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# The Hidden Wealth of Options

## Building strategies based on information asymmetry

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As with all investments, your capital is at risk

# The Hidden Wealth of Options

Building strategies based on information asymmetry

# What you get from this webinar:

- ✓ 3 trends of the post-COVID market that destroy "old" approaches

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- ✓ What exactly is "information asymmetry" *(no, it's not insider trading)*

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- ✓ 3 exact indicators to benefit from IA *(Logic and sources of Data)*

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- ✓ How do we know it works? *(Backtesting rules and principles)*

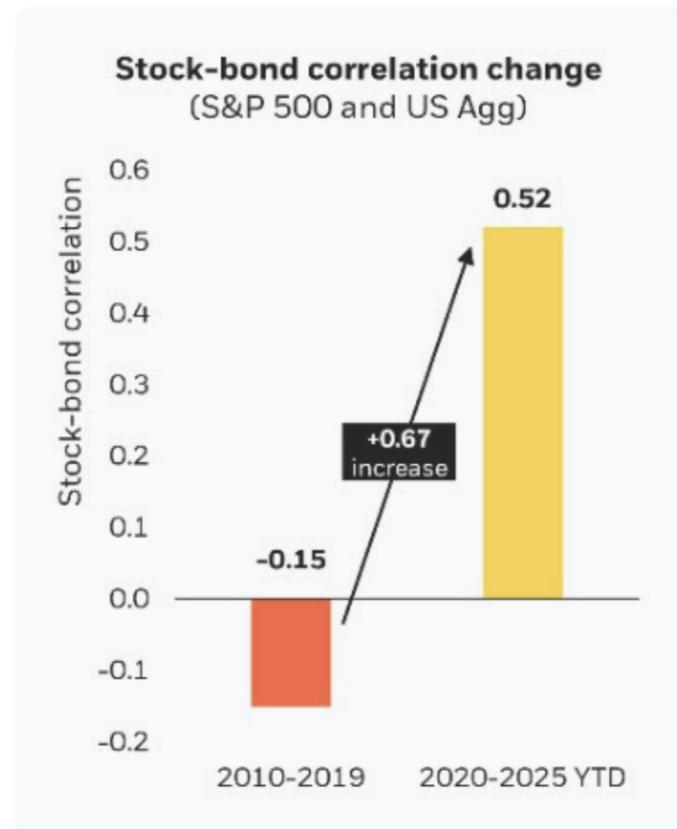
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- ✓ An extra tip to boost win rates by up to 10% (based on backtests)  
*(Assemble a Portfolio Strategy)*

