

30 option strategies, one page each

Start with the decision guide: choose a market view, check volatility, and define the risk profile. Then use one self-contained page per strategy for construction, payoff, key figures, greeks, and exit rules.

30STRATEGIES, ONE
PAGE EACH**4**MARKET VIEWS IN THE
DECISION TREE**10**KEY FIGURES AND BEHAVIOR
NOTES PER STRATEGY**1**COMPARISON MATRIX ACROSS
EVERY STRATEGY

DECISION TREE / 01

**Which strategy
fits the view?**

- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

**STRATEGY FINDER**

Filter all strategies by market view, volatility, and risk profile — with the reasoning shown.

Which strategy fits the view?

QUESTION 1

Where is price heading?

No strategy choice without a market view.

Rising

Uptrend and constructive news flow

LOW VOLATILITY → BUY PREMIUM

Long Call · Bull Call Spread · Long Call Diagonal

HIGH VOLATILITY → SELL PREMIUM

Bull Put Spread · Cash-Secured Put · Covered Call · Synthetic Long Stock · The Wheel · Naked Short Put

Falling

Downtrend or a need for protection

LOW VOLATILITY → BUY PREMIUM

Long Put · Bear Put Spread · Protective Put · Long Put Diagonal

HIGH VOLATILITY → SELL PREMIUM

Bear Call Spread · Collar · Naked Short Call

Sideways

Range-bound, quiet, collecting decay

LOW VOLATILITY → BUY PREMIUM

Long Call Butterfly · Long Put Butterfly · Long Call Calendar · Long Put Calendar

HIGH VOLATILITY → SELL PREMIUM

Short Iron Condor · Short Iron Butterfly · Short Strangle · Short Straddle · Broken Wing Butterfly · Jade Lizard · Call Ratio Spread

Direction open

A large move is expected, for example around earnings

LOW VOLATILITY → BUY PREMIUM

Long Straddle · Long Strangle

HIGH VOLATILITY → SELL PREMIUM

Call Backspread

QUESTION 2

How high is implied volatility?

An IV rank above 50 favors premium selling; below 30 favors bought options.

QUESTION 3

Can the loss be unlimited?

When in doubt, choose defined risk: use a spread instead of a naked short option.

QUESTION 4

How much capital is tied up?

Every page states the capital requirement. It controls how many positions can coexist.

Comparison matrix

NO	STRATEGY	DIRECTION	VOLATILITY REGIME	MAX PROFIT	MAX LOSS	TIME WORKS	LEVEL	PAGE
01	Long Call	Rising	low-medium	unlimited	premium paid	against you	Beginner	04
02	Bull Call Spread	Rising	medium-high	strike distance - premium	premium paid	depends on setup	Beginner	05
03	Bull Put Spread	Rising	high	premium received	strike distance - premium	for you	Intermediate	06
04	Cash-Secured Put	Rising	medium-high	premium received	strike - premium	for you	Beginner	07
05	Covered Call	Rising	medium-high	price gain up to the call strike + premium	cost basis - premium	for you	Beginner	08
06	Long Call Diagonal	Rising	low-medium	depends on the residual value of the long call	premium paid (net)	for you	Intermediate	09
07	Synthetic Long Stock	Rising	medium	unlimited	strike + premium (at price 0)	neutral	Advanced	10
08	The Wheel	Rising	medium-high	all premiums collected + price gain	share risk - all premiums	for you	Beginner	11
09	Naked Short Put	Rising	high	premium received	strike - premium (at price 0)	for you	Advanced	12
10	Long Put	Falling	low-medium	strike - premium	premium paid	against you	Beginner	13
11	Bear Put Spread	Falling	medium-high	strike distance - premium	premium paid	depends on setup	Beginner	14
12	Bear Call Spread	Falling	high	premium received	strike distance - premium	for you	Intermediate	15
13	Protective Put	Falling	low	unlimited (through the shares)	cost basis - put strike + premium	against you	Beginner	16
14	Collar	Falling	medium-high	call strike - cost basis + net premium	cost basis - put strike - net premium	depends on setup	Intermediate	17
15	Naked Short Call	Falling	high	premium received	unlimited	for you	Advanced	18
16	Long Put Diagonal	Falling	low-medium	depends on the residual value of the long put	premium paid (net)	for you	Advanced	19
17	Short Iron Condor	Sideways	high	premium received	widest wing - premium	for you	Intermediate	20
18	Short Iron Butterfly	Sideways	high	premium received	wing width - premium	strongly for you	Advanced	21
19	Short Strangle	Sideways	high	premium received	unlimited to the upside	for you	Advanced	22
20	Short Straddle	Sideways	high	premium received	unlimited to the upside	strongly for you	Advanced	23
21	Long Call Butterfly	Sideways	high	wing width - premium	premium paid	for you	Intermediate	24
22	Long Put Butterfly	Sideways	high	wing width - premium	premium paid	for you	Intermediate	25
23	Broken Wing Butterfly	Sideways	medium-high	narrow wing + net premium	wide - narrow wing - premium	for you	Advanced	26
24	Jade Lizard	Sideways	high	premium received	put strike - premium	for you	Advanced	27
25	Call Ratio Spread	Sideways	high	strike distance + premium	unlimited above	for you	Advanced	28
26	Long Call Calendar	Sideways	low-medium	depends on implied volatility and time left	approximately the debit	for you	Advanced	29
27	Long Put Calendar	Sideways	low-medium	depends on implied volatility and time left	approximately the debit	for you	Advanced	30
28	Long Straddle	Direction open	low	unlimited above, strike - premium below	premium paid	strongly against you	Intermediate	31
29	Long Strangle	Direction open	low	unlimited above, put strike - premium below	premium paid	against you	Intermediate	32
30	Call Backspread	Direction open	low	unlimited to the upside	strike distance + premium	against you	Advanced	33

Long Call

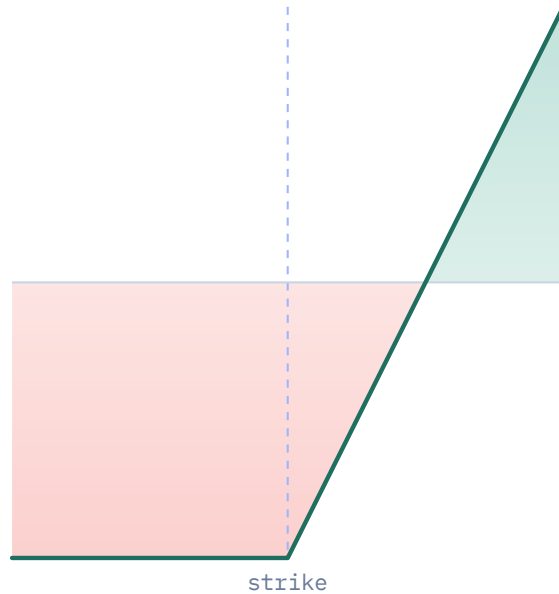
A bought right to rising prices — the loss is capped at the premium.

also: buying a call · call option

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Call at the strike

KEY FIGURES

Maxprofit	unlimited
Maxloss	premium paid
Break-even	strike + premium
Profitzone	price above the break-even
Capitalrequired	premium only
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves help
Time	Time works against you
Volatility	Rising volatility helps

WHAT PAYS YOU

Price direction Time decay against you

You get paid on direction. Time works against you every single day.

TYPICAL USE

Market phase	clear uptrend
Volatility	low (IV rank < 30) / medium (IV rank 30-50)
Goal	Speculation
Expiration	45-120 days
Strike choice	0.30-0.60
Assignment risk	none (long option)

EXIT & MANAGEMENT

Take profit	50-100% of the debit
Loss limit	50% of the debit, or the thesis is broken
Time rule	close before the last 21 days to expiration (gamma and theta both accelerate)

THE ONE QUESTION BEFORE ENTRY

Will the move go far enough past your break-even – and get there in time?

COMMON MISTAKES

- Bought too short an expiration – right about direction, still a total loss
- Bought right after earnings, and the IV crush ate the gain
- Ignored the break-even: the stock rises and the position still loses



Related: Bull Call Spread · Long Call Diagonal · Synthetic Long Stock — Opposite: Naked Short Call
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

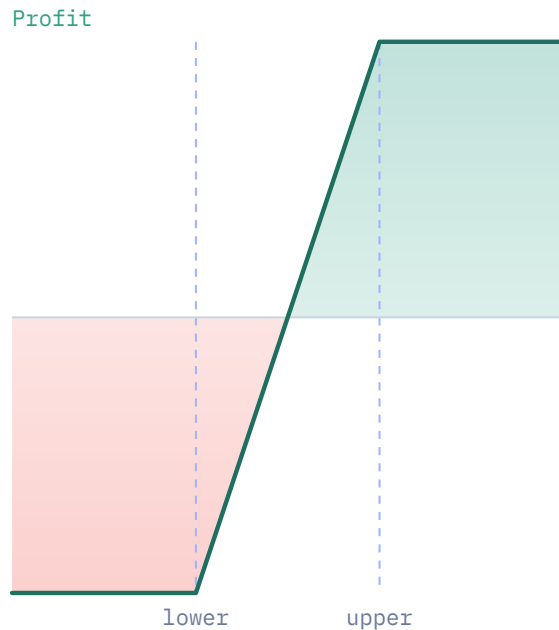
Bull Call Spread

A cheaper long call with a capped profit and a clear price target.

also: call debit spread · long call vertical

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Call at the lower strike
- 1 Call at the upper strike

KEY FIGURES

Maxprofit	strike distance - premium
Maxloss	premium paid
Break-even	lower strike + premium
Profitzone	price above the break-even
Capitalrequired	equal to the debit
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	depends on where the price sits
Time	depends on the construction
Volatility	depends on the construction

WHAT PAYS YOU

Price direction Time decay against you

You get paid on direction up to the upper strike. Time works mildly against you.

