PANW: SELLING THE PAUSE, NOT THE CRASH.

Exhaustion at a record 200-day extension, expressed via defined-risk call spread.

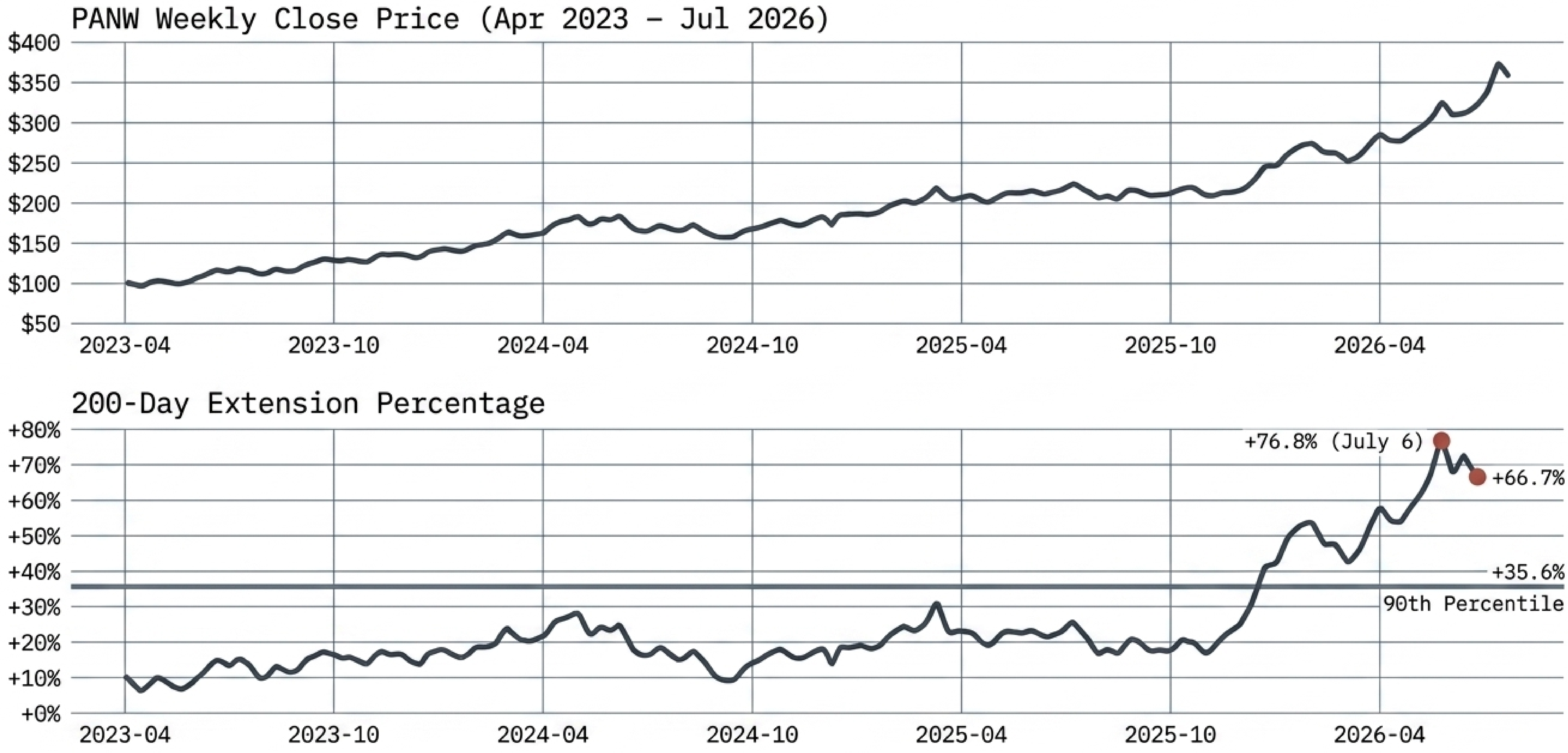
SELL Aug 21 '26 $355/$385 Call Spread.

PANW Spot: $348.66 | 200-day Ext: +66.7% | 10d Realized Vol: 67% (95th pctile)

- **Extreme Setup:** PANW trading a textbook exhaustion sequence at a record +76.8% extension above the 200-day SMA.
- **The Conflict:** Timing rejection days in this run is a coin flip, but the only true analog resolved on an earnings catalyst.
- **The Angle:** We only require a pause. The recommended structure wins anywhere below +1.8% at expiry and dies before the estimated Q4 report.

