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Example:

Instrument	Qty	Price
BUY NIFTY 07 th Oct 24650 PE	75	27.9
BUY NIFTY 07 th Oct 25050 CE	75	30.55

See Example

Open in Builder

Profit

Loss

The diagram shows a profit/loss graph for a long strangle. The vertical axis is labeled 'Profit' (green arrow pointing up) and 'Loss' (red arrow pointing down). The horizontal axis represents the underlying asset price. A horizontal line represents the net premium paid. The profit area is shaded green and is unlimited on both sides. The loss area is shaded red and is limited to the net premium paid. The break-even points are marked where the profit line crosses the horizontal axis. The strategy is labeled 'Buy Put Strike' and 'Buy Cal'.

Max Profit = Unlimited
Max Loss = Net Premium Paid

Strategy Summary

Market View

Volatile

Premium

Pay

Max Profit

Unlimited

Max Loss

Net Premium Paid

Margin

Not required

Effect of Time

Loses value with time

Effect of Volatility

Benefits from increased volatility

Market View

Volatile - A very big move up or down. Trade this when you expect a huge price movement in either direction.

The Trade

Buy a Put below stock price and buy a Call above the stock price.

Breakeven

Two Breakeven points

- Lower Breakeven: Lower Strike Price - Net Premium Paid
- Upper Breakeven: Higher Strike Price + Net Premium Paid

Max Profit

Unlimited

Premium

Pay

Margin

Not required

Effect of Time

Time Decay hurts the strategy, as both options lose value over time.

Effect of Volatility

A rise in implied volatility increases option premiums, benefiting the strategy.

Pros

- Lower cost than a Long Straddle since OTM options are cheaper.
- Unlimited profit potential if the stock moves significantly in either direction.

Cons

- Requires a large price movement to become profitable.
- If the stock does not move, the strategy suffers a total loss of premium paid due to time decay.

More Strategies:

