PUTS: THE RIGHT TO SELL

Vajgrt Labs - Education - Lesson 35 of 72 - 6 min read - Updated Oct 21, 2026

TL;DR

- A put is the right to SELL 100 shares at the strike, on any day up to expiry - the call's mirror. At expiration it is worth strike minus SPY, or nothing: it pays exactly when SPY finishes below the strike.

- The buyer's arithmetic mirrors too. Pay the premium - the example 773 put at its 15.50 ask is $1,550 - and the worst case is losing exactly that. Breakeven is strike - premium = 757.50: SPY must fall past it, by Nov 30, or the ticket expires on schedule.

- The put seller collects the premium and owes the fall: above the strike they keep it all; below their breakeven (757.65 at the 15.35 bid) they lose $100 a point, down to a maximum of (773 - 15.35) x 100 = $75,765 if SPY went to zero. Finite, unlike the short call - and five figures all the same.

THE TAKEAWAYS

- The payoff rule, mirrored: at expiration, a put is worth max(strike - SPY, 0) per share. Below the strike it pays the difference; at or above it, nothing - nobody exercises a right to sell at 773 what the market buys for more. The buyer's result is that value minus the premium; the seller's is the premium minus that value. Note where this lesson's contract starts: with SPY at 778.12, the 773 put is out-of-the-money - it needs a fall of 5.12 points before it holds a cent of expiry value, and a fall past 757.50 before its buyer profits. The same strike that was in-the-money for the call is out for the put; Lesson 5 makes a language of that.

- The protection seat, in arithmetic. Own 100 shares of SPY (worth $77,812 at the snapshot) and buy the 773 put at the example premium: for $1,550 - about 2.0% of the position - the shares carry a floor at 773 until Nov 30. Finish at 700 and the position is worth $70,000 in shares plus $7,300 from the put: the floor held, minus the premium. That is a real and honourable use of this contract - and the fx panel below prices what doing it permanently would cost, because insurance renewed forever is a strategy with a drag, not a free shield.

- The seller's bill, tabulated (they collected the 15.35 bid -> $1,535; breakeven 757.65): finish at or above 773 and they keep everything. At 760 the put pays 13.00 and they still keep 2.35 - +$235; the dead zone shelters them too. At 750: -$765. At 700: -$5,765. At zero - SPY cannot fall further, which is the only reason this seat has a maximum at all: -$75,765 per contract. Compare the short call's open slope (Lesson 2): the short put's loss is capped by the underlying's floor at zero, and the cap is still the largest number in this stage. 'Defined' is not the same as 'small' - which is why Stage 7's first credit spread sells a put only with a bought put beneath it, printing a maximum loss a budget can read.

- The same boundary as the call lesson, because it is the same contract machinery: this table is exact only at the deadline. Before expiry the put carries extrinsic value too - and puts carry a particular extra: falls usually arrive with fear, and fear inflates premiums (Stage 6's IV lesson prices it), so a mid-fall put can show a profit the expiry table would not promise, which can evaporate if the fall stalls. Plan from the table; don't be surprised by the journey's prices. What happens mechanically when a put is exercised - the seller buying 100 shares at the

strike - is Lesson 6’s subject, and its full morning-after procedure is Stage 8’s.

RULE: Strike minus premium is the put’s line - a fall that doesn’t reach it by the deadline is a loss wearing a good story.

COMMON MISTAKES

- Reading a put’s profit zone as ’below the strike’. Below 773 the put has value; below 757.50 the buyer has profit. The 15.50 between them is the dead zone.

- Buying protection after the fall. Puts are insurance, priced for visible risk: the premium rises with the danger everyone can already see (Stage 6’s IV). The policy is cheapest when it feels unnecessary.

- Assuming the short put is safe because ’SPY can’t fall far’. A 73-point fall - a bad quarter, not the end of the world - bills its seller $5,765 per contract; the maximum is $75,765.

- Treating the put as a share substitute with ’limited risk’ and forgetting the deadline. It is 100-share exposure with an expiry date: the fall must arrive by Nov 30, not eventually.

DO IT - BUILD THE PUT’S TABLE ON PAPER

From the same live chain row you used for Lesson 2’s practice, take the put at the same strike as your call. Note its ask, compute its breakeven (strike - ask), and write its three finishes: at today’s SPY price, at the breakeven, and twenty points below the strike. Beside the table, write the seller’s maximum gain and maximum loss for that row. Two tables, one strike, four seats - the whole of Stage 5 so far, in your own numbers.

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.