PCR (PUT CALL Ratio) Strategy

This strategy is application at index → BankNifty and NiftyFifty Indices.

While in learning phase → Deal only in 1 Lot and small Stop Loss.

This strategy work, when the market (Nifty/BankNifty) is either extremely Over Sold or extremely Over Bought.

When market is overbought then we will buy → Put Option.

When market is oversold then we will buy → Call Option.

PCR Calculation

PCR Ratio = Put Open Interest on a given day/ Call Open Interest on a same day.

= Put Volume / Call Volume

We can use following ways to see calculated PCR:

PCR is watched or considered at night (i.e. before market opening).

1. Google → PCR Ratio Nifty 🡪 Select Expiry → Monthly

put call ratio india infoline.

1. By using option chain data we can find PCR Ratio.
2. Go to NSE web portal → Live Market → Option Chain → Equity Derivatives

Select Market → nifty/banknifty

Select Expiry → Monthly/Weekly

PCR ratio = Total Open Interest (OI) Put / Total OI Call

1. Zerodha Application:

Open option chain of Nifty 🡪 Select Expiry 🡪 Info tab

PCR Indicator Indicates:

**PCR (Put call ratio) Indicator** → identifies whether market is in oversold or over bought zone i.e., it is used to determine the mood of the option market.

1. PCR < 0.8 then, Market is extremely oversold.

Buy Call Option of NifyFifty / Bank Nifty

1. PCR > 1.7 then, Market is extremely overbought.

Buy Put Option of NiftyFifty / Bank Nifty.

Types of options based on their strike price:

1. ATM (At The Money)
2. ITM (In The Money)
3. OTM (Out Of The Money)
4. **ITM (In The Money) Options:**

For Call Option, The stock having Strike Price < Market Price/ Stock Price are called In The Money Call Options.

For Put Options, The stocks having Strike Price > Market Price/ Stock Price are called In The Money Put Options.

1. **ATM (At The Money) Options:**

For call Options, The Options having Strike Price = Market Price/Stock Price are called At The money Call Options.

For Put Options, the options having Strike price = Market Price/Stock Price are called At the Money put options.

1. **OTM ( Out of the money) Options:**

For call options, The options having Strike Price > Market Price/ Stock Price are called Out of the money call options.

For Put options, the options having Strike Price < Market Price / Stock price are called out of the money put options.

Out of the money are cheaper. They have less premium with respect to the corresponding ITM options.

Note:

1. We should generally go with ITM and ATM options.