



Advanced Trading

# Long Call & Put Butterflies

**Jessica Inskip**, Director of Education & Product



# Disclaimer

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## CALLS



### Long Calls

Purchased for a premium  
*Right to buy underlying*



GOAL

**Stock rallies more than premium paid**

Time decay is negative

Profits from sharp upward movement

$\Delta$  Delta  
+

$\Theta$  Theta  
-

$\gamma$  Gamma  
+

$V$  Vega  
+

## PUTS

### Short Puts

Sold for a premium  
*Obligated to buy underlying*



GOAL

**Option expires and keep maximum credit**

Time decay is positive

Profits from neutral & upward movement

$\Delta$  Delta  
+

$\Theta$  Theta  
+

$\gamma$  Gamma  
-

$V$  Vega  
-

### Short Calls

Sold for a premium  
*Obligated to sell underlying*



GOAL

**Option expires and keep maximum credit**

Time decay is positive

Profits from neutral & downward movement

$\Delta$  Delta  
-

$\Theta$  Theta  
+

$\gamma$  Gamma  
-

$V$  Vega  
-

### Long Puts

Purchased for a premium  
*Right to sell underlying*



GOAL

**Stock declines more than premium paid**

Time decay is negative

Profits from sharp downward movement

$\Delta$  Delta  
-

$\Theta$  Theta  
-

$\gamma$  Gamma  
+

$V$  Vega  
+



## Long Call

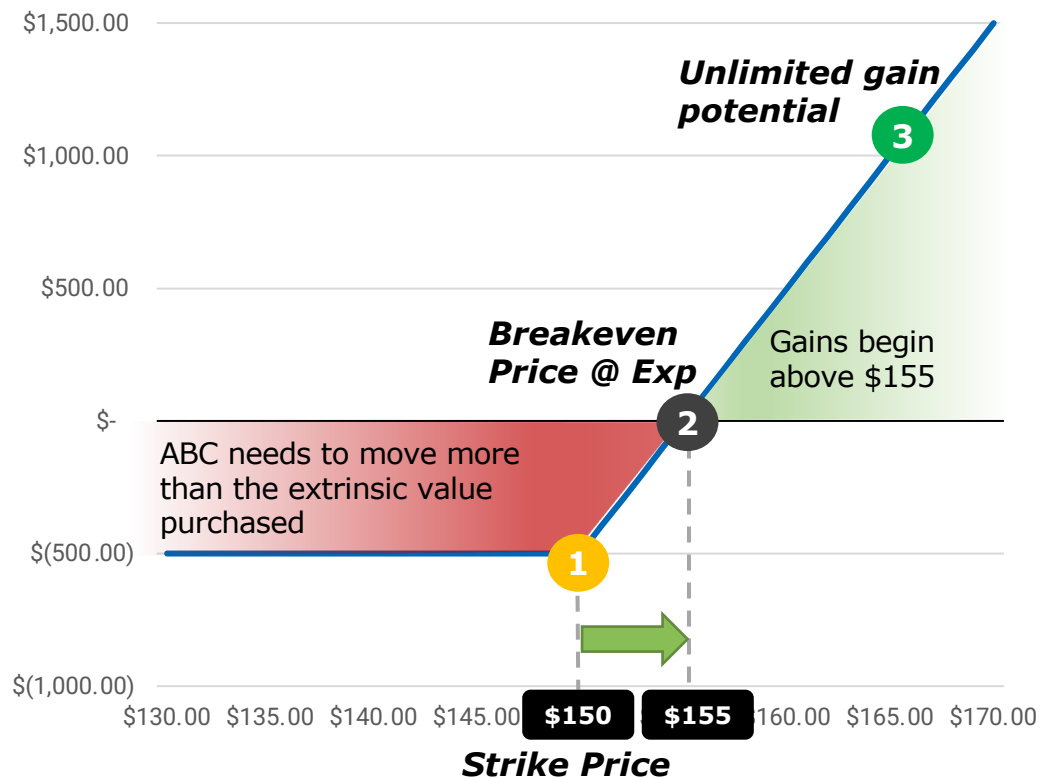
1 long call (paid premium)

**Buy** 1 ABC \$150 30 DTE Call @ \$5.00

Risk: \$5.00 Debit Paid (\$500 total)

Reward: Unlimited reward potential

Goal: Strong upwards directional movement



## Bull Call Spread = Long Call + Short Call

1 long call (lowest strike, highest cost) **Strategy Driver**

1 short call @ higher strike (reduces cost, caps gain potential)

