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Is Following Big Option Trades A Path To Trading Success?

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Outline

- **Methods**
- **Findings**
- **Contact / Questions**

Methods

Data Sources

- **Barchart – screen for options with highest volume versus open interest**
- **Cboe's Trade Alert – used to determine if trade was a buy or sell and track option through exit or expiration**

Methods

Trade Screen

- Use Barchart to find largest option volume as a percent of open interest each day
- Use TradeAlert to determine if trade was a buy or sell and to make sure it is not part of a spread trade
- Options with less than nine calendar days to expiration were excluded

Methods

Barchart Unusual Stock Options Activity – 5/7/2024

Symbol	Price~	Type	Strike	Exp Date	DTE	Bid	Mid	Ask	Last	Volume	Open Int	Vol/OI
+ DIS	105.39	Call	108.00	05/10/24	2	0.31	0.33	0.36	0.39	32,365	298	108.61
+ DIS	105.39	Call	105.00	05/10/24	2	1.28	1.36	1.44	1.42	13,459	130	103.53
+ PFE	27.77	Put	27.00	06/07/24	30	0.41	0.44	0.46	0.41	15,871	225	70.54
+ CCJ	51.75	Call	56.00	05/17/24	9	0.36	0.38	0.39	0.34	10,536	180	58.53
+ HA	12.50	Put	10.00	10/18/24	163	0.70	0.80	0.90	0.68	17,006	300	56.69

Source: Barchart.com

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Methods

TradeAlert

Top Trades and Sweeps (/top PFE 5/7)

PFE 27.77 close 5/7 @HLTH2

>>	15740	PFE Jun24 7th 27.0 Puts \$0.285	(CboeTheo=0.30)	BID	[BOX]	10:54:31.910	IV=20.9%	-1.2	AMEX	147 x \$0.28 - \$0.31 x 267	BOX	FLOOR - OPENING	Vega=\$43k	PFE=28.27	Ref	Detail
>>	3009	PFE May24 10th 27.0 Puts \$0.19	(CboeTheo=0.13)	ASK	[MULTI]	15:25:22.140	IV=27.8%	+2.6	CBOE	186 x \$0.14 - \$0.19 x 64	NOM		Vega=\$2864	PFE=27.59	Ref	Detail
>>	2000	PFE Jul24 27.0 Puts \$0.82	(CboeTheo=0.84)	BID	PHLX	15:40:10.034	IV=23.0%	-0.2	EMLD	266 x \$0.82 - \$0.85 x 6	BXO	FLOOR	Vega=\$9376	PFE=27.79	Ref	Detail
>>	1975	PFE May24 27.5 Puts \$0.25	(CboeTheo=0.24)	ASK	CBOE	11:21:43.526	IV=21.2%	-1.4	C2	2279 x \$0.24 - \$0.25 x 96	EMLD	COB/AUCTION	Vega=\$3456	PFE=28.20	Ref	Detail
>>	1975	PFE May24 27.0 Puts \$0.11	(CboeTheo=0.12)	BID	CBOE	11:21:43.526	IV=21.5%	-2.0	EMLD	1738 x \$0.11 - \$0.12 x 1070	EMLD	COB/AUCTION	Vega=\$2578	PFE=28.20	Ref	Detail
>>	1867	PFE May24 10th 27.0 Puts \$0.20	(CboeTheo=0.12)	BID	[ARCA]	15:25:31.433	IV=30.1%	+4.8	ARCA	467 x \$0.20 - \$0.21 x 55	BOX		Vega=\$1768	PFE=27.63	Ref	Detail
>>	1368	PFE May24 10th 27.5 Puts \$0.09	(CboeTheo=0.10)	MID	[MULTI]	11:07:44.388	IV=21.2%	-3.8	GEMX	3421 x \$0.09 - \$0.11 x 191	MPRL		Vega=\$1181	PFE=28.25	Ref	Detail
>>	1299	PFE Dec25 40.0 Calls \$0.74	(CboeTheo=0.80)	ASK	ISE	15:56:55.765	IV=26.5%	-0.6	PHLX	514 x \$0.56 - \$0.84 x 50	NOM	COB/TIED	Vega=\$11k	PFE=27.82	Ref	Detail
>>	1297	PFE May24 10th 28.0 Puts \$0.28	(CboeTheo=0.29)	ASK	ARCA	10:45:44.969	IV=21.1%	-3.1	CBOE	2950 x \$0.26 - \$0.28 x 1297	ARCA		Vega=\$1336	PFE=28.30	Ref	Detail
>>	1092	PFE May24 28.0 Puts \$0.60	(CboeTheo=0.61)	ASK	[ARCA]	13:32:59.029	IV=19.9%	-3.1	C2	1239 x \$0.59 - \$0.60 x 1092	ARCA	ISO	Vega=\$1809	PFE=27.98	Ref	Detail

