Simple. Updated. Easy-to-Follow.

BASE CAMP TRADING

THE BEGINNER'S GUIDE TO OPTIONS

Learn How To Trade Options Safely Today.

Start with the basics and build confidence.

CALLS
Bet on the upside.

PUTS
Protect or bet on the downside.

2026 EDITION

BY DAVE AQUINO

Risk Disclaimer

IMPORTANT NOTICE! No representation is being made that the use of this strategy or any system or trading methodology will generate profits. Past performance is not necessarily indicative of future results. There is substantial risk of loss associated with trading securities and options on equities. Only risk capital should be used to trade. Trading securities is not suitable for everyone.

Disclaimer: Futures, Options, and Currency trading all have large potential rewards, but they also have large potential risk. You must be aware of the risks and be willing to accept them in order to invest in these markets. Don't trade with money you can't afford to lose. This document is neither a solicitation nor an offer to Buy/Sell futures, options, or currencies. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed.

CFTC RULE 4.41 – HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.

INTRODUCTION TO OPTIONS

When most people start trading, they typically stick to buying and selling stocks. And while they know about options, most newer traders avoid them, assuming they're too risky. But is that really true? Are options actually more risky than stocks?

As Warren Buffett says, "Risk comes from not knowing what you're doing." So instead of asking "Are options more risky than stocks?" you should be asking, "What do I need to learn about options (or stocks) to be successful trading them?"

The reality is you can potentially make money much faster with options than with stocks—which is why professional traders prefer them. It's possible, but highly unlikely, to make a 100% gain on a stock trade in just a few days. But it's normal with option trades.

However, you need to know what you're doing because, just like with stocks, you can lose a lot of money if you approach this with a gambling mindset. And the first step in your journey with options trading is to learn the key terms and how options trades work—which is what this short guide is all about.

By the time you're done reading this you'll know:

- What options contracts really are (and how they make use of leverage).
- What calls & puts are (all options strategies are based on calls and puts).
- How to combine puts and calls for winning trades.
- How margin calls work (and how to avoid them safely).
- How spread trading works and the difference between debit and credit spreads.

This is by no means an exhaustive training on options. But it's a great primer on the basics that will allow you to take the first step in this journey. Remember, risk comes from not knowing what you're doing... so invest in your trading education so you can trade options safely!

WHAT ARE OPTIONS CONTRACTS?

Options are derivatives of stocks. This means that the movement of an option is based closely on its underlying stock. Whatever the stock price does will affect the option, but not the other way around.

A great advantage of options is that they allow traders to make use of leverage. For example, if you bought 100 shares of Microsoft (MSFT) at $400 per share, the position's value would be $40,000. Most brokers require 50% margin. That means you'd need $20,000 to purchase 100 shares of Microsoft.

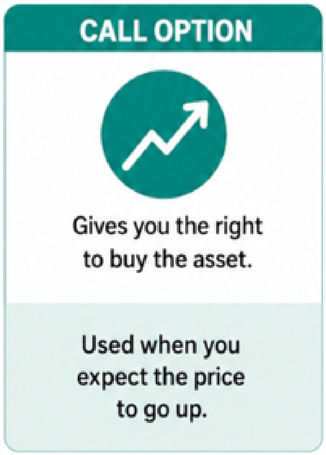
One option contract represents 100 shares of stock. If you believe the price of Microsoft will go up, you might buy one call option contract for $5.00 that expires in just over a month. A call option means you expect the stock price to rise, while a put option means you expect the stock price to drop.

Because of leverage, one contract will require significantly less cash to control 100 shares of Microsoft. You pay the premium of the option: $5.00 x 100 shares = $500. That's a fraction of the cost required to buy the stock outright.

Let's follow the above example to see what happens. It's now the beginning of the month and Microsoft has risen from $400 to $415. Our call option has also risen from $5.00 to $8.50. That's a $350 unrealized profit—($8.50 - $5.00) x 100 = $350. If we'd bought 4 contracts, our profit would be 4 x $350 = $1,400. We can close the position out and pocket the profit at this point. Or, we can continue holding for a higher price until expiration.

