

Call Ratio Spread

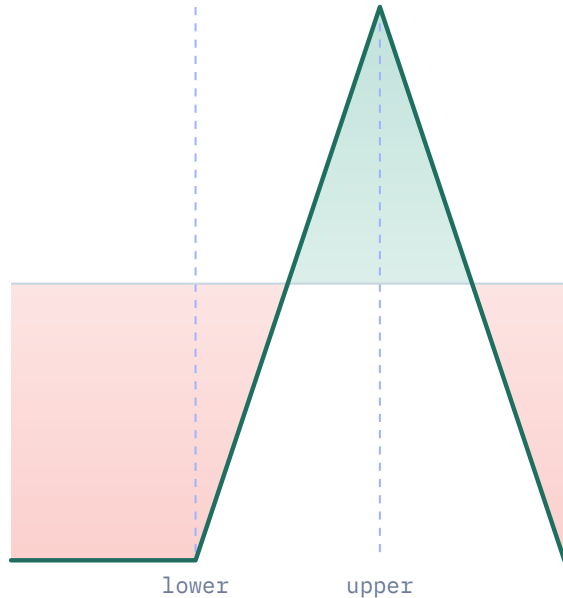
Maximum profit at the target price, unbounded cost above it.

also: front ratio spread · 1x2 ratio spread

PAYOFF PROFILE

Profit / loss per contract unit

Profit



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.