

IBKRWEBINARS.COM



July 12, 2022

Market Chameleon

Options Open Interest

Dmitry Pargamanik
Market Chameleon

Exchange and Industry Sponsored Webinars are presented by unaffiliated third parties. Interactive Brokers LLC is not responsible for the content of these presentations. You should review the contents of each presentation and make your own judgment as to whether the content is appropriate for you. Interactive Brokers LLC does not provide recommendations or advice. This presentation is not an advertisement or solicitation for new customers. It is intended only as an educational presentation.



Disclosure:

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled [Characteristics and Risks of Standardized Options](#) by calling (312) 542-6901.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the [CFTC Risk Disclosure](#). For a copy visit interactivebrokers.com.

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers LLC's Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

- IRS Circular 230 Notice: These statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor.
- Interactive Brokers LLC is a member of [NYSE](#) [FINRA](#) [SIPC](#)

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