

Backtest - OI

To Analyse Trend

Price trend can be identified by comparing Spot vs 10day-20day EMA values. Same can be done for the last week and standard deviation calculated on the same for identifying stop losses and volatility.

Important Option chains

Use current week and next week (along with month expiry chart) to get a more continuous OI for each strike price (this will smooth out the data in case of rolling over). However, a simple weighted average can be done on the same to account for recent week changes more, especially at the start of the month.

* For historical data, the previous week + current + next will work just as fine.

Important Strike Prices

Spot price - $(1/1.2)*std$ Spot price Spot price + $(1/1.2)*std$
(with important emphasis on 100s and 500s)

* As time passes, the range can be narrowed dynamically taking into account the volatility.

Entry/Exit conditions

Price trend +ve

OI continuously rises for two days OR (overall change >8-10%)

Calls (LS) Caution	Calls(ATM) entry/hold	Calls(HS) entry/hold
Puts (LS) Caution-Fall (book profit)	Puts(ATM) hold/exit	Puts(HS) entry/hold (reversal check)

OI continuously falls for two days OR (overall change >8-10%)

Calls (LS)
Confirms bull/entry
(combine with rise in HS)

Calls(ATM)
Unclear

Calls(HS)
Caution-Exit (book profit)

Puts (LS)
Good - Rise/entry

Puts(ATM)
check

Puts(HS)
Caution

Price trend -ve

OI continuously rises for two days OR (overall change >8-10%)

Calls (LS)
Caution- Exit

Calls(ATM)
hold/unclear

Calls(HS)
Caution-reversal

Puts (LS)
Caution-Fall
(book profit/loss)

Puts(ATM)
exit/unclear

Puts(HS)
entry/hold
(reversal check)

*** Similarly for OI continuously falls for two days OR (overall change >8-10%)**

* Strategy 2 - Futures OI for current+next (or prev+curr+next) can be used if Options OI doesn't work well, easier to handle since no issues with strike prices and call/put distinctions.

* When OI and price align, that is the only clear momentum scenarios.

* For unclear or caution scenarios - combine with other factors such Volume/OI ratios

* 2 or 3 strike prices will be checked for confirmation with nearby strikes given more weightage

* Check for stop loss always and/or other indicators if unclear results

* PCR ratio to help choose between contradictory moves or support hypothesis (helps choose which direction to take since both CE, PE are being checked)

* Stop Loss - decreases with expiry and dependent on S