CALLS: THE RIGHT TO BUY

Vajgrt Labs - Education - Lesson 34 of 72 - 6 min read - Updated Oct 21, 2026

TL;DR

- A call is the right to buy 100 shares at the strike, on any day up to expiry. Bought, it is a defined-risk ticket: pay the premium once, and the worst outcome at the deadline is losing exactly that - on this chain's 773 call, $2,068 at the ask.

- At expiration a call is worth exactly SPY minus the strike, or nothing if that is negative. So the buyer's breakeven is strike + premium: 773 + 20.68 = 793.68. Finishing above the strike is not winning; finishing above 793.68 is.

- The seller's seat is the mirror with ceiling and floor swapped: best case, keep the premium collected (the bid, 20.53); above their breakeven of 793.53 they lose $100 per point per contract, with no cap - which is why this course never sells a call without a bought call above it (Stage 7).

THE TAKEAWAYS

- The payoff rule, from which the whole lesson is arithmetic: at expiration, a call is worth max(SPY - strike, 0) per share. Above the strike it pays the difference; at or below it, it pays nothing - nobody exercises a right to buy at 773 what the market sells for less. The buyer's result is that value minus the premium paid; the seller's is the premium collected minus that value. Every figure in the worked example, and every cell of the graphic, is this one line evaluated at a finishing price.

- Breakeven is the line the trade is actually about: strike + premium = 793.68. Between the strike and the breakeven sits the dead zone - prices where the contract pays real money back and the trade still loses. SPY finishing at 785, up nearly seven points from where it sat when the chain was captured, returns 12.00 against 20.68 paid: -$868. Being right about direction is necessary; it is nowhere near sufficient. The move must clear the premium, in full, by the deadline - Stage 6 ends with a lesson that makes drawing this line on the chart a non-negotiable habit.

- Both sides' prices live in the same row, and the difference is Stage 2's friction made visible: the buyer is logged at the ask (20.68) because that is the conservative fill - the course never flatters a trade by assuming the midpoint. The seller collects the bid (20.53): the 15 cents between them is the spread, paid by whoever crosses it. So the two seats even break even at different prices - 793.68 against 793.53 - and in the sliver between them, both sides lose. That is not a paradox; it is the market maker's wage, itemised.

- One boundary on everything in this lesson: the table is exact only AT expiration. Before the deadline, the contract also carries extrinsic value - the price of its remaining time and possibility (Lesson 5 splits the premium open) - so a live quote mid-life sits above this lesson's payoff line, and a trade can be closed for more (or less) than the table suggests. The course's structures are normally closed before expiry (Stages 7-8), which means they are settled by the live price, not this table. But every path ends at this table if held - it is the contract's final form, and the only honest place to plan from.

RULE: Strike plus premium is the line - judge every call by where SPY must FINISH, not by where

it might visit.

COMMON MISTAKES

- Judging the call by the strike. 'SPY finished above my strike' is not a win - the line is strike + premium: 793.68, not 773.

- Counting a rally as profit before it clears the premium. Between 773 and 793.68 the trade is losing at expiry at every single price.

- Forgetting that 'eventually' is not a contract term. SPY reaching 800 in December pays a Nov 30 contract nothing. The deadline is part of the price you paid.

- Reading the seller's premium as income. It is the price of an uncapped obligation: their ceiling is the $2,053 collected, and their floor does not exist.

DO IT - PRICE THE DEAD ZONE ON PAPER

In your journal, take today's SPY chain (paper only) and find the call nearest 0.60 delta. Write its strike, its ask, and the sum of the two - its breakeven at expiry. Then write its three finishes: at the strike (the full premium, lost), at today's SPY price (compute the payoff from the rule: max(SPY - strike, 0) - premium), and at the breakeven. You have just rebuilt this lesson's table on a live row - the Stage 5 gate will ask you to do it on an unseen one.

Education only - not financial advice. Contract, exercise and assignment mechanics: the OCC's (standardised terms; exercise-by-exception, Rule 805) - checked Oct 15, 2026. Call figures are arithmetic on the real SPY chain data of Oct 9, 2026 (773 call bid 20.53 / ask 20.68; SPY 778.12; Nov 30 expiry); the put lesson's premium is the lesson's labeled example number, the published chain set being the call side. SPY options are American-style and physically settled. Vajgrt Labs - Education.