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Market Chameleon
Options Multi Leg Trade Screener

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Options Multi Leg Option Screener

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What Are Multi Leg Trades

Option transactions that involve more than one option leg.

Multi Leg Trades combine options to create trading strategies such as call and put spreads, straddles, time spreads, butterfly etc..

You can use special order types to enter multi leg spreads that get executed simultaneously.

Significance

> 40% of Option Volume (**Source:** Market Chameleon compiled on Jan. 2, 2024 from consolidated OPRA feed)

Move beyond the simplicity of single-leg options.

Multi-leg trades offer a vast landscape of strategic possibilities, encompassing a range of market outlooks.

From volatility plays to directional expsure, dividend capture to range-bound strategies, and complex term structure views

-**Directiona**l (bullish and bearish spreads)

-**Volatility** (straddle and strangles)

-**Term Structure** (calendar spreads)

-**Implied Volatility Skew** (vertical and horizontal spreads, risk reversals)

Significance

-**Range Bound or sideway trading** (iron condors, butterfly)

-**Interest Rate Outlook** (conversion/reversals, box spreads, jelly rolls)

-**Dividends** (conversion/reversals, box spreads, jelly rolls)

-**Stock loan/borrow** (conversion/reversals, box spreads, jelly rolls)

-Use of multi leg strategies can also help

*Mitigate risks

*Enhance potential returns with more targeted exposure

How To Identify Multi Leg Trades

Option trades get reported on the OPRA options feed

A multi leg trade gets an identifier: that it is part of a multi leg order. However, this information is too limited.

What is the issue?

The trade tape offers only clues, leaving the true picture of multi-leg trades shrouded in mystery.

Manually piecing together fragmented data and interpreting underlying strategies is a daunting task.

This complexity creates a significant barrier to understanding the true dynamics of the options market.

How To Identify Multi Leg Trades

Identifying the related legs of each trade and interpret the strategy for so many trades would not be possible to manually perform

We need to use the assistance of algorithms and parsers to do the heavy lifting, automatically grouping related trades, stitching them together, and interpreting the underlying strategies.

Why Is It Important

1. Understand what drives overall option volume and its contributing factors. (know what is trading)

2. Positioning: Gain insights into how traders are using options and what positions they are targeting.

3. Open Interest: Explain a significant portion of open interest through multi-leg strategies.

Why Is It Important

4. Price Discovery: Analyze multi-leg trades to see how options are priced and assess fair value levels

5. Impact on stock action: Monitor the impact of large multi-leg trades on the underlying stock for potential hedging activity.

6. Anticipate Order Flow: Identify recurring patterns and trends in multi-leg trading to anticipate future order flow.

Main Risks To Interpreting Multi Leg Trades

Incomplete Information in OPRA Data Feed:

The feed lacks explicit details about the strategies behind option legs or clear identifiers linking related legs.

Interpretation-Based Analysis:

The absence of direct strategy identification means that any connection between option legs is based on interpretation rather than definitive data.

Main Risks To Interpreting Multi Leg Trades

Inference and Data Stitching:

Without clear indicators linking related legs, analysts are left to infer connections and 'stitch' data together, making educated guesses about how different options are related.

Strategy Inference:

Determining the underlying strategy of a multi-leg trade requires inferring the most plausible strategy from the combination of options involved, adding another layer of complexity and potential for error.

Actual Examples

We'll employ a screener to identify multi-leg trading in specific stock symbols and analyze this activity. This process will help us pinpoint the strategies being utilized in these trades.