

Short Straddle

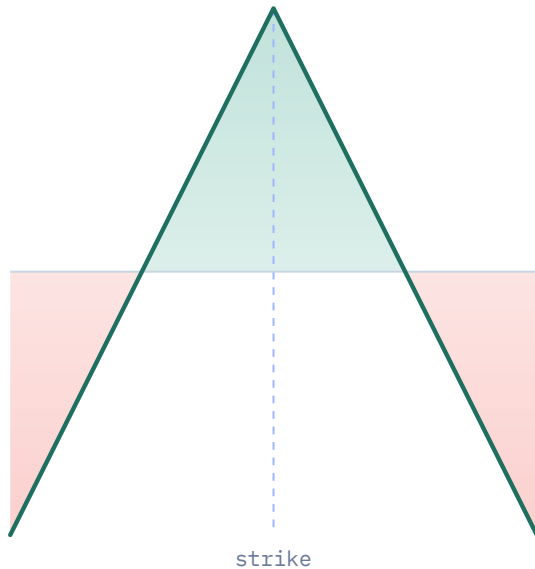
Maximum premium at the strike against unbounded movement risk.

also: selling a straddle · short volatility

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Schematic, not to scale.

Price at expiration →

CONSTRUCTION

- -1 Call at the strike
- -1 Put at the strike

KEY FIGURES

Maxprofit	premium received
Maxloss	unlimited to the upside
Break-even	strike - premium and strike + premium
Profitzone	price between the two break-evens
Capitalrequired	margin on both sides
Opening	premium is collected

WHAT HELPS THE POSITION

Direction	Direction barely matters
Movement	Large moves hurt a lot
Time	Time works strongly for you
Volatility	Rising volatility hurts a lot

WHAT PAYS YOU

Time decay Size of the move against you

You get the maximum from time decay - and carry unlimited movement risk in exchange.

TYPICAL USE

Market phase	sideways range, calming down after a volatility spike
Volatility	high (IV rank > 50)
Goal	Income, Trading volatility
Expiration	20-45 days
Strike choice	beide ~0.50
Assignment risk	very high (both legs at the money)

EXIT & MANAGEMENT

Take profit	25% of the credit
Loss limit	1x the credit
Time rule	needs daily management

THE ONE QUESTION BEFORE ENTRY

Would your account survive a 30% gap the wrong way?

COMMON MISTAKES

- An at-the-money straddle is roughly delta-neutral, not directional - treating it as a view on direction misreads the trade
- Opened with no contingency plan for an overnight gap



Related: Short Strangle · Short Iron Butterfly — Opposite: Long Straddle
Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.