STRUCTURE	EXPIRY	CREDIT TARGET
-355C / +385C	Aug 21 '26 (monthly)	≥ $10.00 (≥33% width)
BREAKEVEN	**MAX LOSS**	**SIZING**
≈ $365 (+4.7%)	≈ $20 (R:R ~1:2)	≈ 7% disc. Kelly

Three probes of $366–369 in ten sessions. Each rejected. This is legitimate exhaustion structure, not a routine pullback.



The current altitude is the 99th percentile of the April 2023–present distribution. It remains above every pre-2026 observation in the file.

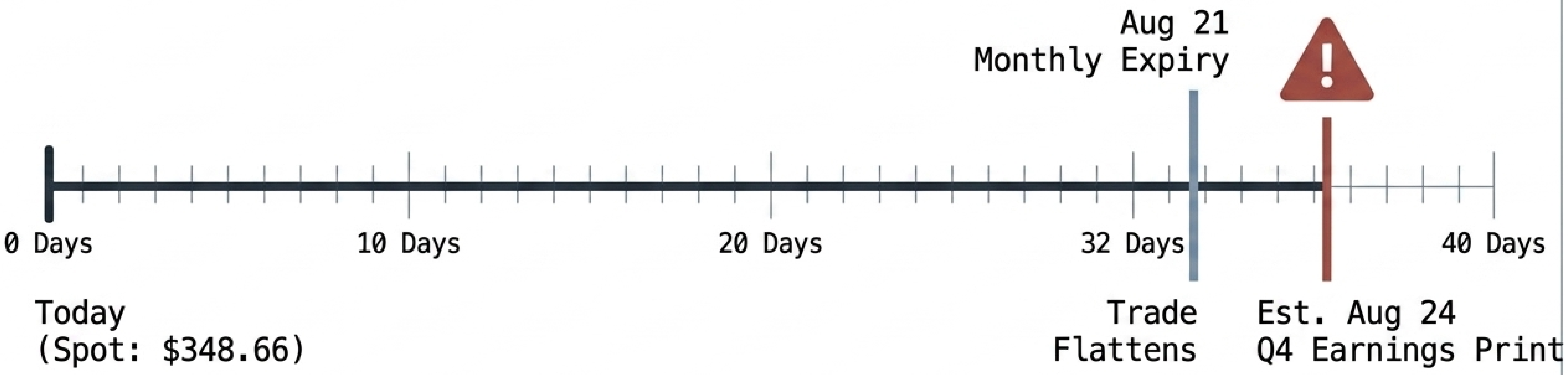
The Unconditional Record (The Base Rate)

- **Data:** Before this run, extension ≥45% occurred exactly 3 times (Feb 2024).
- **Result:** Six days later, PANW fell 28.4% in one session on a guidance cut.
- **Verdict:** n=3. One episode. Resolved by catalyst.

The Autocorrelated Parabola (The Tail)

- **Data:** In the current melt-up (≥35% extension), 25% of terminal paths resolve above $385.
- **Result:** A bootstrap check shows that feeding only the last 60 sessions destroys the short spread position (only 6% win rate).
- **Verdict:** The tail is sourced entirely from the May-June melt-up itself.

The backtest cannot resolve this mathematically. The trade is a distinct bet that the recent parabola does not immediately repeat.



Data Insight

The only historical mechanism that broke this pattern (Feb 2024) was an earnings print. This structural expression is designed to be flat the Friday before the hazard.

