

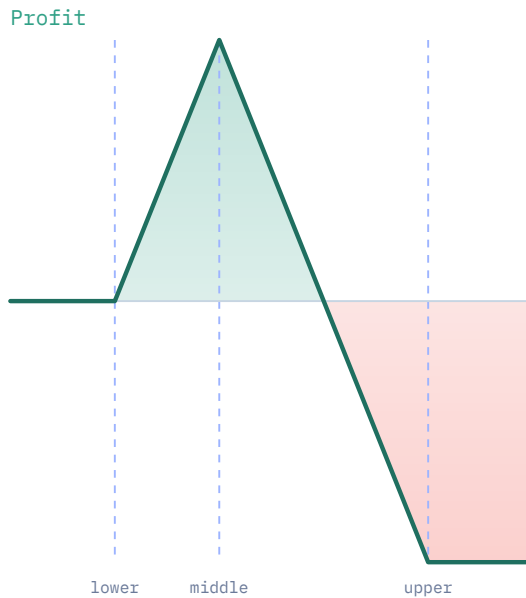
Broken Wing Butterfly

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.