

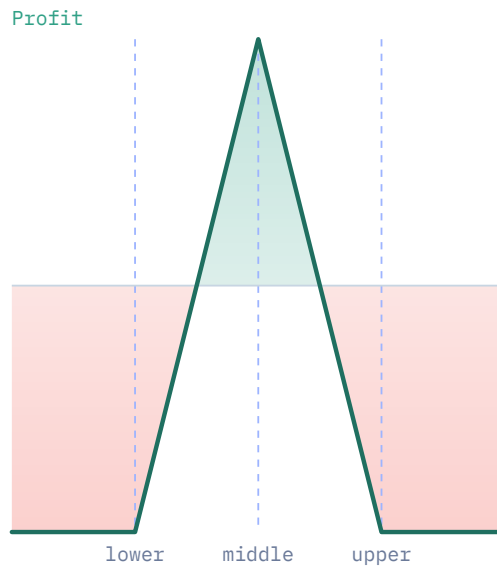
Long Put Butterfly

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