TYPICAL USE

Market phase	quiet upward drift, clear uptrend
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Speculation
Expiration	30-60 days
Strike choice	long 0.50-0.70, short 0.25-0.35 Delta
Assignment risk	low, though early assignment on the short call is possible

EXIT & MANAGEMENT

Take profit	50-75% of the maximum gain
Loss limit	50% of the debit
Time rule	close at 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

Is the upper strike a realistic price target inside this expiration?

COMMON MISTAKES

- Short strike too close - the maximum gain is almost never reachable
- Forgot that both legs have to be closed out if they finish in the money



Related: Long Call · Bull Put Spread — Opposite: Bear Call Spread
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

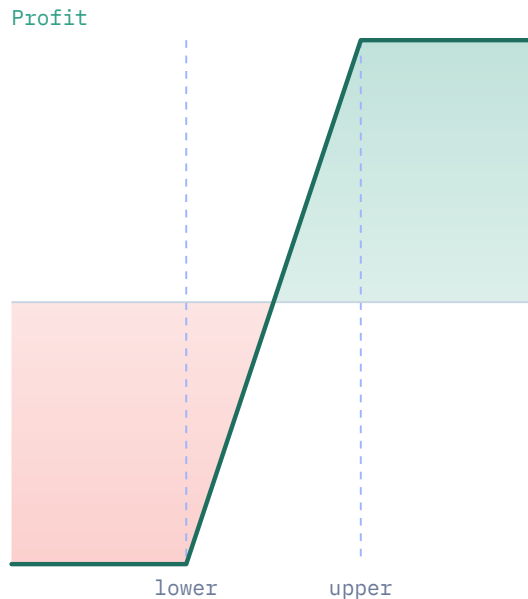
Bull Put Spread

Selling premium with defined risk for rising to quiet prices.

also: put credit spread · short put vertical

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Put at the upper strike
- +1 Put at the lower strike

KEY FIGURES

Maxprofit	premium received
Maxloss	strike distance - premium
Break-even	upper strike - premium
Profitzone	price above the break-even
Capitalrequired	spread width minus the credit received, held as margin
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on time decay for as long as price stays above the short strike.

TYPICAL USE

Market phase	sideways range, quiet upward drift
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-45 days
Strike choice	short 0.15-0.30 Delta
Assignment risk	medium on the short put

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	2× the credit
Time rule	close at 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

Do you want a credit against an obligation – or would you rather pay a debit?

COMMON MISTAKES

- Treated as a 'small cash-secured put' - the long put only starts protecting at the lower strike
- On a gap below the lower strike there is no exit left



Related: Cash-Secured Put · Short Iron Condor — Opposite: Bear Put Spread
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Cash-Secured Put

Collect premium and take the shares at your target price.

also: cash-covered put

PAYOFF PROFILE

Profit / loss per contract unit

Profit

Loss

strike

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Put at the strike
- + cash equal to K

KEY FIGURES

Maxprofit	premium received
Maxloss	strike - premium
Break-even	strike - premium
Profitzone	price above the break-even
Capitalrequired	strike x multiplier tied up in cash
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay

Price direction against you

You get paid on time decay - or you get the stock. You have to want both.

TYPICAL USE

Market phase	sideways range, quiet upward drift
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Income, Acquiring shares
Expiration	30-45 days
Strike choice	0.15-0.30
Assignment risk	medium to high

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	accept assignment or roll
Time rule	make the call at 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

After a 30% drop, would the strike still be a price you actually want to pay?

COMMON MISTAKES

- 'I get the stock at a discount' - only true if price stops at the strike
- Never worked out the return on capital: a lot of cash tied up for a small credit



Related: The Wheel · Covered Call · Bull Put Spread — Opposite: Protective Put
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

Covered Call

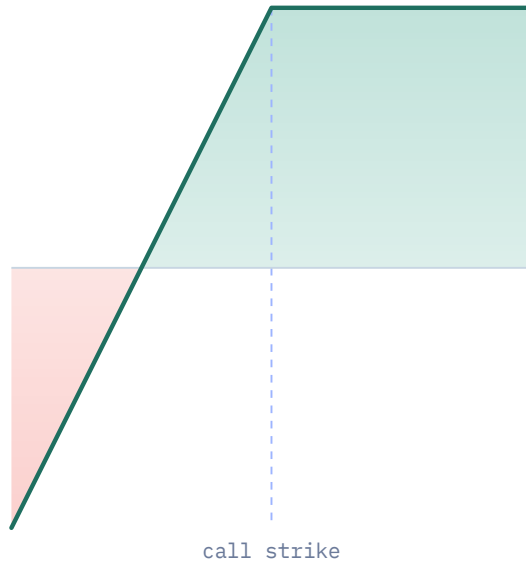
Earn on your share position and fix the selling price up front.

also: buy-write · covered write

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +100 shares
- -1 Call at the call strike

KEY FIGURES

Maxprofit	price gain up to the call strike + premium
Maxloss	cost basis - premium
Break-even	cost basis - premium
Profitzone	price above the break-even
Capitalrequired	a full stock position
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on the decay of the call you sold. The stock stays your main risk.

TYPICAL USE

Market phase	sideways range, quiet upward drift
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Income, Disposing of shares
Expiration	30-45 days
Strike choice	0.20-0.35
Assignmentrisk	medium; rises before the ex-dividend date on in-the-money calls

EXIT & MANAGEMENT

Take profit	50-75% of the credit
Loss limit	review the stock thesis, not the option in isolation
Time rule	check in-the-money calls before the ex-dividend date

THE ONE QUESTION BEFORE ENTRY

Are you willing to hand over the shares at the call strike – even if they keep running afterwards?

COMMON MISTAKES

- Sold on a stock you actually want to hold long term – the rally gets capped
- Ignored the ex-dividend date and got assigned early
- After a drawdown, sold a strike below cost basis and locked the loss in



Related: The Wheel · Collar · Long Call Diagonal — Opposite: Protective Put
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Long Call Diagonal

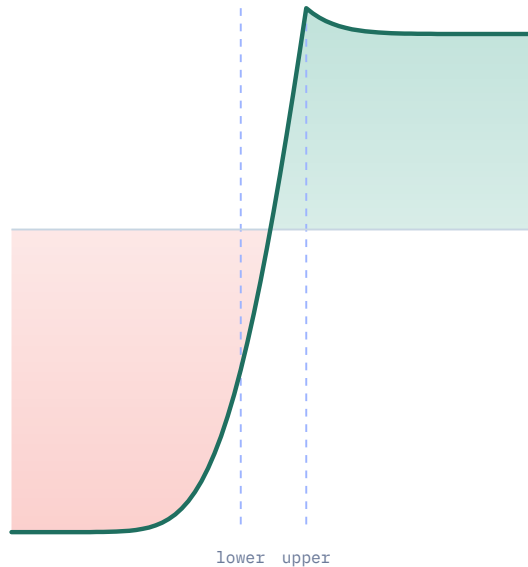
Poor man's covered call: a long call as the share substitute, short calls as income.

also: poor man's covered call · diagonal spread

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Value at the near expiration, not a classic expiry payoff.

Price at expiration →

CONSTRUCTION

- +1 Call at the lower strike (far expiration, deep in the money)
- -1 Call at the upper strike (near expiration, out of the money)

KEY FIGURES

Maxprofit	depends on the residual value of the long call
Maxloss	premium paid (net)
Break-even	simulation only
Profitzone	moderately rising prices
Capitalrequired	premium paid (net)
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	depends on where the price sits
Time	Time works for you
Volatility	Rising volatility helps

WHAT PAYS YOU

Time decay

Size of the move against you

You get paid on the decay of the calls you sell each month, while the long call carries the direction.

TYPICAL USE

Market phase	quiet upward drift, sideways range
Volatility	low (IV rank < 30) / medium (IV rank 30-50)
Goal	Income, Speculation
Expiration	langes Leg 180-365 (Delta 0.75-0.90), kurzes Leg 30-45 (Delta 0.20-0.30) days
Strike choice	siehe days to expiration
Assignment risk	medium on the near-term short call

EXIT & MANAGEMENT

Take profit	close the short leg at 50% and sell a new one
Loss limit	when the long call is down more than 50%
Time rule	roll the short leg monthly

THE ONE QUESTION BEFORE ENTRY

Does the upper strike sit above the lower strike plus the debit you paid?

COMMON MISTAKES

- Sold a short strike below the long call's break-even – a guaranteed loss on a strong rally
- Sold as a 'covered call for people without the capital' without explaining that the long call itself expires



Related: Covered Call · Long Call Calendar — Opposite: Bear Call Spread

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Synthetic Long Stock

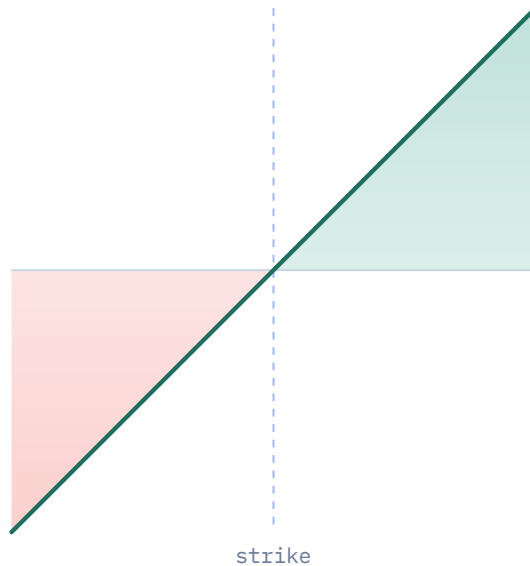
A share position built from two options: same profile, less capital.

also: risk reversal · combo · synthetic stock

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Call at the strike
- -1 Put at the strike

KEY FIGURES

Maxprofit	unlimited
Maxloss	strike + premium (at price 0)
Break-even	strike + premium
Profitzone	price above the break-even
Capitalrequired	margin, as for a short put
Opening	mixed, depending on the strikes

WHAT HELPS THE POSITION

Direction	behaves like a share position
Movement	barely any effect
Time	Time is neutral
Volatility	Volatility is neutral

WHAT PAYS YOU

Price direction

A pure directional trade. Theta and vega roughly cancel - the textbook illustration of put-call parity.