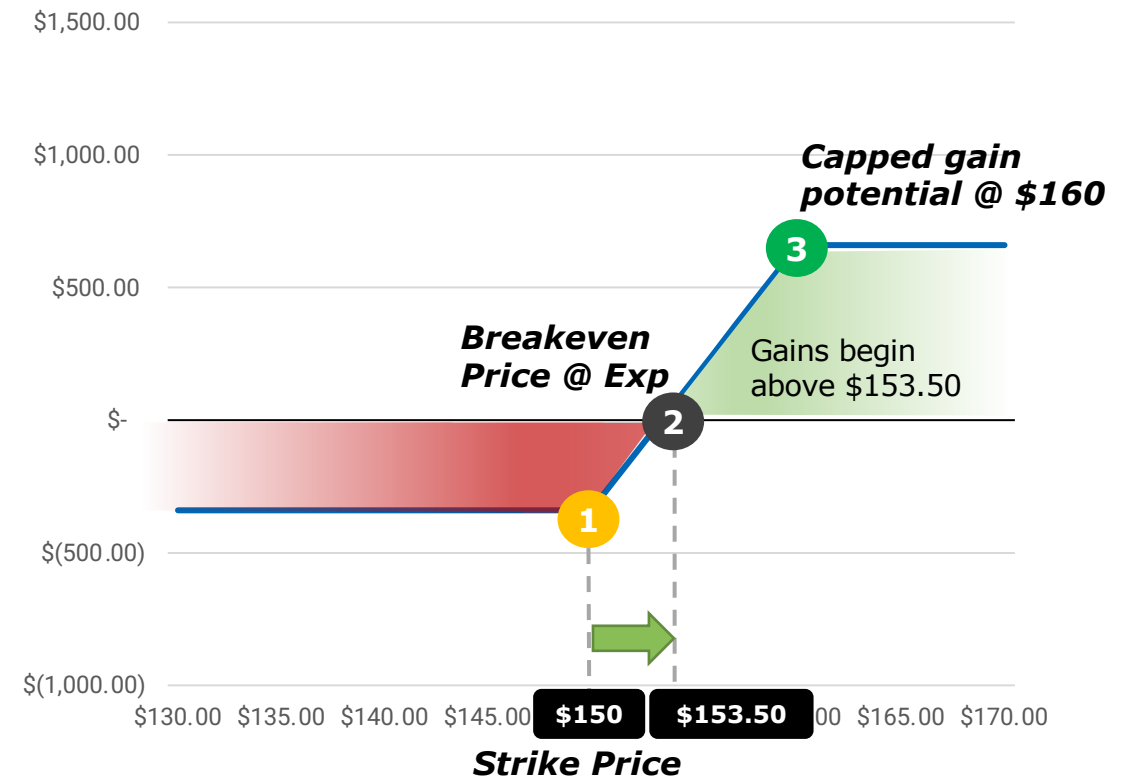
**Buy** 1 ABC \$150 30 DTE Call @ \$5.00

**Sell** 1 ABC \$160 30 DTE Call @ \$1.50

Risk: \$3.50 Debit Paid (\$350 total)

Reward: \$6.50 (\$650 total)

Goal: Strong upwards directional movement to \$160



## Bull Call Spread | Bullish

$\Delta$  Delta  $\Theta$  Theta  $\gamma$  Gamma  $V$  Vega  
+ - + +

### Long Call (Driver) + Short Call

1 long call (lowest strike, highest cost) **Strategy Driver**  
1 short call @ higher strike (reduces cost, caps gain potential)

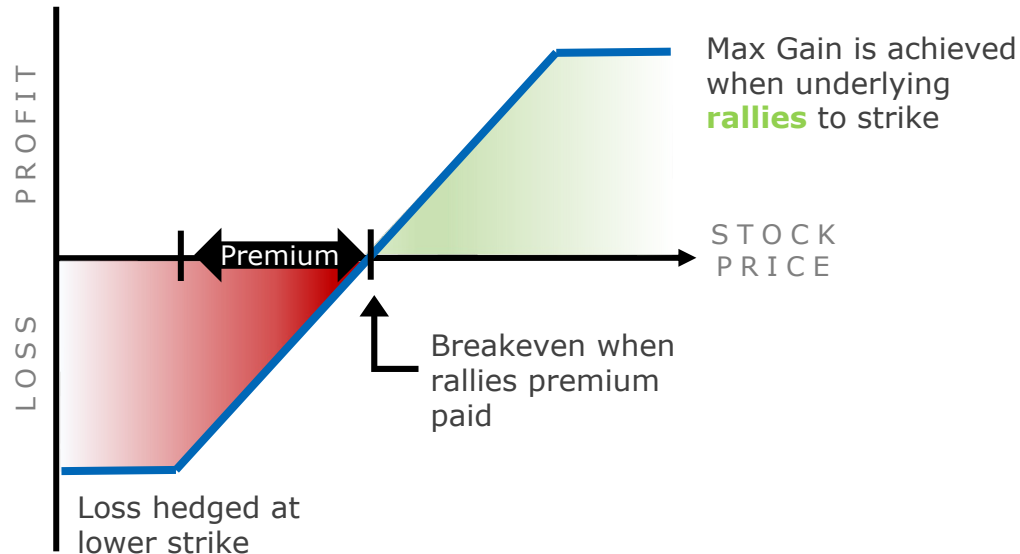
**Buy** 1 ABC \$150 30 DTE Call @ \$5.00

