

Advanced Option Pricing Introduction

Welcome to Framework Investing's Advanced Option Pricing – Understanding and USING the Greeks. I'm Erik Kobayashi-Solomon, the author of *The Intelligent Option Investor* and Framework Investing's Director of Research and Content.

This mini-course covers nuances to pricing that will deepen your understanding of the information in the Prices and Pricing Mini-Course and will be especially important to institutional investors or anyone wanting to invest like one. We have split the lessons into two sections:

We start with an introduction to computational models and an overview of the so-called "Greeks." We introduced the Greeks in the Prices and Pricing mini-course and the first part of this mini-course digs in especially into Delta – what we call the most important and most useful Greek for option investors.

The second portion builds on our understanding of Delta to walk through how institutional option transactions are conducted. This is vital learning because it provides individual and institutional investors a deeper understanding of how options work. We finish up with a review of the Greeks.

By the end of this mini-course, you will know everything a positional investor, or someone who uses options to take directional positions on an underlying asset using options, needs to know about the Greeks, a topic that is usually overemphasized in option discussions, for reasons that we discuss.

Our primary goal in this mini-course is to offer all investors a deeper understanding of option pricing and to put into context the information you may read about in articles or other books about options.

We'll get started by talking about binomial and trinomial models and their differences and similarities to the Black-Scholes Model.