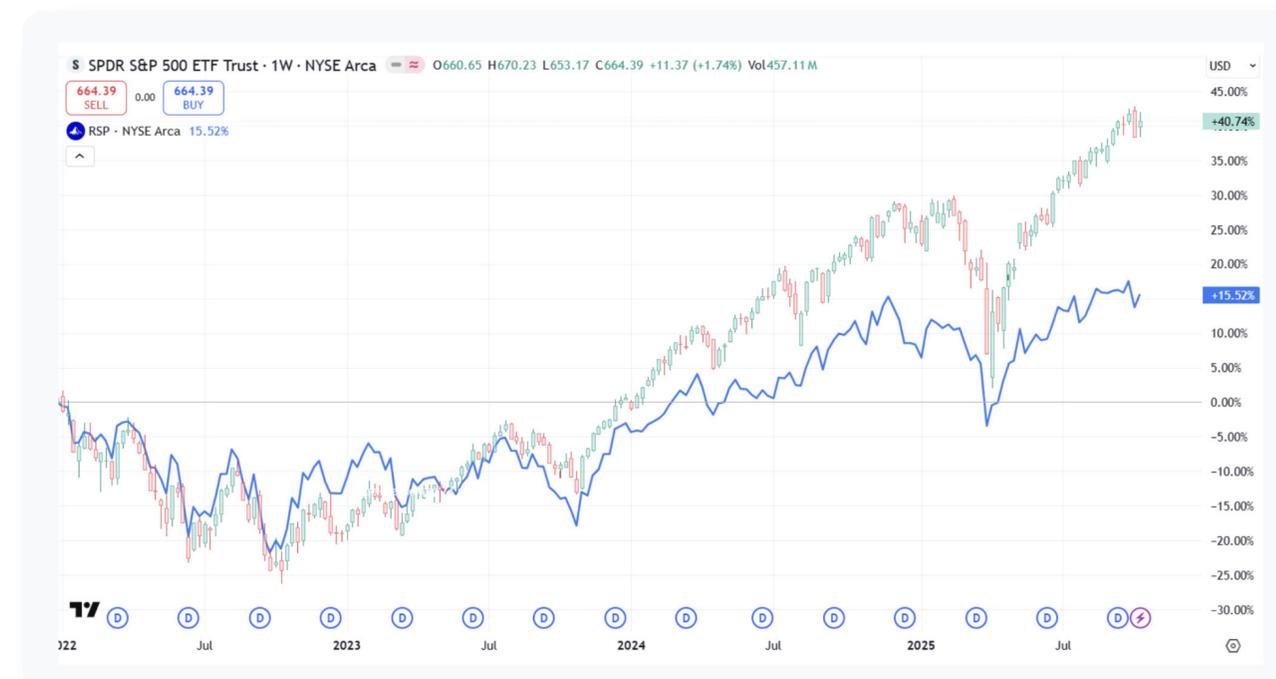
# The trap of common knowledge: trend 1

## 01 Liquidity became the main factor

**Consequence 1**  
Correlations don't work any more



**Consequence 2**  
"Safe" stocks absorb growth.



# The trap of common knowledge: trend 2

## 02 Options trading

### Consequence 1

Market makers account for 52% of options liquidity

→ Increase of 28.6% in stock trading MM volume\*



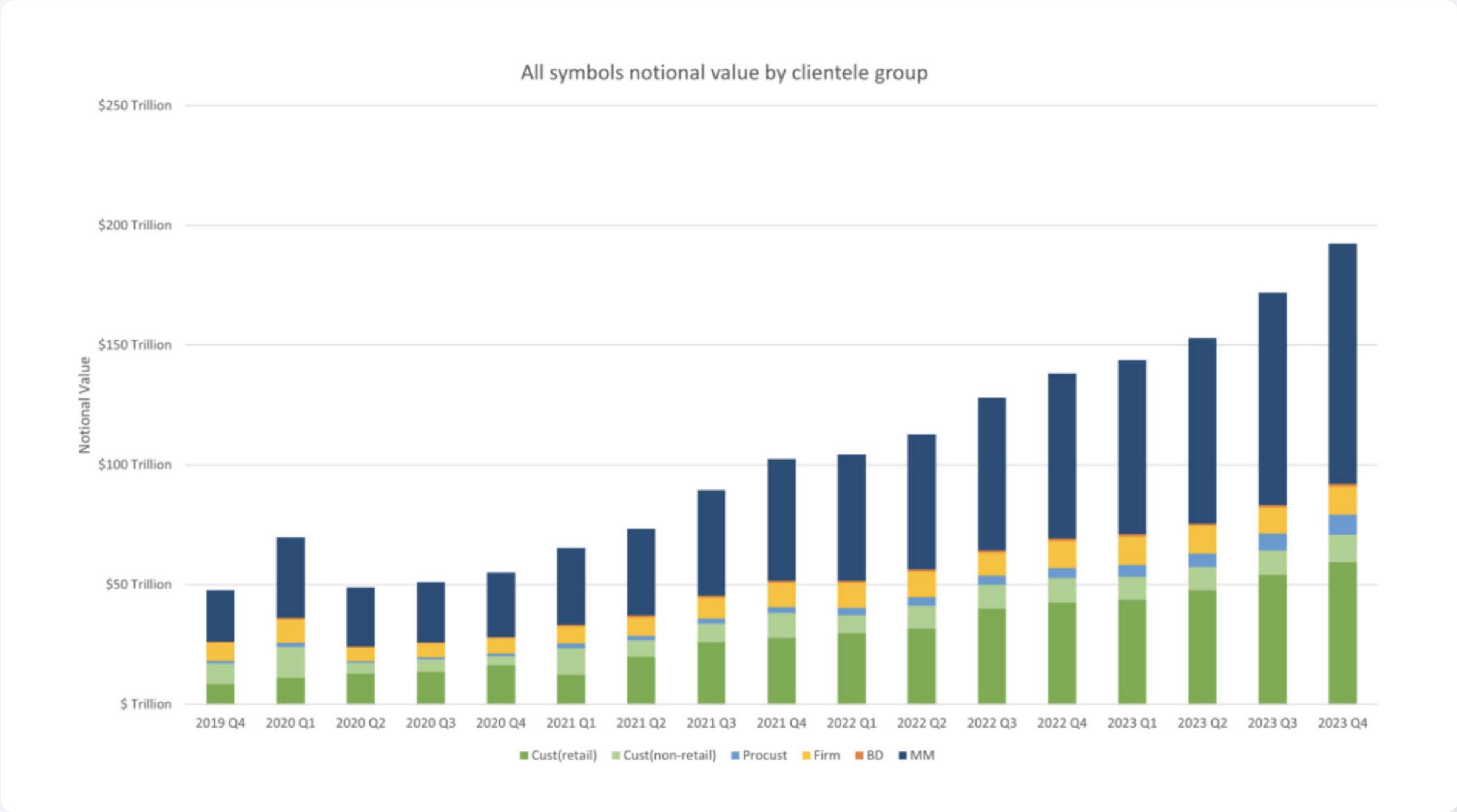
\* Visual Sectors assessment based on SIFMA equity ADV; OCC options volumes; Cboe client-type breakdown; author's calculation

### Consequence 2

Higher leverage in the market

→ Margin debt is 5.78 bigger than Margin Accounts capital (FINRA, Sep'25)

