PCR-RSI Mix Strategy

This strategy is mixing of PCR Strategy and RSI Strategy.

PCR is noted down in night (i.e., after market close).

1. When PCR is in Extremely Oversold Zone (i.e., PCR <= 0.7), then market show recovery in short period of time and is trend reversal:
2. If RSI < 30 (Oversold) then 🡪 Buy call Option.
3. If RSI > 70 (Overbought) 🡪 don’t buy put option.

Because here market will correct little bit and after correction it will continue its trend. Here, wait for the correction.

1. When PCR is in Extremely Overbought Zone i.e., PCR >= 1.7 then market show adjustment in short period of time and may be trend reversal:
2. If RSI > 70 (Overbought) 🡪 Buy Put Option.
3. If RSI < 30 (Oversold) 🡪 don’t buy call option.

Because, here market will correct little bit and after correction it will continue its trend. Here wait for correction.

**Note:**

1. We use Open Interest to calculate PCR.
2. When PCR strategy comes into picture then RSI strategy does not applicable and does not show much effect. So, we consider only the RSI which is in direction of RSI.
3. We should use option chain data of next current expiry which is clearer. i.e., to watch put call ratio use weekly current expiry data, don’t use monthly expiry as it may not give clear view.

Limitation

When market is news driven then technical trading does not performs well.