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Trade Planning using Options Derived Key Levels

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Options levels

DEX & GEX for support/resistance

Turn the options chain into a price map: where hedging flows can concentrate, where volatility can change, and where trades need clearer invalidation.

Dealer exposure

Support / resistance

Trade planning



Options chains create tradable pressure zones

Open interest concentrates hedging demand at specific strikes.

Options levels do not predict the future by themselves. They give the trader a better map of where flows can matter.

What the chain tells you

Strikes, expirations, open interest, implied volatility, delta and gamma.

What the map adds

Where dealer hedging could create magnets, rejection zones, or breakout risk.

Core idea

The options chain becomes useful when it is converted from contracts into dollar exposure by price level.



DEX: the directional map

Delta exposure estimates where hedging flows lean with price.

DEX = Dealer Delta Exposure

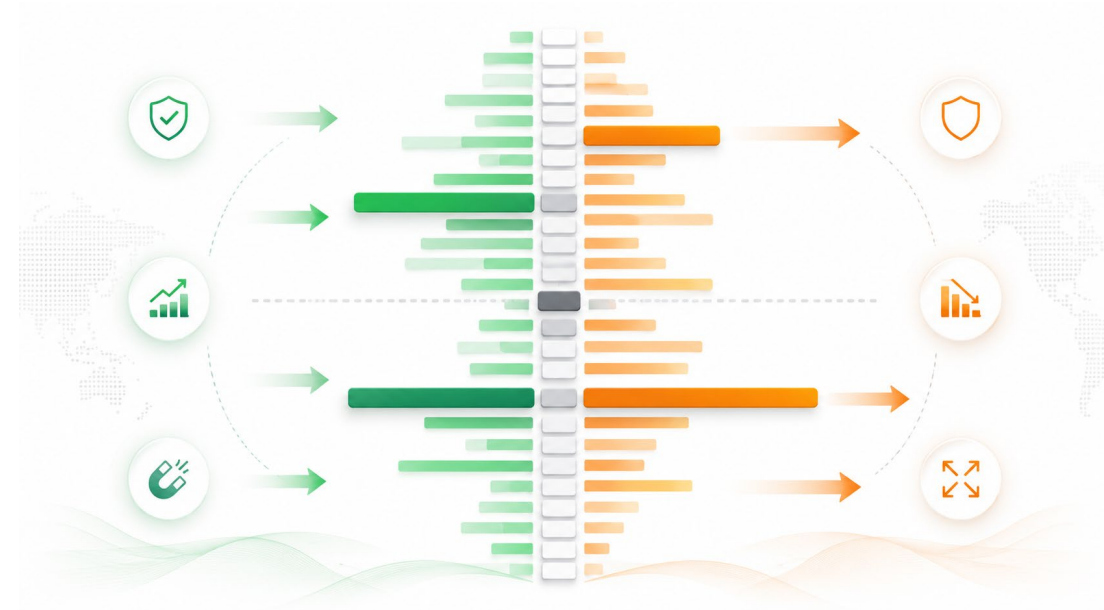
DEX estimates the directional exposure embedded in listed options. It answers: “How much underlying exposure is tied to each strike?”

Why it matters

Large DEX clusters can mark price zones where hedging demand and positioning are concentrated.

How traders use it

Treat high absolute DEX zones as candidate support, resistance, magnets, or invalidation levels.



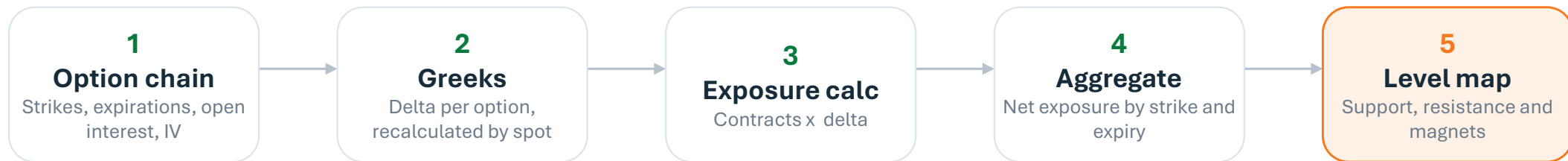
Simple construction

DEX ~ sum(open interest x 100 x option delta) by strike, moneyness and expiration

Sign conventions depend on dealer-side assumptions and vendor methodology.

How DEX is created

Convert each option contract into delta exposure, then aggregate by level.



The practical output

A strike ladder where high absolute DEX appears as thicker levels. The closer those levels are to spot, the more useful they become for planning.

The important caveat

DEX is model-based. Treat it as market-structure evidence that must be confirmed with price behavior, liquidity and event risk.

Using DEX to predict support/resistance

DEX does not replace price action. It tells you where price action matters most.

A DEX level becomes actionable when three things line up: exposure, proximity, and reaction.

DEX reading checklist

1. Exposure

Large absolute DEX at a strike means more directional exposure is concentrated there.

2. Proximity

Levels near current spot matter more than distant levels unless the market is trending hard.

