50 I	15 JAN 21	210	3.10 Z	3.60 B	1,057	22,996
3,752	62,542	8.10 P	8.90 C	15 JAN 21	215	4.65 W	5.55 Z	3,285	64,144
4,588	31,435	5.50 B	6.00 J	15 JAN 21	220	6.85 C	7.55 P	457	12,339
3,780	28,050	3.65 H	4.00 D	15 JAN 21	225	9.60 C	10.70 P	196	2,824
4,333	46,793	2.20 Z	2.47 P	15 JAN 21	230	13.05 C	14.45 P	52	17,799
3,309	23,606	1.19 Z	1.42 B	15 JAN 21	235	17.05 C	18.30 B	82	313
3,496	36,319	.80 D	.90 N	15 JAN 21	240	21.55 I	22.70 B	91	1,093
504	6,208	.44 B	.59 B	15 JAN 21	245	26.35 I	28.05 H	0	341
1,753	16,955	.28 C	.39 H	15 JAN 21	250	31.25 I	32.75 W	1	351

The Middle (Strikes):

CALLS				Strikes: 14		PUTS				
Volume		Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume	Open.Int
15 JAN 21	(28)	100								30.75%
	90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563	15,280
	226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186	24,689
	198	6,224	23.50 Z	25.35 I	15 JAN 21	195	.85 Q	1.10 H	3,545	14,825
	492	24,710	19.55 B	20.80 I	15 JAN 21	200	1.30 B	1.58 B	1,743	30,407
	154	3,302	15.15 P	16.50 I	15 JAN 21	205	1.85 B	2.37 B	5,172	15,192
	602	22,685	11.30 M	12.50 I	15 JAN 21	210	3.10 Z	3.60 B	1,057	22,996
	3,752	62,542	8.10 P	8.90 C	15 JAN 21	215	4.65 W	5.55 Z	3,285	64,144
	4,588	31,435	5.50 B	6.00 J	15 JAN 21	220	6.85 C	7.55 P	457	12,339
	3,780	28,050	3.65 H	4.00 D	15 JAN 21	225	9.60 C	10.70 P	196	2,824
	4,333	46,793	2.20 Z	2.47 P	15 JAN 21	230	13.05 C	14.45 P	52	17,799
	3,309	23,606	1.19 Z	1.42 B	15 JAN 21	235	17.05 C	18.30 B	82	313
	3,496	36,319	.80 D	.90 N	15 JAN 21	240	21.55 I	22.70 B	91	1,093
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	1,753	16,955	.28 C	.39 H	15 JAN 21	250	31.25 I	32.75 W	1	351

The middle part of the Option Chain has three things that are important to an options trader.

First, the number of strike prices will be displayed on the chain. This can be set to your personal choice. Here, we have it set to 14. That means the Option Chain will show the nearest 14 strike prices, seven above and seven below.

Second, shows the expiration date of each option. This will match what we have already selected.

Third, the strike price of each option. This is one of the more important factors you will need to use. The strike price is the location where you place the trade.

The Left Side (Calls):

CALLS					Strikes: 14	PUTS				
	Volume	Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume	Open.Int
15 JAN 21	(28) 100									30.75%
	90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563	15,280
	226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186	24,689
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	1,753	16,955	.28 C	.39 H	15 JAN 21	250	31.25 I	32.75 W	1	351

The left side of the Option Chain is where the Calls are located. Should you want to buy or sell a call, this is where you would do that. The Call side has several columns that can be customized. Here we have selected **Volume, Open Interest, Bid & Ask**. Let us look at an example.

Let's say you want to Buy a Call Option on MSFT at \$200 (highlighted in red)

CALLS				Strikes: 14		PUTS				
	Volume	Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume	Open.Int
15 JAN 21	(28)	100								30.75%
	90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563	15,280
	226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186	24,689
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	3,752	62,542	8.10 P	8.90 C	15 JAN 21	215	4.65 W	5.55 Z	3,285	64,144
	4,588	31,435	5.50 B	6.00 J	15 JAN 21	220	6.85 C	7.55 P	457	12,339
	3,780	28,050	3.65 H	4.00 D	15 JAN 21	225	9.60 C	10.70 P	196	2,824
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	504	6,208	.44 B	.59 B	15 JAN 21	245	26.35 I	28.05 H	0	341
	1,753	16,955	.28 C	.39 H	15 JAN 21	250	31.25 I	32.75 W	1	351

You can see the **Volume** at this time was 492 contracts traded. **Open Interest** was 24,710 contracts. The **bid price** (this is where you would sell) is \$19.55 and the **Ask Price** (This is where you buy) is \$20.80. The order would look like this:

