

Long Put Diagonal

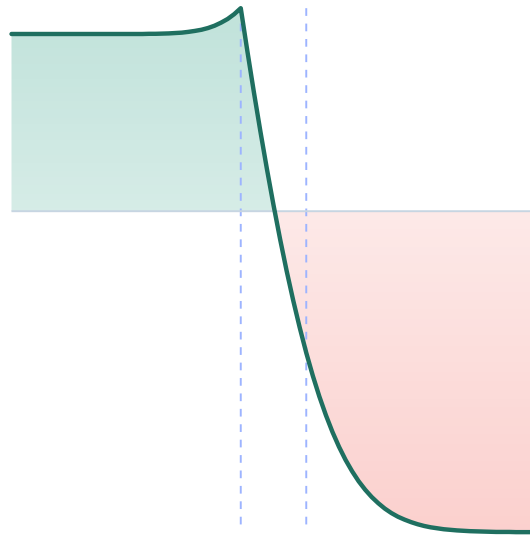
A bearish diagonal: a long put as the base, short puts as income.

also: put diagonal spread · poor man's covered put

PAYOFF PROFILE

Profit / loss per contract unit

Profit



lower upper

Loss

Value at the near expiration, not a classic expiry payoff.

Price at expiration →

CONSTRUCTION

- +1 Put at the upper strike (far expiration, deep in the money)
- -1 Put at the lower strike (near expiration, out of the money)

KEY FIGURES

Maxprofit	depends on the residual value of the long put
Maxloss	premium paid (net)
Break-even	simulation only
Profitzone	moderately falling prices
Capitalrequired	premium paid (net)
Opening	premium is paid

WHAT HELPS THE POSITION

Direction	Falling 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 puts you sell, while the long put carries the direction.

TYPICAL USE

Market phase	quiet downward drift, sideways range
Volatility	low (IV rank < 30) / medium (IV rank 30-50)
Goal	Speculation, Hedging
Expiration	langes Leg 180-365, kurzes Leg 30-45 days
Strike choice	lang 0.75-0.90, kurz 0.20-0.30
Assignment risk	medium on the near-term short put

EXIT & MANAGEMENT

Take profit	roll the short leg at 50%
Loss limit	50% of the debit
Time rule	roll monthly

THE ONE QUESTION BEFORE ENTRY

Does the skew even justify a put diagonal instead of a plain bear put spread?

COMMON MISTAKES

- Put skew makes the long leg expensive and the short leg relatively cheap - the construction is often unattractive



Related: Long Call Diagonal · Long Put Calendar — Opposite: Bull Put Spread
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.