

OPTIONS

CHEAT SHEET

Quick reference for strategies,
Greeks, and market conditions



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OPTIONS CHEAT SHEET

Your options strategies cheat sheet - a quick reference for strategies, Greeks, and market conditions

About Option Samurai

Option Samurai is a powerful options scanning and analytics platform built for traders who want an edge. Whether you're just getting started or managing complex multi-leg strategies, our tools help you find high-probability setups, filter by Greeks, and act with confidence.

This options cheat sheet was created to give you a fast, visual reference for the strategies and concepts that matter most to trade smarter.

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WHAT ARE OPTIONS?

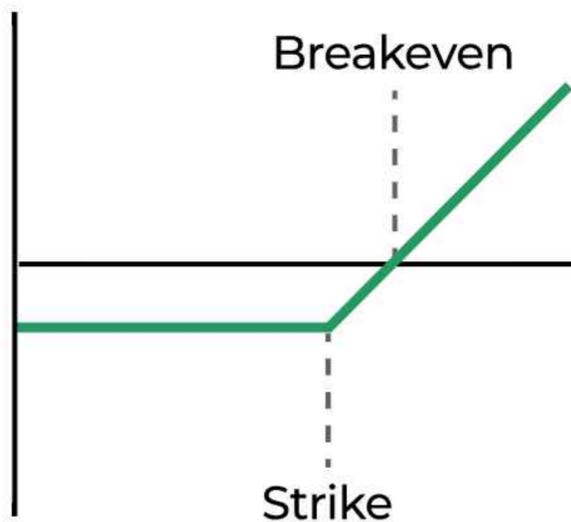
Options are financial contracts that give you the right—but not the obligation—to buy or sell an asset at a specific price before a set date.



Use this option strategy cheat sheet to understand the building blocks of every trade.

Call Options

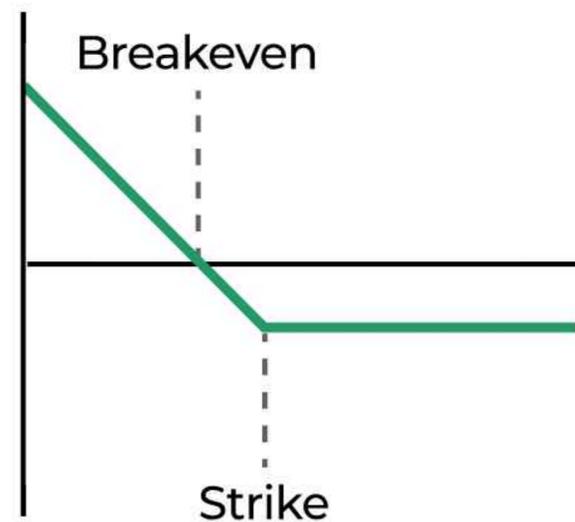
A call option gives you the right to buy an asset at a specific price.



Buy a \$100 call for \$5 →
breakeven at \$105 →
profit if stock > \$105

Put Options

A put option gives you the right to sell an asset at a specific price.



Buy a \$100 put for \$5 →
breakeven at \$95 →
profit if stock < \$95

Quick Recap

- Calls = Right to Buy
- Puts = Right to Sell
- Each option controls 100 shares (for U.S. equity options)

Type	Buyer Expects	Seller Expects
Call	Price to rise	Price to fall or stay flat
Put	Price to fall	Price to rise or stay flat

OPTIONS GREEKS

δ

Delta (Δ)

Definition:

Delta measures how much the option price changes when the underlying asset moves by \$1.

Interpretation:

Call deltas range from 0 to 1, put deltas from 0 to -1. Deep ITM calls ≈ 1 , deep OTM calls ≈ 0 .

Example:

If a call option has a **delta of 0.50** and the stock rises from **\$100 to \$101**, the option's price will **increase** by about **\$0.50**.

γ

Gamma (Γ)

Definition:

Gamma measures how much the delta changes when the underlying moves by \$1.

Interpretation:

Gamma is highest for at-the-money options and close to expiration. It drops as the option moves deep ITM or OTM.

Example:

If a call has a **delta of 0.50** and a **gamma of 0.10**, and the stock rises from **\$100 to \$101**, the new delta will be **about 0.60**.

θ

Theta (Θ)

Definition:

Theta measures how much the option loses in value each day, due to time decay.

Interpretation:

Usually negative for long options, since time works against option buyers.

Example:

If a call is **worth \$5.00** and has a **theta of -0.05**, tomorrow the option will be worth about **\$4.95**, even if the stock **price doesn't move**.

