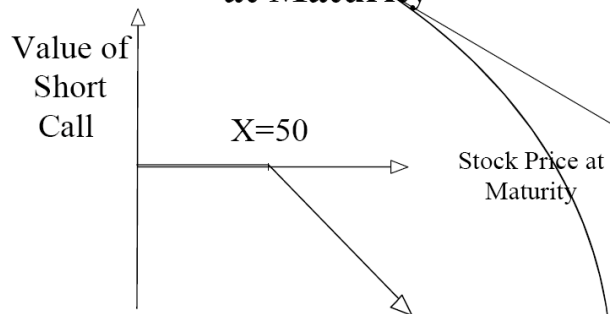


**Short**

**Call**

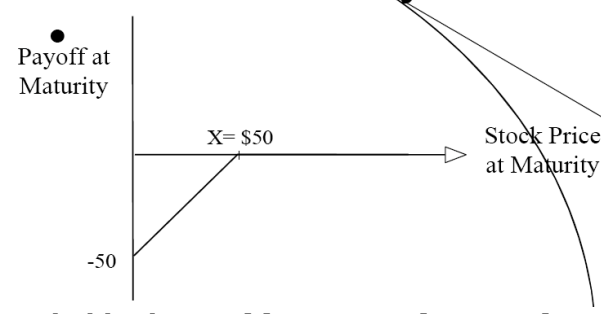
**Value of the Naked Short Call at Maturity**



- holder has an **obligation to sell stock** at exercise price
- holder is **"not bullish"** (higher stock price = bigger loss)
- no cash inflows at maturity
- max profit: premium received for option (limited)
- max loss:  $\infty$  (unlimited)

**Put**

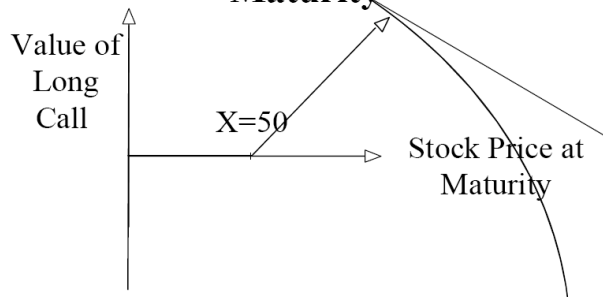
**Value of a Naked Short Put at Maturity**



- holder has a **obligation to buy stock** at exercise price
- holder is **"not bearish"** (lower stock price = bigger loss)
- no cash inflows at maturity
- max profit: premium received for option (limited)
- max loss:  $X - \text{premium received}$  (limited)

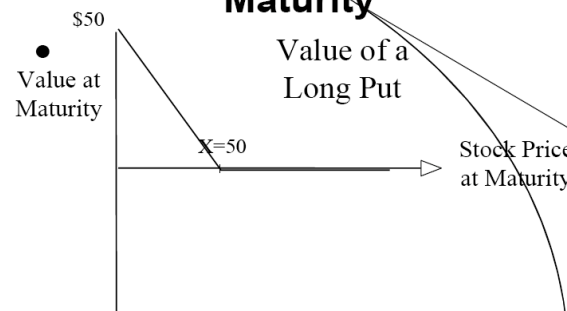
**Long**

**Value of the Long Call at Maturity**



- holder has a **right to buy stock** at the exercise price
- holder is **bullish** (higher stock price = bigger profit)
- no cash outflows at maturity
- max profit:  $\infty$  (unlimited)
- max loss: premium paid for option (limited)

**Value from a Long Put at Maturity**



- holder has a **right to sell stock** at the exercise price
- holder is **bearish** (lower stock price = bigger profit)
- no cash outflows at maturity
- max profit:  $X - \text{premium paid for option}$  (limited)
- max loss: premium paid for option (limited)