TYPICAL USE

Market phase	clear uptrend
Volatility	medium (IV rank 30-50)
Goal	Speculation, Acquiring shares
Expiration	60-180 days
Strike choice	beide ~0.50
Assignment risk	high on the short put

EXIT & MANAGEMENT

Take profit	same as a stock position
Loss limit	same as a stock position
Time rule	roll before expiration

THE ONE QUESTION BEFORE ENTRY

Why not just buy the stock? (The answer has to be capital efficiency or tax treatment - not 'less risk'.)

COMMON MISTAKES

- Treated as a cheap stock substitute - the downside is identical to the stock, just without the dividend



Related: Long Call · Cash-Secured Put — Opposite: Collar
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The Wheel

The cycle of cash-secured put, shares, and covered call.

also: options wheel · wheel strategy · triple income strategy

THE CYCLE

- 1 **Sell a cash-secured put**
Cash-Secured Put · Page 07
Collect premium, and pick the strike where you want to own the shares.
- 2 **Assignment**
The price closes below the strike: 100 shares land in the account.
- 3 **Sell a covered call**
Covered Call · Page 08
Collect premium on the shares and fix the selling price.
- 4 **Called away**
The price closes above the call strike, the shares go — back to step 1.

One pass; the cycle then starts over.

KEY FIGURES

Maxprofit	all premiums collected + price gain
Maxloss	share risk - all premiums
Break-even	cost basis after assignment - premiums
Profitzone	price above the break-even of the cycle
Capitalrequired	strike × 100, permanently
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on time decay in every phase - while carrying full stock risk the entire time.

TYPICAL USE

Market phase	sideways range, quiet upward drift
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Income, Acquiring shares, Disposing of shares
Expiration	30-45 per cycle days
Strike choice	0.20-0.30
Assignment risk	high, and intentional

EXIT & MANAGEMENT

Take profit	50% per individual trade
Loss limit	the stock thesis, not the individual trade
Time rule	21 days to expiration per leg

THE ONE QUESTION BEFORE ENTRY

Would you buy and hold this stock even without the option premium?

COMMON MISTAKES

- Run on high-IV single names: the premium is high because the risk is high
- After assignment, sold covered calls below cost basis and locked the loss in
- Never compared the return on capital against simple buy-and-hold



Related: Cash-Secured Put · Covered Call — Opposite: Protective Put
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Naked Short Put

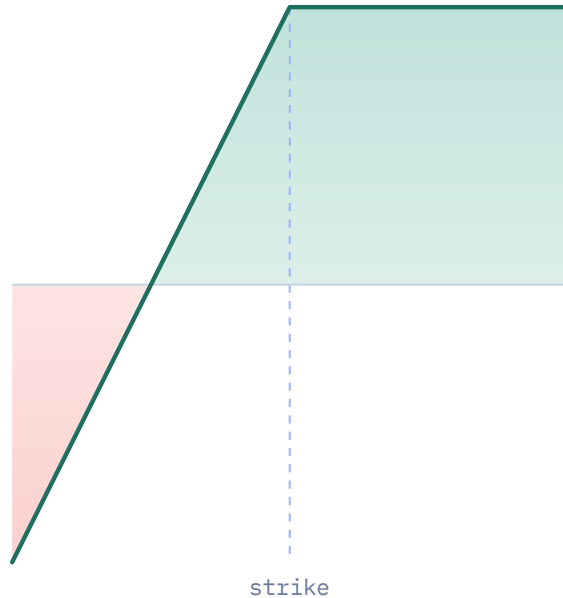
Selling premium without cash backing — only with a real buffer.

also: uncovered put · naked put

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Put at the strike

KEY FIGURES

Maxprofit	premium received
Maxloss	strike - premium (at price 0)
Break-even	strike - premium
Profitzone	price above the break-even
Capitalrequired	margin, no cash backing
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

- Time decay
- Size of the move against you
- Price direction against you

You get paid on time decay. A crash costs you all the way down to zero.

TYPICAL USE

Market phase	sideways range, quiet upward drift
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-45 days
Strike choice	0.15-0.30
Assignment risk	high

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	2× the credit
Time rule	close or roll at 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

Do you have the buying power to actually take delivery of the stock at the strike?

COMMON MISTAKES

- Sold without cash backing and got force-liquidated on assignment
- Several short puts on correlated names - that is one macro risk, not several trades



Related: Cash-Secured Put · Bull Put Spread — Opposite: Long Put
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Long Put

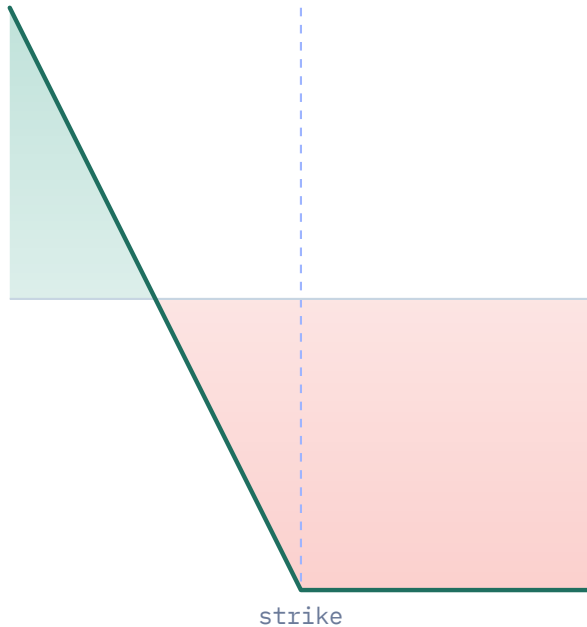
A bought right to falling prices — the loss is capped at the premium.

also: buying a put · put option

PAYOFF PROFILE

Profit / loss per contract unit

Profit



strike

Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Put at the strike

KEY FIGURES

Max profit	strike - premium
Max loss	premium paid
Break-even	strike - premium
Profit zone	price below the break-even
Capital required	premium only
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Falling prices help
Movement	Large moves help
Time	Time works against you
Volatility	Rising volatility helps

WHAT PAYS YOU

Price direction

Time decay against you

You get paid on downside direction. Time works against you.

TYPICAL USE

Market phase	clear downtrend
Volatility	low (IV rank < 30) / medium (IV rank 30-50)
Goal	Speculation, Hedging
Expiration	45-120 days
Strike choice	0.30-0.60
Assignment risk	none (long option)

EXIT & MANAGEMENT

Take profit	50-100% of the debit
Loss limit	50% of the debit
Time rule	close before 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

Does price fall fast enough and far enough below your break-even?

COMMON MISTAKES

- Bought as protection without ever adding up what a year of it costs
- Bought puts in a panic, once IV had already blown out



Related: Bear Put Spread · Protective Put — Opposite: Naked Short Put
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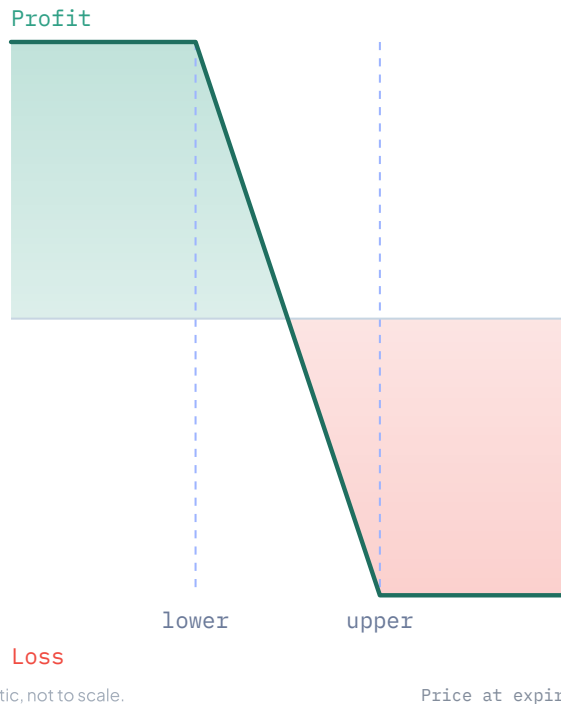
Bear Put Spread

A cheaper long put with a capped profit.

also: put debit spread · long put vertical

PAYOFF PROFILE

Profit / loss per contract unit



KEY FIGURES

Maxprofit	strike distance - premium
Maxloss	premium paid
Break-even	upper strike - premium
Profitzone	price below the break-even
Capitalrequired	equal to the debit
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Falling prices help
Movement	depends on where the price sits
Time	depends on the construction
Volatility	depends on the construction

WHAT PAYS YOU

Price direction Time decay against you

You get paid on downside direction as far as the lower strike.

