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Call Spread
Put Spread
atio Back
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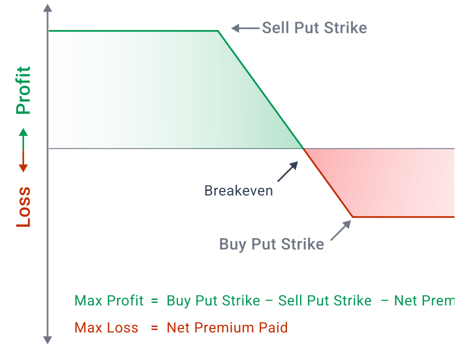
Calendar with

Bearish

Example:

Instrument	Qty	Price
BUY NIFTY 07th Oct 24850 PE	75	79.5
SELL NIFTY 07th Oct 24650 PE	75	27.9

See Example Open in Builder Watch Video



Strategy Summary

Market View
Moderately Bearish

Premium
Pay

Max Profit
Higher Strike - Lower Strike - Net Premium paid

Max Loss
Net Premium Paid

Margin
Required

Effect of Time
Loses value with time, lower compared to buy put

Effect of Volatility
Low

Market View

Moderately Bearish. Trade this when you expect the underlying stock/index to have a small to medium sized downmove.

The Trade

Buy a put option with strike near or below the stock price, and sell a put option with a lower strike price. Both options are
expiry. You pay premium for the bought option, you receive a slightly lower premium for the sold option - so you pay net pr

Breakeven

Strike price of the bought option - Net Premium received

Max Profit

Higher Strike - Lower Strike - Net Premium paid

Premium

Pay

Margin

Required

Effect of Time

It loses less value every day compared to a simple buy put. This is because time reduces the value of both buy and sell op there is loss in buy and profit in sell.

Effect of Volatility

Volatility does not affect it much. This is because volatility increases the price of both options. So there is profit in the bu loss in the sell option.

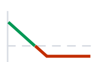
Pros

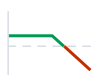
- If you think downside is limited, this is a great strategy.
- Lower cost compared to buying a simple buy put.
- Risk is limited to the Net Premium Paid.
- Less effect of time decay and implied volatility (IV) compared to a put.
- Fluctuates less than a simple put - peaceful to hold.

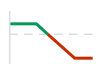
Cons

- Limited profit potential due to the sold put's cap on gains.
- Margin is required, so your need more capital than simple buy put.

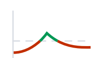
More Bearish Strategies:


Buy Put

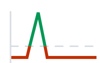

Sell Call

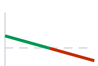

Bear Call Spread

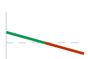

Put Ratio Back Spread


Long Calendar with Puts


Bear Condor


Bear Butterfly


Sell Future


Short Synthetic Future