

Strategy: Naked Call/Naked Puts

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What is It? Naked Call

- A naked call, also known as an uncovered call, is an options trading strategy where the seller of the call option does not hold a corresponding long position in the underlying asset. In other words, the seller does not own the stock or other underlying asset that the call option represents the right to buy.
- When a trader sells a naked call, they are hoping that the underlying asset's price will not rise above the strike price of the option before it expires. If the price does rise above the strike price, the seller will be obligated to sell the underlying asset to the buyer at the lower strike price, resulting in a loss for the seller.
- This is a **neutral** to **bearish** strategy.

Where to Use It

- Great when a stock is at a **key area of a resistance**.
- It is mostly a market **neutral** to **bearish strategy**.
- When you expect the stock will either consolidates or move lower.
- You are **short volatility** in this strategy. So maximum gain would be if the volatility falls.

Risk Profile

-1 x AAPL May19'23 175 CALL as of 10:31

QUOTE DETAILS

Bid/Ask 1.88 x 1.89
Size 245 x 266

Performance

Return/Risk

Profit Probability 69%

Max Return 187
(58% chance) 100%

Max Loss -∞
(<1% chance) ∞

Aggressiveness Unknown

MinInvest -185

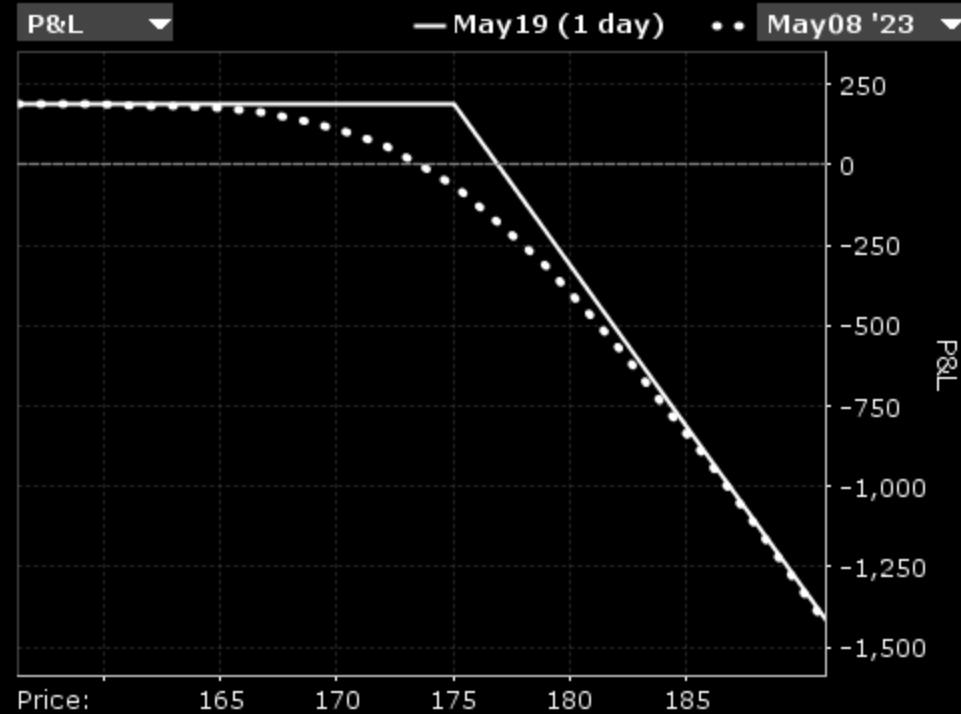
Break Even 176.87

Commission 2

Commission% 1

Mgn Imp 7,032

PERFORMANCE GRAPH



SCENARIOS Instrument Greeks

10.0% Move May08 '23

	-10%	-5%	-1%	Current	+1%	+5%	+10%
Underlying	156.29	164.98	171.92	173.66	175.40	182.34	191.03
P&L	186.88	174.07	61.45	-2.81	-85.57	-591.13	-1426.00
Delta	0.00	-0.05	-0.32	-0.42	-0.53	-0.88	-1.00
Gamma	0.00	-0.02	-0.06	-0.06	-0.06	-0.03	0.00
Vega	0.00	-0.03	-0.11	-0.12	-0.12	-0.06	0.00
Theta	0.00	0.03	0.11	0.12	0.13	0.08	0.03

- The profit is capped
- Losses are unlimited
- High probability trade, poor risk to reward.
- Short Vega
- Short delta