TYPICAL USE

Marketphase	quiet downward drift, clear downtrend
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Speculation, Hedging
Expiration	30-60 days
Strike choice	long 0.50-0.70, short 0.25-0.35 Delta
Assignment risk	low

EXIT & MANAGEMENT

Take profit	50-75% of the maximum gain
Loss limit	50% of the debit
Time rule	close at 21 days to expiration

CONSTRUCTION

- +1 Put at the upper strike
- 1 Put at the lower strike

THE ONE QUESTION BEFORE ENTRY

Is the lower strike a realistic downside target inside this expiration?

COMMON MISTAKES

- Bought during a panic, once put skew had already inflated the premium



Related: Long Put · Bear Call Spread — Opposite: Bull Put Spread

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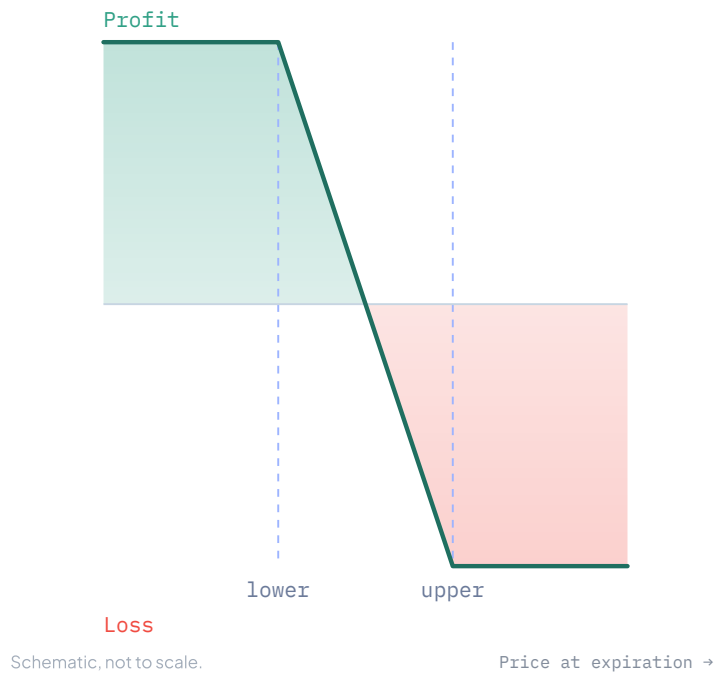
Bear Call Spread

Selling premium with defined risk for falling to quiet prices.

also: call credit spread · short call vertical

PAYOFF PROFILE

Profit / loss per contract unit



CONSTRUCTION

- -1 Call at the lower strike
- +1 Call at the upper strike

KEY FIGURES

Maxprofit	premium received
Maxloss	strike distance - premium
Break-even	lower strike + premium
Profitzone	price below the break-even
Capitalrequired	spread width minus the credit received, held as margin
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Falling prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on time decay for as long as price stays below the short strike.

TYPICAL USE

Market phase	sideways range, quiet downward drift, clear downtrend
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-45 days
Strike choice	short 0.15-0.30 Delta
Assignment risk	medium on the short call, especially before an ex-dividend date

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	2× the credit
Time rule	close at 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

How far outside the expected move to expiration does the lower strike sit?

COMMON MISTAKES

- Spreads too narrow on a wide bid-ask - slippage eats the credit
- A gap through both strikes: maximum loss in a single night



Related: Short Iron Condor · Bear Put Spread — Opposite: Bull Call Spread
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

Protective Put

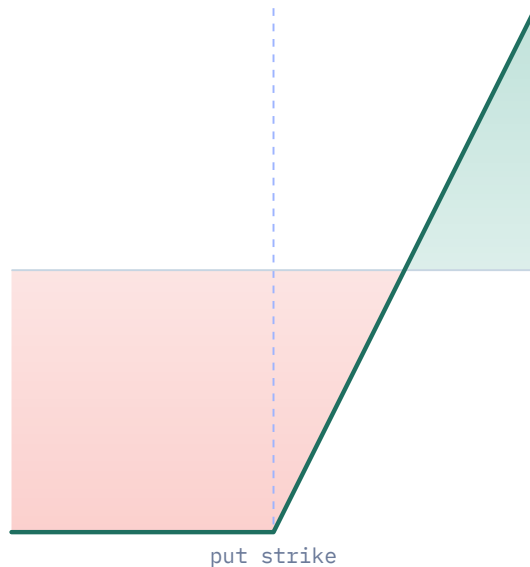
Insurance for your share position with a fixed floor.

also: married put · stock insurance · hedged stock

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +100 shares
- +1 Put at the put strike

KEY FIGURES

Maxprofit	unlimited (through the shares)
Maxloss	cost basis - put strike + premium
Break-even	cost basis + premium
Profitzone	price above the break-even
Capitalrequired	stock position plus premium
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves help
Time	Time works against you
Volatility	Rising volatility helps

WHAT PAYS YOU

- Price direction
- Time decay against you
- Volatility against you

You get paid on the stock. The put is pure insurance premium and costs you time value.

TYPICAL USE

Market phase	clear uptrend, large move, direction open, clear downtrend
Volatility	low (IV rank < 30)
Goal	Hedging
Expiration	60-180 days
Strike choice	0.15-0.35 (Put)
Assignment risk	none on the long put

EXIT & MANAGEMENT

Take profit	n/a - this is insurance, not an income trade
Loss limit	defined by the put strike
Time rule	roll before the time value is fully gone

THE ONE QUESTION BEFORE ENTRY

What does this insurance cost you per year, as a percentage of the position?

COMMON MISTAKES

- Never added up the annual cost of running the hedge - it eats the return
- Bought only after the drop, when IV was at its highest



Related: Collar · Long Put — Opposite: Covered Call
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

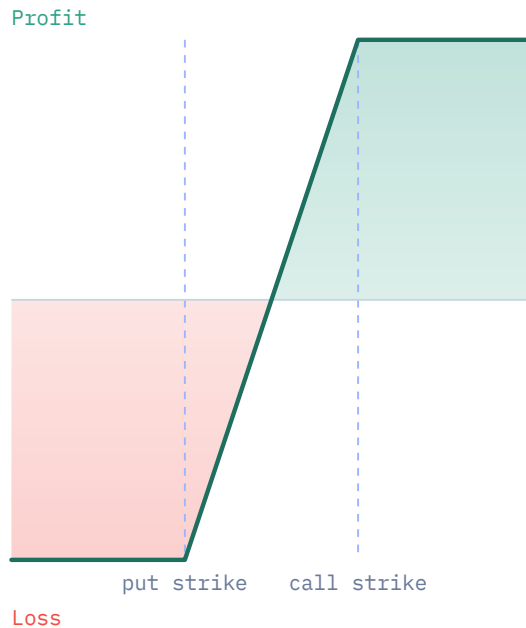
Collar

A fixed floor traded for a fixed ceiling — financed by the call.

also: hedge wrapper · zero-cost collar · protective collar

PAYOFF PROFILE

Profit / loss per contract unit



CONSTRUCTION

- +100 shares
- +1 Put at the put strike
- -1 Call at the call strike

KEY FIGURES

Maxprofit	call strike - cost basis + net premium
Maxloss	cost basis - put strike - net premium
Break-even	cost basis - net premium
Profitzone	price above the break-even
Capitalrequired	a full stock position
Opening	mixed, depending on the strikes

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	depends on where the price sits
Time	depends on the construction
Volatility	depends on the construction

WHAT PAYS YOU

Price direction

Size of the move against you

You get paid on the stock inside a corridor. The call you sell pays for the protection.

TYPICAL USE

Market phase	sideways range, large move, direction open, clear downtrend
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Hedging, Income
Expiration	60-180 days
Strike choice	Put 0.20-0.30, Call 0.20-0.30
Assignment risk	medium on the short call

EXIT & MANAGEMENT

Take profit	n/a
Loss limit	defined by the put strike
Time rule	roll both legs together

THE ONE QUESTION BEFORE ENTRY

Will you accept a hard ceiling in exchange for a hard floor?

COMMON MISTAKES

- Read 'zero cost' as free - you pay with upside, not with cash
- Picked a call strike too close, so the position can never recover



Related: Protective Put · Covered Call — Opposite: Long Straddle
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

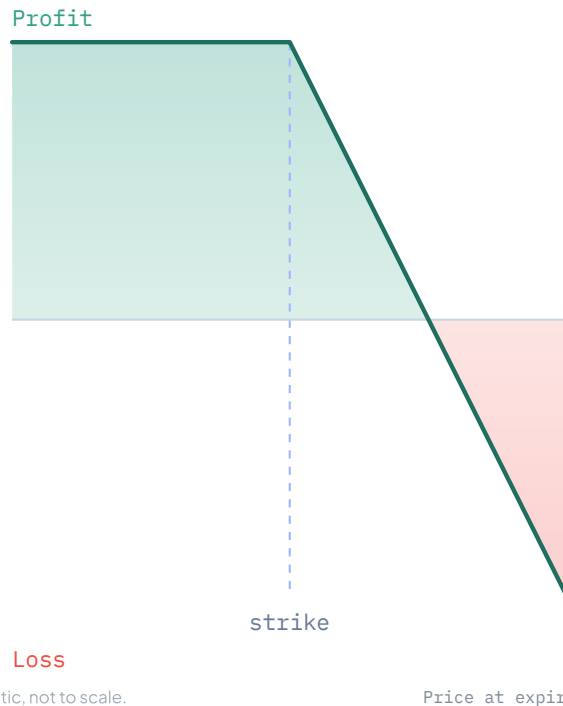
Naked Short Call

Selling premium with a loss that has no upper bound.

also: uncovered call · naked call

PAYOFF PROFILE

Profit / loss per contract unit



KEY FIGURES

Max profit	premium received
Max loss	unlimited
Break-even	strike + premium
Profit zone	price below the break-even
Capital required	margin
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Falling prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

- Time decay
- Size of the move against you
- Price direction against you

You get paid on time decay. Any large move up costs you without limit.

