Ratio Scenarios

Given we have VIX futures with these values:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Commercial Long | Commercial Short | Large Speculator Long | Large Speculator Short |
| VIX Futures | 4000 | 10000 | 20000 | 5000 |

In general, commercial usually are the opposite of large speculators, and the direction is generally decided by the large speculators, but not always.

In this example, we get the direction being 20000-5000/25000 = 0.6. However, if we had another example such that the values were switched, we get 5000-15000/25000 = -0.6. Thus, we get the total values that can be achieved for the directional weight is from -1 to 1, with the extremes meaning that the direction has more weight, hence contributing to a higher confidence in the trade.

Hence, we can calculate the confidence factor as follows:

Giving 25/39 or 0.641 to 3 decimal places.

Hence, we can get a good output from the terminal:

SYMBOL: VIX

DIRECTION: 0.6

CONFIDENCE: 0.641