

Strategy: Long & Short Straddle

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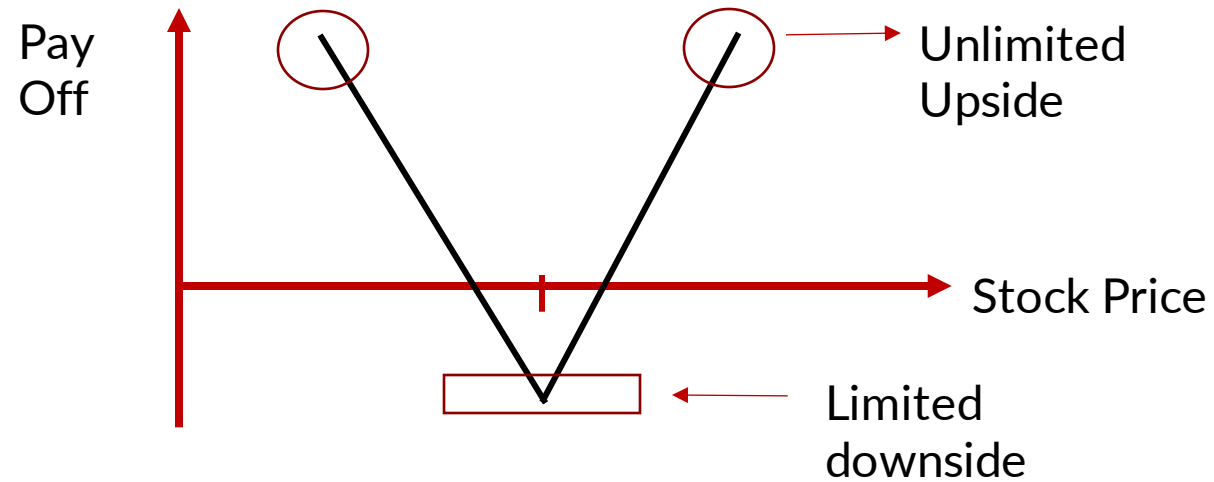
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What is It? Long Straddle

