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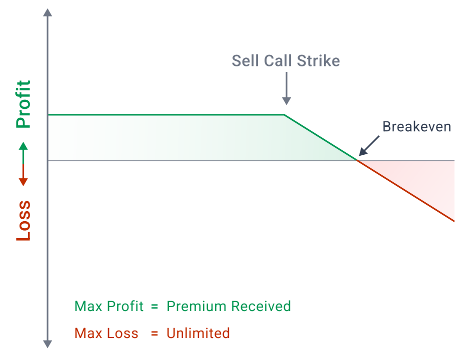
all
Call Spread
Put Spread
atio Back
d
Calendar with

Bearish

Example:

Instrument	Qty	Price
SELL NIFTY 07th Oct 24850 CE	75	109.9

See Example | Open in Builder | Watch Video



Strategy Summary

Market View
Moderately Bearish

Premium
Receive

Max Profit
Premium Received

Max Loss
Unlimited

Margin
Required

Effect of Time
Loses value with time

Effect of Volatility
Increase in volatility is bad for the seller

Market View

Moderately Bearish. Trade this when think the stock won't go up - that is stay at the current level or go down. Ideally the in volatility (IV) should be high to collect a higher premium.

The Trade

Sell a call option

Breakeven

Strike Price + Premium Received

Max Profit

Premium Received

Premium

Receive

Margin

Required

Effect of Time

The option loses value with every passing day. So it benefits the seller.

Effect of Volatility

If implied volatility increases, the option price also increases.

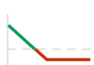
Pros

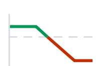
- Earn the premium if the option expires worthless.
- Make money even if you are slightly wrong, that is the stock/index moves up a bit.

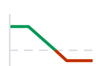
Cons

- Large risk if the stock/index moves up a lot.
- In case of single stock options, if the option expires in the money, the seller is obligated to deliver the stock at the strike
  means you need the stock or you need money to buy the stock and deliver it.

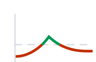
More Bearish Strategies:


Buy Put

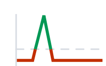

Bear Call Spread

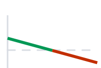

Bear Put Spread

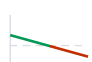

Put Ratio Back Spread


Long Calendar with Puts


Bear Condor


Bear Butterfly


Sell Future


Short Synthetic Future