

The option chain

THE OPTION CHAIN

The grid that quotes every option on an underlying at once: strikes down the side, expiries across, calls on one side and puts on the other, each cell a premium with its own bid, ask, volume and open interest. Where a share has one quote, an underlying has a whole chain - hundreds of options - and reading it means navigating a two-dimensional map of strike and time, organised around the underlying's current price.

A share is one line: a price. An option's underlying is a chain: every strike, every expiry, calls and puts, each with its own premium - a grid of hundreds of quotes where the share had one. Reading options starts with reading this map.

The chain's structure

Strikes down the side: the available strike prices, spanning below and above the underlying - the in-the-money strikes on one side of the current price, out-of-the-money on the other, at-the-money in the middle (module 1's moneyness, laid out spatially). Expiries across: the available expiry dates, from days away to months or longer - each a separate column of premiums, because the same strike costs more with more time (module 1's time value). Calls and puts: usually calls on one side of the grid and puts on the other, each strike-and-expiry cell holding a premium with its own bid, ask, volume and open interest.

Reading the grid

The chain organises around the underlying's price: premiums rise as strikes move into the money and fall as they move out, time value peaks at the money and grows with expiry distance - the module 1 forces, visible across the grid at a glance. A reader learns to locate the at-the-money strikes, read the premium gradient across moneyness, and compare expiries down a strike - the chain's literacy, which is prerequisite to everything, because an options decision is a choice of one cell (or several) from this grid, and the grid is where the instrument's structure becomes visible.

Why the chain matters

The chain makes options' extra dimensions concrete: a share buyer chooses only how much; an option buyer chooses a strike (how far), an expiry (how long), and a side (call or put) - three choices the chain lays out as a grid to navigate. Every later options concept is a way of reading or choosing from the chain: breakeven picks a strike, timing picks an expiry, volatility reads the premium levels across the grid. The chain is the options market's face - and reading it fluently is the reading module's first task, because the abstraction of module 1 becomes a concrete, navigable map here.

Check your understanding

1. How is an option chain structured?

- a. A single premium per underlying
- b. A grid: strikes down the side, expiries across, calls and puts each with their own premium, bid, ask, volume and open interest - hundreds of quotes where a share has one
- c. A list of recent trades

Answer: b. An underlying has a whole chain, not one quote. The grid lays out module 1's moneyness and time-value forces spatially - the options market's navigable face.

2. What three choices does the chain lay out that a share buyer never makes?

- a. Price, size and broker
- b. Strike (how far), expiry (how long) and side (call or put) - the extra dimensions options add, laid out as a grid to navigate
- c. Bid, ask and volume

Answer: b. A share buyer chooses only how much; an option buyer chooses from the grid. Every later concept is a way of reading or choosing a cell from the chain.