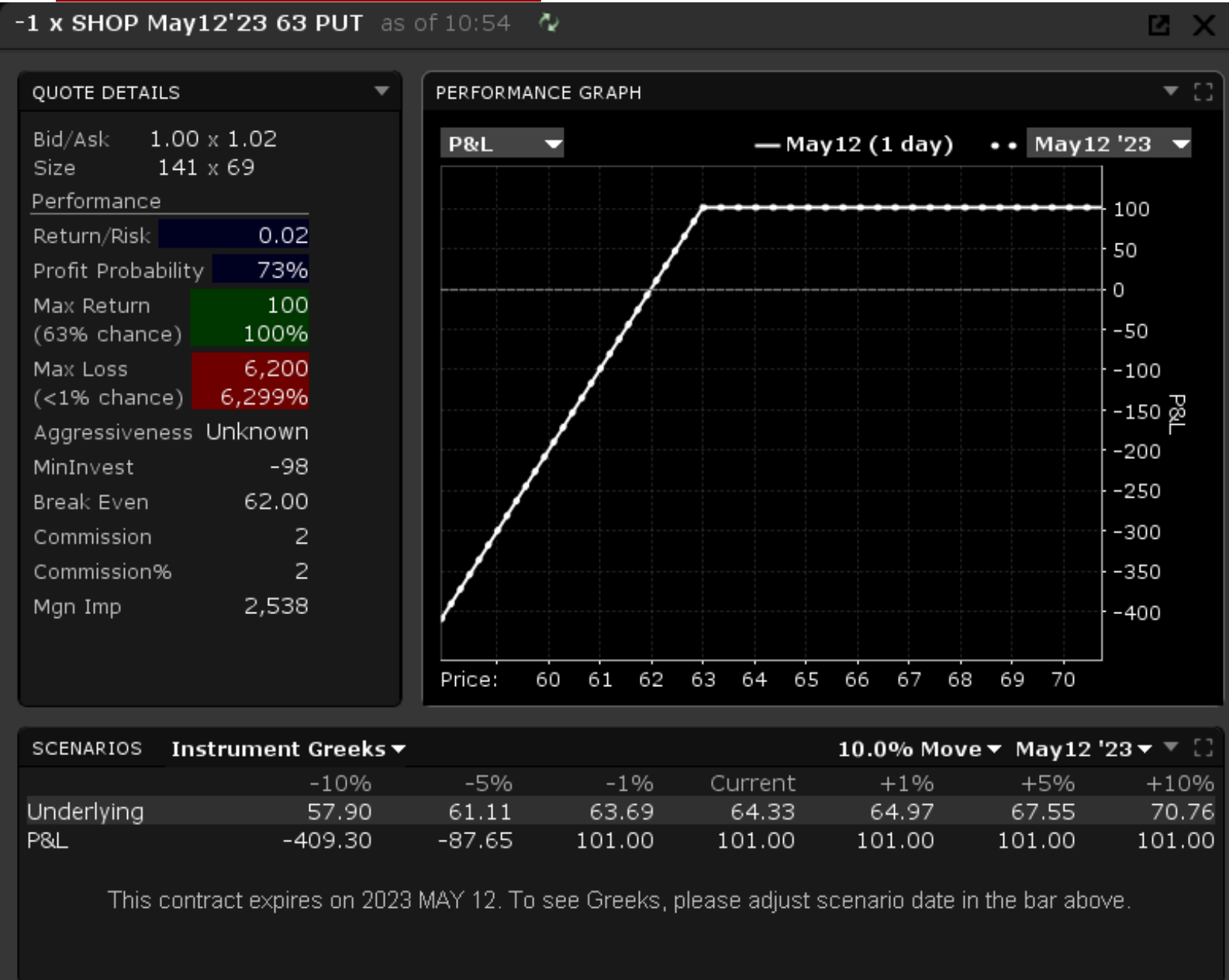
What is It? Naked Puts

- Naked put selling, also known as an uncovered put, is an options trading strategy where the seller of the put option does not hold a corresponding short position in the underlying asset. In other words, the seller does not have a pre-existing commitment to buy the underlying asset at a certain price.
- When a trader sells a naked put, they are hoping that the price of the underlying asset will remain stable or increase before the option expires. If the price remains stable or increases, the seller of the put option keeps the premium they received from the buyer as profit. However, if the price of the underlying asset falls below the strike price of the put option before expiration, the seller will be obligated to buy the underlying asset at the higher strike price, resulting in a loss for the seller.
- This is a **neutral** to **Bullish** strategy.

Where to Use It

- Great when a stock is at a **key area of a support**.
- It is mostly a market **neutral** to **bullish strategy**.
- When you expect the stock will either consolidates or move higher.
- You are **short volatility** in this strategy. So maximum gain would be if the volatility falls.

Risk Profile



- The profit is capped
- Losses are unlimited
- High probability trade, poor risk to reward.
- Short Vega
- Long delta