TYPICAL USE

Market phase	sideways range, quiet downward drift
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-45 days
Strike choice	0.10-0.20
Assignment risk	high

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	2× the credit
Time rule	close or roll at 21 days to expiration

CONSTRUCTION

- 1 Call at the strike

THE ONE QUESTION BEFORE ENTRY

Could you carry a 40% overnight gap up – financially and psychologically?

COMMON MISTAKES

- A takeover rumour or a squeeze – the loss is theoretically unlimited
- Sold as 'safe premium' without ever modelling the margin-call scenario



Related: Bear Call Spread · Covered Call — Opposite: Long Call
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

Long Put Diagonal

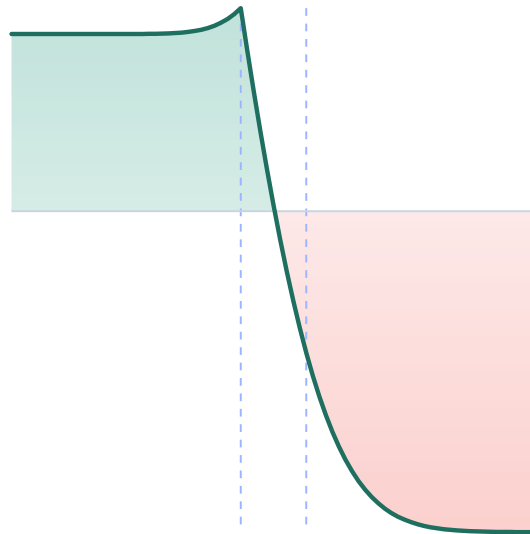
A bearish diagonal: a long put as the base, short puts as income.

also: put diagonal spread · poor man's covered put

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Value at the near expiration, not a classic expiry payoff.

Price at expiration →

CONSTRUCTION

- +1 Put at the upper strike (far expiration, deep in the money)
- -1 Put at the lower strike (near expiration, out of the money)

KEY FIGURES

Maxprofit	depends on the residual value of the long put
Maxloss	premium paid (net)
Break-even	simulation only
Profitzone	moderately falling prices
Capitalrequired	premium paid (net)
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Falling prices help
Movement	depends on where the price sits
Time	Time works for you
Volatility	Rising volatility helps

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on the decay of the puts you sell, while the long put carries the direction.

TYPICAL USE

Market phase	quiet downward drift, sideways range
Volatility	low (IV rank < 30) / medium (IV rank 30-50)
Goal	Speculation, Hedging
Expiration	langes Leg 180-365, kurzes Leg 30-45 days
Strike choice	lang 0.75-0.90, kurz 0.20-0.30
Assignment risk	medium on the near-term short put

EXIT & MANAGEMENT

Take profit	roll the short leg at 50%
Loss limit	50% of the debit
Time rule	roll monthly

THE ONE QUESTION BEFORE ENTRY

Does the skew even justify a put diagonal instead of a plain bear put spread?

COMMON MISTAKES

- Put skew makes the long leg expensive and the short leg relatively cheap – the construction is often unattractive



Related: Long Call Diagonal · Long Put Calendar — Opposite: Bull Put Spread
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

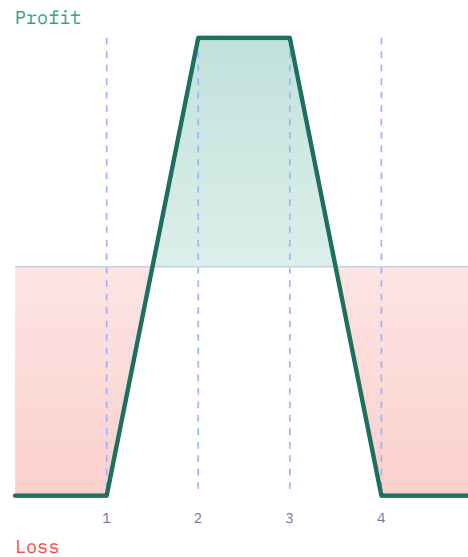
Short Iron Condor

Premium from a sideways range, both sides capped by wings.

also: iron condor

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

KEY FIGURES

Maxprofit	premium received
Maxloss	widest wing - premium
Break-even	strike 2 - premium and strike 3 + premium
Profitzone	price between the two break-evens
Capitalrequired	medium
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Direction barely matters
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on time decay on both sides. Movement is your only enemy.

TYPICAL USE

Market phase	sideways range, calming down after a volatility spike
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-60 days
Strike choice	Short Legs 0.10-0.20 Delta
Assignment risk	medium on whichever side gets tested

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	2× the credit, or roll the tested side
Time rule	close at 21 days to expiration

CONSTRUCTION

- +1 Put at the strike 1
- -1 Put at the strike 2
- -1 Call at the strike 3
- +1 Call at the strike 4

THE ONE QUESTION BEFORE ENTRY

Is the range you expect genuinely narrower than the move the market has priced in?

COMMON MISTAKES

- Sold as an 'income machine', then one loss wipes out six winning months
- Wings of unequal width, so the max loss was calculated wrong
- Held through earnings



Related: Short Strangle · Short Iron Butterfly · Jade Lizard — Opposite: Long Straddle
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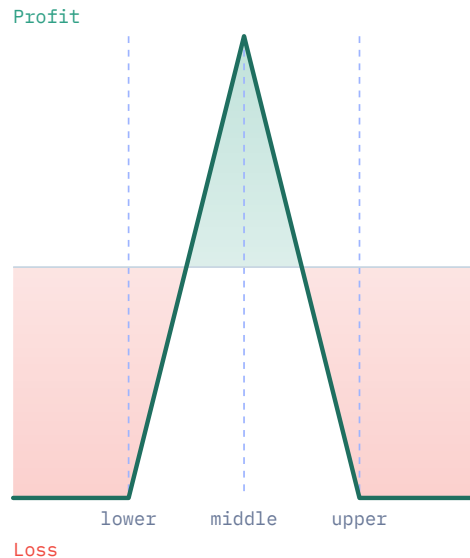
Short Iron Butterfly

A short straddle with protective wings — narrow range, high premium.

also: iron fly · iron butterfly

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

KEY FIGURES

Maxprofit	premium received
Maxloss	wing width - premium
Break-even	strike - premium and strike + premium
Profitzone	price between the two break-evens
Capitalrequired	medium
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Direction barely matters
Movement	Large moves hurt a lot
Time	Time works strongly for you
Volatility	Rising volatility hurts a lot

WHAT PAYS YOU

Time decay Size of the move against you

You get the maximum from time decay - but only if price essentially stands still.

TYPICAL USE

Market phase	sideways range, calming down after a volatility spike
Volatility	high (IV rank > 50)
Goal	Income, Trading volatility
Expiration	20-45 days
Strike choice	Short Legs ~0.50 Delta
Assignment risk	high (both short legs at the money)

EXIT & MANAGEMENT

Take profit	25-40% of the credit
Loss limit	1x the credit
Timerule	manage actively, gamma sensitivity is high

CONSTRUCTION

- +1 Put at the K-W
- -1 Put at the strike
- -1 Call at the strike
- +1 Call at the K+W

THE ONE QUESTION BEFORE ENTRY

Will price really sit near the strike, or are you just selling expensive premium?

COMMON MISTAKES

- The large credit is tempting, but the profitable range is very narrow



Related: Short Iron Condor · Short Straddle — Opposite: Long Call Butterfly
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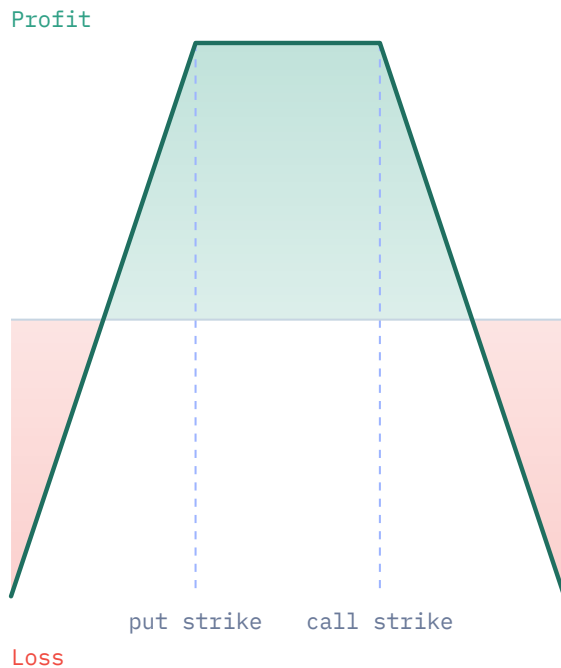
Short Strangle

Premium from a wide range, without protective wings.

also: selling a strangle

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Call at the call strike (out of the money)
- -1 Put at the put strike (out of the money)

KEY FIGURES

Maxprofit	premium received
Maxloss	unlimited to the upside
Break-even	put strike - premium and call strike + premium
Profitzone	price between the two break-evens
Capitalrequired	margin on both sides
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Direction barely matters
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts a lot

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on time decay across a wide range - with no protective wings.

TYPICAL USE

Market phase	sideways range, calming down after a volatility spike
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-45 days
Strike choice	beide 0.10-0.20
Assignment risk	high

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	2x the credit
Time rule	close at 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

Why are you giving up the protective wings of an iron condor?