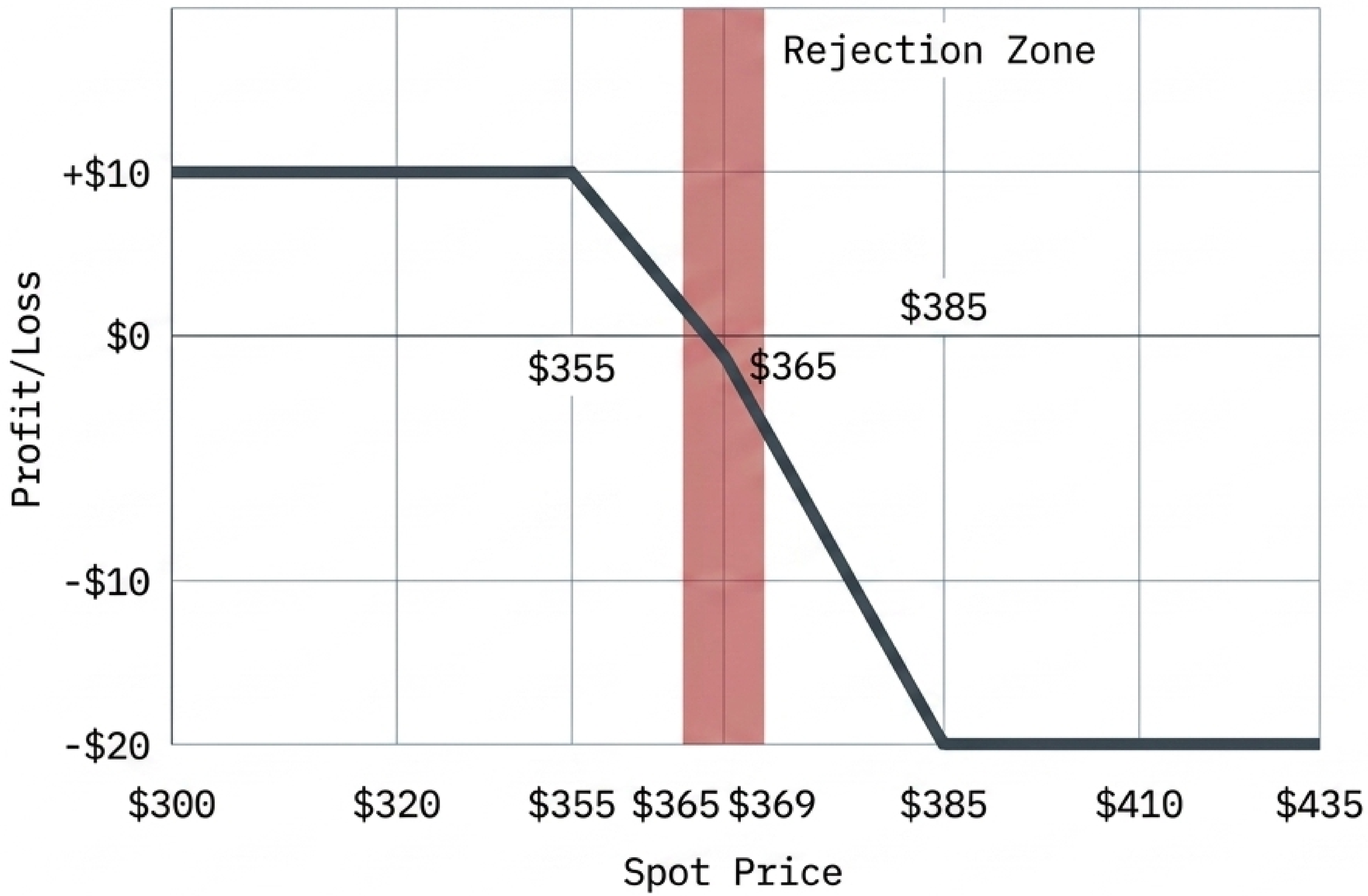
Invalidation Warning

If the company confirms a report date on or before Aug 21, the risk profile inverts. This is a structural invalidation, unconditionally.

Expression	Wins When	Loses When	Assessment
Short Stock	Crash occurs	Any continuation	Uncapped risk vs ±6% days; Rejected
Long Puts	Fast, large decline	Chop or drift	Buying 95^{th}-pctile realized vol: theta hostile; Rejected
-370/+410 CS	No new ATH holds	New high > ~$379	Elegant invalidation, but thin credit (~23% width), 1:3 R:R.
-355/+385 CS	Pause: below +1.8%	Close > ~$365 at expiry	Selected – monetizes the thesis directly.