**Sell** 1 ABC \$160 30 DTE Call @ \$1.50

Risk: \$3.50 Debit Paid (\$350 total)

Reward: \$6.50 (\$650 total)

Goal: Strong upwards directional movement to \$160



## Bear Call Spread | Neutral to Bearish

$\Delta$  Delta  $\Theta$  Theta  $\gamma$  Gamma  $V$  Vega  
- + - -

### Short Call (Driver) + Long Call

1 short call @ **Strategy Driver**  
1 long call @ higher strike (reduces unlimited risk of short call)

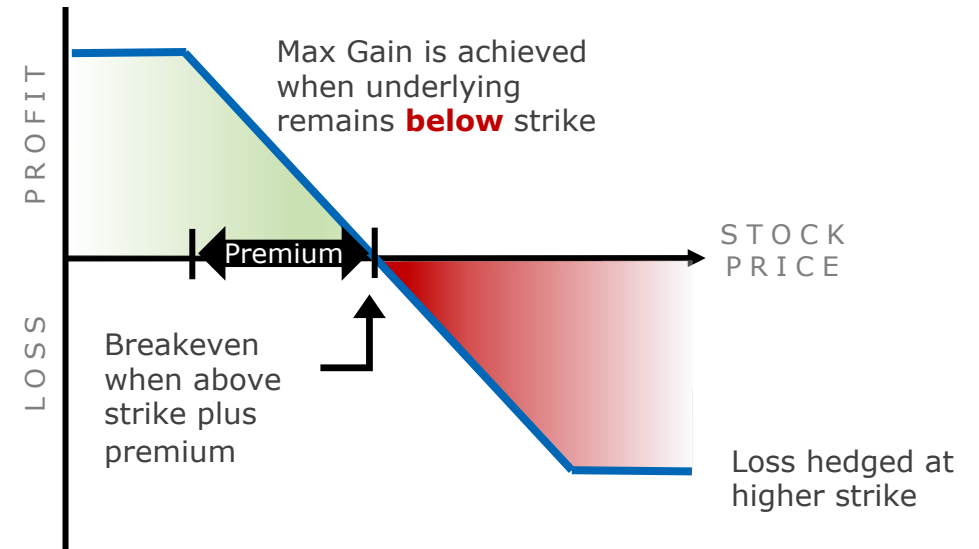
**Sell** 1 ABC \$160 30 DTE Call @ \$1.50

**Buy** 1 ABC \$170 30 DTE Call @ \$0.50

Risk: \$9.00 Difference of strikes less premium (\$900 total)

Reward: \$1.00 Credit Received (\$100 total)

Goal: Stock to remain at or below \$160



# Long Call Butterfly | Bullish

## Long Call Butterfly = Bull Call Spread + Bear Call Spread

1 long call (lowest strike, highest cost) **Strategy Driver**  
2 short calls @ higher strike (reduces cost, caps gain potential)  
1 long call @ highest strike (reduces unlimited risk of 2<sup>nd</sup> call)

