Synthetic Positions

- 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

Options Strategies

- Buying Options
- Selling Options
- Options Spreads
- Options Combinations
- Bullish Strategies
- Bearish Strategies
- Neutral Strategies
- Synthetic Positions
- Options Arbitrage
- Strategy Finder
- Strategy Articles

HOME > OPTION STRATEGY FINDER > SYNTHETIC POSITION

Synthetic Short Call

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

Synthetic Short Call Construction

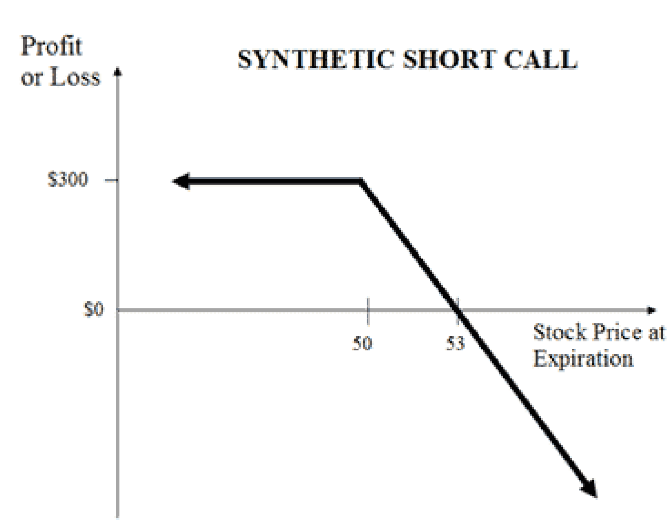
Short 100 Shares
Sell 1 ATM Put

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**



Synthetic Short Call Payoff Diagram

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 Underlyingl - 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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