Introducing Barchart's Options Flow Screener

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Welcome!

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Premium

▶ Filter by the premium of the option trade is the total dollar amount of the trade.

  premium = option price x volume x 100 underlying shares

▶ Option price of $1 x 1000 options volume x 100 shares per option =

  $ 100,000 premium value

▶ In Theory, the greater the amount of one trade or a cluster of trades indicates a larger commitment to the trade by the trader.

Volume and Open Interest

▶ Large volume compared to low open interest is an excellent determinant of whether a trade is being opened.

▶ Large volume compared to large open interest could indicate a trade being closed and requires further investigation.

▶ Small volume compared to large open interest makes it difficult to determine whether a trade is being opened or closed. Waiting for the next day's open interest change is the only way to confirm the action.

Flags and Codes

▶ **Flags** help determine how and where trades were executed.

  Block – large institutional trade which are typically hedges

  Sweep – represents trades executed across multiple exchanges

  Cross – represent in-house trades where the executing broker matches up customers

  Floor – represents trades initiated by floor traders. Floor traders take on positions using their own capital

▶ **Code** identifies the condition of the trade. Where, How, and What type of trade was executed. The importance of the code is whether the trade is a single-leg or part of a multi-leg execution.

▶ Options Trade Conditions link: https://www.barchart.com/education/options-time-sales-conditions

Time of Day

▶ A large new actionable trade can be executed anytime throughout the day as market conditions create opportunities.

▶ Typically, trades OPENED in the first hour of the trading day represent better trading opportunities. Trades executed in the last hours of the day typically represent trades being CLOSED.

▶ Understand that this analysis is NOT set in stone. Traders can open and close trades during the trading day's opening and closing hours. Knowing that these times represent when volumes and activity increase is essential.

Takeaway

The Option Flow page is an excellent tool for identifying large premium trades. Not every trade is an actionable trade. Keys like size, clusters, sentiment, volume to open interest, code, and time of day are all important variables that must be investigated to determine if a trade is truly actionable.

In addition, each trader's risk tolerance must always be assessed.
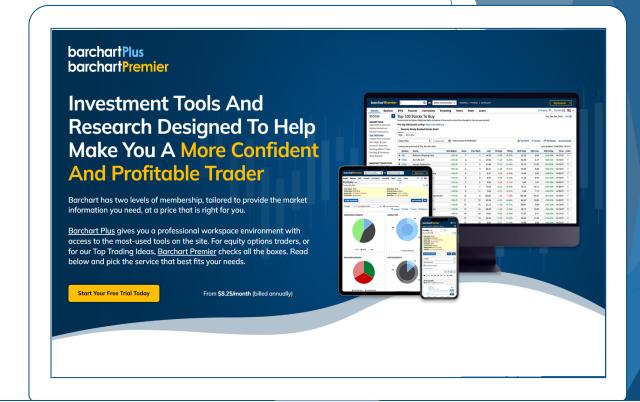
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