# EXPIRY WEEK: GAMMA, THE PIN, THE WALL

Vajgrt Labs - Education - Lesson 55 of 72 - 8 min read - Updated Oct 21, 2026

## TL;DR

- Into expiry, a spread's value function steepens into a cliff. At expiration, Stage 7's credit spread is worth exactly its intrinsic value: 0.00 at or above 765, 1.04 at the 763.96 breakeven, 3.00 at 762, 5.00 at or below 760. A $2 move through the band in the final days swings the position $196 - about twice the entire credit collected - which is Stage 6's gamma measured in the only units that matter: your dollars, per afternoon.

- The pin is the cliff's edge: a close within cents of your short strike leaves you unable to know, Friday night, whether you've been assigned - the OCC auto-exercises options $0.01 or more in-the-money (Rule 805), holders may file contrary instructions either way, and exercises are processed after the close. Stage 7 priced the leak at ~ 3.5x the printed max loss. Expiry week is where that machinery lives, so the course's positions don't.

- The wall is a date, not a judgement call: debit structures exit a full week early (Lesson 6's Nov 23 time exit for a Nov 30 expiry); credit structures are closed before expiry day at the latest - in practice, at their doors or on the Thursday before. The cost of the wall is the closing toll (Stage 7 priced it at a few dollars to perhaps twenty on these sizes). The cost of the alternative is an overnight stock position the structure never priced. There is no third option in which the last $30 of credit is harvested safely.

## THE TAKEAWAYS

- The cliff, tabulated (the graphic draws it): the 765/760 spread's value at expiration across SPY closes - 770: 0.00 - 766: 0.00 - 765: 0.00 - 764: 1.00 - 763.96: 1.04 - 763: 2.00 - 762: 3.00 - 761: 4.00 - 760: 5.00 - 755: 5.00. Between the strikes the value is simply 765 - SPY. Mid-life, the same $2 slide (764 -> 762) moves the spread by much less - both legs still carry time value and their deltas only partly engage (the exact mid-life figure belongs to that day's chain; the shape is the lesson). At expiry it is the full $200. The position's personality inverts across its life: the 'quiet' trade of week two is a binary coin by the Friday of week seven, its delta able to cross the whole width's exposure in a single afternoon.

- Theta's last-week bargain, refused: yes, an out-of-the-money credit spread's remaining value decays toward zero by Friday, and holding 'a few more days' harvests what's left - say the spread marks 0.30 on Wednesday: $30 of harvest. Against it: the same Wednesday, a slide to a 762 close re-marks the spread at 3.00 - a $270 swing against you, accepted in exchange for collecting $30. The final week's theta is real money, priced against cliff risk, and the course declines the trade without embarrassment: some premiums are wages for carrying exactly the risk this course exists to avoid, and recognising the wage doesn't oblige you to earn it.

- Contrary instructions - the pin is unknowable, not merely unlikely: holders may instruct their clearing member NOT to exercise an in-the-money option, or TO exercise an out-of-the-money one (the OCC's contrary-exercise mechanism, Rule 805(b)) - for reasons of their own: a stock position elsewhere, a hedge to flatten, a tax lot. So 'SPY closed $0.04 above my strike, I'm safe' is not a fact available to you on Friday night. Assignment is determined by the whole market's instructions and allocated after the close (Lesson 6 walks the machinery). The only state in which a spread cannot be pinned is closed.

- The debit side’s wall sits earlier for a reason: a debit vertical’s remaining value in its final week is mostly hope priced by gamma - Stage 7’s build exited on Nov 23, seven days out, sacrificing the last slice of its $58 cap to leave while the spread still had two-sided value and a functioning market in it. Calendar rules in this course are structure-specific and written on the plan card at entry, because ’I’ll decide when we get there’ is how positions meet Friday.

**RULE: Expiry week is a different instrument wearing your spread’s name - the course’s doors all close before it, and the last cents of credit are the most expensive cents on the chain.**

## COMMON MISTAKES

- Harvesting the last slice: holding an out-of-the-money credit spread into expiry week for its final $30 while standing a $270 cliff-swing away from one bad afternoon.

- Reading Friday’s close as a verdict (’$0.04 above my strike - safe’). Contrary instructions (OCC Rule 805) mean assignment isn’t knowable from the close; only a closed spread is un-pinnable.

- Using one calendar rule for both families. Debit walls sit a full week out, because debit value dies there; credit walls are the day before expiry at the latest - for reasons priced in this lesson, not by symmetry.

- Forgetting the ex-date inside expiry week: a short call into SPY’s quarterly distribution is an assignment candidate regardless of the pin (Stage 7) - the calendar has two traps, and the wall must clear both.

## DO IT - DRAW YOUR SPREAD’S CLIFF AND ITS WALL

For one open paper spread (or Stage 7’s credit spread), compute its full expiry-value table by hand, from the definition - every dollar from $3 above the short strike to $3 below the long strike. Then mark on the calendar: the time-exit date this course’s wall assigns the structure, any SPY ex-date inside its life, and the last session it may exist under your plan. Under the table, write the harvest refusal in one line: ’The most this spread can pay me in its final week is $___; the cliff can take $___ in the same week; I choose the wall.’ Paper only. Gate artefact - the lifecycle simulation in Lesson 7 starts from this table.

Education only - not financial advice. Management figures are recomputations on Stage 7’s own structures - the 765/760 put credit spread (credit 1.04), the 773/775 debit vertical at its 1.42 fill, and the 780/785 debit vertical (debit 2.96) - with scenario marks labeled as the lessons’ example numbers. Assignment and exercise mechanics: the OCC’s (Rule 805 exercise-by-exception at $0.01 in-the-money; contrary instructions under Rule 805(b); allocation of exercise notices by the broker’s disclosed method) - checked Oct 15, 2026. SPY distribution: State Street’s declared September 2026 distribution, $1.8888 per share. Margin-rate range: Fidelity’s published schedule, checked Oct 15, 2026. Vajgrt Labs - Education.