

# Timing as a judgement

## TIMING AS A JUDGEMENT

In options, timing is not a preference but a judgement the instrument forces: the option expires, so the view must be right by a date, and it decays, so being early has a running cost. Choosing the expiry is choosing how much time to buy and how much decay to pay - a judgement with no equivalent in the underlying, which has no expiry and no decay, and one the options analyst must make explicitly.

The underlying has no clock; the option has an expiry and a decay, so timing becomes a judgement the instrument forces on the analyst. This lesson makes timing the explicit judgement it is in options.

## Why timing is forced

The expiry is a deadline: the option must be right by its expiry date or it lapses - so the view is not just 'the underlying will move' but 'the underlying will move by this date', a temporal claim the underlying position never had to make. The decay is a running cost: being early costs decay every day (module 3), so even a view that will be right eventually pays for the wait - timing is not just a deadline but a meter running the whole time. The expiry choice is the timing judgement: choosing a near expiry buys little time and pays little decay-inflated premium but demands the move soon; a far expiry buys time and pays more premium and more total decay - the choice encodes the timing view.

## Making the timing judgement

The options analyst chooses the expiry to match the timing view: a catalyst expected on a known date suggests an expiry just beyond it; an uncertain timing suggests either more time (a farther, costlier expiry) or the acknowledgement that the timing judgement is weak and the option therefore risky. The judgement is explicit: how confident is the timing, and does the chosen expiry give the view room without paying for more time than needed? A view with precise timing (a dated catalyst) can use a tighter expiry cheaply; a view with vague timing pays for time and often should question whether the option is the right instrument at all (module 3's comparison).

## Timing and the instrument choice

Timing is where options most often should be rejected in favour of the underlying: a directional view with no timing edge - 'this will rise, eventually' - fits the underlying, which has no clock, far better than an option, which charges for the vague timing through decay. The timing judgement, made honestly, often reveals that the view has no timing edge, and therefore that the option is paying decay for nothing. Options suit views with a timing thesis - a catalyst, an event, a dated expectation; they penalise views without one. Making timing an explicit judgement is how the analyst decides whether the view is even an options view - and often it is not.

## Check your understanding

### 1. Why is timing a judgement the instrument forces in options?

- a. Brokers require an expiry date
- b. The option expires (the view must be right by a date) and decays (being early has a running cost) - a temporal claim and a meter the underlying, with no clock, never had
- c. Timing affects commission

Answer: b. The expiry is a deadline and the decay is a running cost. Choosing the expiry is choosing how much time to buy and how much decay to pay - a judgement with no equivalent in the underlying.

### 2. What does the timing judgement often reveal?

- a. The best strike
- b. That the view has no timing edge - a 'this will rise eventually' view fits the underlying, which has no clock, better than an option paying decay for vague timing
- c. The correct expiry always

Answer: b. Made honestly, the timing judgement often shows the option is paying decay for nothing. Options suit views with a timing thesis; they penalise views without one.