

8.2 HOW DOES OPEN INTEREST HELP US IDENTIFY SUPPORT AND RESISTANCE ZONES?

Open Interest is also used to identify the support and resistance zones for stock price movements.

High levels of Open Interest in out of money call options acts as resistance. This means that a very large number of market participants have sold options at this level and a large number of them will help maintain selling pressure whenever the stock price tests that level. As a result, these levels act as resistance levels and market needs really high buying pressure to overcome this level.

**RESISTANCE
38K-41K FEET**

VERY HIGH LEVELS OF OPEN INTEREST IN CALL OPTIONS



VERY HIGH LEVELS OF OPEN INTEREST IN PUT OPTIONS

**SUPPORT
28K-31K FEET**

High levels of Open Interest in out of money put options acts as Support levels. This means that as the market prices fluctuate, whenever they come down to test these levels with really high out of money put options sold, there will be buying pressure to support price from falling. This is why such levels with really high Open Interest indicate support levels.

This way we can find the different areas where the open interests are remarkably high and accordingly find support and resistance zones for a stock.