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Market Chameleon

Screening for Call Options

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Call Option Screener

Today's Example Screen

Calls Theoretical Edge

Option Volume

Open Interest

Statistical Analysis

Technical Indicator

Theo Value Example

Call strike 110,

Stock \$100,

10 days to expiration

Distribution of Returns

50% stock finishes up 15%

50% stock finishes below 10%

$$\text{Theo } (50\% \times \$5) + (50\% \times \$0) = \$2.50$$

Option Volume

Why do traders look at unusual option volume?

Points to activity that something may be happening

Volume can create trading opportunities (implied volatility divergence, dislocation, extreme levels)

-IV %Rank

-IV Skew

-IV Spread

Open Interest

Detect if there is a concentration of interest on an option

Detect if new positions are being established

Statistical Analysis

In the absence of not knowing what will happen, we can use historical data to calculate historical statistical odds (distribution of returns).

Example: Seasonality Play

Technical Indicator

Timing in options is critical because option contracts decay and expire

Technicals can help show current direction and breakouts.