

Naked Short Put

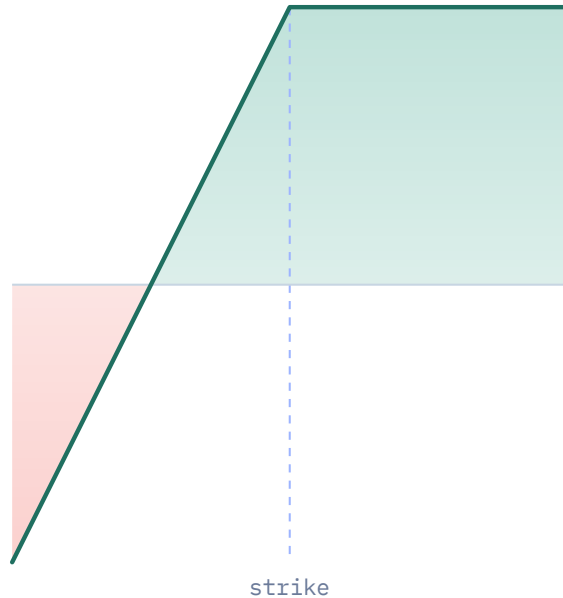
Selling premium without cash backing — only with a real buffer.

also: uncovered put · naked put

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Put at the strike

KEY FIGURES

Maxprofit	premium received
Maxloss	strike - premium (at price 0)
Break-even	strike - premium
Profitzone	price above the break-even
Capitalrequired	margin, no cash backing
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Rising 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. A crash costs you all the way down to zero.

TYPICAL USE

Market phase	sideways range, quiet upward drift
Volatility	high (IV rank > 50)
Goal	Income
Expiration	30-45 days
Strike choice	0.15-0.30
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

THE ONE QUESTION BEFORE ENTRY

Do you have the buying power to actually take delivery of the stock at the strike?

COMMON MISTAKES

- Sold without cash backing and got force-liquidated on assignment
- Several short puts on correlated names - that is one macro risk, not several trades



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