

BUYING A CALL TO OPEN



About the author

Emmanuel Saphy is Trading Solutions Manager at Swissquote Bank Europe in Luxembourg.

Emmanuel has over twenty-five years experience in financial markets, including equities, CFDs, options and futures. Emmanuel started his career with Société Générale in Paris, then with Citibank, Jefferies, Brown Brothers Harriman in London in equities, options and fixed-income trading before joining Internaxx Bank (now Swissquote Bank Europe) in Luxembourg.

Emmanuel is a member of the Client Services team of Swissquote Bank Europe, where he works closely with clients and team members to service the advanced trading needs of our most active clients.

Now we've seen the basics of options and their many variables, and how to find them in your Swissquote platform, let's place our very first trade!

We are now going to “buy a call to open”, meaning we will open a new long option position.

In our next session, we will see details of how profitable such a trade can be. But in short, buying a call to open is a bullish strategy: the higher the underlying security will rise after you buy the call (and before the option's expiry date), the bigger your profit.

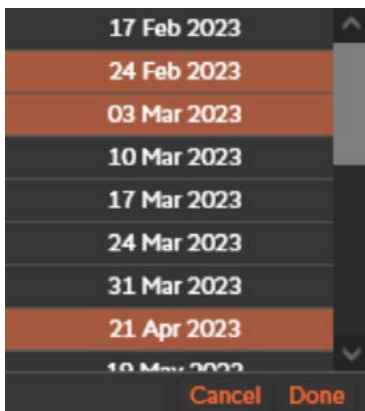
In our introduction, we called up the Options Chain on the Trading space of our Swissquote account. Here is what it looks like, or at least the left side of it – just the calls. The right side of the table is for puts, we'll look at them later.

My Optionchain							
Symbol	Exchange	Ccy	Last	Chg %	Bid size	BID	
MSFT	Nasdaq	USD	262.15	-2.74%	200		
Strike	255.270						
Maturity	17 Feb 2023, 24 Feb 2023, 03 Mar 2023						
Reset filters							
CALL							
Last time	Last	Bid size	BID	ASK	Ask size	Strike	Jnl
17 Feb 2023							
16 Feb 2023	7.58	2	7.30	8.35	44	255	-2.7%
16 Feb 2023	5.60	271	4.60	5.65	81	257.5	-1.8%
16 Feb 2023	3.38	9	3.15	4.00	81	260	-0.8%
16 Feb 2023	1.75	11	1.47	1.60	30	262.5	+0.1%
16 Feb 2023	0.71	14	0.70	0.78	73	265	+1.1%
16 Feb 2023	0.27	1	0.27	0.30	59	267.5	+2.0%
16 Feb 2023	0.10	422	0.10	0.13	138	270	+3.0%
24 Feb 2023							
16 Feb 2023	9.10	22	8.90	9.40	132	255	-2.7%
16 Feb 2023	7.30	68	7.05	7.25	60	257.5	-1.8%
16 Feb 2023	5.60	140	5.40	5.75	20	260	-0.8%
16 Feb 2023	4.15	4	4.00	4.15	5	262.5	+0.1%
16 Feb 2023	2.98	3	2.85	2.96	2	265	+1.1%
16 Feb 2023	2.05	67	1.91	2.02	51	267.5	+2.0%
16 Feb 2023	1.34	1	1.30	1.35	7	270	+3.0%
03 Mar 2023							
16 Feb 2023	10.60	294	9.85	11.75	55	255	-2.7%
16 Feb 2023	9.45	41	8.60	9.10	42	257.5	-1.8%
16 Feb 2023	7.45	29	7.05	7.45	41	260	-0.8%
16 Feb 2023	5.86	44	4.90	6.55	46	262.5	+0.1%
16 Feb 2023	4.55	11	4.45	5.00	81	265	+1.1%
16 Feb 2023	3.55	3	3.40	3.80	54	267.5	+2.0%
16 Feb 2023	2.66	11	2.50	2.81	30	270	+3.0%

This screenshot was taken on 17 February 2023, before the US market opening. This is why the first column shows “16 Feb 2023”: It displays the time or date of the last trade.

First, let's get our attention to the right-hand side of this calls table. You see three dates: 17 Feb 2023, 24 Feb 2023, and 03 Mar 2023. This is because options have expiry dates, and for this underlying stock they are weekly - every Friday.


These dates are not the only ones available; you can trade options with much longer lifespans. Let's click the [+] sign at the top of the table, next to "Maturity". Here, I want to remove 17 Feb 2023, and add April 2023 instead. I click these two dates:



Then I click [Done] to find this new table:

My Optionchain									
Symbol	Exchange	Ccy	Last	Chg %	Bid size	BID			
MSFT	Nasdaq	USD	262.15	-2.74%	200				
Strike	255.270 x +								
Maturity	24 Feb 2023 x 03 Mar 2023 x 21 Apr 2023 x +								
Basal filters									
CALL									
Last time	Last	Rel sz%	BID	ASK	Ask sz%	strike	dist		
24 Feb 2023									
16 Feb 2023	9.10	22	8.90	9.40	132	255	-2.7%		
16 Feb 2023	7.30	68	7.05	7.25	60	257.5	-1.8%		
16 Feb 2023	5.60	140	5.40	5.75	20	260	-0.8%		
16 Feb 2023	4.15	4	4.00	4.15	5	262.5	+0.1%		
16 Feb 2023	2.98	3	2.85	2.96	2	265	+1.1%		
16 Feb 2023	2.05	67	1.91	2.02	51	267.5	+2.0%		
16 Feb 2023	1.34	1	1.30	1.35	7	270	+3.0%		
03 Mar 2023									
16 Feb 2023	10.60	294	9.85	11.75	65	255	-2.7%		
16 Feb 2023	9.45	41	8.60	9.10	42	257.5	-1.8%		
16 Feb 2023	7.45	29	7.05	7.45	41	260	0.0%		
16 Feb 2023	5.86	44	4.90	6.55	46	262.5	+0.1%		
16 Feb 2023	4.55	11	4.45	5.00	81	265	+1.1%		
16 Feb 2023	3.55	3	3.40	3.80	64	267.5	+2.0%		
16 Feb 2023	2.66	11	2.50	2.81	30	270	+3.0%		
21 Apr 2023									
16 Feb 2023	17.60	10	17.50	17.75	40	255	-2.7%		
16 Feb 2023	14.65	48	14.40	14.70	75	260	-0.8%		
16 Feb 2023	11.95	202	11.70	11.90	12	265	+1.1%		
16 Feb 2023	9.44	337	9.30	9.50	1	270	+3.0%		

