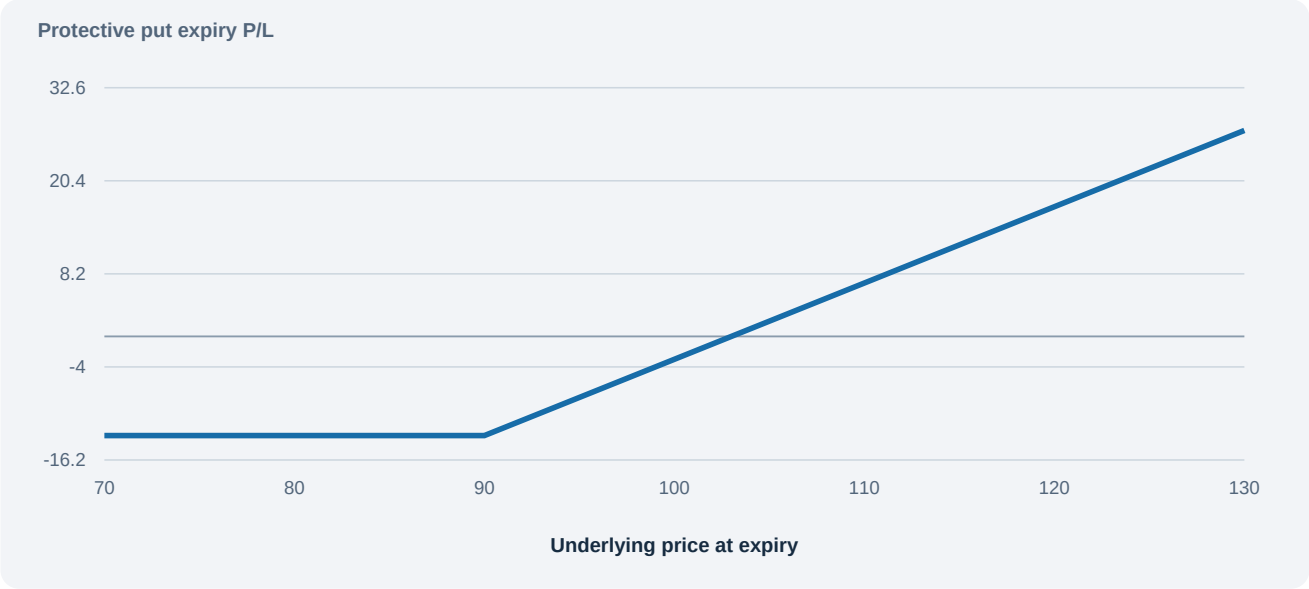
Protective-put expiry floor

Option arithmetic | Original synthetic example | Edition 2026-11-26

Holding an underlying unit and a matching long put creates an idealized expiry value floor at the put strike. The floor's net result also depends on stock entry and put premium.

FORMULA P/L = max(expiry price, strike) - stock entry - put premium

SCENARIO 01: Synthetic expiry scenario; reference strike 100



WORKED EXAMPLE

Stock entry 100, put strike 90, premium 3: idealized expiry floor is -13.0 P/L per unit. No fees or settlement frictions.

COMMON MISTAKE

Ignoring the put premium overstates the protection's net floor.

BEFORE YOU USE THE CALCULATION

1. Match protected quantity and expiry.
2. Include premium in total cost.
3. State the expiry-only payoff assumption.

COMPARE TWO MORE INPUT SETS

Scenario 05: Synthetic expiry scenario; reference strike 140. Stock entry 140, put strike 130, premium 5: idealized expiry floor is -15.0 P/L per unit. No fees or settlement frictions.

Scenario 10: Synthetic expiry scenario; reference strike 190. Stock entry 190, put strike 180, premium 7.5: idealized expiry floor is -17.5 P/L per unit. No fees or settlement frictions.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.