Twitter Thread by Aditya Trivedi



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WHAT IS OPEN INTEREST, HOW TO ANALYZE IT AND DOES IT WORK?

In the thread I'll explain everything about Open interest and also all the tools used to analyze it and my personal opinion.

THIS IS THE ONLY THREAD YOU'LL EVER NEED ON OPEN INTEREST.

1: What is Oi?

Support if Mr A buys 10 lots of 17000ce in Nifty and Mr B sells 10 lots of call in Nifty then the total Oi on 17000 strike price will be 10.

So Oi is basically the number of outstanding contracts which are not squared off.

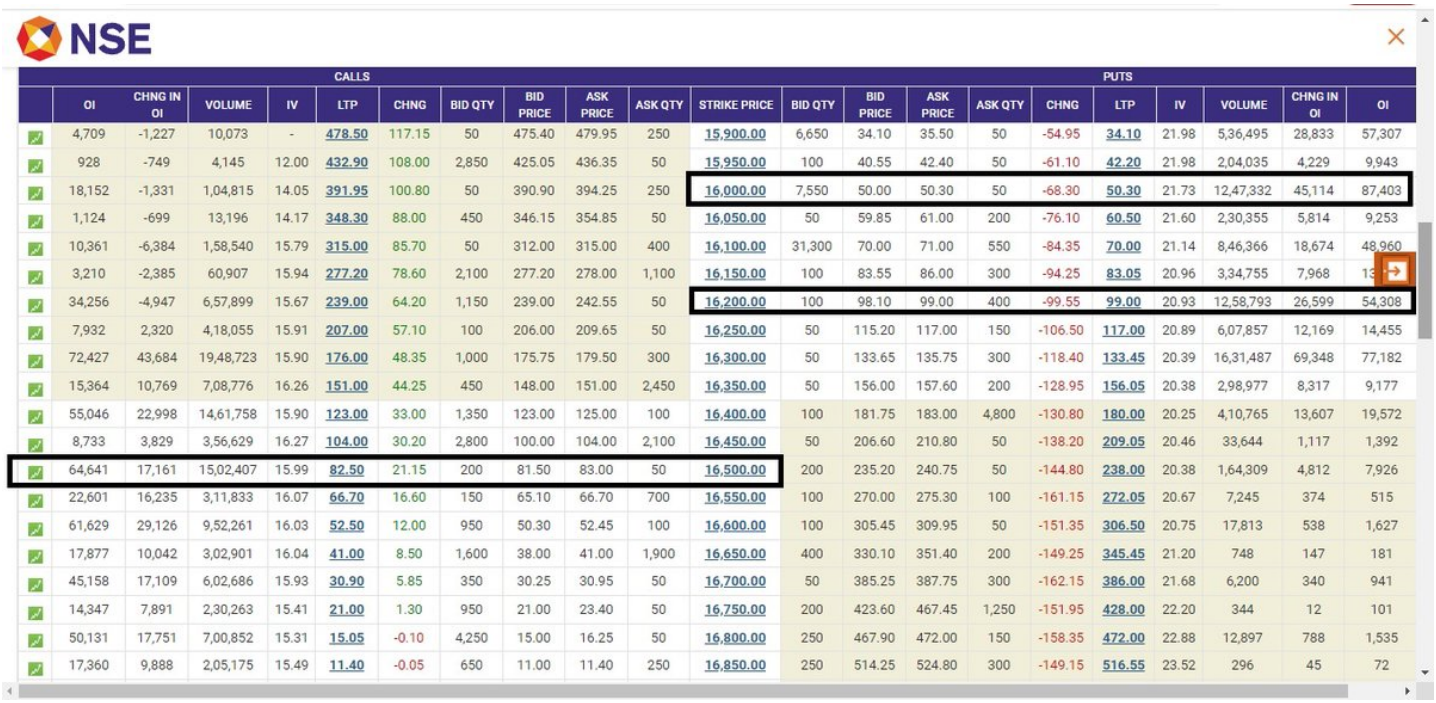
2: What is Oi used for?

Oi is only used to determine support and resistance on a particular strike price.

For eg: Nifty 16000pe has the highest Oi and 16200pe has to highest Oi.

So 16000 and 16200 level can be considered as good supports.

In the same way, 16500 ce has highest Oi and it can be considered as a resistance.