# Options trading volume



Source: CBOE

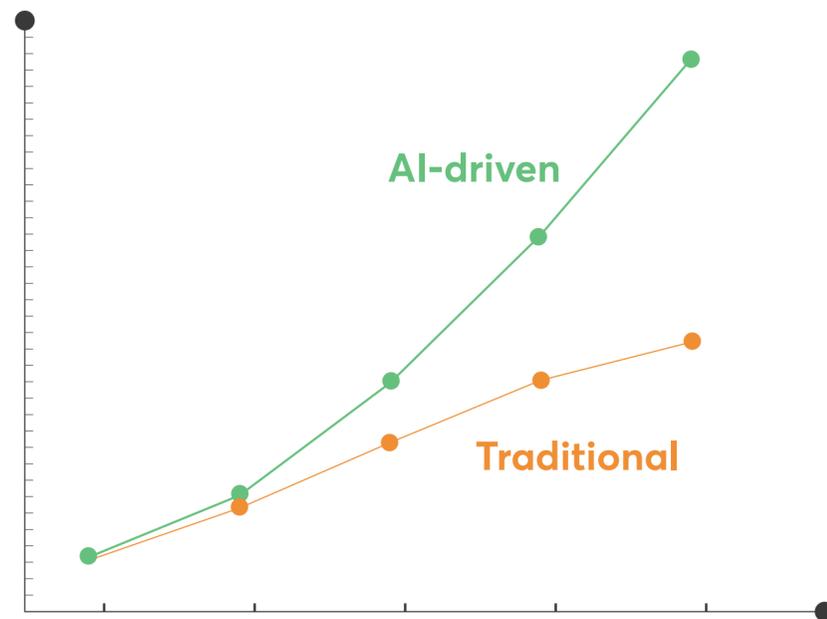
# The trap of common knowledge: trend 3

03

## Quant trading fueled by AI

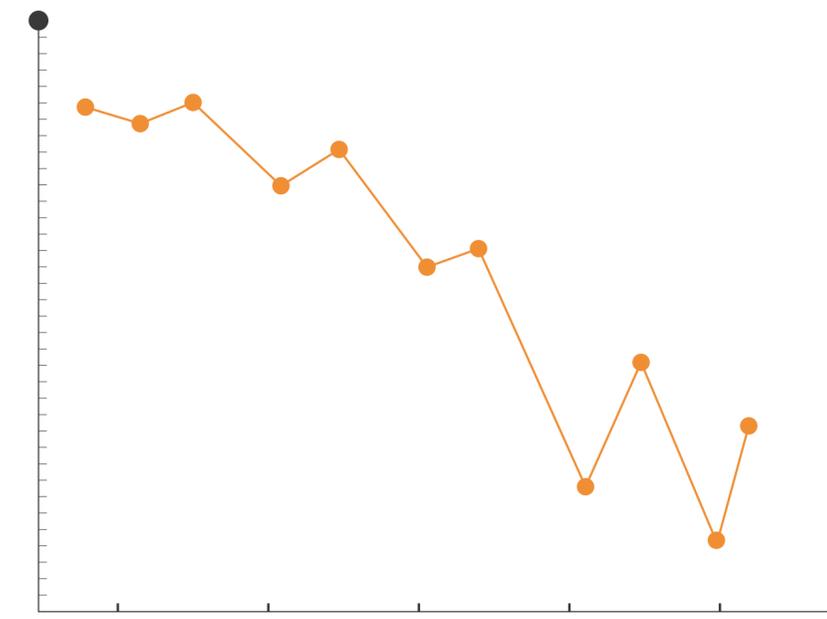
### Consequence 1

Traditional strategies generate less alpha



### Consequence 2

Stop loss hunting creates disproportionate risks



# So what can you do about it?

01 New data sets

02 Custom strategies

03 Portfolio management

This webinar will unravel the case study of Visual Sectors

# Information asymmetry concept

1

Informed investors prefer  
**high leverage** ( → options)

2

**"Crowd wisdom"** of options  
traders is more precise

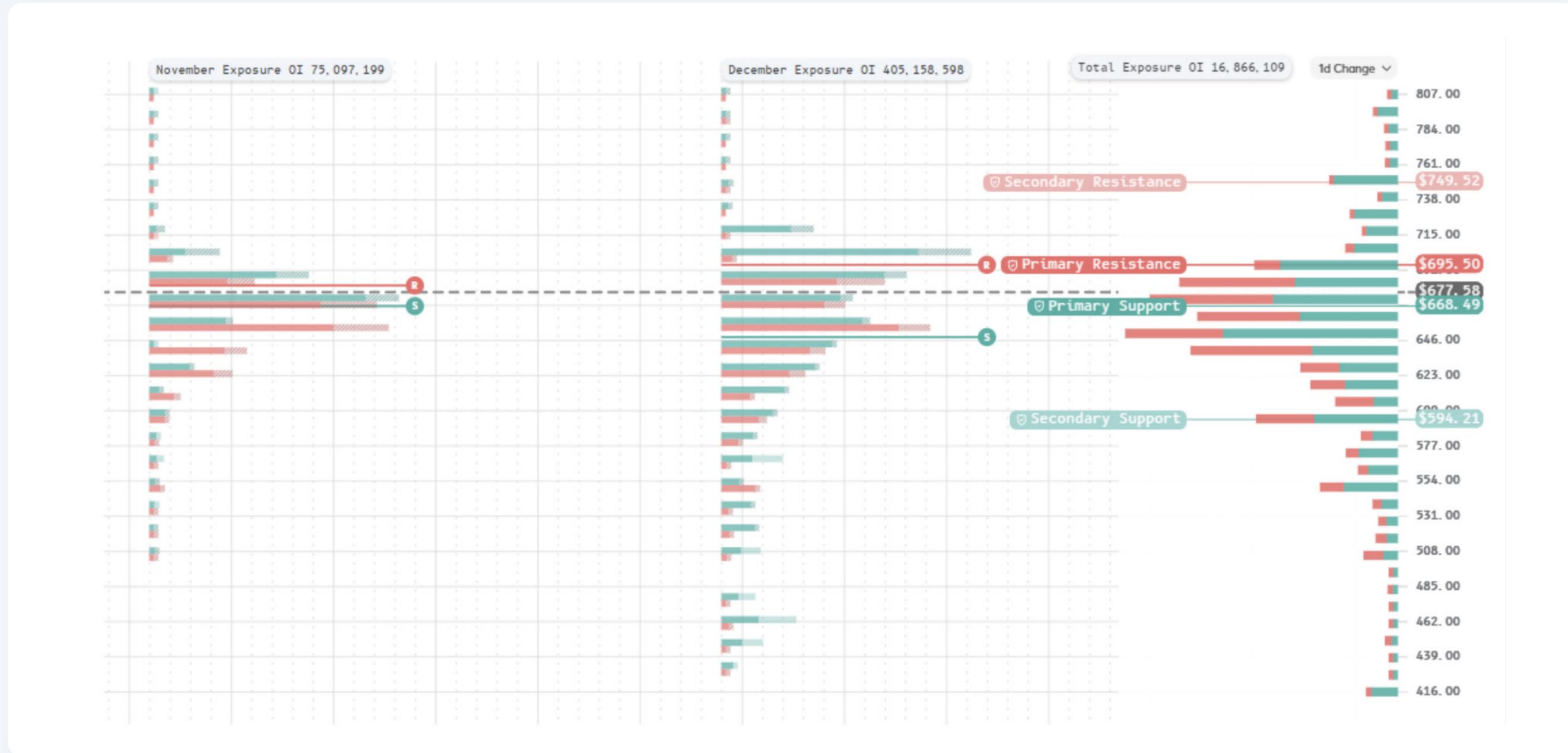
→ Options activity often **precedes price action** in stocks