**Buy** 1 ABC \$150 30 DTE Call @ \$5.00

**Sell** 1 ABC \$160 30 DTE Call @ \$1.50

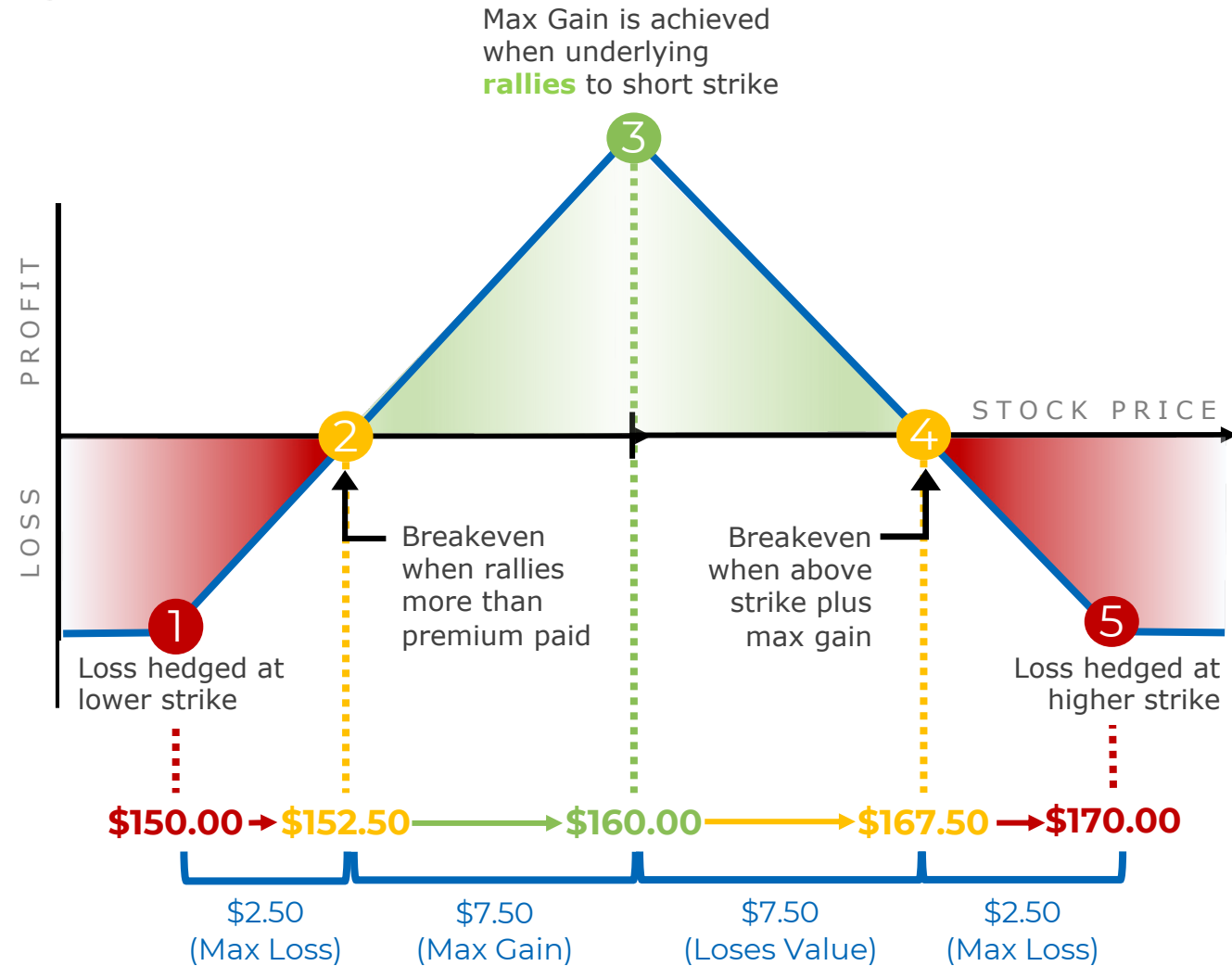
**Sell** 1 ABC \$160 30 DTE Call @ \$1.50

**Buy** 1 ABC \$170 30 DTE Call @ \$0.50

Risk: \$2.50 Debit Paid (\$250 total)

Reward: \$7.50 (\$750 total)

Goal: Strong upwards directional movement to \$160



Trade placed: 02/01

**NVDA @ \$209.43**



Post Earnings: 02/23

**NVDA @ \$238.77**

**+ \$29.34/ share**

**+ \$28.77/ intrinsic value**

NVDA NVIDIA Corp

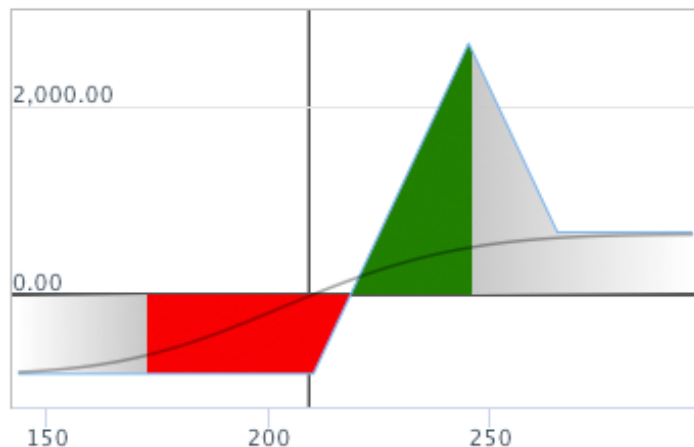
\$209.43 **+\$14.06 (7.20%)**

1M Trend **Bullish** X  
6M Trend **Bullish**

Buy to Open 1 NVDA Mar 17, 2023 210/245/265 Call Butterfly @  
\$831.00

OptionsPlay Score

**157** ✓



Bullish w/ Limited risk

Cost	\$831.00
Max Reward	\$2,669.00
Max Risk	\$831.00
POP	37.33%
Breakeven	\$218.31
Days to Expiry	44