Spread	Side	Qty	Symbol	Exp	Strike	Type	Link	Price
SINGLE	BUY	+1	MSFT	15 JAN 21	200	CALL		20.80 LMT

Order Description	BUY +1 MSFT 100 15 JAN 21 200 CALL @20.80 LMT [TO OPEN]
Break Even Stock Prices	220.80
Max Profit	Infinite
Max Loss	\$2,080.00 (not including possible dividend risk)
Cost of Trade including commissions	\$2,080.00 + \$0.50 = \$2,080.50
Buying Power Effect	(\$2,080.50)

So, buying 1 Call contract of MSFT (100shares) would cost us \$2,080.

The Right Side (Puts):

CALLS						PUTS			
Volume	Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume	Open.Int
15 JAN 21 (28) 100									30.75%
90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563	15,280
226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186	24,689
198	6,224	23.50 Z	25.35 I	15 JAN 21	195	.85 Q	1.10 H	3,545	14,825
492	24,710	19.55 B	20.80 I	15 JAN 21	200	1.30 B	1.58 B	1,743	30,407
154	3,302	15.15 P	16.50 I	15 JAN 21	205	1.85 B	2.37 B	5,172	15,192
602	22,685	11.30 M	12.50 I	15 JAN 21	210	3.10 Z	3.60 B	1,057	22,996
3,752	62,542	8.10 P	8.90 C	15 JAN 21	215	4.65 W	5.55 Z	3,285	64,144
4,588	31,435	5.50 B	6.00 J	15 JAN 21	220	6.85 C	7.55 P	457	12,339
3,780	28,050	3.65 H	4.00 D	15 JAN 21	225	9.60 C	10.70 P	196	2,824
4,333	46,793	2.20 Z	2.47 P	15 JAN 21	230	13.05 C	14.45 P	52	17,799
3,309	23,606	1.19 Z	1.42 B	15 JAN 21	235	17.05 C	18.30 B	82	313
3,496	36,319	.80 D	.90 N	15 JAN 21	240	21.55 I	22.70 B	91	1,093
504	6,208	.44 B	.59 B	15 JAN 21	245	26.35 I	28.05 H	0	341
1,753	16,955	.28 C	.39 H	15 JAN 21	250	31.25 I	32.75 W	1	351

The right side of the Option Chain is where the Puts are located. Should you want to buy or sell a put option, this is where you would do that. The Put side has several columns that can be customized as well. Here we have selected our standard **Volume**, **Open Interest**, **Bid & Ask**. Let us look at a Put Option example.

Let us say you want to Buy a Put Option on MSFT at \$210 (highlighted in red)

CALLS						PUTS			
Volume	Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume	Open.Int
15 JAN 21 (28) 100									30.75%
90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563	15,280
226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186	24,689
198	6,224	23.50 Z	25.35 I	15 JAN 21	195	.85 Q	1.10 H	3,545	14,825
492	24,710	19.55 B	20.80 I	15 JAN 21	200	1.30 B	1.58 B	1,743	30,407
154	3,302	15.15 P	16.50 I	15 JAN 21	205	1.85 B	2.37 B	5,172	15,192
602	22,685	11.30 M	12.50 I	15 JAN 21	210	3.10 Z	3.60 B	1,057	22,996
3,752	62,542	8.10 P	8.90 C	15 JAN 21	215	4.65 W	5.55 Z	3,285	64,144
4,588	31,435	5.50 B	6.00 J	15 JAN 21	220	6.85 C	7.55 P	457	12,339
3,780	28,050	3.65 H	4.00 D	15 JAN 21	225	9.60 C	10.70 P	196	2,824
4,333	46,793	2.20 Z	2.47 P	15 JAN 21	230	13.05 C	14.45 P	52	17,799
3,309	23,606	1.19 Z	1.42 B	15 JAN 21	235	17.05 C	18.30 B	82	313
3,496	36,319	.80 D	.90 N	15 JAN 21	240	21.55 I	22.70 B	91	1,093
504	6,208	.44 B	.59 B	15 JAN 21	245	26.35 I	28.05 H	0	341
1,753	16,955	.28 C	.39 H	15 JAN 21	250	31.25 I	32.75 W	1	351

You can see the **Volume** at this time was 1,057 contracts traded. **Open Interest** was 22,996 contracts. The **bid price** (this is where we would sell) is \$3.10 and the **Ask Price** (This is where we buy) is \$3.60. The order would look like this:

Spread	Side	Qty	Symbol	Exp	Strike	Type	Link	Price
SINGLE	BUY	+1	MSFT	15 JAN 21	210	PUT		3.60 LMT

Order Description	BUY +1 MSFT 100 15 JAN 21 210 PUT @3.60 LMT [TO OPEN]
Break Even Stock Prices	206.40
Max Profit	\$20,640.00
Max Loss	\$360.00 (not including possible dividend risk)
Cost of Trade including commissions	\$360.00 + \$0.50 = \$360.50
Buying Power Effect	(\$360.50)

So, buying 1 Put contract of MSFT (100shares) would cost us \$360 with a maximum profit of \$20,640.