# How can we "spy" on this?

Options contract: a wealth of information



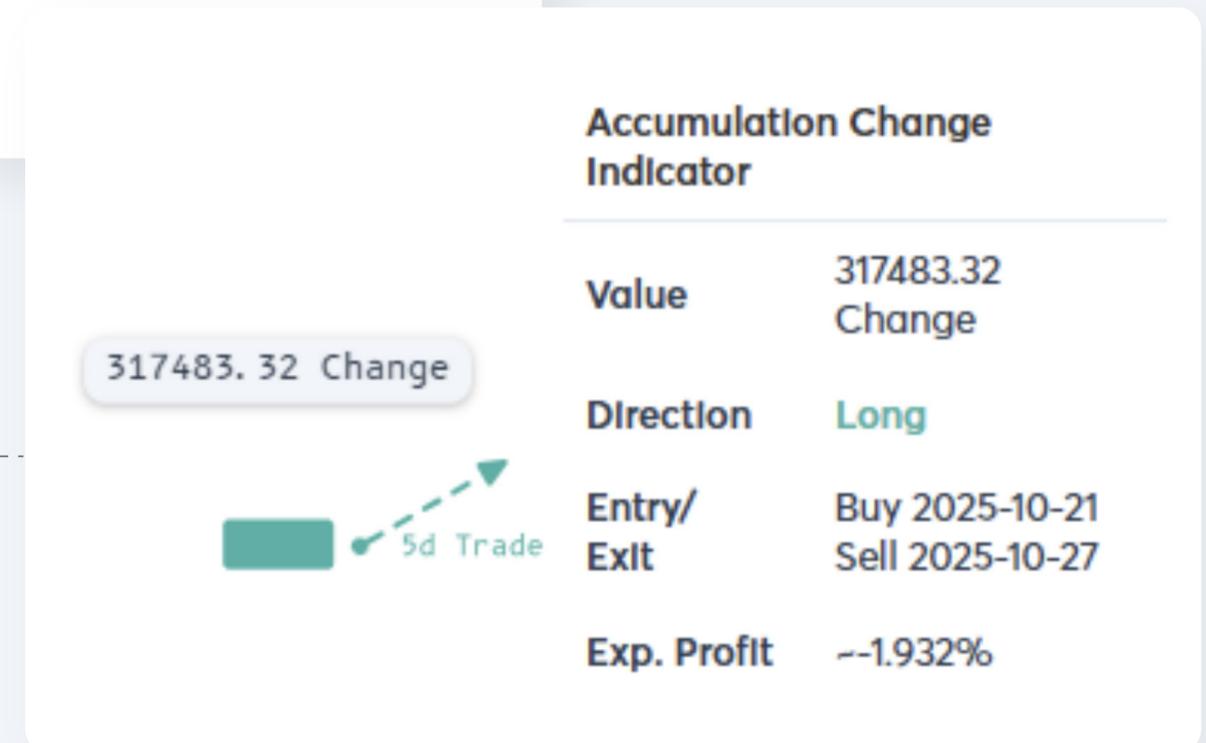
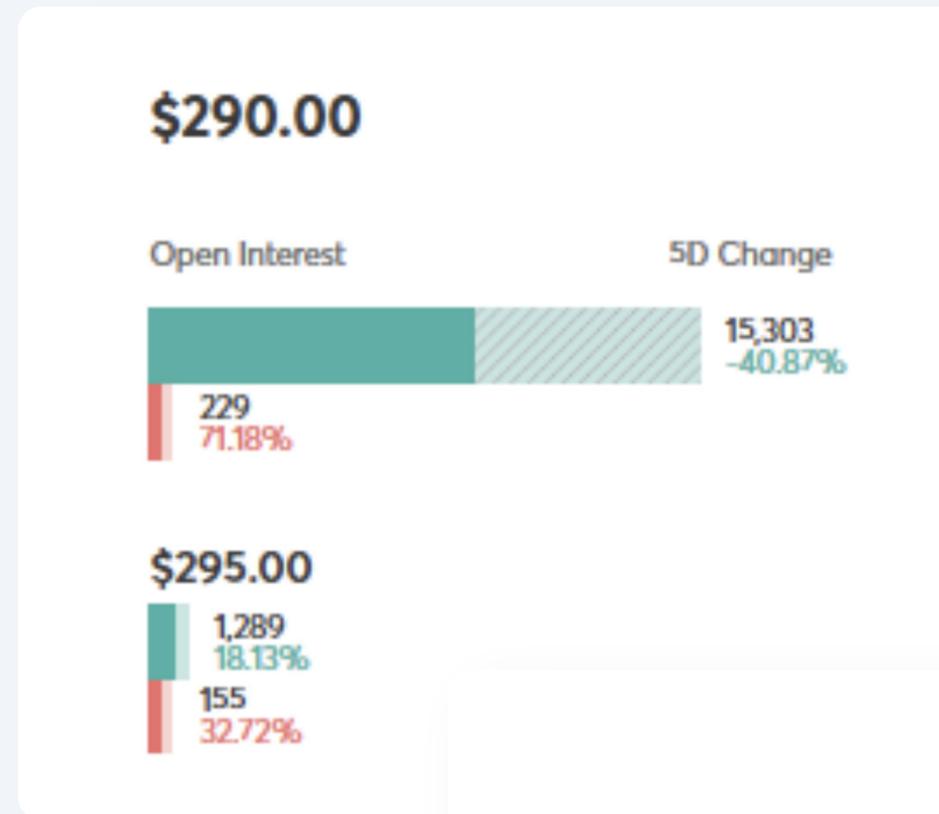
# Add a bit of magic...