Trade

Modify

Share via







Trade placed: 05/04

**AAPL @ \$165.05**



Post Earnings: 05/05

**AAPL @ \$173.37**

+ \$8.32 / share

+ \$8.37/ intrinsic value

AAPL @ \$165.05

05.04.23

BUY 1 JUN 2<sup>ND</sup> 165 CALL AT \$5.95

SELL 2 JUN 2<sup>ND</sup> 180 CALLS AT \$0.83

BUY 1 JUN 2<sup>ND</sup> 185 CALL AT \$0.37

DEBIT (\$6.32 - \$1.66) \* 100 = \$466

**(\$5.95) + \$8.37 = + \$2.42**

**(\$4.66) + \$8.37 = + \$3.71**

Trade placed: 06/21

**CRWD @ \$143.85**



14 DTE: 02/23

**CRWD @ \$166.99**

**+ \$23.14/ share**

**+ \$26.99 (-\$1.99) = +\$25 / intrinsic value**

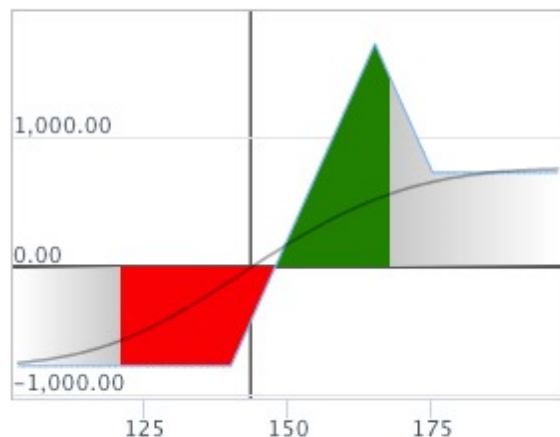
CRWD CrowdStrike Holdings Inc - Ordinary Shares - Class A

\$143.85 -\$8.23 (5.41%)

1M Trend **Neutral**  
6M Trend **Bullish**

Buy to Open 1 CRWD Aug 18, 2023 140/165/175 Call  
Butterfly @ \$774.00

OptionsPlay  
Score **132**



Bullish w/ Limited risk

Cost	\$774.00
Max Reward	\$1,726.00
Max Risk	\$774.00
POP	41.00%
Breakeven	\$147.74
Days to Expiry	58

Trade

Modify

Share via



## Long Put

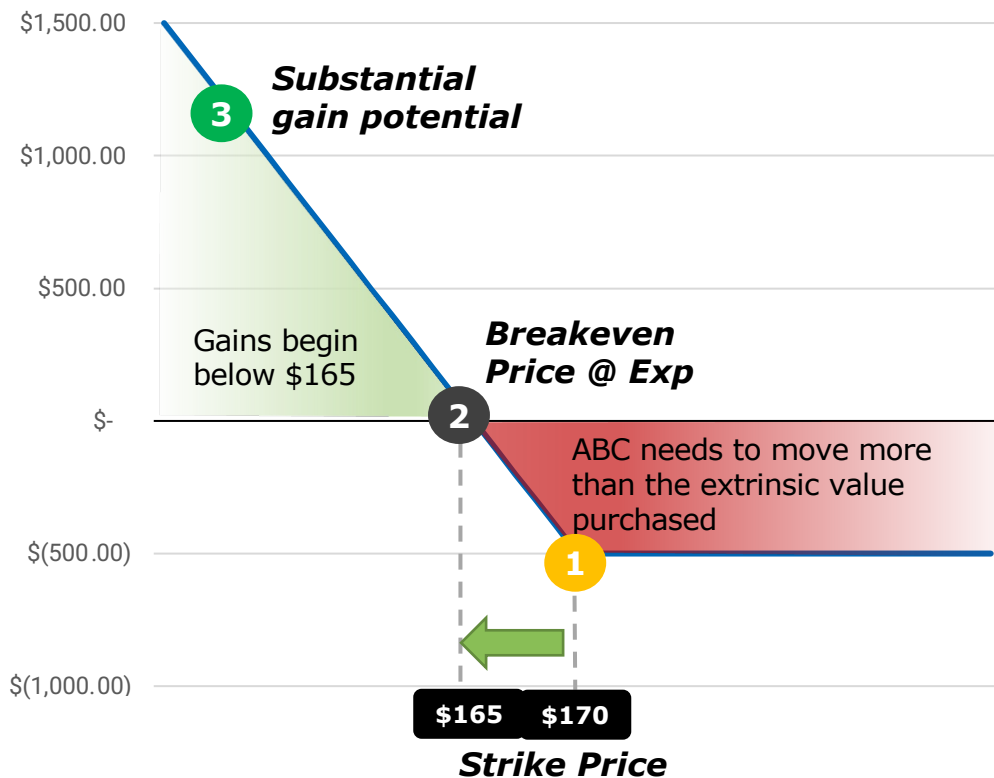
1 long put (paid premium) **Strategy Driver**