Moneyiness

In options trading, there is a term used called “**Moneyiness**”. Moneyiness is a way to identify the value of a particular option. There are three types, in the money (ITM), at the money (ATM) & out of the money (OTM). Let’s look at where those are in the Options Chain.

Let’s first look for where **At the Money (ATM)** is on the Option chain. ATM is when an option is at or close to the current stock price as shown here at \$215-\$220. Remember, the last price traded was \$218.59.

CALLS				Strikes: 14	PUTS			
Volume	Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume
15 JAN 21 (28) 100								
90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563
226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186
198	6,224	23.50 Z	25.35 I	15 JAN 21	195	.85 Q	1.10 H	3,545
492	24,710	19.55 B	20.80 I	15 JAN 21	200	1.30 B	1.58 B	1,743
154	3,302	15.15 P	16.50 I	15 JAN 21	205	1.85 B	2.37 B	5,172
602	22,685	11.30 M	12.50 I	15 JAN 21	210	3.10 Z	3.60 B	1,057
3,752	62,542	8.10 P	8.90 C	15 JAN 21	215	4.65 W	5.55 Z	3,285
4,588	31,435	5.50 B	6.00 J	15 JAN 21	220	6.85 C	7.55 P	457
3,780	28,050	3.65 H	4.00 D	15 JAN 21	225	9.60 C	10.70 P	196
4,333	46,793	2.20 Z	2.47 P	15 JAN 21	230	13.05 C	14.45 P	52
3,309	23,606	1.19 Z	1.42 B	15 JAN 21	235	17.05 C	18.30 B	82
3,496	36,319	.80 D	.90 N	15 JAN 21	240	21.55 I	22.70 B	91
504	6,208	.44 B	.59 B	15 JAN 21	245	26.35 I	28.05 H	0
1,753	16,955	.28 C	.39 H	15 JAN 21	250	31.25 I	32.75 W	1

Next, let us look for where **Out of the Money (OTM)** is on the Option chain. OTM is when an option is far away from the current price. **Calls** are **Out of the Money (OTM)** when their strike price is **above** the market price of the underlying asset. **Puts** are **Out of the Money (OTM)** when their strike price is **below** the market price of the underlying asset.

In this Option Chain, those are displayed with a white background. For example, if we are buying a call OTM with a strike price of \$230 and the current price is \$218, then we can say the strike price is \$12 OTM (\$230 - \$218)

CALLS				Strikes: 14	PUTS			
Volume	Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume
15 JAN 21 (28) 100								
90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563
226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186
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504	6,208	.44 B	.59 B	15 JAN 21	245	26.35 I	28.05 H	0
1,753	16,955	.28 C	.39 H	15 JAN 21	250	31.25 I	32.75 W	1

Finally, let us look at where **In the Money (ITM)** is on the Option chain. A **call option** is **In the Money (ITM)** when the strike price is below the spot price. A **put option** is **In the Money (ITM)** when the strike price is above the spot price. In this Option Chain, those are displayed with a yellow background.

CALLS					Strikes: 14	PUTS				
Volume	Open.Int	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Volume	Open.Int	
15 JAN 21 (28) 100										30.75%
90	11,004	33.40 D	34.75 I	15 JAN 21	185	.41 B	.52 H	563	15,280	
226	11,119	28.55 C	30.00 I	15 JAN 21	190	.60 H	.76 A	1,186	24,689	
198	6,224	23.50 Z	25.35 I	15 JAN 21	195	.85 Q	1.10 H	3,545	14,825	
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Here is another way of looking at it.

CALLS					Strikes: 14	PUTS				
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Stay tuned for Part 2 as well as our Self-paced Option Course.

Special Note: One of the very best option trading resources I have seen is [this website](#). I use it to set up my own trades and it has been very helpful for me. If you sign up on their website (not app) they will give you a 20% discount.

God Bless & Good Trading,

Ryan

Author: Ryan Watkins

You may learn more about Trading & Investing at www.TraderTactics.com