Source: Visual Sectors

# 3 Specific indicators to track Information Asymmetry: Open Interest change

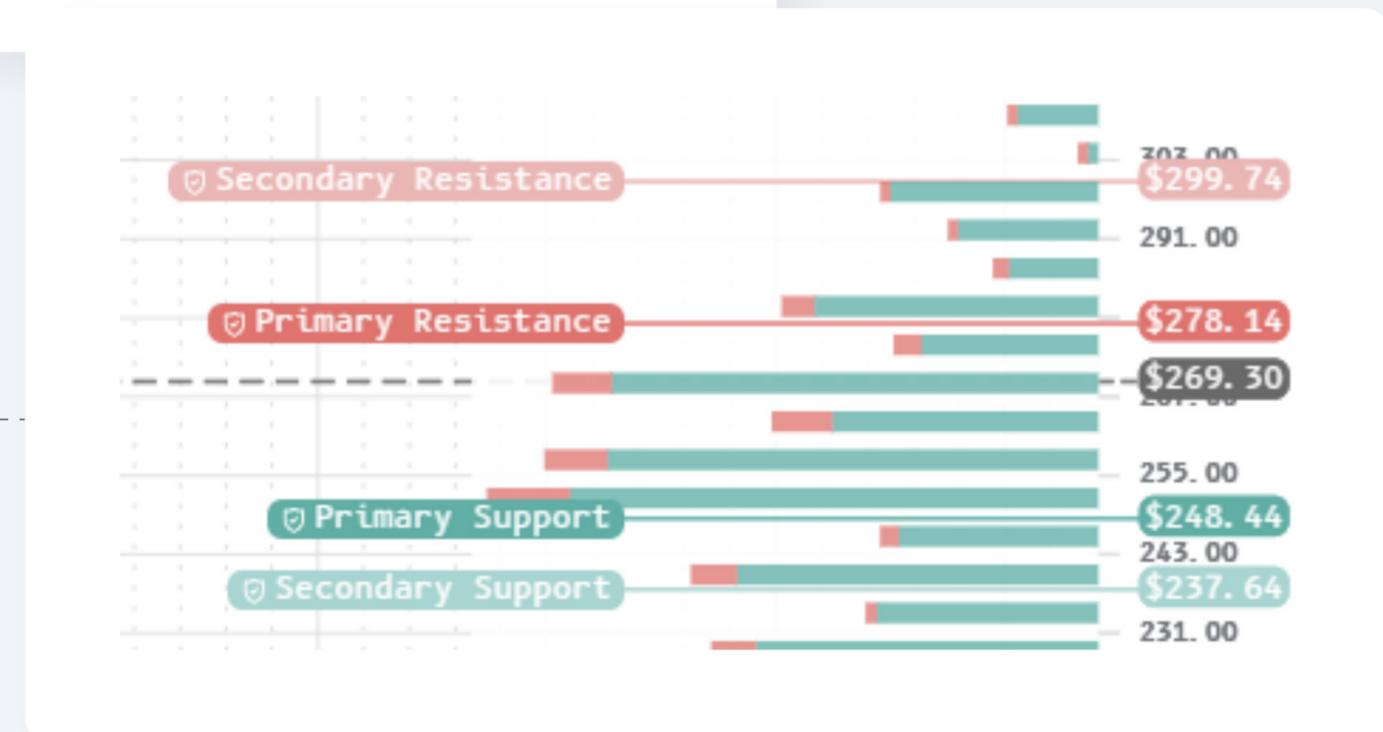
- a Adjust by Delta
- b Sum expirations within 2 months
- c Sum strikes within 80-120% Moneyness