- By buying one ATM call and one ATM puts

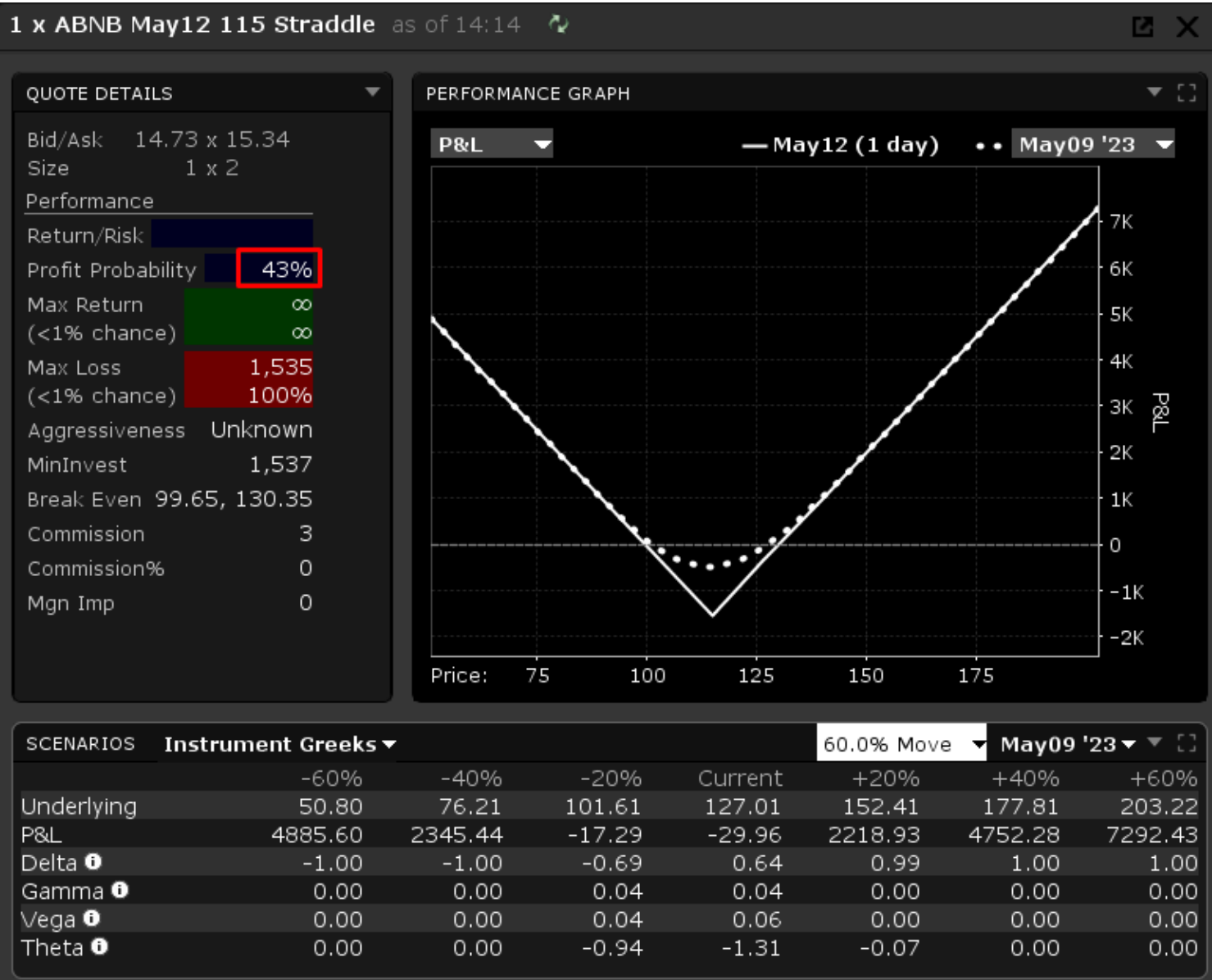


Where to Use It

- This is perfect strategy for a **breakout** or **break down**!
- This is a bet on **volatility**: You are going long volatility.
- Hypothesis: The stock is going to move outside of a trading range: either up or down
- You can produce this hypothesis using technical, or fundamental approach
- Buy one ATM call and buy ATM put same strike, same expiry date
- Limited downside: Unlimited upside

Max Loss	Premium Spent *100
Max Upside	Unlimited
Breakeven Up	Call strike + total premium spent
Breakeven Down	Put Strike - premium spent

Risk Profile



- Long vega
- Long Theta
- Long Gamma

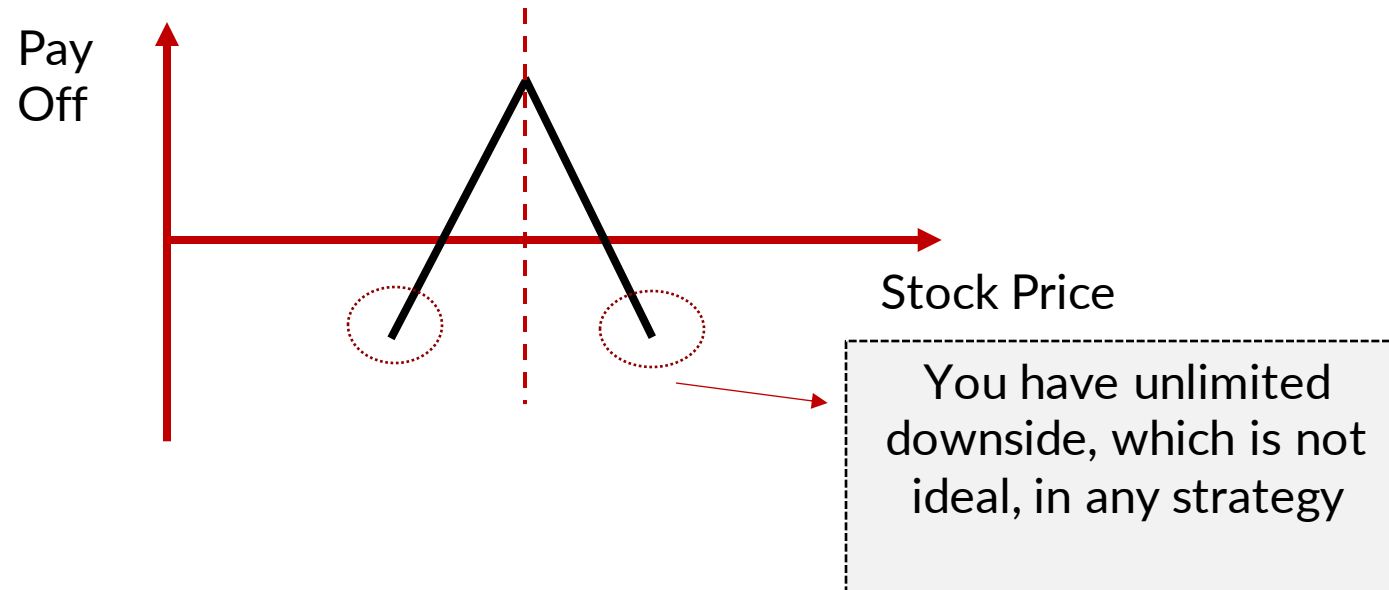
- You need an explosive move higher or lower. Otherwise, you will lose money. Great to pick up before key catalysts.