Source: Trade-Alert.com

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Methods

- **Option trades on 277 different stocks**
- **Results are divided by year as S&P 500 was down 19.44% in 2022 and up 24.23% in 2023**
- **Option is considered held to expiration if the open interest is higher than 50% of initial trade volume**
- **An exit trade is assumed to occur if open interest drops below 50% of initial trade volume**
- **Trade prices are based on the biggest blocks**

Methods

Stocks With Five Or More Trades

Trades	Ticker	Company		Trades	Ticker	Company
13	AAPL	Apple Inc.		5	AFRM	Affirm Holdings Inc
9	NKLA	Nikola Corp		5	DIS	Walt Disney Company
7	TSLA	Tesla Inc		5	FSR	Fisker Inc
6	AAL	American Airlines Group		5	GOOGL	Alphabet Inc (Class A)
6	CCJ	Cameco Corp		5	LAZR	Luminar Technologies
6	SIRI	Sirius XM Holdings		5	MRVL	Marvell Technology
6	SNAP	Snap Inc		5	SLB	Schlumberger Ltd

Sources: Barchart.com & TradeAlert

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Findings

Results By Year / Strategy

Period	Trade Type	Trades	Held To Exp.	% Held to Exp.	Profitable	% Profitable	P/L
2022	Long Call	80	49	61.25%	21	26.25%	(10.86)
2022	Long Put	58	42	72.41%	15	25.86%	(10.09)
2022	Short Call	64	50	78.13%	53	82.81%	+53.34
2022	Short Put	48	39	81.25%	36	75.00%	+58.23
2023	Long Call	84	56	66.67%	22	26.19%	+94.46
2023	Long Put	59	43	72.88%	19	32.20%	(19.53)
2023	Short Call	65	50	76.92%	55	84.62%	+17.22
2023	Short Put	40	30	75.00%	33	82.50%	+12.00

Sources: Barchart.com & TradeAlert

Findings – Discussion

- **Win percent for long strategies was much lower than short trades**
- **Long calls in 2023 was the only period where buying options was profitable – this was a function of two option trades (TSLA +64 and META +92 points)**
- **Excluding those two trade results in losses of about 62 points**

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Findings – Unanticipated Results

- **Collectively about 72% of trades appear to be held to expiration**
- **The most popular strategy was buying calls at 32.93% of trades**
- **Least popular strategy was selling puts at 17.68%**
- **Despite 2023 being a bullish year, highest win percent for long strategies was 2023 Long Put at 32.20%**

Findings

Trade Characteristics By Year / Strategy

Type of Trades	Year	Average Days	Max Days	Min Days	Average Delta
Buy Call	2022	97	583	9	36.81
Sell Call	2022	83	836	9	32.26
Buy Put	2022	73	829	9	31.75
Sell Put	2022	88	856	9	28.59
Buy Call	2023	63	289	9	39.32
Sell Call	2023	72	344	9	31.73
Buy Put	2023	53	220	9	32.83
Sell Put	2023	63	319	9	31.87