Source: Visual Sectors

# 3 Specific indicators to track Information Asymmetry: Support/Resistance

- a Adjust by Delta
- b Weigh OI adj within range

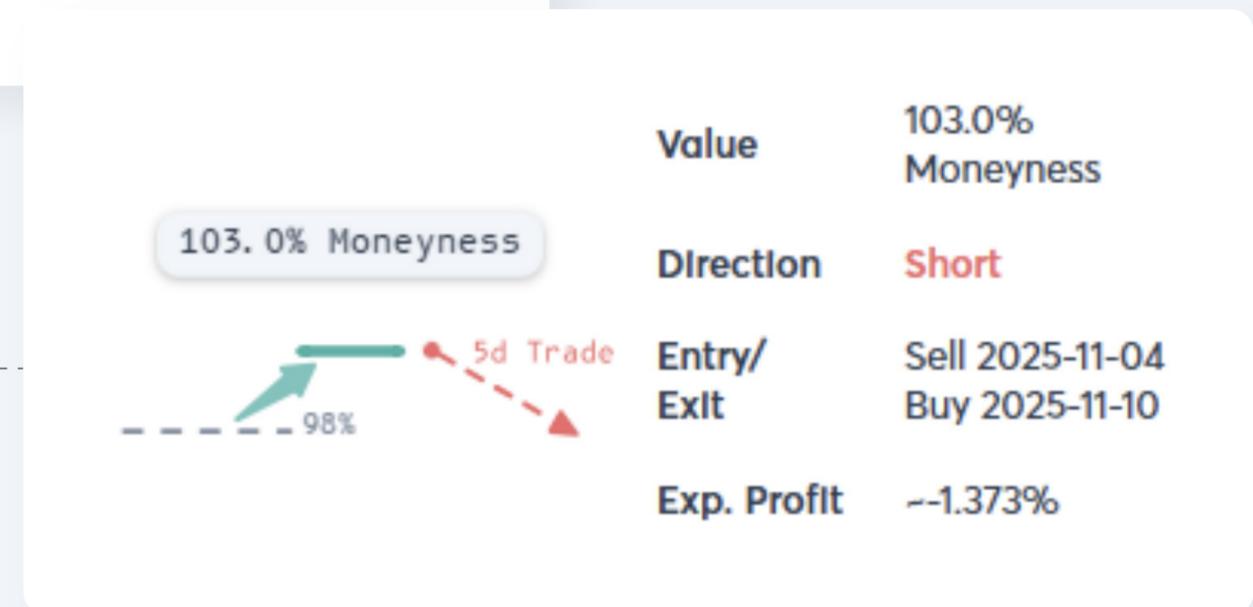
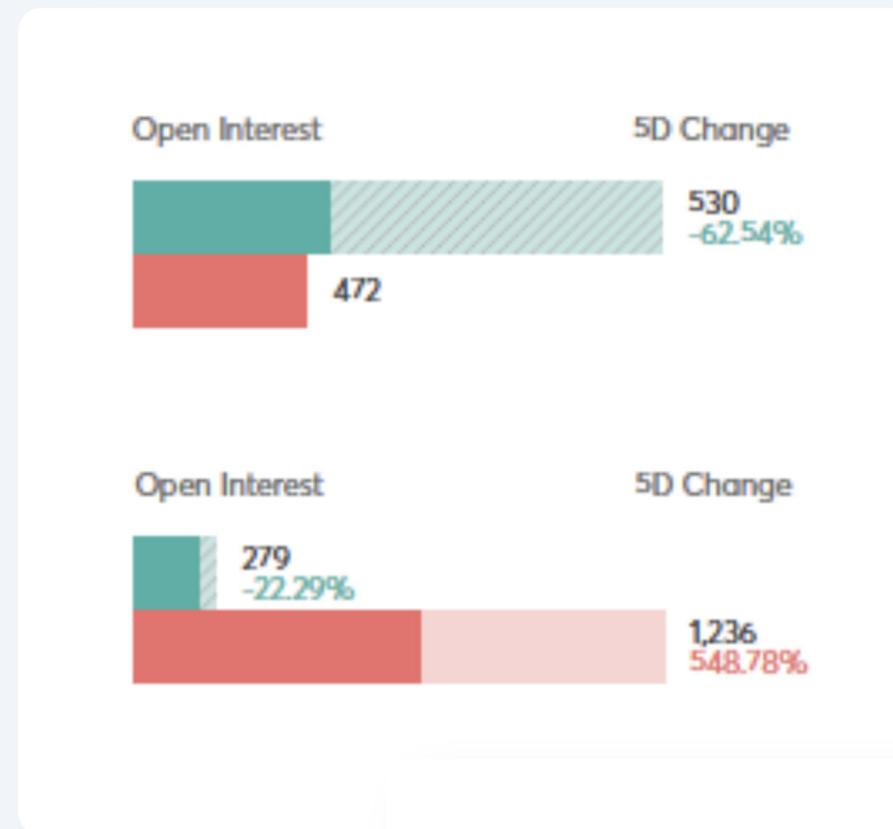


Source: Visual Sectors

# 3 Specific indicators to track Information Asymmetry:

## Put/Call OTM ratio

- a Compare Out of the Money Calls & Puts
- b Track Moneyness change



Source: Visual Sectors

# Backtest, then some more. And once again

3 simple rules:

01

**Make sure  
variables make sense**

AI black boxes mess with your head. And stop working very soon

02

**Cover at least  
100+ observations**

("Last 5 Septembers it went up" is NOT a valid backtest),  
check for overfitting

03

**Add risk-adjusted  
metrics:**

- > Sharpe/Sortino
- > VaR
- > Reward:Risk
- > Alpha

# Ours looks like this (758,202 variations)

Overfitting ▾

Analysis period, days ▾

Holding period ▾

DTE ▾

Moneyness range, % ▾

Capitalization ▾

OMIR ▾

weekday ▾

Risk Reward type ▾

Range type ▾

Whole period 2022-01-01 - 2025-04-18

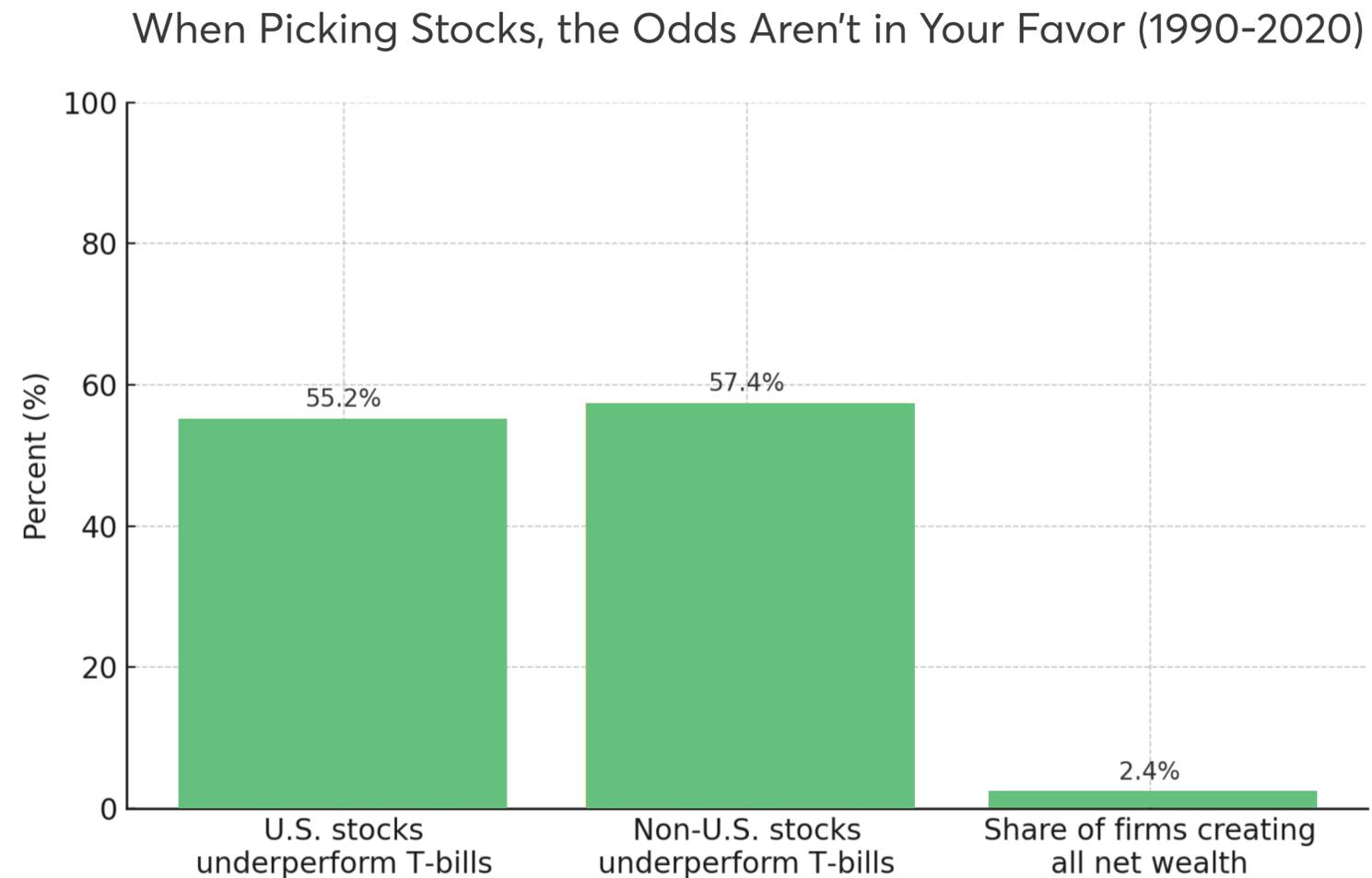
id	Moneyne ss range, %	Range type	DTE	Key level type	Holding period	week day	Analysis period, days	OMIR	Capitaliz ation	Best periods	Observ ations	Return \$1000 sum ▾	Return \$1000 sum (take profit)	Return annual, %	Winrate months, %	Winrate trades, %	Max drawdown, %	Alpha SPY	Reward Risk
Di...	60	OI adj range	15 - 30	Current month	weeks: 3	1	3	OI>50%	Small caps	1	46	5,661	7,834	171.6	65.8	67.4	-27	18.1	2.6
/v...	80	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	Unknown	All	4	170	5,057	8,331	153.3	62.5	62.9	-15	83	5.48
UZ...	80	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	All	Unknown	4	170	5,057	8,331	153.3	62.5	62.9	-15	83	5.48
aO...	80	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	Unknown	Unknown	4	170	5,057	8,331	153.3	62.5	62.9	-15	83	5.48
H...	80	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	Unknown	All	5	170	4,730	8,184	143.4	65.0	60.6	-15	60.2	4.85
krl/...	80	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	Unknown	Unknown	5	170	4,708	8,289	142.7	65.0	60.0	-15	59.1	4.82
9+...	80	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	All	Unknown	5	170	4,656	8,196	141.2	65.0	60.0	-15	55.8	4.7
Fl...	80	OI adj range	5 - 15	Current month	weeks: 3	4	1	25%<OI<50%	Mid caps	0	50	4,616	5,045	139.9	51.4	56.0	-26	32.4	3.72
N...	60	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	Unknown	Unknown	6	170	4,590	7,510	139.1	67.5	63.5	-27	49.9	4.43
2C...	60	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	All	Unknown	6	170	4,587	7,529	139.1	67.5	63.5	-27	49.8	4.42
qF...	60	OI adj range	5 - 15	Total exposure	weeks: 1	3	10	Unknown	All	6	170	4,586	7,941	139.0	67.5	64.1	-27	49.3	4.4

