DEBIT VERTICALS: PAY FOR THE MOVE, CAP THE BILL

Vajgrt Labs - Education - Lesson 46 of 72 - 8 min read - Updated Oct 21, 2026

TL;DR

- A debit vertical is Lesson 1's single with a ceiling installed: you pay a net debit for a structure whose max gain and max loss are both fixed at entry. On the course's real chain (Oct 9, 2026, Nov 30 expiry): buy the 780 call at 16.08, sell the 785 call at 13.12 - debit 2.96, max loss $296, max gain $204, breakeven 782.96.

- The trade you are actually making: SPY must reach 782.96 by Nov 30 - +0.6% from 778.12 - for the first dollar of expiry profit, and 785 for all of it. At the printed payoff, this structure needs to win 59.2% of the time just to break even (296 ÷500); a structure whose breakeven line sits this close to spot is a statement about probability, not excitement - and Lesson 5 will show a construction whose breakeven starts below spot.

- The honest ledger of the structure: the rent falls from -$19 a day (the single) to about -$1 a day at entry, the IV exposure mostly cancels (both legs drink from the same IV stream), and the worst case fits accounts the single never could - at the price of the cap: every point above 785 belongs to the short leg's owner. The cap is not a flaw in the structure. It is the structure.

THE TAKEAWAYS

- The three numbers are one arithmetic, run in the course's order - loss first: max loss = the debit, $296. Max gain = width - debit = 5.00 - 2.96 = 2.04, $204. Breakeven = long strike + debit = 782.96. Every debit vertical you ever meet reduces to those three subtractions; a broker screen that shows you the gain first is marketing, and this course reads the red number first on principle (Stage 4's habit, applied to structures).

- Required win rate: 59.2%. Stage 4's instrument - breakeven win rate = max loss ÷(max loss + max gain) = 296 ÷500 - says this structure must be right roughly three times in five, at full payoff, merely to stand still. Partial payoffs (an expiry at 783.50, worth $154) soften real results, but the hurdle frames the honest question: is your read on SPY, at these strikes, on this clock, right three times in five? If the answer is a shrug, the ticket is overpriced at any debit.

- Why the rent nearly vanishes - and why that cuts both ways: the long leg's theta is -0.19 and the short leg's is +0.18, because theta is charged by proximity to the money, and both legs live in the same neighbourhood. The same neighbourhood logic shrinks vega (an IV move reprices both legs together) and delta (0.06 net at entry). A debit vertical is a low-drama instrument: it will not save you with a thrilling hedge dynamic mid-trade, and it will not ambush you with one either. What moves it is SPY's price versus the band, and time spent inside or outside it.

- The cap is a real cost with a date on it. This structure was chosen while SPY sat at 778.12 with resistance mapped at 779-782 (Stage 3): if your actual view is 'a squeeze through resistance toward 790', the 780/785 vertical is the wrong instrument - it sells precisely the part of the move you believe in. Lesson 5's strike selection exists to prevent that mismatch: the strikes are chosen from the view and the levels first, and the structure is built to fit them - never the other way round.

RULE: Pay for the move, cap the bill - and say the required win rate out loud before you pay. If

59.2% sounds high for your read, the trade is telling you something.

COMMON MISTAKES

- Quoting a vertical by its max gain. The course order is loss, gain, breakeven - a trader who leads with $204 hasn't priced the $296.

- Skipping the required win rate. 296 ÷500 = 59.2% is the trade's honest price tag; structures that demand 70%+ from a coin-flip read are donations.

- Holding a debit vertical into its final week 'to let it work'. The last week is where its gamma lives and its remaining value is thinnest - the plan exits before it (Lessons 5-7).

- Widening the spread after entry to 'give it room'. That is a new trade with a new debit and a new max loss, entered mid-emotion - Stage 4's plan discipline forbids rewriting the ticket from inside the position.

DO IT - PRICE A DEBIT VERTICAL THREE WAYS

From a current SPY chain, build one debit call vertical on paper (long leg in the 0.50-0.65 delta zone, short leg $5 higher, expiry at least three weeks out). Write the three numbers from the quoted sides, the required win rate from Stage 4's formula, and the net theta per day. Then price the three endings in your journal - expiry at your long strike, at your breakeven, and $10 through your short strike - and under them, one honest sentence: how often do you expect the full-payoff ending, and why? Paper only. This page is a gate artefact.

Education only - not financial advice. Call-side quotes: real SPY chain data, Oct 9, 2026 (773 call bid 20.53 / ask 20.68, Nov 30 expiry). Second-leg and put-side quotes are the lessons' labeled example numbers; spread figures are arithmetic on those quotes. SPY distribution: State Street's declared September 2026 distribution, $1.8888 per share, ex-date Sep 18, 2026. Exercise-by-exception threshold: OCC Rule 805 ($0.01 in-the-money). Vajgrt Labs - Education.