NSE

CALLS											STRIKE PRICE	PUTS								
	OI	CHNG IN OI	VOLUME	IV	LTP	CHNG	BID QTY	BID PRICE	ASK PRICE	ASK QTY		BID QTY	BID PRICE	ASK PRICE	ASK QTY	CHNG	LTP	IV	VOLUME	CHNG IN OI	OI
	4,709	-1,227	10,073	-	478.50	117.15	50	475.40	479.95	250	15,900.00	6,650	34.10	35.50	50	-54.95	34.10	21.98	5,36,495	28,833	57,307
	928	-749	4,145	12.00	432.90	108.00	2,850	425.05	436.35	50	15,950.00	100	40.55	42.40	50	-61.10	42.20	21.98	2,04,035	4,229	9,943
	18,152	-1,331	1,04,815	14.05	391.95	100.80	50	390.90	394.25	250	16,000.00	7,550	50.00	50.30	50	-68.30	50.30	21.73	12,47,332	45,114	87,403
	1,124	-699	13,196	14.17	348.30	88.00	450	346.15	354.85	50	16,050.00	50	59.85	61.00	200	-76.10	60.50	21.60	2,30,355	5,814	9,253
	10,361	-6,384	1,58,540	15.79	315.00	85.70	50	312.00	315.00	400	16,100.00	31,300	70.00	71.00	550	-84.35	70.00	21.14	8,46,366	18,674	48,960
	3,210	-2,385	60,907	15.94	277.20	78.60	2,100	277.20	278.00	1,100	16,150.00	100	83.55	86.00	300	-94.25	83.05	20.96	3,34,755	7,968	13
	34,256	-4,947	6,57,899	15.67	239.00	64.20	1,150	239.00	242.55	50	16,200.00	100	98.10	99.00	400	-99.55	99.00	20.93	12,58,793	26,599	54,308
	7,932	2,320	4,18,055	15.91	207.00	57.10	100	206.00	209.65	50	16,250.00	50	115.20	117.00	150	-106.50	117.00	20.89	6,07,857	12,169	14,455
	72,427	43,684	19,48,723	15.90	176.00	48.35	1,000	175.75	179.50	300	16,300.00	50	133.65	135.75	300	-118.40	133.45	20.39	16,31,487	69,348	77,182
	15,364	10,769	7,08,776	16.26	151.00	44.25	450	148.00	151.00	2,450	16,350.00	50	156.00	157.60	200	-128.95	156.05	20.38	2,98,977	8,317	9,177
	55,046	22,998	14,61,758	15.90	123.00	33.00	1,350	123.00	125.00	100	16,400.00	100	181.75	183.00	4,800	-130.80	180.00	20.25	4,10,765	13,607	19,572
	8,733	3,829	3,56,629	16.27	104.00	30.20	2,800	100.00	104.00	2,100	16,450.00	50	206.60	210.80	50	-138.20	209.05	20.46	33,644	1,117	1,392
	64,641	17,161	15,02,407	15.99	82.50	21.15	200	81.50	83.00	50	16,500.00	200	235.20	240.75	50	-144.80	238.00	20.38	1,64,309	4,812	7,926
	22,601	16,235	3,11,833	16.07	66.70	16.60	150	65.10	66.70	700	16,550.00	100	270.00	275.30	100	-161.15	272.05	20.67	7,245	374	515
	61,629	29,126	9,52,261	16.03	52.50	12.00	950	50.30	52.45	100	16,600.00	100	305.45	309.95	50	-151.35	306.50	20.75	17,813	538	1,627
	17,877	10,042	3,02,901	16.04	41.00	8.50	1,600	38.00	41.00	1,900	16,650.00	400	330.10	351.40	200	-149.25	345.45	21.20	748	147	181
	45,158	17,109	6,02,686	15.93	30.90	5.85	350	30.25	30.95	50	16,700.00	50	385.25	387.75	300	-162.15	386.00	21.68	6,200	340	941
	14,347	7,891	2,30,263	15.41	21.00	1.30	950	21.00	23.40	50	16,750.00	200	423.60	467.45	1,250	-151.95	428.00	22.20	344	12	101
	50,131	17,751	7,00,852	15.31	15.05	-0.10	4,250	15.00	16.25	50	16,800.00	250	467.90	472.00	150	-158.35	472.00	22.88	12,897	788	1,535
	17,360	9,888	2,05,175	15.49	11.40	-0.05	650	11.00	11.40	250	16,850.00	250	514.25	524.80	300	-149.15	516.55	23.52	296	45	72

3: But why?

