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The Options Guide

Options & Futures Trading Explained

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Synthetic Positions

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Synthetic Short Call

Overview

Synthetic Long Call

Synthetic Long Put

Synthetic Long Stock (Split Strikes)

Synthetic Long Stock

Synthetic Short Call

Synthetic Short Put

Synthetic Short Stock (Split Strikes)

Synthetic Short Stock

Long Call Synthetic Straddle

Long Put Synthetic Straddle

Short Call Synthetic Straddle

Short Put Synthetic Straddle

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A synthetic short call is created when short stock position is combined with a short put of the same series.

Synthetic Short Call Construction

Short 100 Shares
Sell 1 ATM Put

The synthetic short call is so named because the established position has the same profit potential a short call.

Limited Profit Potential

The formula for calculating maximum profit is given below:

- **Max Profit = Premium Received - Commissions Paid**
- **Max Profit Achieved When Price of Underlying <= Strike Price of Short Put**

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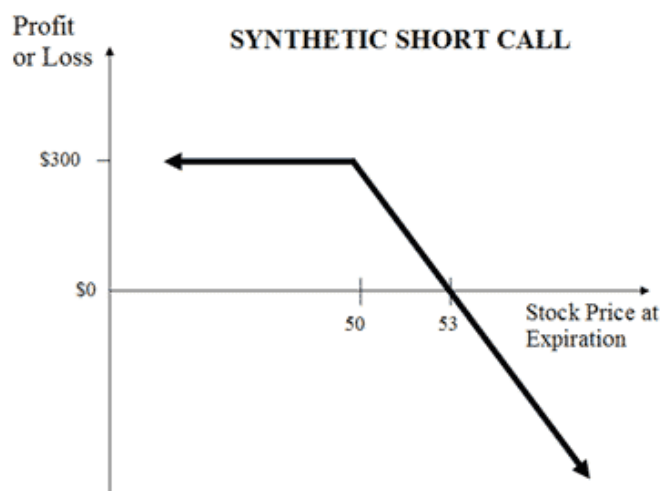
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Synthetic Short Call Payoff Diagram



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Unlimited Risk

The formula for calculating loss is given below:

- **Maximum Loss = Unlimited**
- **Loss Occurs When Price of Underlying > Sale Price of Underlying + Premium Received**
- **Loss = Price of Underlying - Sale Price of Underlying! - Premium Received + Commissions Paid**

Breakeven Point(s)

The underlier price at which break-even is achieved for the synthetic short call position can be calculated using the following formula.

- **Breakeven Point = Sale Price of Underlying + Premium Received**

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