**PCR (PUT CALL Ratio) Index Options Strategy**

This strategy is application at index → BankNifty and NiftyFifty Indices

While in learning phase → Deal only in 1 Lot and small StopLoss

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

This happens only 3-4 times in a week.

When market is over bought then we will buy → Put Option.

When market is over sold then we will buy → Call Option.

**How to identify market is extremely over sold or over bought?**

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

How to calculate PCR:

**PCR Calculation:**

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

= Put Volume / Call Volume

Way 1:

Google → PCR Ration Nifty

put call ratio india infoline.

Select Expiry → Monthly

Select Expiry → Weekly

Way 2:

By using option chain data we can find PCR Ratio.

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

Note:

if PCR < 0.8 then, Market is extremely Over Sold.

Buy Call Option of NifyFifty / Bank Nifty

if PCR > 1.7 then, Market is extremely Over Bought.

Buy Put Option of NiftyFifty / Bank Nifty.

**Which Strike price option should we deal with?**

There are 3 Types of options based on their strike price:

1. ATM (At The Money)
2. ITM (In The Money)
3. OTM (Out Of The Money)

**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.

**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.

**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.