Highest Oi at 16500ce indicates that highest number of people have sold it BUT it also means that highest number of people have Bought it!

If 16500 acts as resistance, the option will go to 0 and all the buyers will lose money.

So why do we consider it as resistance?

Why do we look at things from an option seller's perspective?

4: It is generally said that option sellers have deep pockets and they will do anything to protect their position.

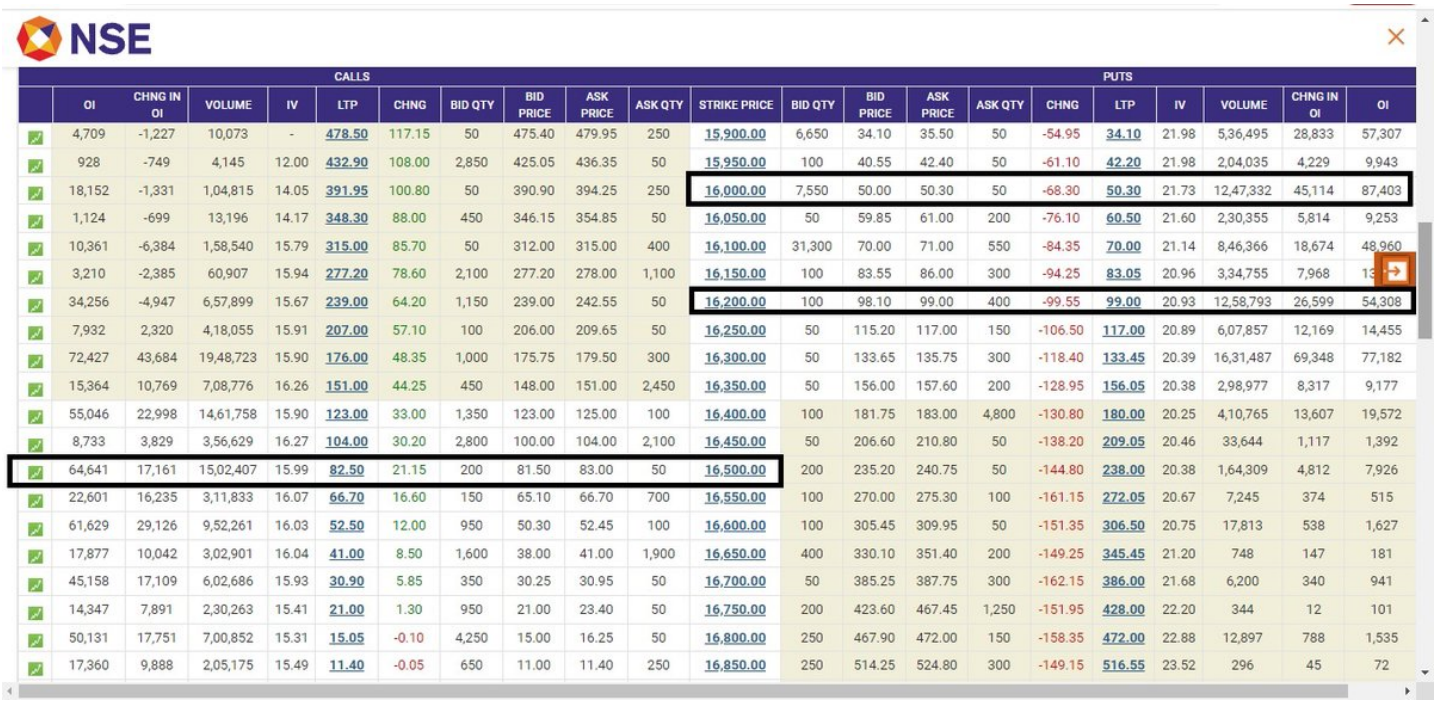
And also most of the option sellers are positional hence considering things from their perspective can work .

But there's a catch!

5: Before that I'll explain the different tools/ways used to analyse oi

- Total Oi.
I've explained it already in the above example. 16200pe,16000pe on the put side have highest Oi

And 16500ce and the highest TOTAL OI on the call side. Hence we can expect market to trade between this range.