**Buy** 1 ABC \$170 30 DTE Put @ \$5.00

Risk: \$5.00 Debit Paid (\$500 total)

Reward: Substantial reward potential

Goal: Strong downwards directional movement



## Bear Put Spread = Long Put + Short Put

1 long put (highest strike, highest cost) **Strategy Driver**

1 short put @ lower strike (reduces cost, caps gain potential)

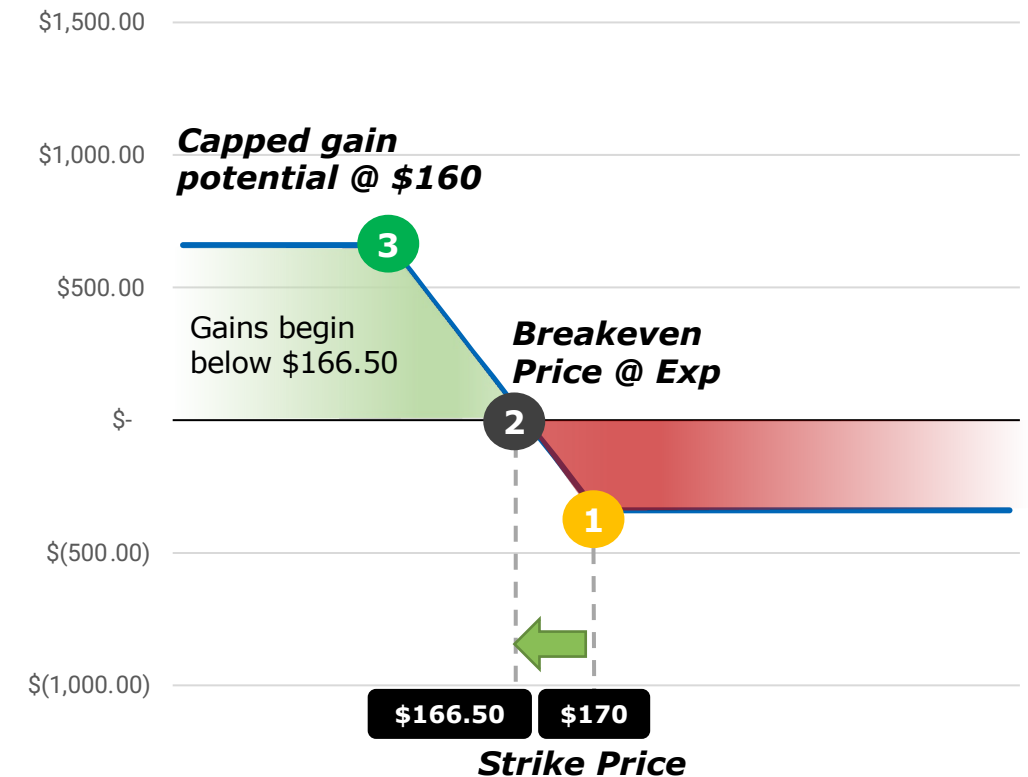
**Buy** 1 ABC \$170 30 DTE Put @ \$5.00

**Sell** 1 ABC \$160 30 DTE Put @ \$1.50

Risk: \$3.50 Debit Paid (\$350 total)

Reward: \$6.50 (\$650 total)

Goal: Strong downwards directional movement to \$160



## Bear Put Spread | Bearish

$\Delta$ Delta	$\Theta$ Theta	$\gamma$ Gamma	$V$ Vega
−	−	+	+

### Long Put (Driver) + Short Put (Caps Gains)

1 long put (highest strike, highest cost) **Strategy Driver**  
1 short put @ lower strike (reduces cost, caps gain potential)

