Put VS. Call

- **Options:** derivatives; the price of an option is intrinsically linked to the price of something else.
    - **Options** are contracts that grant the right, but not the obligation to buy or sell an underlying asset at a set price on or before a certain date.
- **Call options:** provide the holder the right to purchase an underlying asset at a specified price, for a certain period of time. If the stock fails to meet the strike price before the expiration date, the option expires and becomes worthless. Investors buy calls when they think the share price of the underlying security will rise or sell a call if they think it will fall.
    - **A call buyer** seeks to make a profit when the price of the underlying shares rises. The call price will rise as the shares do. The call writer is making the opposite bet, hoping for the stock price to decline or, at the very least, rise less than the amount received for selling the call in the first place.
    - **The put buyer** profits when the underlying stock price falls. A put increases in value as the underlying stock decreases in value. Conversely, put writers are hoping for the option to expire with the stock price above the strike price, or at least for the stock to decline an amount less than what they have been paid to sell the put.
- **Put options:** give the holder the right to sell an underlying asset at a specified price. The seller of the put option is obligated to buy the stock at the strike price. Investors buy puts if they think the share price of the underlying stock will fall, or sell one if they think it will rise.
    - **Put buyers** are either speculative buyers looking for leverage or "insurance" buyers who want to protect their long positions in a stock for the period of time covered by the option.
    - **Put sellers** hold a "short" expecting the market to move upward.