COMMON MISTAKES

- An iron condor is the same trade with wings - skipping the wings to save the cost means carrying unlimited risk



Related: Short Iron Condor · Jade Lizard — Opposite: Long Strangle
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Short Straddle

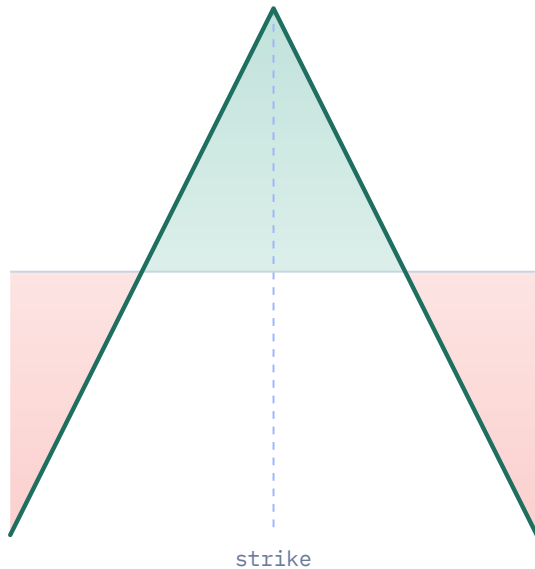
Maximum premium at the strike against unbounded movement risk.

also: selling a straddle · short volatility

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Call at the strike
- -1 Put at the strike

KEY FIGURES

Maxprofit	premium received
Maxloss	unlimited to the upside
Break-even	strike - premium and strike + premium
Profitzone	price between the two break-evens
Capitalrequired	margin on both sides
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Direction barely matters
Movement	Large moves hurt a lot
Time	Time works strongly for you
Volatility	Rising volatility hurts a lot

WHAT PAYS YOU

Time decay Size of the move against you

You get the maximum from time decay - and carry unlimited movement risk in exchange.

TYPICAL USE

Market phase	sideways range, calming down after a volatility spike
Volatility	high (IV rank > 50)
Goal	Income, Trading volatility
Expiration	20-45 days
Strike choice	beide ~0.50
Assignment risk	very high (both legs at the money)

EXIT & MANAGEMENT

Take profit	25% of the credit
Loss limit	1x the credit
Time rule	needs daily management

THE ONE QUESTION BEFORE ENTRY

Would your account survive a 30% gap the wrong way?

COMMON MISTAKES

- An at-the-money straddle is roughly delta-neutral, not directional - treating it as a view on direction misreads the trade
- Opened with no contingency plan for an overnight gap



Related: Short Strangle · Short Iron Butterfly — Opposite: Long Straddle
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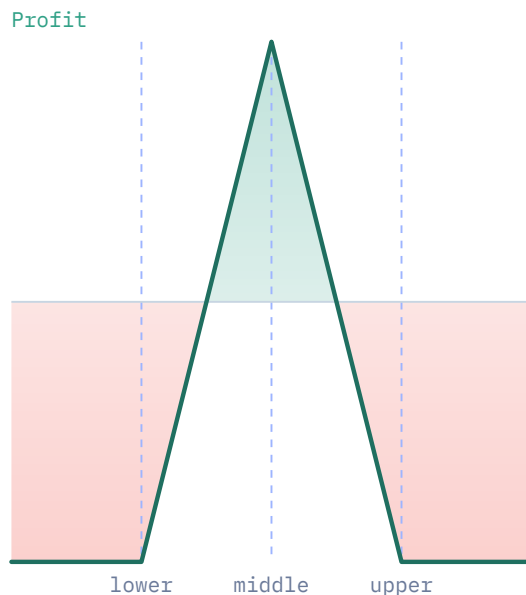
Long Call Butterfly

Play a precise price target with a very small stake.

also: butterfly spread · call fly

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Call at the K-W
- -2 Call at the strike
- +1 Call at the K+W

KEY FIGURES

Maxprofit	wing width - premium
Maxloss	premium paid
Break-even	strike - wing width + premium and strike + wing width - premium
Profitzone	price between the two break-evens
Capital required	equal to the debit
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	depends on where the price sits
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

Counter-intuitively: even though you pay a debit, time works FOR you - as long as price stays near the middle strike.

TYPICAL USE

Market phase	sideways range, calming down after a volatility spike
Volatility	high (IV rank > 50)
Goal	Speculation, Trading volatility
Expiration	20-45 days
Strike choice	Mitte am Kursziel
Assignment risk	medium on the two short legs

EXIT & MANAGEMENT

Take profit	25-50% of the maximum gain
Loss limit	the debit is the risk
Time rule	the value only shows up close to expiration

THE ONE QUESTION BEFORE ENTRY

Do you have a precise price target - not just a direction?

COMMON MISTAKES

- Opened too early - a butterfly gains almost all its value in the final weeks
- Three legs in thin liquidity: the fills destroy the risk-reward



Related: Long Put Butterfly · Broken Wing Butterfly · Short Iron Butterfly — Opposite: Long Straddle
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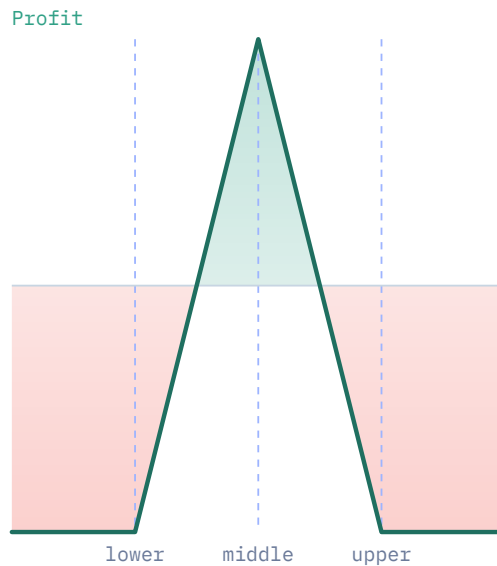
Long Put Butterfly

The same target-price trade as the call butterfly, built from puts.

also: put butterfly · put fly

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Put at the K+W
- -2 Put at the strike
- +1 Put at the K-W

KEY FIGURES

Maxprofit	wing width - premium
Maxloss	premium paid
Break-even	strike - wing width + premium and strike + wing width - premium
Profitzone	price between the two break-evens
Capital required	equal to the debit
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	depends on where the price sits
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

Counter-intuitively: even though you pay a debit, time works FOR you - as long as price stays near the middle strike.

TYPICAL USE

Market phase	sideways range, calming down after a volatility spike
Volatility	high (IV rank > 50)
Goal	Speculation, Trading volatility
Expiration	20-45 days
Strike choice	Mitte am Kursziel
Assignment risk	medium

EXIT & MANAGEMENT

Take profit	25-50% of the maximum gain
Loss limit	the debit
Time rule	the value shows up close to expiration

THE ONE QUESTION BEFORE ENTRY

Which version is cheaper to get filled right now - the call or the put construction?

COMMON MISTAKES

- Identical payoff to the call butterfly - traded at a worse price without comparing the two



Related: Long Call Butterfly — Opposite: Long Strangle
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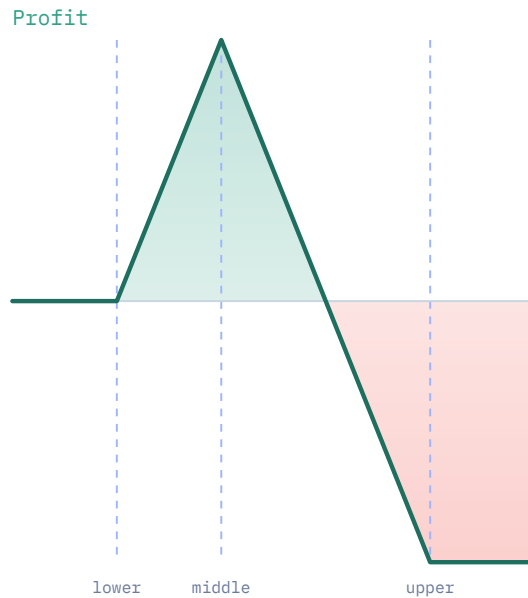
Broken Wing Butterfly

A butterfly with unequal wings — the risk sits on one side only.

also: skip-strike butterfly

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Call at the lower strike
- -2 Call at the strike
- +1 Call at the upper strike (unequal wing width)

KEY FIGURES

Maxprofit	narrow wing + net premium
Maxloss	wide - narrow wing - premium
Break-even	simulation only
Profitzone	asymmetric around the middle strike
Capitalrequired	medium
Opening	mixed, depending on the strikes

WHAT HELPS THE POSITION

Direction	depends on where the price sits
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on time decay, with a directional tilt built into one side.

TYPICAL USE

Market phase	sideways range, quiet upward drift, quiet downward drift
Volatility	medium (IV rank 30-50) / high (IV rank > 50)
Goal	Income, Speculation
Expiration	30-60 days
Strike choice	construction-dependent
Assignment risk	medium

EXIT & MANAGEMENT

Take profit	25-50%
Loss limit	close before price reaches the wide side
Time rule	review at 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

Which side can you genuinely rule the big loss out on?

COMMON MISTAKES

- Sold as a 'risk-free butterfly' - the risk sits on one side only, but there it is entirely real



Related: Long Call Butterfly · Jade Lizard — Opposite: Long Strangle

Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

Jade Lizard

Premium with no upside risk as long as it covers the call spread.

also: jade lizard strategy

PAYOFF PROFILE

Profit / loss per contract unit

Profit

Loss

Schematic, not to scale.

Price at expiration →

put

call 1 call 2

KEY FIGURES

Maxprofit	premium received
Maxloss	put strike - premium
Break-even	put strike - premium
Profitzone	price above the break-even
Capitalrequired	an uncovered short put
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay

Size of the move against you

You get paid on time decay. The upside risk is engineered away; the downside risk is not.

