

Long Call Butterfly

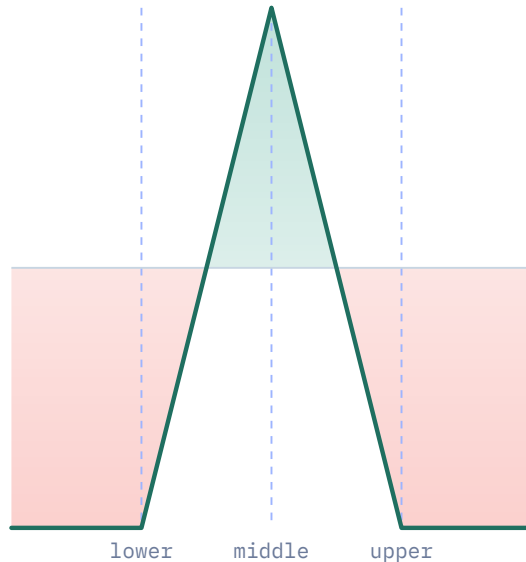
Play a precise price target with a very small stake.

also: butterfly spread · call fly

PAYOFF PROFILE

Profit / loss per contract unit

Profit



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	$\text{strike} - \text{wing width} + \text{premium}$ and $\text{strike} + \text{wing width} - \text{premium}$
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
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.