Long-straddle expiry thresholds

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

A long straddle buys a call and put at the same strike and expiry. The combined premium creates two expiry break-even prices; a move alone may be too small to recover that premium.

FORMULA Break-evens = strike minus or plus total premium

SCENARIO 01: Synthetic expiry scenario; reference strike 100



WORKED EXAMPLE

Total debit 6 gives expiry break-evens 94 and 106. No fees or settlement frictions.

COMMON MISTAKE

Expecting every volatile day to produce a profitable expiry straddle ignores the size and price of the move.

BEFORE YOU USE THE CALCULATION

1. Use a shared strike and expiry.
2. Add both premiums.
3. Keep volatility changes separate from expiry payoff.

COMPARE TWO MORE INPUT SETS

Scenario 05: Synthetic expiry scenario; reference strike 140. Total debit 10 gives expiry break-evens 130 and 150. No fees or settlement frictions.

Scenario 10: Synthetic expiry scenario; reference strike 190. Total debit 15 gives expiry break-evens 175 and 205. No fees or settlement frictions.

Background context: Options Industry Council: Strategy education

Learn. Analyze. Practice. Trade Smarter. | Original calculations; background sources provide context.

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