



HOUSE EDGE ADVANTAGE

Trade Like the House, Not Like a Gambler

The Options Trading Greeks

Quick Reference Guide

Understanding the Greeks is essential to managing options positions with confidence. Each Greek measures a specific dimension of risk or sensitivity. Used together, they give you a complete picture of how your position will behave as the market moves.



Delta

DIRECTIONAL SENSITIVITY

- **Calls:** 0 to 1.0 **Puts:** 0 to -1.0
- **Measures:** Price change per \$1 move in the underlying
- **Bonus:** Approximates the probability of finishing in-the-money
- **Premium sellers target** low-delta strikes to keep probability of profit high



Theta

TIME DECAY

- **Typically:** Negative for long options, positive for short
- **Measures:** Daily value loss from time passage
- **Accelerates:** Dramatically in the final 30 days
- **Peak impact:** Final week before expiration



Vega

VOLATILITY SENSITIVITY

- **Measures:** Price change per 1% shift in implied volatility
- **Long options:** Positive Vega — benefit from rising IV
- **Short options:** Negative Vega — hurt by rising IV
- **Highest:** At-the-money options



Gamma

RATE OF DELTA CHANGE

- **Measures:** How quickly Delta changes with price movement
- **Highest:** At-the-money options near expiration
- **Impact:** Accelerates directional exposure
- **Critical for:** Managing large or fast price swings

P Rho

INTEREST RATE SENSITIVITY

- **Measures:** Price change per 1% shift in interest rates
- **Significant for:** LEAPS and during active rate-change cycles
- **Impact:** Generally minimal for short-term options
- **Effect:** Rising rates increase call values and decrease put values

PROFESSIONAL TRADING INSIGHTS

- ✓ **The Greeks work together.** Never analyze them in isolation. A position with favorable Theta may carry dangerous Gamma risk near expiration.
- ✓ **Delta + Gamma.** Understand your directional exposure and how quickly it accelerates. High Gamma means your Delta can shift dramatically on a fast move.
- ✓ **Theta + Vega.** Balance time decay against volatility risk. Selling premium benefits from Theta but is exposed to Vega — enter when IV is elevated, not depressed.
- ✓ **ATM options** have the highest Gamma and Vega, creating maximum sensitivity. OTM options used in premium selling reduce this exposure significantly.
- ✓ **Position management.** Monitor your Greeks daily. They change continuously as the underlying moves, time passes, and volatility shifts.
- ✓ **Risk quantification.** The Greeks transform uncertainty into measurable exposure. This is what separates mechanical traders from emotional ones.

For educational purposes only. Not investment advice. Options trading involves significant risk and is not suitable for all investors. Past performance is not indicative of future results. Always understand the full risk of any position before trading.

John Andres

Founder, House Edge Advantage

houseedgeadvantage.com

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