ν

Vega (ν)

Definition:

Vega measures how much the option price changes for a 1 percentage point change in implied volatility.

Interpretation:

Options gain value when volatility rises, and lose value when it falls.

Example:

If a call is **priced at \$4.00** and has a **vega of 0.20**, and implied volatility **rises from 20% to 21%**, the option price will **increase** to about **\$4.20**.

ρ

Rho (ρ)

Definition:

Rho measures how much the option price changes for a 1% change in interest rates.

Interpretation:

Calls generally benefit from higher rates, while puts lose value.

Example:

If a call option has a **rho of 0.05** and interest rates **increase** from **2% to 3%**, the call price will **rise** by about **\$0.05**.

LONG CALL STRATEGY

Profit from rising stocks by buying call options.

Strategy Snapshot

Market Outlook: Bullish

Risk: Limited to premium paid

Reward: Unlimited upside potential

Goal: Speculate on price increase with defined risk

Breakeven: Strike price + Premium paid

How It Works



Buy one call option on a stock.



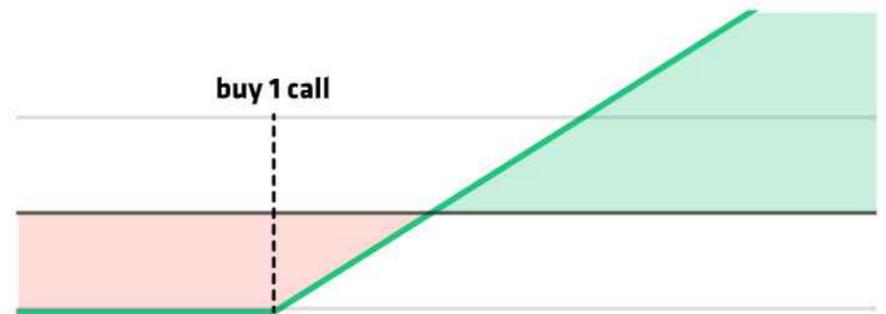
Pay a premium for the right (not obligation) to buy shares at the strike price.



If the stock rises above the strike, the option gains value — or you can exercise it.

P&L Explanation:

Loss is limited to the premium paid. Profit grows linearly above the breakeven point as the stock price rises.



STOCK OUTCOME	CALL WING	OVERALL
Below strike	Call expires worthless	Lose the premium paid
At strike	Call expires worthless	No profit or loss (break-even not reached)
Between strike and breakeven	Call gains some value	Partial recovery of premium, still small loss
At breakeven	Call value equals premium	No profit or loss overall
Above breakeven	Call increases in value	Unlimited profit potential beyond breakeven

Quick Recap

Best When: You expect a strong upward move.

Avoid When: You expect sideways or downward markets — time decay will erode value.

Main Benefit: Unlimited upside with limited, predefined risk.

LONG PUT STRATEGY

Profit from falling stocks by buying put options.

Strategy Snapshot

Market Outlook: Bearish

Risk: Limited to premium paid

Reward: Large upside
(as stock declines)

Goal: Speculate or hedge against falling prices

Breakeven: Strike price – Premium paid

How It Works



Buy one put option on a stock.

Pay a premium for the right (not obligation) to sell shares at the strike price.

If the stock falls below the strike, the option gains value — or you can exercise it.

P&L Explanation:

Loss is limited to the premium paid. Profit increases linearly as the stock price falls below the breakeven point.



STOCK OUTCOME	PUT VALUE	OVERALL
Above strike	Put expires worthless	Lose the premium paid
At strike	Put expires worthless	No profit or loss (break-even not reached)
Between strike and breakeven	Put gains some value	Partial recovery of premium, still small loss
At breakeven	Put value equals premium	No profit or loss overall
Below breakeven	Put increases in value	Profit grows as price falls — capped only at \$0 stock price

Quick Recap

Best When: You expect a clear downward move.

Avoid When: You expect sideways or rising markets — time decay will reduce value.

Main Benefit: Defined risk with high profit potential in bearish markets.

SHORT CALL STRATEGY

Profit from stable or falling stocks by selling call options.

Strategy Snapshot

Market Outlook: Neutral to Bearish

Risk: Unlimited (theoretically, stock can rise infinitely)

Reward: Limited to the premium received

Goal: Generate income or gain bearish exposure

Breakeven: Strike price + Premium received

How It Works



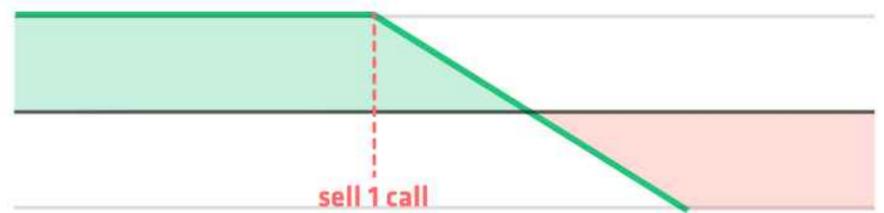
Sell (write) one call option on a stock

Collect a premium upfront for taking on the obligation to sell shares at the strike price.

If the stock stays below the strike, the option expires worthless and you keep the premium.

P&L Explanation:

Profit is capped at the premium received. Losses grow as the stock price rises above the breakeven point — theoretically unlimited.



STOCK OUTCOME	CALL WING	OVERALL
Below strike	Call expires worthless	Keep the premium — maximum profit
At strike	Call expires worthless	Break-even point not yet reached
Between strike and breakeven	Call increases slightly in value	Partial profit reduction
At breakeven	Call value equals premium	No profit or loss overall
Above breakeven	Call increases in value (loss on short option). Assignment risk.	Loss grows as stock rises — unlimited risk

Quick Recap

Best When: You expect the stock to stay flat or fall slightly.

Avoid When: You expect strong upward moves — losses are unlimited.

Main Benefit: Earn premium income when expecting limited upside or stable prices.

SHORT PUT STRATEGY

Generate income or enter stocks at a discount by selling put options.

Strategy Snapshot

Market Outlook: Neutral to Bearish

Risk: Substantial
(stock can fall to zero)

Reward: Limited to
the premium received

Goal: Earn income or buy stock
below current price

Breakeven: Strike price –
Premium received

How It Works

Sell (write) one put option on a stock.



Collect a premium upfront for taking on the obligation to buy shares at the strike price.



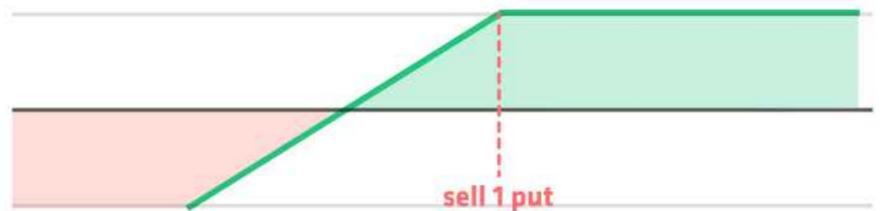
If the stock stays above the strike, the option expires worthless — you keep the premium.



If the stock drops below the strike, you may be assigned and must buy shares at the strike price

P&L Explanation:

Profit is capped at the premium received. Losses increase linearly as the stock price falls below the breakeven — maximum loss occurs if the stock goes to zero.



STOCK OUTCOME	PUT WING	OVERALL
Above strike	Put expires worthless	Keep the premium — maximum profit
At strike	Put expires worthless	Break-even point not yet reached
Between strike and breakeven	Put increases slightly in value	Partial profit reduction
At breakeven	Put value equals premium	No profit or loss overall
Below breakeven	Put increases in value (loss on short option). Assignment risk	Loss grows as price falls — maximum loss if stock hits zero

Quick Recap

Best When: You expect the stock to stay flat or rise moderately.

Avoid When: You expect a strong downward move — losses can be large.

Main Benefit: Earn premium income and potentially buy stock at a lower effective cost.

COVERED CALL STRATEGY

Generate income by selling call options on stocks you already own.

Strategy Snapshot

Market Outlook: Neutral to Slightly Bullish

Risk: Uncapped (stock loss offset by premium from short call)

Reward: Limited upside

Goal: Income generation through premiums

Breakeven: Stock price - Premium received

How It Works

- Own 100 shares of a stock.
- Sell one call option above the current price.
- Keep the premium; if the stock rises above the strike, shares may be sold.

P&L Explanation:

Profit is capped above the strike price, while losses continue below breakeven.



STOCK OUTCOME	CALL WING	SHARES	OVERALL
Below breakeven	Call expires worthless - premium kept	Stock declines in value	Premium cushions part of the loss, but position still loses overall
At breakeven	Call expires worthless	Small loss on stock	Premium fully offsets the stock loss - no profit or loss overall
Between breakeven and strike	Call expires worthless	Stock gains within this range	You profit from the stock appreciation plus the premium — total profit approaches its maximum
At strike	Call expires worthless	Stock rises to the strike	Total profit capped at strike gain + premium
Above strike	Short call increases in value (loss on option) and may be exercised	Stock gains beyond the strike	Stock gains are fully offset by losses on the short call - profit capped at strike gain + premium

Quick Recap

Best When: Stock is expected to stay flat or rise slightly

Avoid When: You expect strong upward or downward moves

Main Benefit: Generates steady income from owned shares

LONG STRADDLE STRATEGY

Profit from large price swings in either direction by buying both a call and a put.

Strategy Snapshot

Market Outlook: Highly Volatile (expecting a big move, up or down)

Risk: Limited to total premiums paid

Reward: Unlimited potential if the stock moves sharply in either direction

Goal: Profit from volatility, regardless of direction

Breakeven: Strike price \pm Total premiums paid

How It Works



Buy one call and one put on the same stock.

Both options have the same strike price and expiration date.



If the stock makes a large move (up or down), one option gains sharply while the other loses value.



If the stock stays near the strike, both options lose value due to time decay.

P&L Explanation:

Loss is limited to the combined premiums paid.

Profits grow on either side of the strike when the stock makes a significant move.



STOCK OUTCOME	CALL WING	PUT WING	OVERALL
Far below strike	Worthless	Deep in-the-money	High profit as stock falls
Slightly below strike	Loses some value	Gains value	Partial offset — small loss
At strike	Expire worthless	Expire worthless	Maximum loss = total premiums
Slightly above strike	Gains some value	Loses value	Partial offset — small loss
Far above strike	Deep in-the-money	Worthless	High profit as stock rises

Quick Recap

Best When: You expect a major price move in either direction.

Avoid When: You expect a quiet market — time decay will erode both options.

Main Benefit: Profits from volatility, not direction — limited risk, unlimited potential gain.

LONG STRANGLE STRATEGY

A flexible way to profit from large price swings at a lower cost than a straddle.

Strategy Snapshot

Market Outlook: Strongly Volatile (big move expected, direction unknown)

Risk: Limited to total premiums paid

Reward: Unlimited (upside) + substantial potential (downside)

Goal: Capture major price movement with a cheaper setup than a straddle

Breakeven:

- Upper breakeven = Call strike + Total premiums
- Lower breakeven = Put strike – Total premiums

How It Works

Buy one out-of-the-money call option.



Buy one out-of-the-money put option.



Both options have the same expiration date but different strike prices.



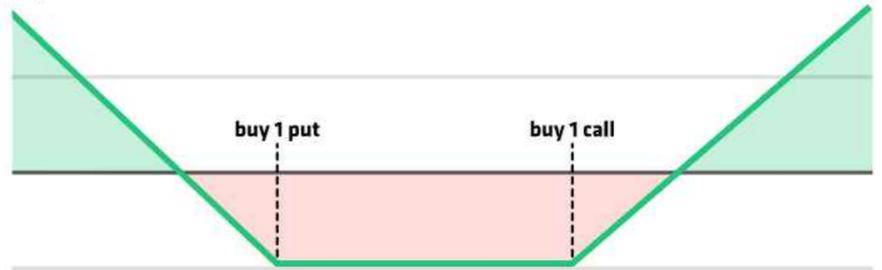
If the stock makes a large move (up or down), one side gains aggressively.



If the stock stays quiet, both options lose value due to time decay.

P&L Explanation:

Loss is limited to the combined premiums paid. Profits grow sharply once the stock moves beyond either breakeven point. Wider breakevens than a straddle, but lower upfront cost.



STOCK OUTCOME	CALL WING	PUT WING	OVERALL
Far below put strike	Worthless	Deep in-the-money	Strong profit from downside move
Slightly below put strike	Worthless	Gains value	Small loss to break-even improvement
Between strikes	Expire worthless	Expire worthless	Maximum loss = premiums paid
Slightly above call strike	Gains value	Worthless	Small loss to break-even improvement
Far above call strike	Deep in-the-money	Worthless	Strong profit from upside move

Quick Recap

Best When: You expect a major catalyst (earnings, FDA ruling, macro announcement, etc.).

Avoid When: The underlying tends to trade quietly or implied volatility is already very high.

Main Benefit: Cheaper than a straddle, still profits from large moves in either direction.

SHORT STRADDLE STRATEGY

Profit from stable markets by selling both a call and a put at the same strike.

Strategy Snapshot

Market Outlook: Neutral (expecting little to no movement)

Risk: Unlimited (on both sides of the trade)

Reward: Limited to total premiums received

Goal: Earn income from time decay in low-volatility conditions

Breakeven: Strike price \pm Total premiums received

How It Works



Sell one call and one put option on the same stock.



Both options share the same strike price and expiration date.

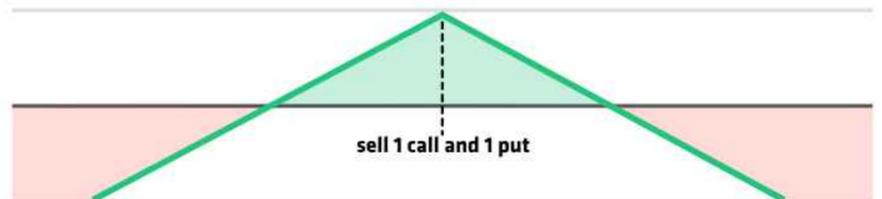


You collect two premiums upfront.

If the stock stays near the strike, both options expire worthless and you keep the total credit.

P&L Explanation:

Profit is capped at the total premiums received. Losses increase rapidly if the stock moves sharply in either direction — unlimited on the upside, substantial on the downside.



STOCK OUTCOME	CALL WING	PUT WING	OVERALL
Far below strike	Worthless	Deep in-the-money	Heavy loss (assigned long shares)
Slightly below strike	Worthless	Gains value	Partial profit reduction
At strike	Expire worthless	Expire worthless	Maximum profit = total premiums
Slightly above strike	Gains value	Worthless	Partial profit reduction
Far above strike	Deep in-the-money	Worthless	Heavy loss (assigned short shares)

Quick Recap

Best When: You expect the stock to stay near the strike and volatility to drop.

Avoid When: You expect sharp price movements or major news events.

Main Benefit: Earns from time decay and stable markets — but carries unlimited risk if volatility spikes.

SHORT STRANGLE STRATEGY

Earn income in stable markets by selling an out-of-the-money call and put.

Strategy Snapshot

Market Outlook: Neutral (expecting low volatility)

Risk: Unlimited (large moves in either direction)

Reward: Limited to the total premiums collected

Goal: Profit from time decay and price stability

Breakeven:

- Upper breakeven = Call strike + Total premiums
- Lower breakeven = Put strike – Total premiums

How It Works



Sell an out-of-the-money call above the current stock price.



Sell an out-of-the-money put below the current stock price.



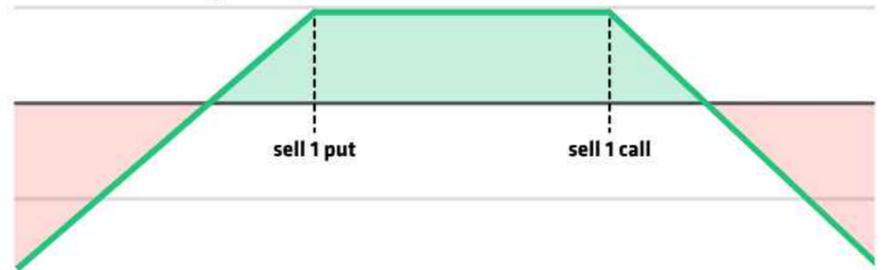
Both options share the same expiration date, but different strikes.

If the stock stays between both strikes, both options expire worthless and you keep the entire credit.

If the stock moves too far up or down, losses can grow significantly.

P&L Explanation:

Profit is capped at the premiums received. Losses are unlimited on the upside (short call) and substantial on the downside (short put). Wider breakevens than a short straddle — but also lower premiums.



STOCK OUTCOME	CALL WING	PUT WING	OVERALL
Far below put strike	Worthless	Deep in-the-money	Potentially large loss (assigned long shares)
Slightly below put strike	Worthless	Gains value	Reduced profit, possible small loss
Between both strikes	Expire worthless	Expire worthless	Maximum profit = total premiums
Slightly above call strike	Gains value	Worthless	Reduced profit, possible small loss
Far above call strike	Deep in-the-money	Worthless	Potentially unlimited loss (assigned short shares)

Quick Recap

Best When: You expect quiet markets and declining implied volatility.

Avoid When: Big catalysts are approaching (earnings, FOMC, product launches, etc.).

Main Benefit: Wide profit zone — more room for the underlying to move compared to a short straddle.

IRON CONDOR STRATEGY

A defined-risk income strategy that profits when the stock stays within a range.

Strategy Snapshot

Market Outlook: Neutral (expecting low volatility and range-bound movement)

Risk: Limited (both upside and downside are fully capped)

Reward: Limited to the net credit received

Goal: Earn premium when the stock remains between the short put and short call strikes

Breakeven:

- Lower breakeven = Short put strike – Net credit
- Upper breakeven = Short call strike + Net credit

How It Works

Sell one out-of-the-money put option (collect premium).



Buy one further out-of-the-money put (defines max downside risk).



Sell one out-of-the-money call option (collect premium).



Buy one further out-of-the-money call (defines max upside risk).



All four options share the same expiration date.

The goal is for the stock to finish **between the short put and short call**, so all options expire worthless.

If the stock moves too far up or down, losses occur — but they are capped by the long wings.

P&L Explanation:

Position wins if the stock is quiet and stays inside the short strikes.

Theta (time decay) works strongly in your favor as expiration approaches.

The payoff chart shows a flat profit zone between the short strikes, with two limited-loss wings.



STOCK OUTCOME	PUT WING	CALL WING	OVERALL
Far below long put	Fully in-the-money put spread	Worthless	Max loss (downside)
Slightly below short put	Partially ITM put spread	Worthless	Small loss or reduced profit
Between short put and short call	Both spreads expire worthless	Both spreads expire worthless	Max profit (keep credit)
Slightly above short call	Worthless	Partially ITM call spread	Small loss or reduced profit
Far above long call	Worthless	Fully in-the-money call spread	Max loss (upside)

Quick Recap

Best When: You expect the stock to trade quietly inside a range (low ADX, low volatility, no big events ahead).

Avoid When: Earnings, news catalysts, or volatility spikes could push the stock outside your short strikes.

Main Benefit: A high-probability, defined-risk income strategy that profits from time decay — ideal for stable markets.

COLLAR STRATEGY

A defined-risk hedge that protects a long stock position while capping upside gains.

Strategy Snapshot

Market Outlook: Moderately Bullish (want upside exposure but with protection)

Risk: Limited (put defines the downside floor)

Reward: Limited (short call caps upside)

Goal: Reduce downside risk while lowering or offsetting hedge cost

Breakeven:
 $\text{Stock purchase price} + \text{net debit}$
 (put cost - call premium)

How It Works



- **Own the underlying stock** (required to build the collar).
- **Buy one out-of-the-money put** → downside protection.
- **Sell one higher call** → offsets put cost but caps upside.
- All options have the **same expiration date**.
- Losses are limited below the put strike, and gains are capped above the call strike.
- Ideal for protecting gains or reducing short-term uncertainty without selling shares.

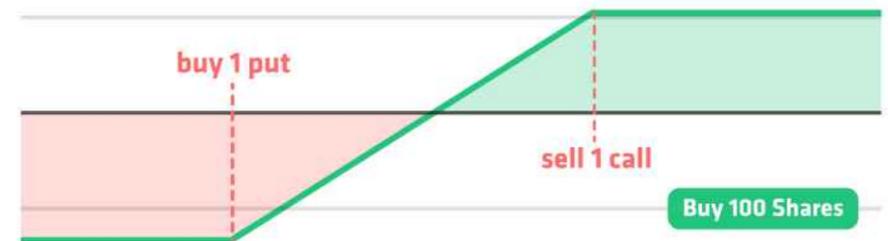
P&L Explanation:

Max profit occurs when the stock rises to or above the call strike.

Max loss is limited by the long put, regardless of how far the stock falls.

The stock can move freely within the put-call range with normal gain/loss behavior.

The payoff resembles a **flattened S-curve**: capped upside, capped downside.



STOCK OUTCOME	SHARES	PUT WING	CALL WING	OVERALL
Far below put strike	Loses value	Fully protects below strike	Worthless	Capped max loss
Slightly below put strike	Loses value	Gains value	Worthless	Reduced loss
Between put + call strikes	Moves normally with stock	OTM	OTM	Stock behaves normally
Slightly above call strike	Gains value	Worthless	Begins losing value (obligation)	Profit capped
Far above call strike	Gains value	Worthless	Fully ITM and offsets upside	Max profit reached

Quick Recap

Best When: You want to hold a stock but protect against near-term downside risk without exiting your position.

Avoid When: You expect a large bullish move, upside will be capped by the call.

Main Benefit: Creates a protected price floor and lowers hedging cost by selling the call, resulting in a fully defined risk-reward range.

BULL CALL SPREAD STRATEGY

A defined-risk bullish strategy that profits from a moderate rise in the stock price.

Strategy Snapshot

Market Outlook: Moderately Bullish

Risk: Limited to the net debit paid

Reward: Limited to the width of the strikes minus the debit

Goal: Reduce the cost of going long by selling a higher-strike call

Breakeven:
Lower strike + net debit paid

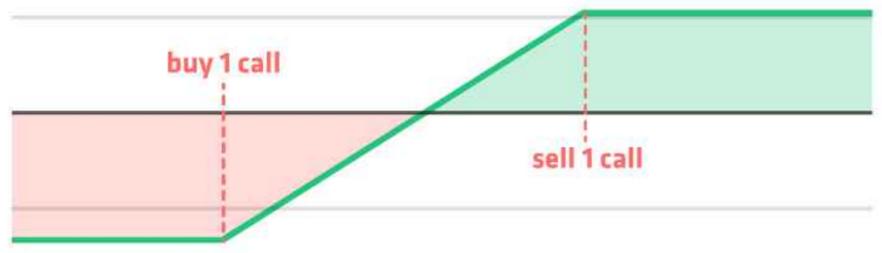
How It Works



- Buy one call option at a lower strike price (long call).
- Sell one call option at a higher strike price (short call).
- Both options share the **same expiration date**.
- The long call provides upside exposure; the short call reduces cost but caps profits.
- The position profits if the stock rises **above the breakeven but not too far above the short strike**.

P&L Explanation:

- **Max loss = net debit paid.**
Happens if the stock finishes below the long strike.
- **Max profit = difference between strikes – net debit.**
Happens if the stock finishes at or above the short strike.
- **Breakeven = long strike + net debit.**
- Payoff resembles a **rising slope that flattens** at the short strike.



STOCK OUTCOME	LONG CALL WING	SHORT CALL WING	OVERALL
Far below long strike	Expires worthless	Expires worthless	Max loss = net debit
Slightly below long strike	Small intrinsic value	Worthless	Loss reduced but still negative
Between long and short strikes	Gains value	Worthless	Partial profit increasing with price
At short strike	Maximum intrinsic value	Worthless	Max profit reached
Far above short strike	Maximum intrinsic value	Fully in-the-money (offsets gain)	Still max profit (capped)

Quick Recap

Best When: You expect a moderate, controlled uptrend (not explosive).
Avoid When: You anticipate very high volatility or a very strong rally; upside is capped.
Main Benefit: Cheaper than buying a call outright, with clearly defined risk and reward.

BEAR PUT SPREAD STRATEGY

A defined-risk bearish setup that profits from a controlled decline in the stock.

Strategy Snapshot

Market Outlook: Moderately Bearish

Risk: Limited to the net debit paid

Reward: Limited to spread width minus debit

Goal: Profit from a downside move with lower cost than buying a standalone put

Breakeven:
Higher put strike – net debit paid

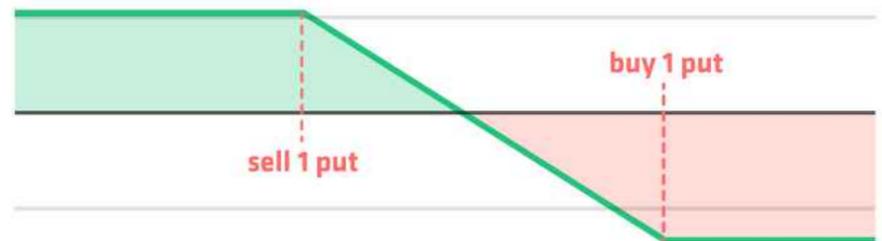
How It Works



- Buy one put option at a higher strike price (long put).
- Sell one put option at a lower strike price (short put).
- Both puts share the **same expiration date**.
- Because the long put is more expensive, the trade opens for a **net debit**.
- The position profits if the stock **falls below the breakeven** and reaches the **lower strike** by expiration.

P&L Explanation:

- **Max profit = spread width – net debit.**
Realized when the stock closes **at or below the lower strike**.
- **Max loss = net debit paid.**
Occurs if the stock ends **above the higher strike** and both puts expire worthless.
- **Breakeven = higher strike – net debit.**
- The payoff resembles a **downward-sloping profit ramp** into a **flat maximum gain**, with capped loss on the upside.



STOCK OUTCOME	LONG PUT WING	SHORT PUT WING	OVERALL
Far above higher strike	Expires worthless	Expires worthless	Max loss = net debit
Slightly above higher strike	Small/no value	Expires worthless	Near max loss
Between strikes	Gains value	Increasing loss	Partial profit or partial loss depending on price
At lower strike	Fully ITM	Fully ITM (offsets some gain)	Max profit begins
Far below lower strike	Fully ITM	Fully ITM	Max profit (capped)

Quick Recap

Best When: You expect a **moderate decline** or a controlled sell-off and want defined risk.

Avoid When: You expect **explosive volatility** or want **unlimited downside profit** (a standalone long put fits better).

Main Benefit: Lower cost than buying a single put, while still offering **high reward-to-risk efficiency** for bearish setups.

BULL PUT SPREAD STRATEGY

A bullish income strategy that profits when the stock stays above a key support level.

Strategy Snapshot

Market Outlook: Moderately Bullish

Risk: Limited (spread width minus net credit)

Reward: Limited to the net credit received

Goal: Generate income while defining downside risk

Breakeven:
Higher put strike – net credit received

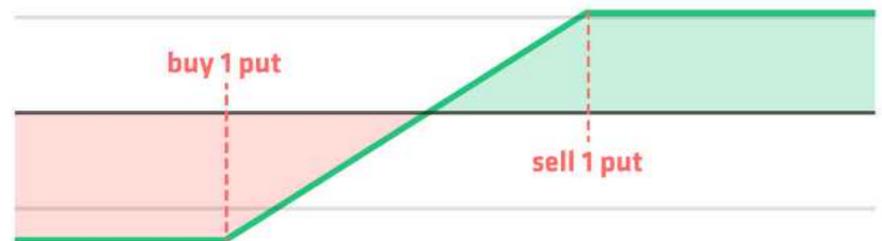
How It Works



- **Sell one put option at a higher strike price** → collects premium.
- **Buy one put option at a lower strike price** → caps downside risk.
- Both puts share the **same expiration date**.
- Because the short put has a higher premium, the trade opens for a **net credit**.
- The position profits if the stock stays **above the higher strike** at expiration.

P&L Explanation:

- **Max profit = net credit received.**
Achieved when the stock closes **above the short put strike**.
- **Max loss = strike width – credit.**
Occurs if the stock finishes **at or below the long put strike**.
- **Breakeven = short put strike – credit.**
- Payoff resembles a **flat profit zone**, followed by a **linear loss** down to a capped maximum.



STOCK OUTCOME	SHORT PUT WING	LONG PUT WING	OVERALL
Far above short strike	Expires worthless	Expires worthless	Max profit = net credit
Slightly above short strike	Small value	Expires worthless	Reduced profit but still positive
Between strikes	Increasing loss	Some protection	Partial loss
At long strike	Fully ITM	Offsets partially	Max loss begins
Far below long strike	Fully ITM	Fully ITM	Max loss (capped)

Quick Recap

Best When: You expect the stock to stay above a support level or rise modestly.

Avoid When: You expect high volatility or a sharp decline. Risk, while limited, becomes more probable.

Main Benefit: Generates income upfront with defined risk and higher probability of profit than a long call.

BEAR CALL SPREAD STRATEGY

A defined-risk bearish income strategy that profits when the stock stays below a key resistance level.

Strategy Snapshot

Market Outlook: Moderately Bearish

Risk: Limited (spread width minus credit)

Reward: Limited to the net credit received

Goal: Generate premium income when expecting a mild decline or stagnation

Breakeven:
Short call strike + net credit received

How It Works



- **Sell one call option at a lower strike** (short call) → collects premium.
- **Buy one call option at a higher strike** (long call) → caps the risk.
- Both calls share the **same expiration date**.
- Because the short call premium is larger, the trade opens for a **net credit**.
- The position profits if the stock **remains below the short call strike** through expiration.

P&L Explanation:

- **Max profit = net credit received.**
Achieved when the stock stays **at or below the short call strike** at expiration.
- **Max loss = spread width – credit.**
Occurs when the stock closes **above the long call strike** and both calls finish in-the-money.
- **Breakeven = short call strike + credit.**
- The payoff resembles a **flat profit zone** on the downside, and a **rising loss line** capped at a maximum.



STOCK OUTCOME	SHORT CALL WING	LONG CALL WING	OVERALL
Far below short strike	Expires worthless	Expires worthless	Max profit = net credit
Slightly below short strike	Still OTM	Expires worthless	Full profit retained
Between strikes	Increasing loss	No protection yet	Partial loss
At long strike	Fully ITM	Begins offsetting loss	Max loss begins
Far above long strike	Fully ITM	Fully ITM	Max loss (capped)

Quick Recap

Best When: You expect the stock to **stall or drift lower**, and implied volatility is elevated (richer premiums).

Avoid When: You expect strong upside movement or a potential breakout above resistance.

Main Benefit: A safer alternative to selling naked calls, with **defined risk and consistent premium income** potential.