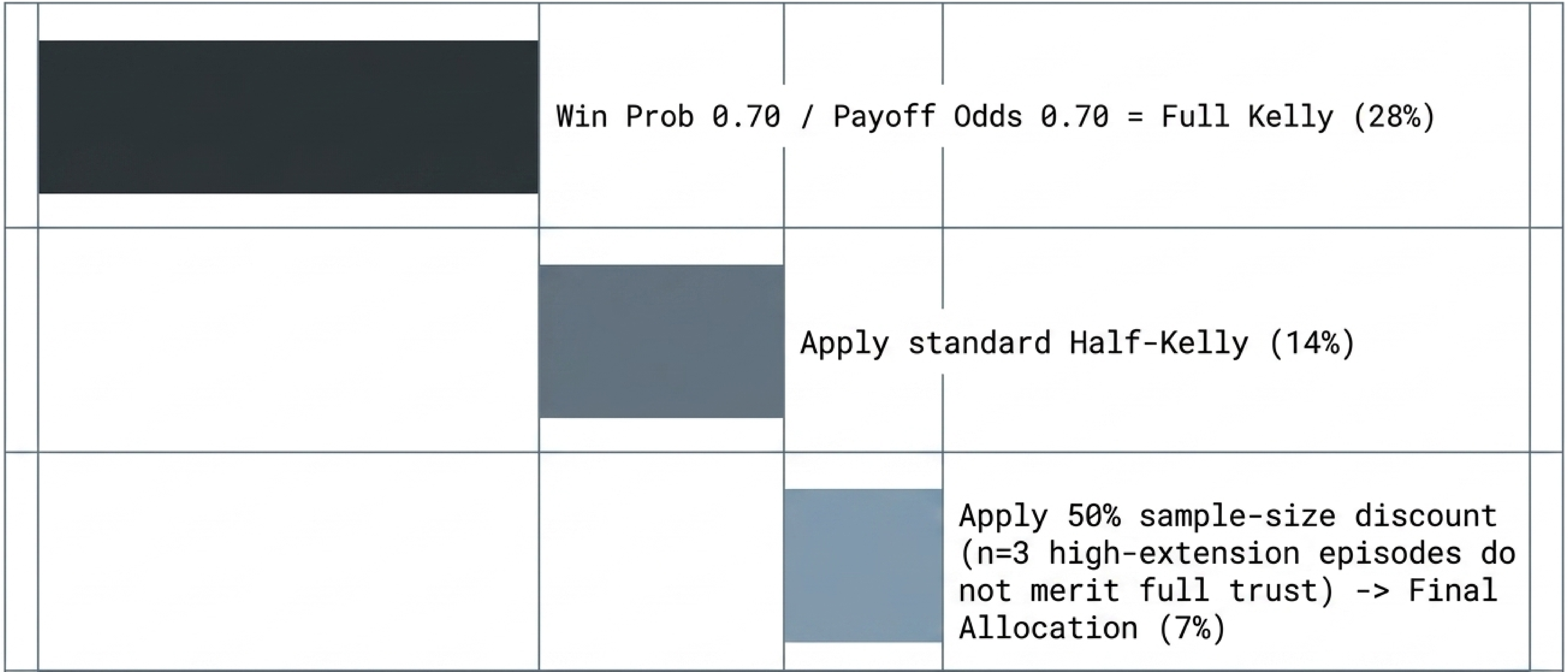
The structure converts the $366–369 supply zone from an invalidation level into the P&L fulcrum itself. It pays the thesis as stated.

P&L AT EXPIRY



EXECUTION RULES

- Entry: Target ≥$10.00 credit (≥33% width).
- Tactic: Scale on strength. A bounce into $358–362 fattens credit. Selling full size after a -3% down down day is the thinnest version of the trade.