TYPICAL USE

Market phase	sideways range, quiet upward drift
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-45 days
Strike choice	short Put 0.20-0.30 Delta
Assignment risk	high on the short put

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	roll the put side or accept assignment
Time rule	21 days to expiration

CONSTRUCTION

- -1 Put at the put strike
- -1 Call at the lower call strike
- +1 Call at the upper call strike

THE ONE QUESTION BEFORE ENTRY

Is the credit genuinely larger than the width of the call spread?

COMMON MISTAKES

- Never checked that the credit exceeds the call spread width - if it does not, the upside risk is still there



Related: Short Strangle · Bear Call Spread · Cash-Secured Put — Opposite: Collar
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

Call Ratio Spread

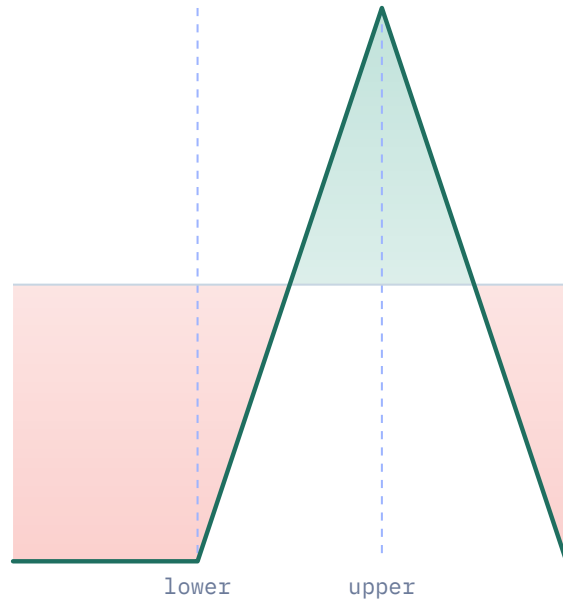
Maximum profit at the target price, unbounded cost above it.

also: front ratio spread · 1x2 ratio spread

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Call at the lower strike
- -2 Call at the upper strike

KEY FIGURES

Maxprofit	strike distance + premium
Maxloss	unlimited above
Break-even	upper strike + strike distance + premium
Profitzone	price below the break-even
Capitalrequired	one uncovered short call
Opening	mixed, depending on the strikes

WHAT HELPS THE POSITION

Direction	depends on where the price sits
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

Time decay Size of the move against you

You get paid on the decay of the extra short call. A breakout to the upside is fatal.

TYPICAL USE

Market phase	quiet upward drift
Volatility	high (IV rank > 50)
Goal	Speculation, Income
Expiration	30-60 days
Strike choice	long ~0.40, short ~0.20 Delta
Assignment risk	high

EXIT & MANAGEMENT

Take profit	50%
Loss limit	close before price reaches the upper strike plus the spread width
Time rule	21 days to expiration

THE ONE QUESTION BEFORE ENTRY

What happens if price runs far past the upper strike?

COMMON MISTAKES

- Read as risk-free because it opens for a credit - the second short call is uncovered



Related: Broken Wing Butterfly · Call Backspread — Opposite: Call Backspread
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

Long Call Calendar

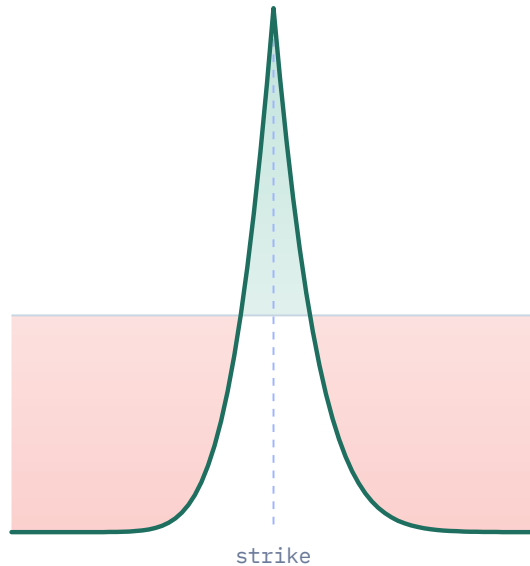
Trade the volatility term structure instead of the direction.

also: calendar spread · time spread · horizontal spread

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Value at the near expiration, not a classic expiry payoff.

Price at expiration →

CONSTRUCTION

- -1 Call at the strike (near expiration)
- +1 Call at the strike (far expiration)

KEY FIGURES

Maxprofit depends on implied volatility and time left

Maxloss approximately the debit

Break-even simulation only

Profitzone price near the strike at the near expiration

Capitalrequired equal to the debit

Opening premium is paid

WHAT HELPS THE POSITION

Direction Direction barely matters

Movement Large moves hurt

Time Time works for you

Volatility Rising volatility helps

WHAT PAYS YOU

Volatility

Size of the move against you

You get paid on the IV term structure, and on the near option decaying faster than the far one.

TYPICAL USE

Market phase sideways range, calming down after a volatility spike

Volatility low (IV rank < 30) / medium (IV rank 30-50)

Goal Trading volatility, Speculation

Expiration nahes Leg 20-30, fernes Leg 50-90 days

Strike choice ATM

Assignment risk medium on the near-term short call

EXIT & MANAGEMENT

Take profit 20-40% of the debit

Loss limit 50% of the debit

Time rule decide before the near expiration

THE ONE QUESTION BEFORE ENTRY

Is the near-term expiration expensive relative to the far one (a term structure in backwardation)?

COMMON MISTAKES

- Payoff diagrams online show the value at the near expiration, not a final state – misunderstanding number one
- Never checked the IV term structure: the near expiration should be pricier than the far one



Related: Long Call Diagonal · Long Put Calendar — Opposite: Long Straddle

Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

Long Put Calendar

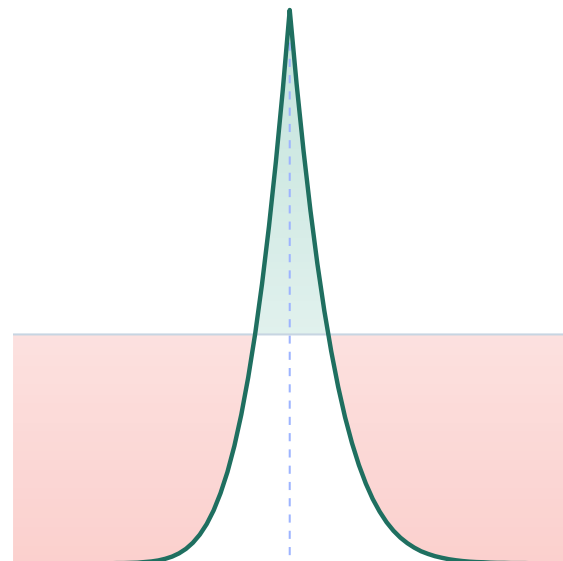
A calendar built from puts — with assignment risk in the near leg.

also: put calendar spread

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Value at the near expiration, not a classic expiry payoff.

Price at expiration →

CONSTRUCTION

- -1 Put at the strike (near expiration)
- +1 Put at the strike (far expiration)

KEY FIGURES

Maxprofit depends on implied volatility and time left

Maxloss approximately the debit

Break-even simulation only

Profitzone price near the strike at the near expiration

Capitalrequired equal to the debit

Opening premium is paid

WHAT HELPS THE POSITION

Direction Direction barely matters

Movement Large moves hurt

Time Time works for you

Volatility Rising volatility helps

WHAT PAYS YOU

Volatility

Size of the move against you

You get paid on the IV term structure, and on the two expirations decaying at different speeds.

TYPICAL USE

Market phase sideways range, calming down after a volatility spike

Volatility low (IV rank < 30) / medium (IV rank 30–50)

Goal Trading volatility, Hedging

Expiration nahes Leg 20-30, fernes Leg 50-90 days

Strike choice ATM

Assignment risk medium on the near-term short put

EXIT & MANAGEMENT

Take profit 20-40% of the debit

Loss limit 50% of the debit

Time rule decide before the near expiration

THE ONE QUESTION BEFORE ENTRY

What is your plan if the near-term short leg gets exercised early?

COMMON MISTAKES

- Early assignment on the near short put leaves you short stock overnight



Related: Long Call Calendar · Long Put Diagonal — Opposite: Long Strangle

Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.

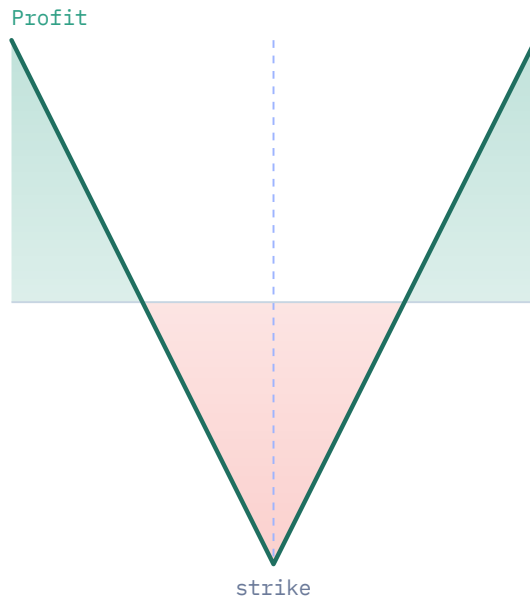
Long Straddle

Bet on a large move without committing to a direction.

also: buying a straddle · long volatility

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Call at the strike
- +1 Put at the strike

KEY FIGURES

Maxprofit	unlimited above, strike - premium below
Maxloss	premium paid
Break-even	strike - premium and strike + premium
Profitzone	price outside the two break-evens
Capitalrequired	equal to the debit, but high for a long position
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Direction barely matters
Movement	Large moves help a lot
Time	Time works strongly against you
Volatility	Rising volatility helps a lot

WHAT PAYS YOU

Size of the move Time decay against you

You get paid on the SIZE of the move, not its direction. Time is your most expensive opponent.