You can also remove or add columns. Actually, I want to remove the left column "Last time", which does not bring much information, and want to add a new column called "name".

For this, we'll use the  icon at the left of the title line. Click it, then select "Last time" to remove it; click "Identification", then "Name".

We should now see this table. Feel free to play with this function to add and remove columns, until you see the information you find most useful.

CALL								strike	dist
Last	Bid size	BID	ASK	Ask size	Name				
								24 Feb 2023	
9.10	22	8.90	9.40	132	MSFT FEB23 255C		255	-2.7%	
7.30	68	7.05	7.25	60	MSFT FEB23 257.5C		257.5	-1.8%	
5.60	140	5.40	5.75	20	MSFT FEB23 260C		260	-0.8%	
4.15	4	4.00	4.15	5	MSFT FEB23 262.5C		262.5	+0.1%	
2.98	3	2.85	2.96	2	MSFT FEB23 265C		265	+1.1%	
2.05	67	1.91	2.02	51	MSFT FEB23 267.5C		267.5	+2.0%	
1.34	1	1.30	1.35	7	MSFT FEB23 270C		270	+3.0%	
								03 Mar 2023	
10.60	294	9.85	11.75	55	MSFT MAR23 255C		255	-2.7%	
9.45	41	8.60	9.10	42	MSFT MAR23 257.5C		257.5	-1.8%	
7.45	29	7.05	7.45	41	MSFT MAR23 260C		260	-0.8%	
5.86	44	4.90	6.55	46	MSFT MAR23 262.5C		262.5	+0.1%	
4.55	11	4.45	5.00	81	MSFT MAR23 265C		265	+1.1%	
3.55	3	3.40	3.80	54	MSFT MAR23 267.5C		267.5	+2.0%	
2.66	11	2.50	2.81	30	MSFT MAR23 270C		270	+3.0%	
								21 Apr 2023	
17.60	10	17.50	17.75	40	MSFT APR23 255C		255	-2.7%	
14.65	48	14.40	14.70	75	MSFT APR23 260C		260	-0.8%	
11.95	202	11.70	11.90	12	MSFT APR23 265C		265	+1.1%	
9.44	337	9.30	9.50	1	MSFT APR23 270C		270	+3.0%	

Let's take one final step. I find there are too many lines, so I only want to keep the call options with a strike price of \$260. At the top left of the table, next to "Strike", I click the [+] sign, and de-select all the selected maturities that are not 260. Then I click [Done].

Here is my final table of Microsoft calls; just 3 expiration dates, and one strike of \$260.

CALL								strike	dist
Last	Bid size	BID	ASK	Ask size	Name				
								24 Feb 2023	
5.60	140	5.40	5.75	20	MSFT FEB23 260C		260	-0.8%	
								03 Mar 2023	
7.45	29	7.05	7.45	41	MSFT MAR23 260C		260	-0.8%	
								21 Apr 2023	
14.65	48	14.40	14.70	75	MSFT APR23 260C		260	-0.8%	

Notice the three numbers in the blue cells, in the "ASK" column: they are the three prices quoted to buy respectively: a call \$260 expiring 24 February; a call 260\$ expiring 3 March, and a call \$260 expiring 21 April.

Important: Because one call represents 100 shares, you will actually pay \$575, \$745, or \$1470 plus commission, to purchase one of these three calls.

If I click the blue cell showing 7.45 (expiry 03 March), the trading window opens:

MSFT MAR23 260C ▼ -58.04%
Exchange: Derivatives US Markets

Refresh

Market is closed

Last 16 Feb 2023 **7.45 USD** Change **-4.20 USD**
Bid 16 Feb 2023 **7.05 USD** Ask 16 Feb 2023 **7.45 USD**
Size 29 Size 41

Strike 260.00 USD Expiration 03 Mar 2023
Multiplier 100 Type Call
Underlying MICROSOFT ORD Price 262.15 USD ▼ (-2.74%)
22:00:00

Trade Buying Power: 832.12 USD ⓘ

1. Order side: BUY TO OPEN SELL TO OPEN
2. Quantity: 1
3. Order type: Limit
4. Validity: Good Till Date 17 Feb

7.45 USD

Total estimated amount of: **747.05 USD**
(Fees 2.05 USD incl.)

Cost Disclosure KID Long Options KID Short Options

Cancel Prepare order

I place my order by clicking the blue “Prepare order” button, then “Place order”. When the market opens later today, provided the ask price for this option is still \$7.45, I will buy a call to open Microsoft 260 expiry 3 March, and will pay \$745 plus commission.

In our next chapter, we will check under which conditions this trade can be profitable; and what the maximum profit and maximum loss can be. For now, let’s keep in mind that the stock price of Microsoft is approximately \$260, very close to the strike price we have chosen.

Thank you for following our second session!

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Swissquote Bank Europe SA
2 rue Edward Steichen, L-2958 Luxembourg
T : +352 2603 2003