

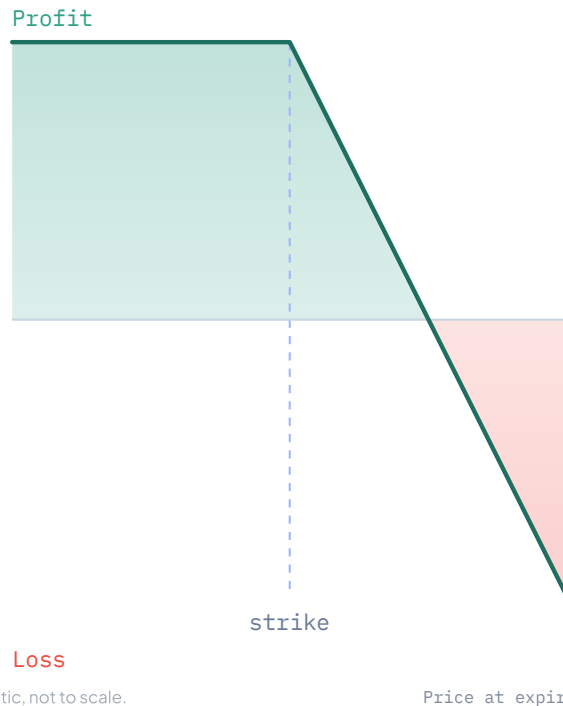
Naked Short Call

Selling premium with a loss that has no upper bound.

also: uncovered call · naked call

PAYOFF PROFILE

Profit / loss per contract unit



KEY FIGURES

Max profit	premium received
Max loss	unlimited
Break-even	strike + premium
Profit zone	price below the break-even
Capital required	margin
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Falling prices help
Movement	Large moves hurt
Time	Time works for you
Volatility	Rising volatility hurts

WHAT PAYS YOU

- Time decay
- Size of the move against you
- Price direction against you

You get paid on time decay. Any large move up costs you without limit.

TYPICAL USE

Market phase	sideways range, quiet downward drift
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-45 days
Strike choice	0.10-0.20
Assignment risk	high

EXIT & MANAGEMENT

Take profit	50% of the credit
Loss limit	2× the credit
Time rule	close or roll at 21 days to expiration

CONSTRUCTION

- 1 Call at the strike

THE ONE QUESTION BEFORE ENTRY

Could you carry a 40% overnight gap up – financially and psychologically?

COMMON MISTAKES

- A takeover rumour or a squeeze – the loss is theoretically unlimited
- Sold as 'safe premium' without ever modelling the margin-call scenario



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