Note on Modern Options Trading: *Today, many platforms offer zero-commission or very low-cost options trading, making it easier to trade smaller accounts without fees eating into your profits. Additionally, the rise of "0DTE" (Zero Days to Expiration) options has transformed the market, allowing traders to trade options that expire on the exact same day. While popular—0DTE options now account for roughly 24% of all U.S. listed options volume—beginners should approach them with extreme caution due to their rapid price fluctuations and amplified risk.*

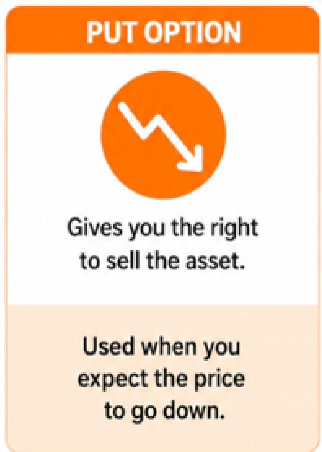
WHAT ARE CALLS?



Call positions are similar to holding a long stock position. Meaning, you are expecting the stock's value to rise. Instead of buying 100 shares of stock, you can buy one call contract.

So, why not just buy call contracts instead of stock? The best way to answer that question is "time." If the stock price is above the call strike at expiration, you can earn a profit. But if the stock price is below the strike at expiration, you lose all of your investment, since the call will expire worthless. Timing is critical when using options.

WHAT ARE PUTS?



A put option is basically the opposite of a call option. When you buy a put, you believe the stock price will go below the strike of your put option by expiration.

Let's use Microsoft again as an example. MSFT is currently trading at $400. You believe that MSFT will have poor earnings next week, so you buy the MSFT 390 Put option for $4.00 ($400 total). MSFT does, in fact, have a poor earnings announcement and the stock price drops to $375. In this case, the stock price is well below your option strike of 390 at expiration. The option has risen to $15.00, netting you $15.00 - $4.00 = $11.00 ($1,100 per contract).

Nothing says you have to hold the option until expiration. You can close the position out at any time before expiration to lock in profits.

WHAT IS MARGIN?

Margin allows you to use leverage. For example, if you have $10,000 in your account, your broker will provide margin that brings your buying power up to $20,000 (2X your cash amount). The extra $10,000 can be used on marginable securities like stocks. However, buying an option is generally not marginable—you must pay for it in cash.

WHAT IS A MARGIN CALL?

If you've done any reading about options, you've probably read about people getting into trouble with margin calls. Brokers have certain account requirements, and if the value of the account falls below the requirement, a margin call is triggered.

If the value of your stock positions begins declining, the chance of hitting the account requirement number increases. If your options also fall, that pushes the account value even lower. Most brokers will give you a few days to deposit money into the account and bring it back over the requirement amount, or they may close out positions for you. While that might sound worrying, your broker provides all the numbers you need to monitor to avoid a margin call.

HOW DO YOU COMBINE PUTS AND CALLS FOR WINNING TRADES?

The next two options strategies are spreads. Spreads are a combination strategy that involves two options to open the position. These might be two calls, two puts, or a call and a put. Either way, one option is sold and the other bought at the same time. When putting on a spread position, both options must be executed at the same time. Most brokerage platforms have an execution template for spreads.
A major advantage of spreads is the lower capital requirement. This means less cash is needed to put on the position than if you bought only one option. By reducing the total cost of the position, you're also reducing exposure and thus risk.

WHAT ARE DEBIT SPREADS?

