Others

atio Spread

Straddle

Iron Butterfly

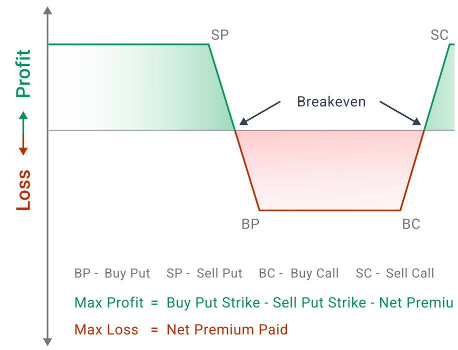
Strangle

Iron Condor

Example:

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

See Example | Open in Builder



Strategy Summary

Market View

Volatile

Premium

Pay

Max Profit

Buy Strike - Sell Strike - Net Premium Paid

Max Loss

Net Premium Paid

Margin

Required

Effect of Time

Loses value with time

Effect of Volatility

Slight benefit from increased volatility

Market View

Volatile - A big move up or down. Trade this when you expect a significant price movement up or down.

The Trade

Buy a Put below stock price; Sell a put with a lower strike for reducing premium.
Buy a call above stock price; Sell a call with a higher strike for reducing premium.
Distance between bought call and sold call should be equal to the distance between bought put and sold put.

Breakeven

Two Breakeven points

Max Profit

Buy Strike - Sell Strike - Net Premium Paid

Max Loss

Net Premium Paid

Premium

Pay

Margin

Required

Effect of Time

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

Effect of Volatility

A rise in implied volatility slightly benefits the strategy.

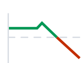
Pros

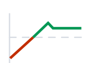
- Limited risk due to the long options hedging the short positions.
- Lower cost than a Long Straddle or Strangle due to receiving premium from short options.

Cons

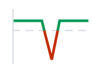
- Limited profit potential since gains are capped.

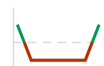
More Strategies:


Call Ratio Spread


Put Ratio Spread


Long Straddle


Long Iron Butterfly


Long Strangle


Strap