Pros & Cons

- Limited downside, unlimited upside
- Time is working against you
- No assignment risk

What is It? Short Straddle

- By selling one ATM call and one ATM puts

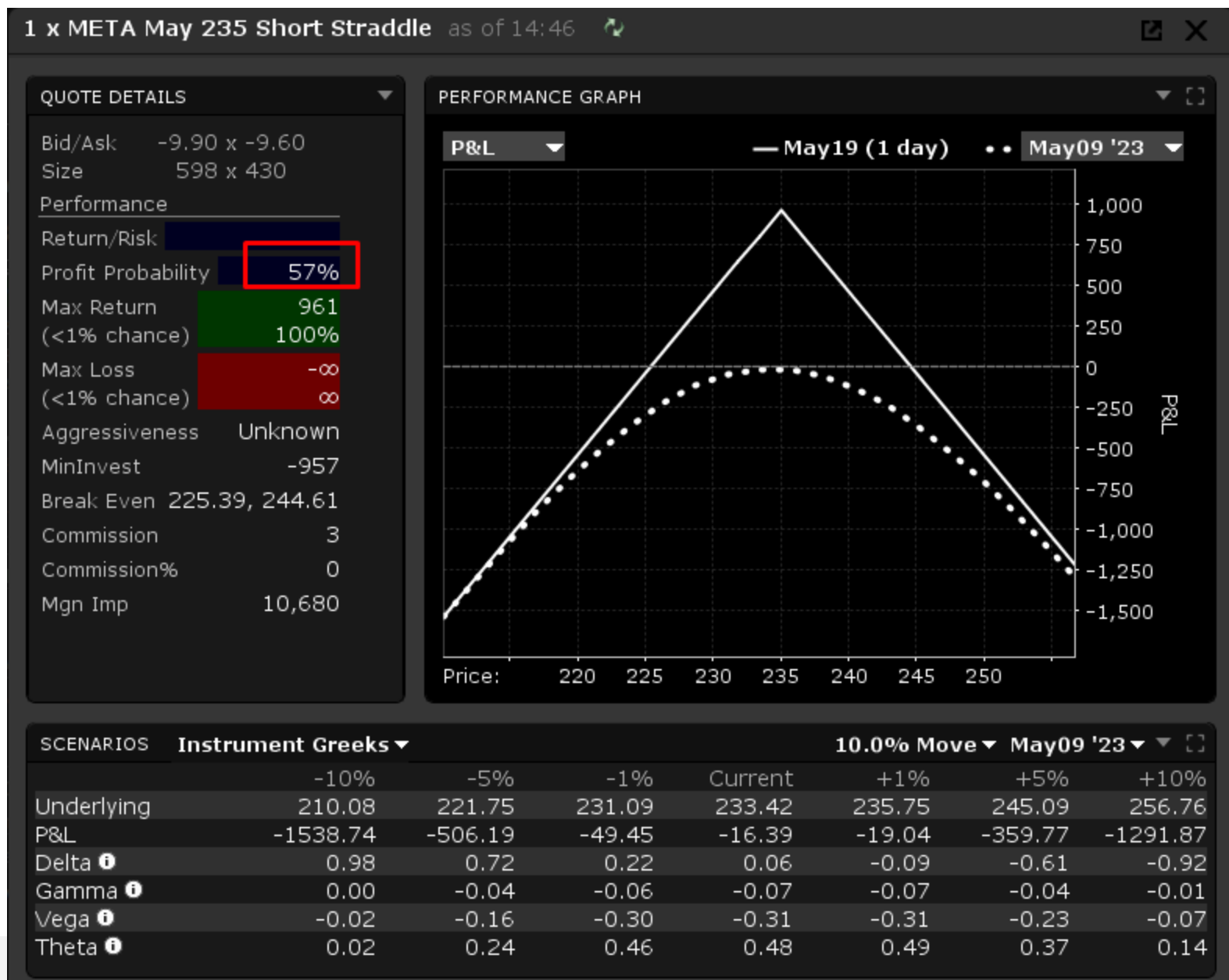


When to Use It?

- Unlimited risk and capped profit (not an ideal strategy)
- Traders may run this strategy to take advantage of a possible decrease in implied volatility
- The strategy is simple: Sell **1 ATM call** and sell one **1 ATM put** for **same expiry**

Max Loss	Unlimited
Max Upside	Total premium collected
Breakeven Up	Put strike price + total premium collected
Breakeven Down	Call strike price - total premium collected

Risk Profile



- Short Vega
 - Short Theta
 - Short Gamma
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- You need the stock to do nothing. The less movement there is, the higher the chance of making money in this trade.

Pros & Cons

- unlimited downside, limited upside
- Time is working for you
- High assignment risk