

OPTIONS - Clarifications

Price	Volume	Signal	Inference
Up	Up	Bullish	Indicates at strength in the up move, and that the up move is likely to continue
Up	Down	Cautiously bullish	Indicates at weak buying pressure, due to which the rally could soon fizzle out
Down	Up	Bearish	Indicates at strength in the down move, and that the down move is likely to continue
Down	Down	Cautiously bearish	Indicates at weak selling pressure, due to which the decline could soon fizzle out

This table is a generic one for any market security in the sense that if price and volume both increase it indicates a market interest in the product, while for an opposite relation the current trend may be seen as weakening. This is how volume can be used as an identifier.

Price	Calls	Puts
Fresh Longs	Bullish view	Bearish view
Fresh Shorts	Bearish view	Bullish view
Long Liquidation	Closing of bullish positions	Closing of bearish positions
Short Covering	Closing of bearish positions	Closing of bullish positions

The above table is wrt the change in options premium vs options OI. The simple idea is that if call premium has decreased while an increase in OI, this indicates short positions being built up. Similarly, if say OI and call premium both decrease this could be a sign of traders booking profits (liquidation).

Likewise for put options, if OI has decreased and put premiums increase, this generally signals traders are closing short positions to cover losses (short covering). Another case when both OI and Put premium increase, this usually looks like fresh longs being created.

Most of these trends work fine wrt OTM options as ATM options have larger greek influence and change rapidly with spot price change. In ITM options, OI can be used as an indicator of profit/loss booking by unusual trends.

FUTURES OI

OIs are not limited to option analysis and a similar trend based approach can be used to identify futures movements as well. Rising trend with rising oi shows upticks and so on.

NIFTY OPTION

CALL OPTIONS

- ITM Options on every 500 multiples has a large OI. 8500,8000,9000. 9000 option OI has increased drastically (15%) on account of the market falling lately but 8000/8500 have remained the same relatively. Price fall for the 9000 option is drastic than 8500 in turn more than 8000. Deep itm calls have even seen an increase in price due to delta increase cancelling theta losses.
- ATM 9200-9300 have seen a lot of action with an increase in numbers for 9200 OI upto 25%. Price decline % is most at ATM calls.
- Call OI for 9300-9700 has increased, while 9800 calls saw sharp decline in OI. deep otm calls like 10,000-10,500 have increased while further 12,000 has increased as well.
- Price drop is rapid for otm calls.

PUT OPTIONS

- Significant put options start from deep otm like 6100, 6500,7000,7500,8000,8500, 8800, 9000 levels. Puts upto 8800 have seen increase, while 9000 has shown a sharp decline providing support of sorts. Prices increase more rapidly as we approach the spot.
- Significant action near atm 9100-9500 levels. However, itm options like 9300-9500 have a decrease in OI could be due to closing contracts. Price increased significantly. Deep itm puts are more or less at the same level in terms of OI numbers.
- Volatility smile pattern NOT present for both options.