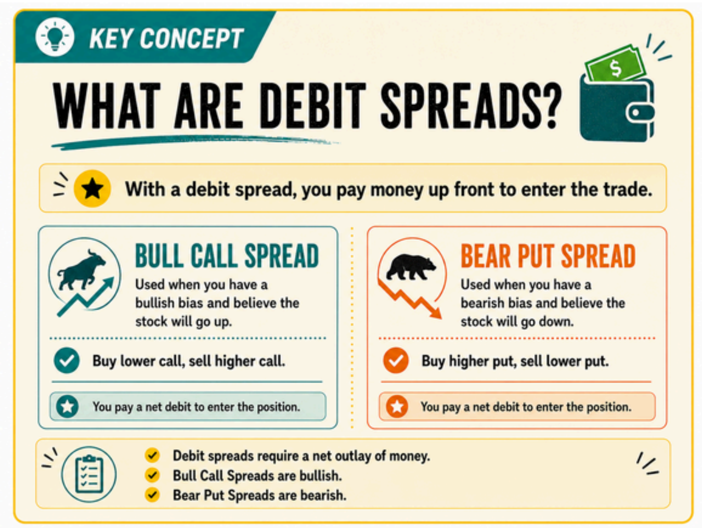
Debit spreads require a net outlay of money. Meaning, you pay to get into position. A bullish bias (stock will go up) uses a Bull Call Spread while a bearish bias (stock will go down) uses a Bear Put Spread.

In this example, we're going to create a bull call spread. MSFT is trading at $400 and you believe it is going higher. You buy the $400 call for $10 and sell the $410 call for $4. The net outlay is the amount paid minus the premium received ($10 - $4 = $6) or $600. That is also the maximum risk for the trade. The maximum profit is the spread width ($10) minus the cost of the trade ($6) or $4 ($400).

If MSFT finishes at $412, you'll keep the full profit of $400. If MSFT finishes below $400, your loss is equal to the premium of $6 or $600.

The bear put spread is just the opposite. If MSFT is trading at $400 and you think it will go lower, you buy the $400 put for $10 and sell the $390 put for $4. Net debit = $6 ($600).

If MSFT finishes below $390 at expiration, you realize the maximum profit of $4 ($400). If MSFT finishes above $400, the loss is $6 ($600).



WHAT ARE CREDIT SPREADS?

Unlike a debit spread, with a credit spread, you receive premium upon entering the trade. We're going to look at two types of credit spreads—a bear call spread and a bull put spread.

A bear call spread is used when you believe the stock price will go lower or stay flat. For example, you believe Apple (AAPL) will stay below $230. You sell the 230 call for $1.50 and buy the 235 call for $0.50. AAPL stays below 230 and both calls expire worthless, netting you $1.00 ($100) in premium per spread. This is called a bear call spread.

Going the other direction, you believe AAPL will stay above $200. You sell the 200 put for $2.00 and buy the 195 put for $1.00. AAPL stays above 200 and both puts expire worthless, netting you $1.00 ($100) in premium. This is called a bull put spread.

QUICK REFERENCE

SPREAD STRATEGY QUICK REFERENCE

Strategy	Market Bias	Action	Max Risk
Bull Call Spread	Bullish	Buy lower call, sell higher call	Net debit paid
Bear Put Spread	Bearish	Buy higher put, sell lower put	Net debit paid
Bear Call Spread	Bearish / Neutral	Sell lower call, buy higher call	Spread width minus credit
Bull Put Spread	Bullish / Neutral	Sell higher put, buy lower put	Spread width minus credit

Use this quick reference to match each spread strategy with the right market bias, trade action, and maximum risk.

TRADING OPTIONS FOR A LIVING

With the right strategies and risk management, options trading can certainly be a great income source for anyone. We've given you the basics on options, along with some of the key strategies (spreads) we use. This is only an introduction. If you'd really like to learn how to take your options trading to the next level, **check out our free training video titled:**

"This SPX Trade Targets 5% Returns In Just 11 Hours – And It's Sitting Right There On Every Chart You've Ever Looked At."

Before I started coaching traders, I spent over 30 years working for big financial firms like Merrill Lynch and Vanguard. As a former "insider," I know exactly how this works. Big trading firms profit 80–90% of the time while individual traders only profit 10–20% of the time. However, the good news is you can adopt the same systematic trading practices the big banks use, even if you have a small account.

In our training video, I'll pull back the curtain so you can not only see how it works, but also start trading like the institutions so you can grow your account consistently and confidently.

To your prosperity,

Dave Aquino

Dave Aquino
Base Camp Trading

Notes: