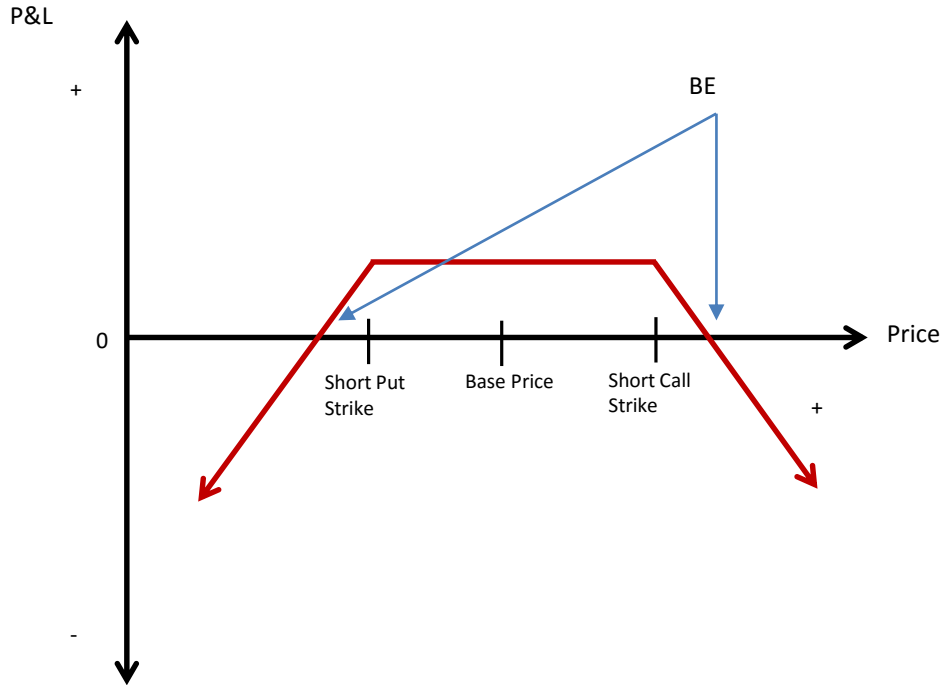


Short Strangle Setup

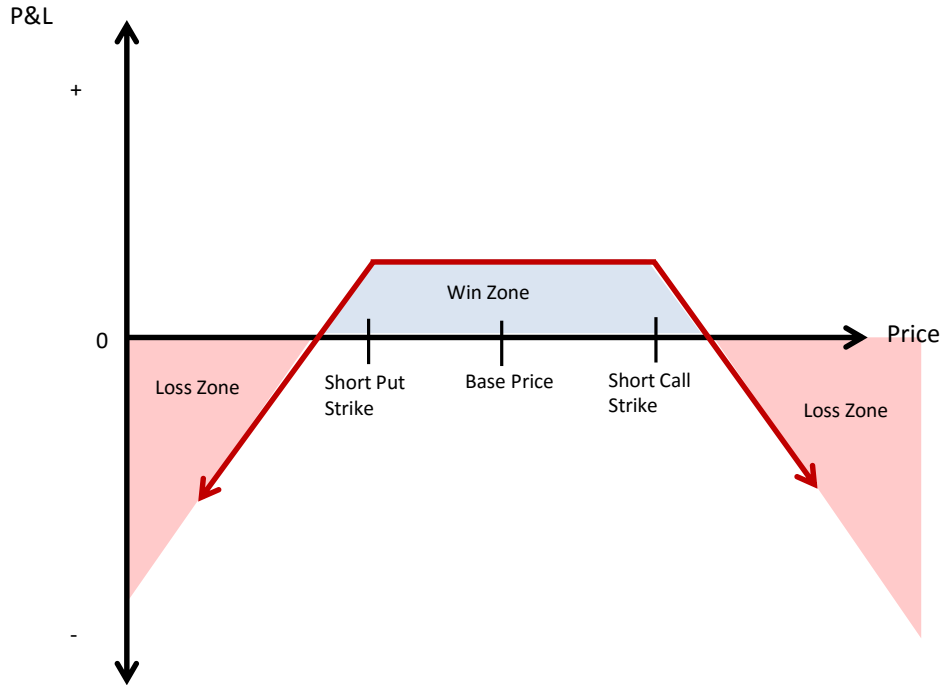
Short Strangle P&L Diagram

P&L Diagram Short Strangle



- Short Strangle:
 - Short OTM Call (above Spot)
 - Short OTM Put (below Spot)
- Iron Condor setup without the hedge (Long) Position
- Margin Requirement: one-sided
- 2x collection for 1x margin
- Market neutral strategy: You expect the market to more or less stay between the two strikes you sold within your holding period

P&L Diagram Short Strangle



- Net seller strategy: keep as much premium received upfront
- Breakeven (BE) -Point is either:
 1. The short put strike minus credit received or
 2. the short call strike plus credit received

*If price is beyond either of those 2 levels at expiry -> Loss
- Time Decay works to your advantage
- IV decline works to your advantage

Keep in mind...

- The credit you receive upfront as an options seller is your max potential gain while potential losses on unhedged positions are big specially when the stock or underlying has a high price and one side goes deep ITM
- Note: your BEP is improved by:
 1. Absence of the hedged instruments you pay for
 2. Only one side can lose but you collect credit for both sides
- This is a strategy suitable for High IV conditions (more premium: i.e. earnings trades)
- Unsuitable for smaller trading accounts:
 - 1) Margin requirement is high
 - 2) Big potential losses from one trade eats a significant portion of a small account