BEP (Break even Point)

Wednesday, September 23, 2020
11:02 AM

- BEP
  - The Point where there's no profit or loss OR The point where you start making profit loss
  - When Buying options you have to wait for the profit
  - When Selling the options, you immediately collect the profit
    - You will worry about when your SL start

	To make Profit on Expiry Date
CALL Buyer PUT Buyer	SPOT PRICE > BEP
CALL SELLER PUT SELLER	SPOT PRICE < BEP

- BEP calculation in Call Buyer & Seller - Example

	EQUITY & FUT	OPTIONS-CALL (Strike Price + Premium)					
		CE BUYER			**CE SELLER**		
		1'ST SCENARIO	2'ND SCENARIO	3'D SCENARIO	1'ST SCENARIO	2'ND SCENARIO	3'D SCENARIO
ENTRY PRICE	1125						
BEP	1125						
STRIKE PRICE			1000			1000	
CALL - PREMIUM			45			45	
PUT - PREMIUM			55			55	
BEP (Strike Price + Premium)			1045			1045	
EXPIRY CLOSING OF SPOT		1000	1070	960	1000	1070	960
INTRINSIC VALUE (SPOT - STRIKE)		(1000 - 1000) 0	(1070-1000) 70	(960-1000) 0	(1000-1000) 0	(1070-1000) 70	(960-1000) 0
TIME VALUE (Time Value at date of expiry becomes zero)		0	0	0	0	0	0
CALL - PREMIUM on EXPIRY		45 = 0 + 0	45 = 70 + 0	45 = (-40) 0+0	45 = 0+0	45 = 70 + 0	45 = (-40) 0+0
PROFIT		0	25	0	45	25	45
Result		Buyer waited till expiry date and investment become 0		Buyer waited till expiry date and investment become 0	As a seller, he sold at 45 and at the date of expiry intrinsic value become 0		As a seller, he sold at 45 and at the date of expiry intrinsic value become 0

- BEP calculation in PUT Buyer & Seller - Example