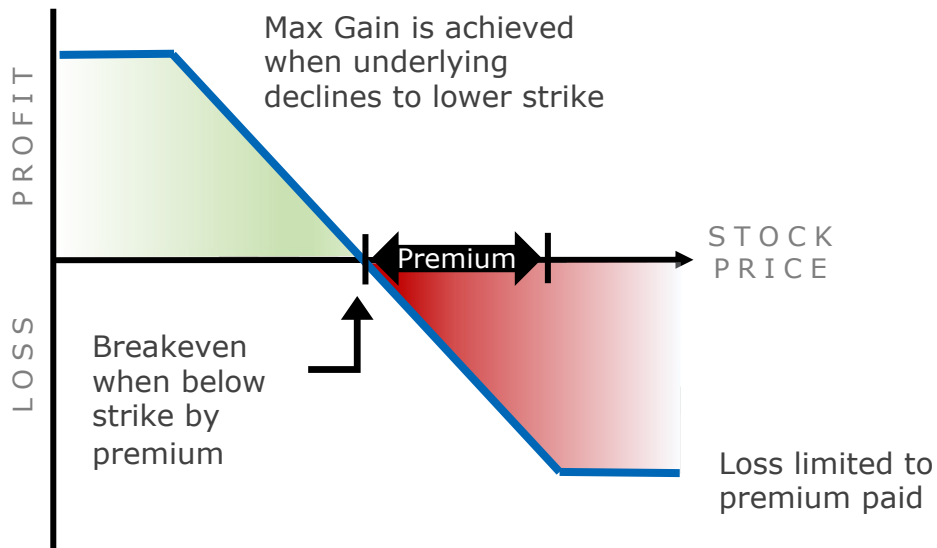
**Buy** 1 ABC \$170 30 DTE Put @ \$5.00

**Sell** 1 ABC \$160 30 DTE Put @ \$1.50

Risk: \$3.50 Debit Paid (\$350 total)

Reward: \$6.50 (\$650 total)

Goal: Strong downwards directional movement to \$160



## Bull Put Spread | Neutral to Bullish

$\Delta$ Delta	$\Theta$ Theta	$\gamma$ Gamma	$V$ Vega
+	+	−	−

### Short Put (Driver) + Long Put

1 short put @ **Strategy Driver**  
1 long put @ lower strike (reduces substantial risk of short put)

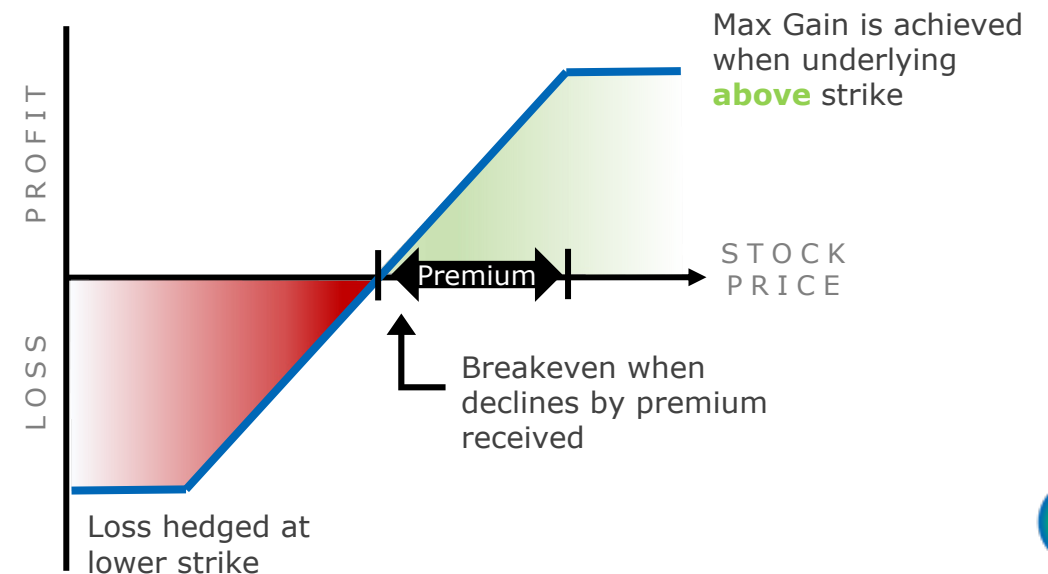
**Sell** 1 ABC \$160 30 DTE Put @ \$1.50

**Buy** 1 ABC \$150 30 DTE Put @ \$0.50

Risk: \$9.00 Difference of strikes less premium (\$900 total)

Reward: \$1.00 Credit Received (\$100 total)