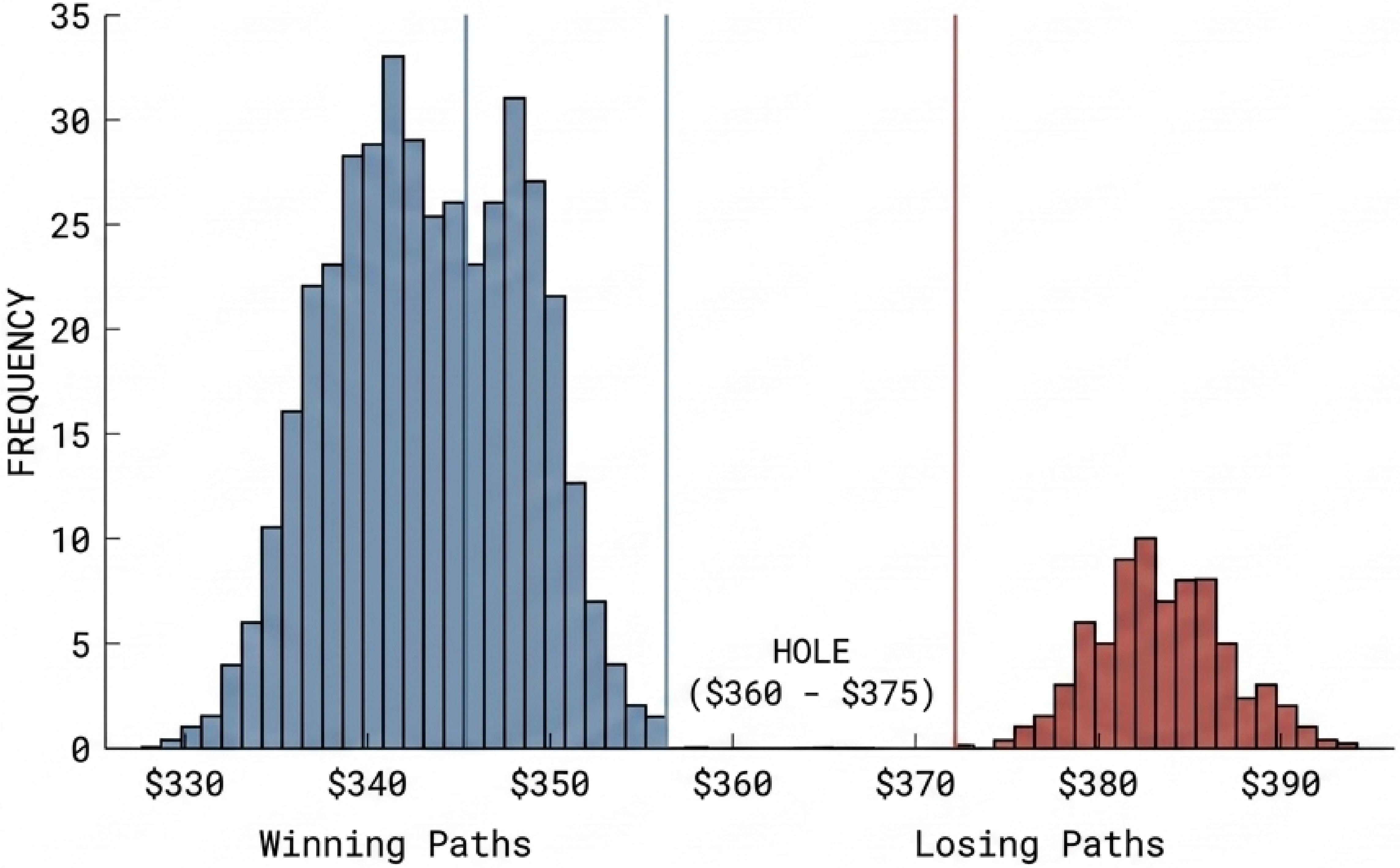


Allocate ~7% of options risk capital. Treat **max loss, not a credit,** as the **sizing unit** due to bimodal terminal distribution.

Calendar Risk	Structure Failure	Parabola Resumes
IF: Earnings confirmed on/before Aug 21. THEN: Unconditional exit. Roll to strictly pre-print expiry.	IF: Daily close > $369 (New ATH holds). THEN: Exhaustion thesis broken. Bias to close.	IF: Daily close > $385. THEN: Take max loss (capped by construction).

Downside Handling: Close < $320.59 (July 8 reaction low) separates shakeout from broken parabola. Harvest if >85% credit captured rather than riding 67%-vol theta.

CONDITIONAL TERMINAL DISTRIBUTION



Short strike ($355) touch probability intraday: 91%.

Breakeven ($365) touch probability: 70%.

The stock historically either pauses entirely or runs completely; it almost never pins between the strikes. Marks will go against you in winning paths. Do not manage on a touch. Hold to expiry.

BLACK-SCHOLES ESTIMATES

	IV	Delta (short/long)	Credit	Max Loss	Req. Win Rate
1	45% IV	0.48 / 0.26	$9.49	$20.51	68%
2	55% IV	0.50 / 0.31	$10.11	$19.89	66%
3	65% IV	0.51 / 0.34	$10.51	$19.49	65%

Raising IV a massive 20 points only adds ~$1.02 to credit. Higher implied vol lifts both legs and converges deltas.

GREEK TELEMETRY

- **Delta:** Short ~20 deltas. Treat as a directional position wearing an income costume.
- **Theta:** Back-loaded. Clean decay in Week 4 due to pre-earnings expiry (no event bid propping the strip).
- **Gamma:** The enemy in Week 4 if pinned near $355–365.

THIS IS A PROBABILITY SALE, NOT A VOLATILITY SALE.

At a $10+ credit, the loss zone requires PANW—already +66.7% above its 200-day, rejected three times at $366–369, with realized vol at the 95th percentile and insiders reducing—to close above ~$365 in 24 trading days without the benefit of an earnings catalyst inside the window.

It has done exactly that once in the file's history: the last eight weeks.

That sentence is both the risk disclosure and the thesis.