

OptionMath.com - Risk Reversal Cheat Sheet

Risk Reversal	
Description	Long OTM Covered Call, Short OTM Put, Long Cash to Buy Stock at the Strike Price
Example	ATM = 100.00 Long One 105 Strike Call Short One 95 Strike Put Long \$9,500.00
Pay or Collect Premium	Pay or Collect Very Small Amount of Net Premium
Needed Directionality	↑
Passage Of Time Without Market Movement	Little or No Net Impact
Increase In Implied Volatility Without Market Movement	Little or No Net Impact
Payoff Thumbnail Chart	
Maximum Risk	Strike Price of the Put Minus Any Net Premium Received (if Stock Drops to Zero)
Maximum Profit	Theoretically Unlimited
Breakeven Points	Call Strike Price ± Any Net Premium Received Put Strike Price ± Any Net Premium Received