

Condors

Condors work in a similar way to butterflies except that there is an extra middle leg involved which therefore widens the spread and flattens out the top portion of the risk profile.

The Condor involves the following steps:

As with Butterflies you can use all calls *or* all puts with the Condor. You cannot mix the two.

Condor with calls

Step 1	Buy 1 lower Strike (ITM) Call	There are two key points here: 1. You trade the same number of contracts for each leg of the Condor 2. The distance between the four adjacent strikes should be equal, with the stock price being somewhere between the two middle Strike prices. *
Step 2	Sell 1 higher Strike (ITM) Call	
Step 3	Sell 1 higher Strike (OTM) Call	
Step 4	Buy 1 higher Strike (OTM) Call	

* Although this is the strict definition of a condor, it is also fine to have a Condor whereby the distance between the 2 extreme Strikes and their respective neighbouring middle Strikes is the same.

Or:

Condor with puts

Step 1	Buy 1 lower Strike (OTM) Put	There are two key points here: 1. You trade the same number of contracts for each leg of the Condor 2. The distance between the four adjacent strikes should be equal, with the stock price being somewhere between the two middle Strike prices. *
Step 2	Sell 1 higher Strike (OTM) Put	
Step 3	Sell 1 higher Strike (ITM) Put	
Step 4	Buy 1 higher Strike (ITM) Put	

* Although this is the strict definition of a condor, it is also fine to have a Condor whereby the distance between the 2 extreme Strikes and their respective neighbouring middle Strikes is the same.

The Condor will be a net debit transaction since the ITM and OTM options that you buy will be more expensive than the two ATM options that you are selling to create the strategy spread. Remember, don't be over ambitious with your Limit Order, but do make sure that you place this trade as a Limit Order!

Long Call Condor

