Protective Put

You bought in AMZN at $129.50

July 21st 2023 125 Puts for $2.20

1.7% until July expiration

Long Put plus Long Stock Call

The exact same as Buying the AMZN 7.21.2023 125 Calls

Long AMZN from $125 to infinity

Stock goes to your long strike price

Calls will cost you $7

Cash Secured Put

You are willing to get LONG AMZN at $125 or UNDER

Sell the AMZN 7.21.2023 125 Put for $2.20

Risk: $125- $2.20= $12,820

Reward: $220

If AMZN stays above $125, you collect the money, if AMZN stays above $122.80 you make money

You BEST scenario is AMZN closes at $125.01

Stock: lose $450 on stock

Option goes to zero

On Expiration:

In the Money: $125 Strike, Stock would have to be under $125

At the Money: $125 exactly

Out of Money: Collect Money

Cash Secured Put

You are willing to get LONG AAPL at $182.50 or UNDER

Sell the AAPL 7.21.2023 182.50 Put for $2.10

Risk: $182.50- $2.10= $18,040

Reward: $210

If AAPL stays above $182.50, you collect the money, if AAPL stays above $180.40 you make money

Option Wheel:

If AAPL closes at $180, you will get Put the stock: 1 option: 100 shares

100 shares: Sell the August 180 Calls $4

Your Cost Basis is now $176

EURN Put Spreads vs Cash Secured Puts

EURN is trading $16.15

I am willing to get long EURN at $16, Sell the August 18th 2023 16 Put for $1.10

Risk $1490

Reward: $110

Breakeven $14.90

I would rather sell the 8.18.2023 16-15 Put Spread for $.40 credit

Wrong: $60

Right: $40

Margin is only $60

If you didn’t want to sell Puts Naked, you could sell the AMZN 7.21.2023 125-124 Bull Put Spread for $.30 credit

Risk: $70

Reward: $30

Make Money above $124.70

Vs Selling Puts Naked

Advantage of Selling Puts

* Lower Cost Basis; $122.80 vs $124.70
* Make Money Per Trade: $220 vs $30

Advantage of Selling Put Spreads

* Better Reward to Risk Setup
* Lower Margin