Discussion Question

**Option Pricing Variables**

Applying the following matrix, state whether the variable would increase or decrease the value of the call or put, keeping all other variables constant. Arrows imply increasing or decreasing the value of the variable. DISCUSS YOUR REASONING FOR EACH VARIABLE.

Variable Call Value Put Value

Stock price (↑)

Exercise price (↓)

Volatility (↑)

Time to expiration (↓)

Interest rates (↑)