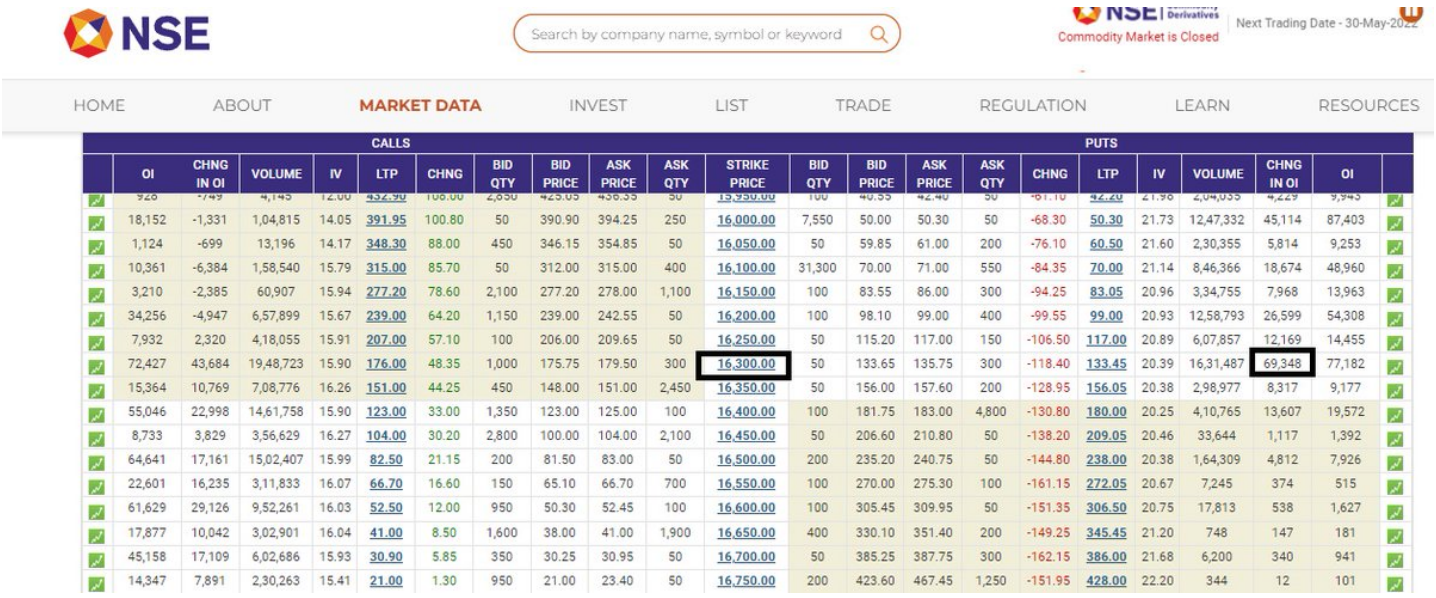
CALLS											PUTS								
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1,124	-699	13,196	14.17	348.30	88.00	450	346.15	354.85	50	16,050.00	50	59.85	61.00	200	-76.10	60.50	21.60	2,30,355	5,814	9,253
10,361	-6,384	1,58,540	15.79	315.00	85.70	50	312.00	315.00	400	16,100.00	31,300	70.00	71.00	550	-84.35	70.00	21.14	8,46,366	18,674	48,960
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34,256	-4,947	6,57,899	15.67	239.00	64.20	1,150	239.00	242.55	50	16,200.00	100	98.10	99.00	400	-99.55	99.00	20.93	12,58,793	26,599	54,308
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- Change in Oi

Change in oi represents the total change in Oi "TODAY" or present day/right now.

For example 16300pe has the highest addition on change in oi.

Hence we can expect 16300pe to be a good support since option sellers are building their postions.



CALLS											PUTS								
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- Intraday unwinding:

