READING A QUOTE - AND WHAT THE ROUND TRIP COSTS

Vajgrt Labs - Education - Lesson 20 of 72 - 6 min read - Updated Oct 21, 2026

TL;DR

- A quote is four numbers: the bid (the best price buyers offer), the ask (the best price sellers demand), the last trade, and the spread between bid and ask. Your fill - the price you actually got - is the only one that counts.

- Round-trip friction = the spread, crossed half on entry and half on exit, plus fees on both sides. On the real Oct 9 chain the 773 call's worst-case friction was about $16.30 per contract - roughly 0.8% of its premium, because SPY is deep.

- The formula is the lesson: friction as a percentage of premium explodes on cheap, wide contracts. Run it before every trade - if friction takes a sixth of the premium, the trade starts about 17% down before theta wakes up.

THE TAKEAWAYS

- Quotes also carry size: how many contracts stand at the bid and at the ask. If your order is bigger than the size shown at the best price, the remainder fills deeper into the book at worse prices - one more reason this course trades small and liquid.

- Slippage is the difference between the price you expected when you decided (the quote, or your midpoint plan) and the price on your fill. It is a real, measurable leak - Stage 4 onward, it goes in the journal for every trade, paper or real.

- Fees are the small, honest part: $0.65 per contract per side on Fidelity's published schedule (checked Oct 15, 2026) is $1.30 per contract per round trip; a $0-per-contract broker collects its share through order flow instead (Lesson 1). Either way, the spread is usually the bigger toll.

- Friction is expectancy drag: costs are certain, any edge is hypothetical. A trade that pays $16.30 of friction on a $2,060 premium spends 0.8% before it starts - survivable. The same habit on a cheap, wide contract can spend a sixth of the position. Friction is a Stage 4 sizing input, not a footnote.

RULE: Run the friction arithmetic before every trade: (spread + 2 x fee per side) ÷premium. If the toll is a large share of the premium, the contract is too illiquid to trade - no opinion about direction changes that.

COMMON MISTAKES

- Reading 'last' as the price you'll get. Last is history; the bid/ask is the present tense.

- Counting the entry spread and forgetting the exit has one too - friction is a round-trip number.

- Judging a cheap contract by its premium and never by its spread as a percentage of that premium.

- Never reading fill reports - never comparing the fill you got with the midpoint your own plan was owed.

DO IT - THE ROUND-TRIP RECEIPT

Open the SPY chain. Pick the first call with delta between 0.50 and 0.65; note the date and time; write its bid and ask in your journal. Compute: the spread, the midpoint, the worst-case round-trip friction in dollars (spread x 100, plus your broker’s per-side contract fee twice - $1.30 total at a $0.65 broker), and that friction as a percentage of the premium. Then repeat for the cheapest call on the chain and compare the two percentages. You have just done the single most useful calculation in Stage 2.

Education only - not financial advice. Account and order rules: FINRA (Rule 4210; Regulatory Notice 26-10, Apr 20, 2026), the Federal Reserve’s Regulation T, and the SEC (Rule 15c6-1 settlement; Rule 606 disclosures) - checked Oct 15, 2026. Contract-fee example: Fidelity’s published commission schedule, Oct 15, 2026. Chain quotes: real SPY chain data, Oct 9, 2026. Vajgrt Labs - Education.