The Data:

The spreadsheet pulls the best bid and the best offer (Quantity and Price)

How it should work:

The spreadsheet is testing if we should be on the inside bid or offer on 6 month, 9 month, and year double flies, 3 and 6 month condors, and 9 month butterflies. It looks at the legs that make up the strategy to see if it looks good (example: a 9 month butterfly looks at the two 9 month spreads. A double butterfly looks at the two butterflies that make it up).

We want the program to look at the bid/offer ratios of the “legs” to see if we want to be on a bid or offer on the strategy. The whole thing can be summed up in 5 scenarios:

1. If I’m buying a bid and selling an offer, I **always** want to be on it. (Likewise if we’re selling an offer and buying a bid)

2. If I’m buying a bid and selling a mid, I **always** want to be on it. (Bid price – Mid price)

3. If I’m buying a mid and selling a mid, I **never** want to be on it (Mid price – Mid price)

4. If I’m buying an offer and selling a bid, then the market is crossed, as in the legs are not adding up to the spread price and an opportunity to lift or hit is there.

(MOST OF THE TIME) 5. If I’m buying a bid and selling a bid, I want to make sure that the bid/ask ratio of the bid I’m buying is **GREATER** than the bid/ask ratio of the bid I’m selling.

However, we want some buffer room (perhaps a variable we can set) to measure the ratios. For example, if one leg has 11 bid/10 offer and the second leg is 10 bid/11 offer, I don’t want to be on that even though the bid/ask ratio of the first leg is larger than the second because it’s just too close.

Additionally, when numbers get very small or very large, the ratios tend to lose their meaning. For example if one leg is 80,000 bid/500 offer and the other leg is 90,000 bid/4,000 offer, I wouldn’t want to be on that bid either because although the ratios look good, the offer of either can easily flip, so it’s really not that good.

My spreadsheet has a minimum amount that both offers need in order to even consider the ratios, but there may be a lot better way to do this.

If this didn’t make sense, I can draw examples really easily.