

Long Call Diagonal

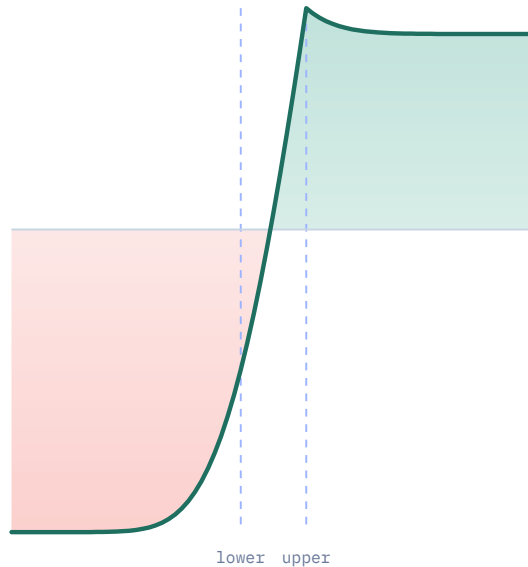
Poor man's covered call: a long call as the share substitute, short calls as income.

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

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