Call vs put options

Finance

Call vs. Put Options I find call option quite beneficial to the stock owner who wishes to buy stock at a future It cushions them from any fluctuations in stock prices, as they will not be affected. Say, the stock prices go down before the expiration date; they will have the advantage of not losing their money. If anything, this option ensures that they have guaranteed returns. However, it is a known fact that established companies such as Google rarely experience a drop in stock value. In this regard, I think the stock companies have the relative advantage.

On the other hand, the put option protects the stock buyer from any stock market fluctuations. Again, they are guaranteed of no losses. Financial options are perhaps a better way to attract investors in stock companies and encourage them to invest. However, I think because they are not ready to take risks with their shares they could be at a disadvantage if their stocks are bought or sold at higher values other than the agreed upon values.

In my opinion, financial options can be good or bad. The buying contracts reduce risks in the event of a negative outcome. The buyer is somewhat protected while the trader increases gains and reduces losses. This is especially important given the volatile nature of the stock market as affected by issues such as fluctuating interest rates, exchange rates, and other market forces. Perhaps a major disadvantage of the two options is losing part of, or the whole contract price. Again, there is the risk of broker insolvency or non-fulfillment of contractual obligations.

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Work Cited

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