Sources: *Barchart.com & TradeAlert*

Findings – Trade Characteristics

- All deltas indicate institutions are focusing on out of the money options for all strategies
- We ran another test breaking out trades where the delta above and below 50
- Less than 20% of the trades recorded fell into this category

Findings

Trade Screen Delta Over 50

Period	Trade Type	Trades	Held To Exp.	% Held to Exp.	Profitable	% Profitable	P/L
2022	Long Call	16	8	50.00%	5	31.25%	+26.13
2022	Long Put	8	5	62.50%	4	50.00%	+17.07
2022	Short Call	12	9	75.00%	8	66.67%	+4.39
2022	Short Put	8	6	75.00%	5	62.50%	+52.49
2023	Long Call	20	7	35.00%	10	50.00%	+102.07
2023	Long Put	8	4	50.00%	5	62.50%	(13.52)
2023	Short Call	13	9	69.23%	9	69.23%	+1.59
2023	Short Put	5	3	60.00%	3	60.00%	+6.67

Sources: [Barchart.com](https://www.barchart.com) & [TradeAlert](https://www.tradealert.com)

Findings

Trade Screen Delta Under 50

Period	Trade Type	Trades	Held To Exp.	% Held to Exp.	Profitable	% Profitable	P/L
2022	Long Call	64	41	64.06%	16	25.00%	(36.99)
2022	Long Put	50	37	74.00%	8	16.00%	(27.16)
2022	Short Call	52	41	78.85%	45	86.54%	+48.95
2022	Short Put	40	33	82.50%	31	77.50%	+5.74
2023	Long Call	63	48	76.19%	11	17.46%	(7.29)
2023	Long Put	51	39	76.47%	14	27.45%	(6.01)
2023	Short Call	52	41	78.85%	45	86.54%	+15.66
2023	Short Put	35	27	77.14%	30	85.71%	+5.33

Sources: [Barchart.com](https://www.barchart.com) & [TradeAlert](https://www.tradealert.com)

Findings

Expiration More Than 30 Days

Period	Trade Type	Trades	Held To Exp.	% Held to Exp.	Profitable	% Profitable	P/L
2022	Long Call	53	30	56.60%	17	32.08%	+15.98
2022	Long Put	41	32	78.05%	8	19.51%	(8.69)
2022	Short Call	35	28	80.00%	30	85.71%	+58.52
2022	Short Put	26	22	84.62%	20	76.92%	+44.38
2023	Long Call	50	33	66.00%	13	26.00%	+94.74
2023	Long Put	37	26	70.27%	13	35.14%	(21.38)
2023	Short Call	32	26	81.25%	27	84.38%	+6.97
2023	Short Put	25	18	72.00%	19	76.00%	+0.30

Sources: [Barchart.com](https://www.barchart.com) & [TradeAlert](#)

Findings

Expiration 30 Days Or Less

Period	Trade Type	Trades	Held To Exp.	% Held to Exp.	Profitable	% Profitable	P/L
2022	Long Call	27	19	70.37%	4	14.81%	(26.84)
2022	Long Put	17	10	58.82%	8	47.06%	(1.40)
2022	Short Call	29	22	75.86%	23	79.31%	(5.18)
2022	Short Put	22	17	77.27%	16	72.73%	+13.85
2023	Long Call	34	23	67.65%	8	23.53%	(0.28)
2023	Long Put	22	17	77.27%	6	27.27%	+1.85
2023	Short Call	33	24	72.73%	27	81.82%	+10.25
2023	Short Put	15	12	80.00%	14	93.33%	+11.70

Sources: [Barchart.com](https://www.barchart.com) & [TradeAlert](#)

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- **If anyone needs quant help, I am happy to share his contact info**

Questions / Contact

Questions?

(Any market related topic is fine)

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