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Market Chameleon

Options Open Interest

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Open Interest

What is open interest?
How often is open interest updated?
Large Increases in open interest
Open interest vs volume
Concentration of open interest
Open Interest

Example Open Interest:

Open Interest starts at 0 when an option is listed

(not same as outstanding shares)

A trade creates open interest.
First Example

Person A buys 10 contracts from Person B (this creates contract that has an open obligation)

Volume = 10 contracts

OI= 10 contracts
Second Example

Same day transaction

Person A buys 10 contracts from Person B. Then Person A sells 10 contracts to person B to close out.

Volume = 20 contracts

OI= 0 contracts
Third Example

Person A buys 10 contracts from Person B. Person A sells 10 contracts to Person C

Volume = 20 contracts

OI= 10 contracts
Fourth Example

Person A buys 10 contracts from Person B. Person A exercises contract.

Volume = 10 contracts

OI= 0 contracts
How often is OI updated?

Open Interest is updated by the options clearing corporation based on end of day settled trades taking into consideration broken trades, exercises/assignments, corporate action such as splits etc..
What does open interest tell us

Open interest lets us know about option positions that have not yet been closed, exercised/assigned or expired.

The number of open contracts on a specific option

Can help spot new positions