

SENSIBULL

Learn

Options

Strategies

Trade

Analyse

Watchlist

New

Positions

Orders

AP

Neutral

Example:

Instrument	Qty	Price
BUY NIFTY 07 <sup>th</sup> Oct 24450 PE	75	10.35
SELL NIFTY 07 <sup>th</sup> Oct 24650 PE	75	27.9
SELL NIFTY 07 <sup>th</sup> Oct 25050 CE	75	30.55
BUY NIFTY 07 <sup>th</sup> Oct 25250 CE	75	6.5

See Example

Open in Builder

Watch Video

Profit

Loss

BP - Buy Put   SP - Sell Put   BC - Buy Call   SC - Sell Call

Max Profit = Net Premium Received

Max Loss = Buy Call Strike - Sell Call Strike - Net Premi

Strategy Summary

Market View

Neutral

Premium

Receive

Max Profit

Net Premium Received

Max Loss

Buy Call Strike - Sell Call Strike - Net Premium Received

Margin

Required

Effect of Time

Profit increases with time if the stock price stays between the sold strikes

Effect of Volatility

Loses if volatility increases

Market View

Neutral. Trade this when you expect the stock/index to stay within a specific range and experience low volatility.

The Trade

Sell a Put below stock price and sell a Call above the stock price. Your view is that the stock won't cross these strikes. Buy and a higher Call for protection on both sides just in case you're wrong.

Breakeven

Two Breakeven points

- Lower Breakeven: Sell Put Strike Price - Net Premium received

Net Premium Received

### Max Loss

Buy Call Strike - Sell Call Strike - Net Premium Received

### Premium

Receive

### Margin

Required

### Effect of Time

Time Decay works in favor of the strategy, as both sold options lose value over time.

### Effect of Volatility

Increase in implied volatility is unfavorable as it increases the value of sold options, leading to potential losses.

### Pros

- Limited risk due to the long call and long put options.
- Generates income upfront from the premium received.
- Profits from time decay if the stock/index remains within the expected range.
- Delta Neutral - Immune to small moves in stock price.

### Cons

- If the stock/index moves significantly outside the expected range, losses can occur.

### More Neutral Strategies:

