

# Long Put

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**Because you think the price of an asset is going down.**

The payoff graph of a long put position is below:



Let's re-run the three scenarios described in the previous section, this time comparing the purchase of the JAG June 30th 90 strike put for \$5, against short selling one JAG token. Reiterating, the scenarios are:

1. The price of JAG rises to \$130
2. The price of JAG remains at \$100
3. The price of JAG falls to \$70

### Scenario 1:

- If Alice had short sold one JAG for \$100, she'd lose \$30 (-30%).
- If she had bought the put, she would lose the \$5 premium as the asset price is greater than the strike price (-100%).

### Scenario 2:

- If Alice had short sold one JAG for \$100, she would remain flat.
- If she had bought the put, she would lose the \$5 premium paid for the put (-100%).

### Scenario 3:

- If Alice had short sold one JAG for \$100, she'd make \$30 (+30%)
- If she had bought the put, she could exercise the put to sell JAG at \$90 and buy it back for \$70. After factoring in the put premium, this is a profit of \$15 (+300%).

**Why trade it?** You think the stock is going down within a certain time frame.

**Optimal conditions?** Cheap volatility, bearish asset.

**Example:** Buy 10x September 100 Put for \$5.

**Cost:** The premium you pay, in this example  $10 \times \$5 = \$50$ .

**Theoretical Max Profit:** If the asset goes to zero, you make the difference between the strike and zero, minus the premium you paid,  $(100 - \$5) \times 10 = \$950$ .

**Theoretical Max Loss:** The price you paid for the put, in this example \$50.

**Breakeven at expiration:** The strike minus the price you paid for the put ( $100 - \$5 = \$95$ ).