3. Reaction

Wait for acceptance, rejection, wick, volume shift or reclaim before treating it as S/R.

High DEX above spot

Candidate resistance / target zone

High DEX below spot

Candidate support / invalidation zone

Cluster overlaps price structure

Higher confluence

Level fails and price accepts beyond it

Do not fight the break

Better grammar for the trader

“This is the level where I will reassess” beats “this level must hold.”

GEX: the volatility map

Gamma exposure estimates how hedging changes as price moves.

GEX = Dealer Gamma Exposure Dynamics

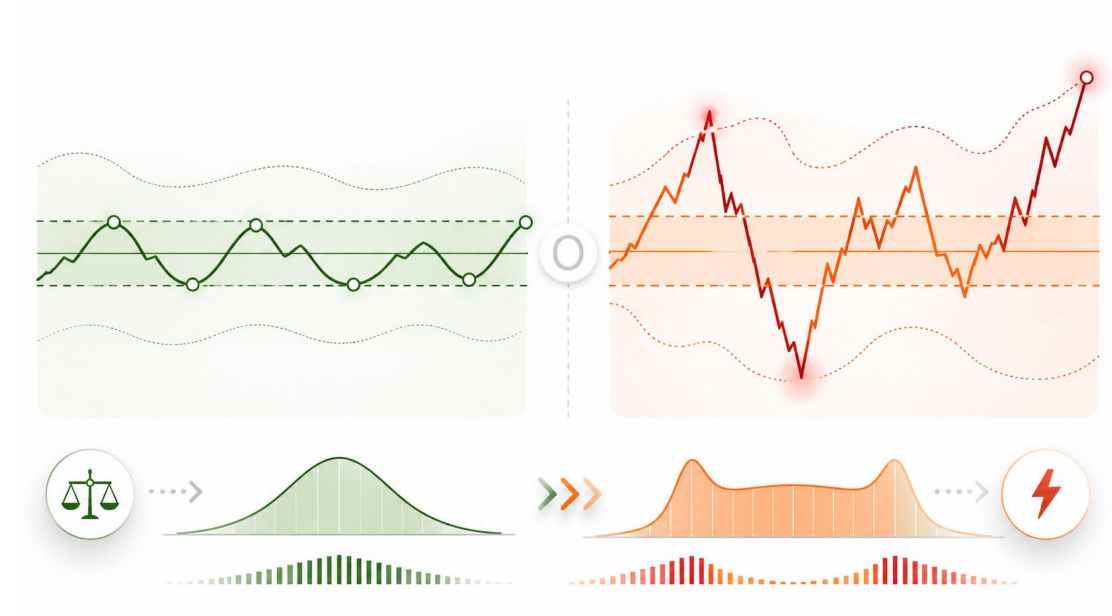
Gamma measures how quickly delta changes. GEX turns that into a map of how much hedging flow could be required as spot moves.

Why it matters

High GEX levels can act like volatility control points: magnets, pinning zones, or acceleration zones.

Simple construction

$$\text{GEX} \sim \sum(\text{open interest} \times 100 \times \text{gamma} \times \text{spot}^2 \times 1\%)$$



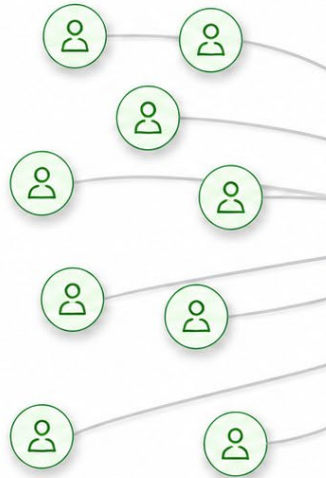
The sign matters more than the label.

A positive-gamma environment often behaves differently from a negative-gamma one. That changes entries, stops and sizing.

How GEX changes the trading regime

Positive gamma can dampen. Negative gamma can accelerate.

Many similar actions



Narrow
liquidity

Higher volatility



Positive GEX

Dealer hedging is more likely to lean against moves. Rallies may meet selling; dips may meet buying.

Negative GEX

Dealer hedging can reinforce moves. Breakouts and breakdowns deserve more respect.

Zero-gamma or flip levels often function as regime boundaries rather than precise entries.

DEX + GEX: build the options levels stack

Support/resistance is strongest when directional and volatility evidence cluster.

Options levels are most useful as a stack of evidence, not a single indicator.

Directional layer

DEX shows where directional exposure is concentrated by strike.

