

OptionMath.com - Backspread Cheat Sheet

	Call Backspread	Put Backspread
Description	Short One OTM Call Long Two Further OTM Calls	Short One OTM Put Long Two Further OTM Puts
Example	ATM = 100.00 Short One 105 Call Long Two 110 Calls	ATM = 100.00 Short One 95 Puts Long Two 90 Puts
Pay or Collect Premium	Either is Possible, Net Premium Should be Very Small	Either is Possible, Net Premium Should be Very Small
Needed Directionality	↑	↓
Passage Of Time Without Market Movement	-	-
Increase In Implied Volatility Without Market Movement	+	+
Payoff Thumbnail Chart		
Maximum Risk	Lower Strike Price Minus Higher Strike Price Plus (Minus) Any Net Premium Paid (Received)	Higher Strike Price Minus Lower Strike Price Plus (Minus) any Net Premium Paid (Received)
Maximum Profit	Theoretically Unlimited	Limited Only Because the Price of the Underlying Stock Can't Drop Below Zero
Breakeven Points	Higher Strike Price Plus Width of the Backspread Plus (Minus) Net Premium Paid (Received)	Lower Strike Price Plus Width of the Backspread Minus (Plus) Net Premium Paid (Received)