TYPICAL USE

Market phase	large move, direction open
Volatility	low (IV rank < 30)
Goal	Trading volatility, Speculation
Expiration	30-60 days
Strike choice	beide ATM
Assignment risk	none

EXIT & MANAGEMENT

Take profit	25-50% of the debit
Loss limit	50% of the debit
Time rule	theta accelerates hard - decide early

THE ONE QUESTION BEFORE ENTRY

Does the move have to be bigger than the one the market has already priced in?

COMMON MISTAKES

- Bought before earnings: the move arrives and the IV crush eats the gain anyway
- Overlooked that both legs bleed time value - you are paying theta twice



Related: Long Strangle · Call Backspread — Opposite: Short Straddle
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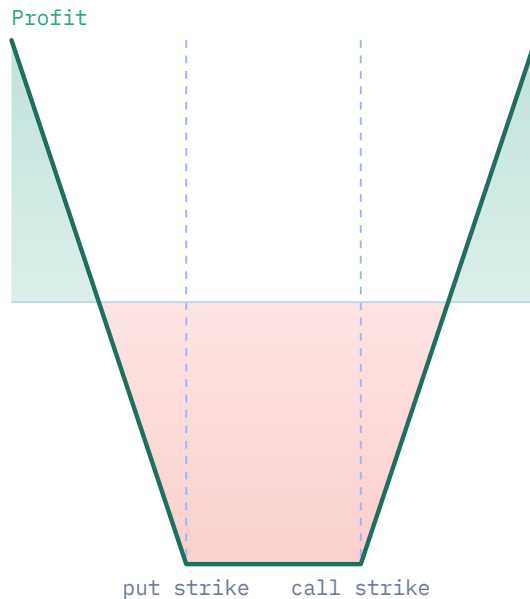
Long Strangle

Like the straddle, only cheaper — and it needs a larger move.

also: buying a strangle

PAYOFF PROFILE

Profit / loss per contract unit



Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- +1 Call at the call strike (out of the money)
- +1 Put at the put strike (out of the money)

KEY FIGURES

Maxprofit	unlimited above, put strike - premium below
Maxloss	premium paid
Break-even	put strike - premium and call strike + premium
Profitzone	price outside the two break-evens
Capital required	equal to the debit
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Direction barely matters
Movement	Large moves help
Time	Time works against you
Volatility	Rising volatility helps a lot

WHAT PAYS YOU

Size of the move Time decay against you

You get paid on the size of the move. It has to be larger than a straddle would need.

TYPICAL USE

Market phase	large move, direction open
Volatility	low (IV rank < 30)
Goal	Trading volatility, Speculation
Expiration	45-90 days
Strike choice	beide 0.15-0.30
Assignment risk	none

EXIT & MANAGEMENT

Take profit	25-50% of the debit
Loss limit	50% of the debit
Time rule	before 21 days to expiration

THE ONE QUESTION BEFORE ENTRY

Is the expected move large enough to reach one of the two break-evens?

COMMON MISTAKES

- Cheaper than a straddle - but the move it needs is meaningfully bigger



Related: Long Straddle — Opposite: Short Strangle

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Call Backspread

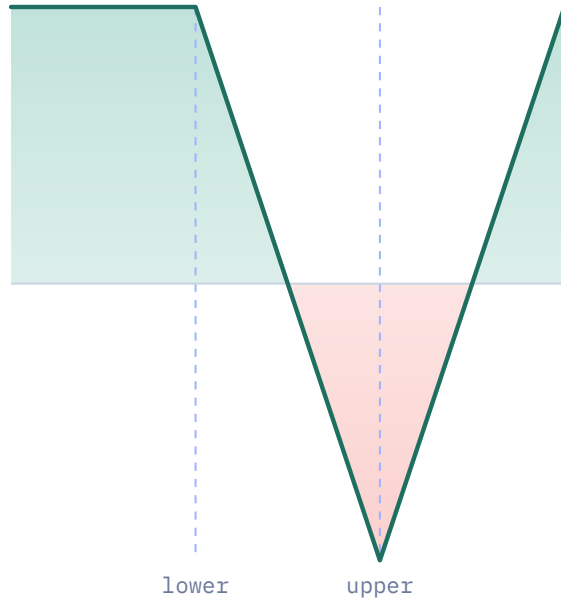
Unlimited upside with a loss zone around the target strike.

also: ratio backspread · reverse ratio spread

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Call at the lower strike
- +2 Call at the upper strike

KEY FIGURES

Maxprofit	unlimited to the upside
Maxloss	strike distance + premium
Break-even	upper strike + strike distance + premium
Profitzone	price above the break-even
Capitalrequired	medium to high
Opening	mixed, depending on the strikes

WHAT HELPS THE POSITION

Direction	Rising prices help
Movement	Large moves help
Time	Time works against you
Volatility	Rising volatility helps

WHAT PAYS YOU

Size of the move Time decay against you

You get paid on a genuine breakout to the upside. Half a move is the worst case.

TYPICAL USE

Market phase	large move, direction open, clear uptrend
Volatility	low (IV rank < 30)
Goal	Speculation, Trading volatility
Expiration	45-90 days
Strike choice	short ~0.50, long ~0.30 Delta
Assignment risk	medium

EXIT & MANAGEMENT

Take profit	situational
Loss limit	the maximum loss sits exactly at the upper strike
Time rule	close before expiration - the worst case is expiring right at the upper strike

THE ONE QUESTION BEFORE ENTRY

Are you expecting a genuine breakout – or just a move up?

COMMON MISTAKES

- The worst case is not 'no move at all', it is a move that stops exactly at the upper strike



Related: Long Straddle · Call Ratio Spread — Opposite: Call Ratio Spread
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Glossary & risk notice

Delta

Delta describes how much an option's value moves for a small move in the underlying. A positive delta broadly behaves like a long position, a negative delta like a short one. On multi-leg strategies what matters is net delta, because the individual contributions partly cancel and partly reinforce each other.

Gamma

Gamma describes how fast delta itself changes as the underlying rises or falls. Long options typically carry positive gamma, short options negative gamma. That is why short-gamma positions get progressively more sensitive during large moves. The risk shows up most sharply near the strike, or when little time is left and moves stop behaving linearly.

Theta

Theta describes the time value an option loses when everything else stays put. For options you have sold that decay broadly works in your favour, and for options you have bought it works against you. Theta is not a guaranteed daily income: price moves, volatility and the actual pricing structure can all swamp the effect.

Vega

Vega describes how strongly an option's value reacts to a change in implied volatility. Long-vega positions broadly gain when IV rises, short-vega positions when it falls. Across several legs it is net vega that counts. That is why a position can lose or gain value even when the underlying has not moved at all.

Implied volatility

Implied volatility (IV) is the market's expectation of future movement, as priced into the option. It is not a forecast of direction and it is not a fixed measurement. When IV rises options usually get more expensive; when it falls their time value component often shrinks. The effect depends on the individual leg.

IV rank

IV rank places current implied volatility inside its own historical range. A high rank means current IV sits towards the top of the comparison window, a low rank towards the bottom. The rank does not replace a look at the underlying, the expiration, or the absolute price of the option.

Break-even

The break-even is the price, or price range, at which a strategy makes neither a profit nor a loss at the point in time you are measuring. Depending on the construction, the premium you paid or received shifts that threshold. Multi-leg strategies can have one, two or more break-evens; fees and fills can move the result further.

Assignment

Assignment means the holder of an option exercises their right and the counterparty is assigned. On a short option that can turn into a stock position or a delivery obligation. The risk depends on the option type, the expiration, moneyness and events such as dividends. Any management plan has to account for assignment up front, not after the fact.

Moneyness

Moneyness describes where an option's strike sits relative to the current price of the underlying: in the money, at the money, or out of the money. It determines how much of the premium is intrinsic value and how much is time value, and it shifts with every move in the underlying.

Strike

The strike is the price at which the underlying changes hands if the option is exercised. It is fixed in the contract and does not move during the option's life, apart from adjustments for corporate actions. The distance between strike and current price drives premium, probability and the position's whole risk profile.

Option premium

The option premium is the price of one contract, made up of intrinsic value plus time value. The buyer pays it, the seller collects it. For the seller it is not automatically profit: it is payment for an obligation that stays in place until the position is closed or expires.

Days to expiration (DTE)

Days to expiration, almost always shortened to DTE, is the number of calendar days left until an option expires. It governs how much time value is still in the price and how fast that value comes out. Fewer days mean less premium, faster decay and markedly more gamma risk.

Pin risk

Pin risk is what happens when the underlying finishes almost exactly at the strike and it stays unclear whether a short option gets assigned. Over the weekend you do not know whether Monday brings a stock position. Traders who will not carry that close the position rather than letting it expire.

Buying power reduction

Buying power reduction is the amount of purchasing power a position ties up for as long as it stays open. It is not the same number as maximum loss, and it can change during the life of the trade. How exactly it is calculated depends on the broker and the account type.

Spread width

Spread width is the distance between the strikes of two legs in a spread. On defined-risk strategies it sets the maximum loss directly: width times contract size, less the credit received. A wider spread brings more premium and more risk at once — the ratio between them does not automatically improve.

Rolling

Rolling means closing an existing option position and opening a new one at a different strike or a later expiration at the same time. It is a fresh trade with its own cost and its own risk, not a repair. A roll for a credit postpones the decision; it does not undo the original misread.

RISK NOTICE

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Strategy finder