Volatility layer

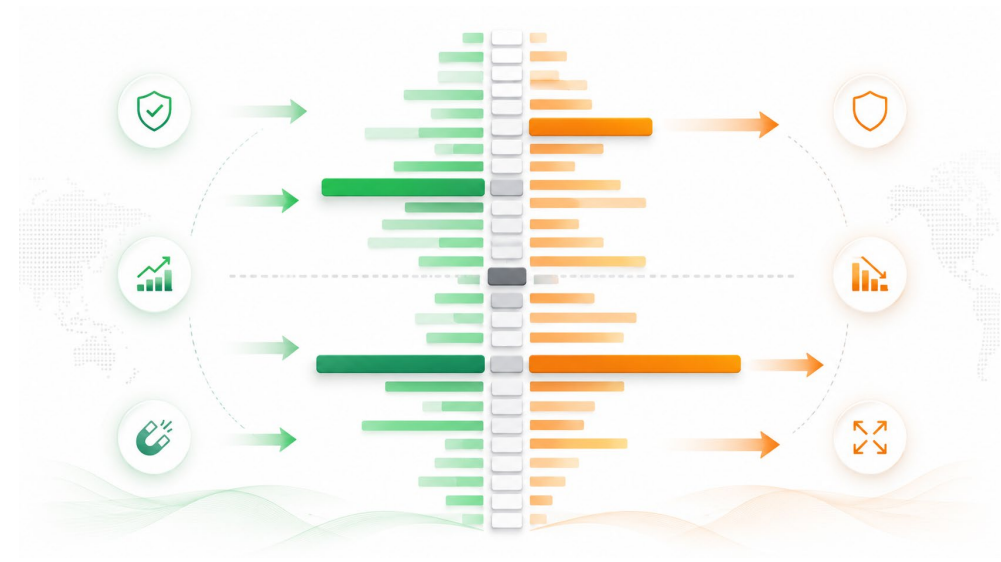
GEX shows whether hedging is likely to dampen or amplify moves.

Price-action layer

Acceptance, rejection, volume and trend decide whether the level is actionable.

Confluence rules

High DEX + high GEX + clean reaction = plan a trade. High exposure + no reaction = wait.



Output to the trader

Nearest support / resistance, zero-gamma level, regime bias, invalidation, and “do not trade if...” conditions.

Actionable advice

Turn levels into entries, exits, stops, and “do not trade” rules.

The goal is not to forecast every tick. The goal is to know where the next decision should happen.

Before the open

Mark nearest DEX/GEX clusters.

At the level

Wait for reaction: rejection, reclaim, absorption, breakout or failed breakout.

Plan the trade

Define entry zone, invalidation, stop, target and maximum adverse move before sizing.

When regime flips

In negative GEX, reduce size or demand wider confirmation. Avoid tight stops in noisy flow.

Best practice: treat every level as a zone with a failure rule

Options levels are inputs to discipline - not a substitute for risk management.

How we apply levels

Our clean options-level chart shows price, levels, historical performance and expected move size.



S/R levels

- Weekly holding duration
- Previous 12 months performance
- Clear actionability timing

Each level treated separately

- Support performance calculated separately from Resistance
- Each stock has own variant

Historical performance

Every level should carry a backtest context before it becomes a trade plan.

DEMO VALUES - replace with production options-level backtest export

TSLA – DEX

Resistance		Support	
Hold rate	60.80	Hold rate	65.70
Stickiness	3.60	Stickiness	3.70
Last 10			
Wins	7	Wins	5
Losses	1	Losses	0
Untested	2	Untested	5
Last 50			
Wins	24	Wins	23
Losses	4	Losses	2
Untested	22	Untested	25

JPM – DEX

Resistance		Support	
Hold rate	46.20	Hold rate	70.00
Stickiness	13.70	Stickiness	3.10
Last 10			
Wins	3	Wins	1
Losses	4	Losses	0
Untested	3	Untested	9
Last 50			
Wins	15	Wins	11
Losses	18	Losses	4
Untested	17	Untested	35

TSLA – GEX

Resistance		Support	
Hold rate	73.10	Hold rate	84.40
Stickiness	3.50	Stickiness	9.30
Last 10			
Wins	4	Wins	5
Losses	1	Losses	1
Untested	5	Untested	4
Last 50			
Wins	16	Wins	23
Losses	3	Losses	2
Untested	31	Untested	25

JPM – GEX

Resistance		Support	
Hold rate	56.20	Hold rate	90.90
Stickiness	8.70	Stickiness	4.40
Last 10			
Wins	1	Wins	2
Losses	3	Losses	0
Untested	6	Untested	8
Last 50			
Wins	13	Wins	17
Losses	12	Losses	0
Untested	25	Untested	33

Backtest

5 yr sample data hold rate

Last 10

Current regime performance

Last 50

Out of sample performance

Untested

Price never entered level zone

Backtest framing: measure the first reaction after price touches an options level, then segment by confluence and regime.

Use options levels before you trade.

Let Alfred translate the map into a decision plan.

Ask the chart

Where are the nearest high-DEX and high-GEX levels? Which level is support, resistance, or a magnet?

Ask the regime

Are we above or below the zero-gamma level? Does the setup favor mean reversion or momentum?

Ask the risk rule

What invalidates the trade? Where should the stop sit relative to the level and historical adverse excursion?

Do not replace a system with this data!

Your Thesis | nearest levels | regime | entry zone | upside

Try the options-level chart + Alfred

Keep the human in control: levels inform trade planning; execution and risk rules stay deterministic.