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# Market Chameleon

## 0 DTE Options: Data Analysis for Risk Management

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# 0 DTE Options: Data Analysis for Risk Management

## Analyzing 0 DTE Option Straddles: Gaining Insights

The objective of this presentation is to demonstrate how tools can assist traders in analyzing and evaluating 0 DTE option straddles.

# 0 DTE Options

0 DTE (Days to expiration) option straddles are options that expire on the same day at the end of the trading session. They involve buying both a call option and a put option with the same strike price.

The straddle is the market's implied move for the underlying stock. For example, a \$2 straddle for a \$100 stock implies a move of 2% in either direction.

# Intraday Stock Performance Tracking

**Methodology:** This tool tracks the performance of the underlying stock intraday, allowing traders to observe and understand its price movements throughout the trading day.

**Importance:** By monitoring intraday stock performance, traders can make informed decisions based on the stock's behavior and potential price movement.

# Market Implied Move vs. Historical Move

The tool allows you to compare the market's projected move, as indicated by the straddle premium, with the average historical movement from a specific time to market close.

Identifying Over/Under Pricing: This comparison helps traders identify whether the straddle is over or under pricing the average historical moves, offering insights into potential opportunities.

# Option Straddle Premium Analysis

Analyzing Different Times of Day: This tool tracks and compares option straddle premiums at specific times, such as 1 pm Eastern, to establish an average base price for comparison.

Discount vs. Premium: Traders can determine whether the current straddle price is at a discount or a premium compared to the average historical base price, helping them assess the relative value of the straddle.

# Regression Analysis and Correlation

Independent Variable: By using the correlation equation, traders can compare the estimated price of a straddle based on the independent variable and evaluate its deviation from the actual price, identifying potential opportunities.

# Enhancing Analysis with Filters

**Narrowing Down Data:** This tool offers the ability to filter data based on specific days of the week, economic events, or other relevant factors, allowing traders to refine their analysis.

**Informed Decision-Making:** By using these filters, traders can gain more targeted and insightful information to assess risks and rewards associated with 0 DTE option straddles.