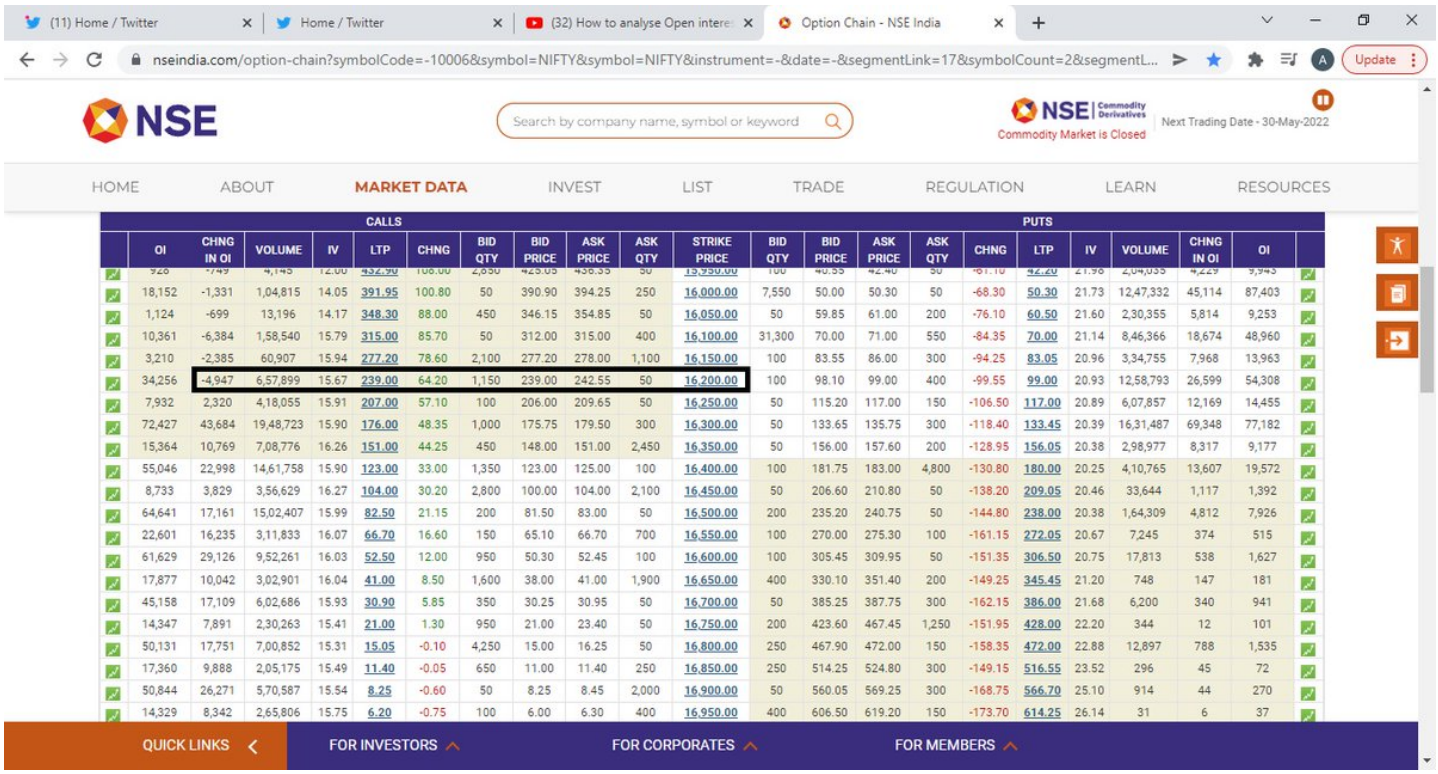
Taking the above example, lets say if market starts to trade below 16300, then the change in Oi figure of 69k at 16300pe will start to drop.

This indicates that 16300pe writers are giving up and this is a bearish sign.

- Positional unwinding:

If the change in Oi figure, starts to turn negative , then it means that the positional option writers are giving up which is a stronger sign.

For example: The change in oi at 16200ce is negative(-4.9k) which clearly indicates that 16200 call writers have given up indicating bullishness in the market.



6: What should you consider?

Out of these 4 tools what should you consider?

So there is no black and white answer you have to take reference from these tools and form your own view. You have to look at everything.

7: DO I BELIEVE OI STILL WORKS?

NO!

In 2018, Total Oi used to work very well.
In2019, Change in Oi was working very well.

But in 2020, Oi completely stopped working.

8: From 2020, the strikes with the highest oi started to breach.

Earlier it was very rare to see the strikes with highest oi get breached. Market used to perfectly respect it. But that's not the case now.

9: For eg: In Banknifty the oi gets built on every 500pts interval.

If Banknifty is at 35800, then 36000ce will have highest oi and 35000pe will have highest oi.

If Banknifty goes above 36000 , then 36000ce oi will start to drop

and 36000pe will start to build up. Hence the edge is lost.

Oi will keep on building and unwinding at every 500 pts strike price Which does make it useful in 2022.

10: I have also made a Youtube video on OI. check it out. https://t.co/L2eWujgUx0

11: Hope you enjoyed reading this and I hope I've changed your view about Oi.

For more learnings join our telegram channel : https://t.co/uNIrqq5aDP