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Source: Visual Sectors

# One more step before you rush placing trades...

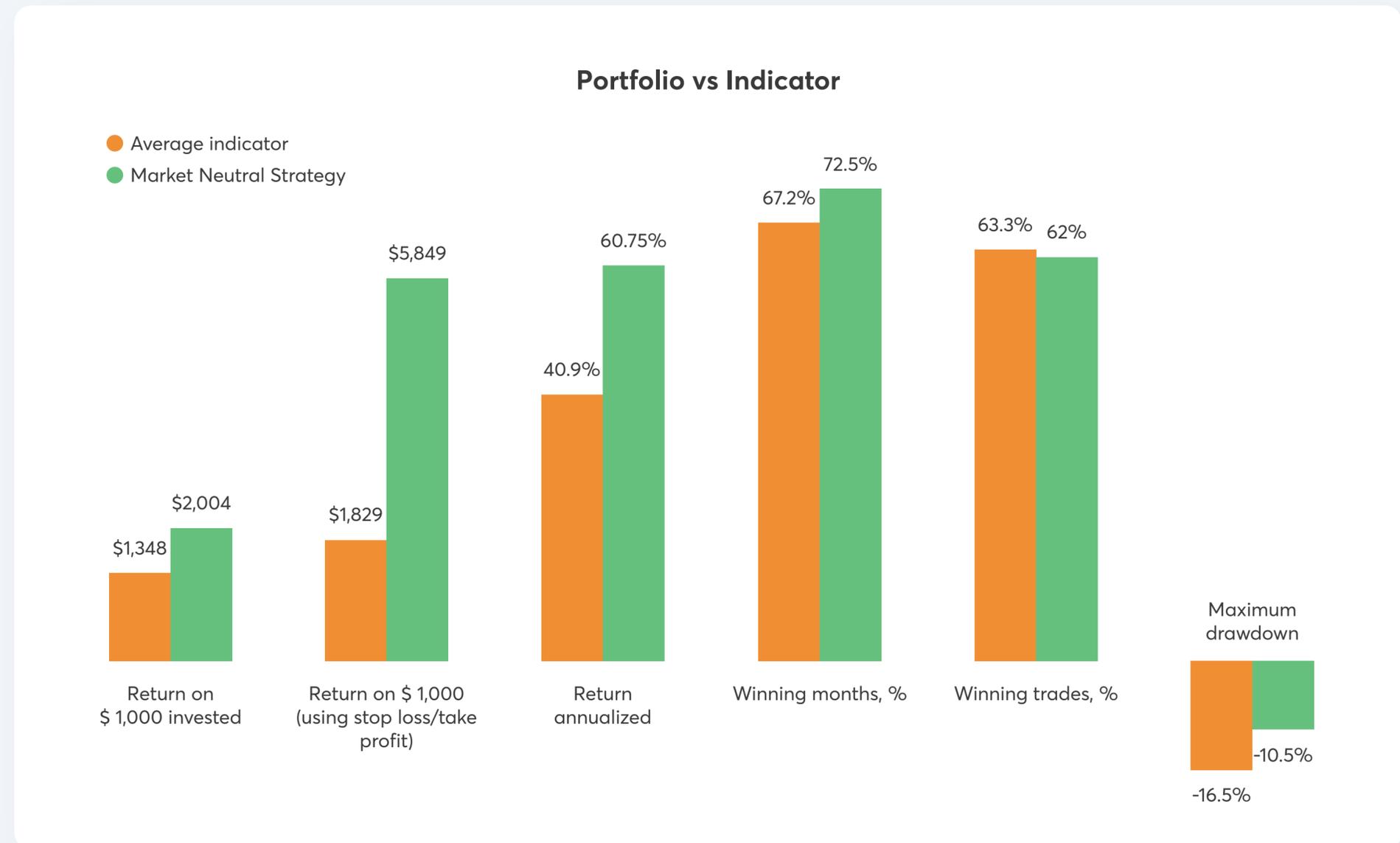
Individual names trading only gives you a 2.4% chance of success



Source: [Bessembinder et al, Financial Analysts Journal](#)

# Think "Portfolio building" not "Stock picking"

Indicators above compiled into a Market-Neutral strategy (7 longs/7 shorts, hold for 1 week)



Source: Bessembinder et al, Financial Analysts Journal

# Q&A