Goal: Stock to remain at or above \$160



# Long Put Butterfly | Bearish

## Long Put Butterfly = Bear Put Spread + Bull Put Spread

1 long put (highest strike, highest cost) **Strategy Driver**  
2 short puts @ lower strike (reduces cost, caps gain potential)  
1 long put @ lowest strike (reduces substantial risk of 2<sup>nd</sup> call)

**Buy** 1 ABC \$170 30 DTE Put @ \$5.00

**Sell** 1 ABC \$160 30 DTE Put @ \$1.50

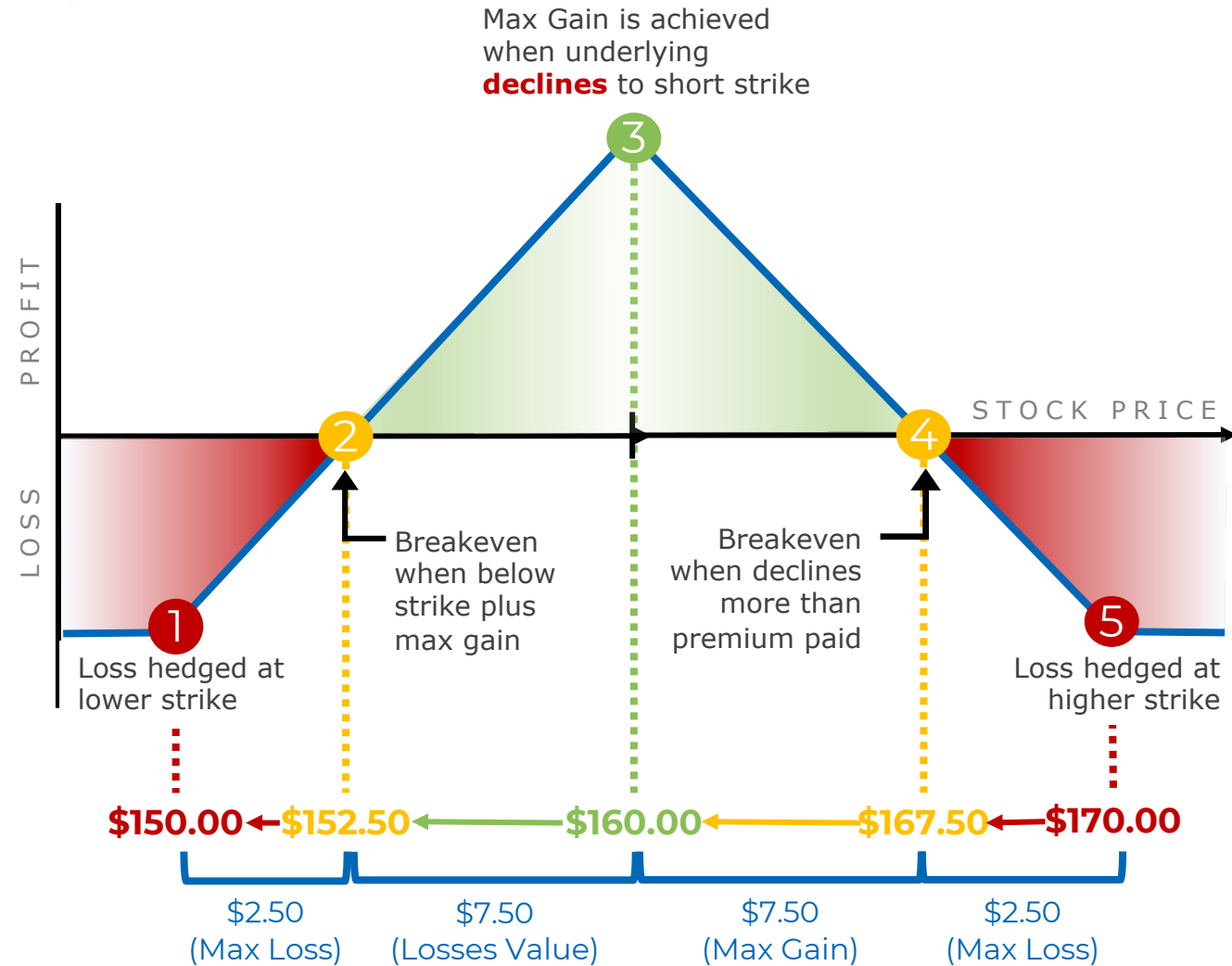
**Sell** 1 ABC \$160 30 DTE Put @ \$1.50

**Buy** 1 ABC \$150 30 DTE Put @ \$0.50

Risk: \$2.50 Debit Paid (\$250 total)

Reward: \$7.50 (\$750 total)

Goal: Downwards directional movement to \$160





# Thank You.

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