D.P.D. - Defense Distribution Point

The Open Interest is exceeded, D.P.D. They represent the only real big news in the world of finance since many years. Through the processing of all trade on the underlying asset and options, a complex set of algorithms on the server PlayOptions.it identifies the positions and premiums received, splits the synthetic position from the actual. beeTrader® shows you a histogram that do not require any interpretation. The computation needs historical data of the underlying. They will be requested by beeTrader® to the user's platform. The data will be sent to PlayOptions.it server to process them.

Selection Strike step: The strike step used is always the first monthly expire, can be useful to the user to increase the Strike step on which are calculated DPD, in this way it brings together the Strike that has become intermediate and consequently we have a wider vision.

> **In order to work properly D.P.D. is necessary that the financial instrument under analysis is encoded Symbol Manager Chain Options. Financial instruments with Chain Options are written in blue for immediate identification. For the encoding process of financial instruments beeTrader® please refer to the manual of Symbol Manager and the specific instructions for each broker.**

Introduction: Open Interest VS D.P.D.

For this explanation we will use the free software Fiuto Beta.

The market takes position through derivatives Option contracts whose number of open contracts, is know by the clearing house which must ensure the counterpart of each contract.

So for every Call or Put contract, there is a seller and there is buyer
This suggests, evaluating the number of open contracts, the position of "strong hands."
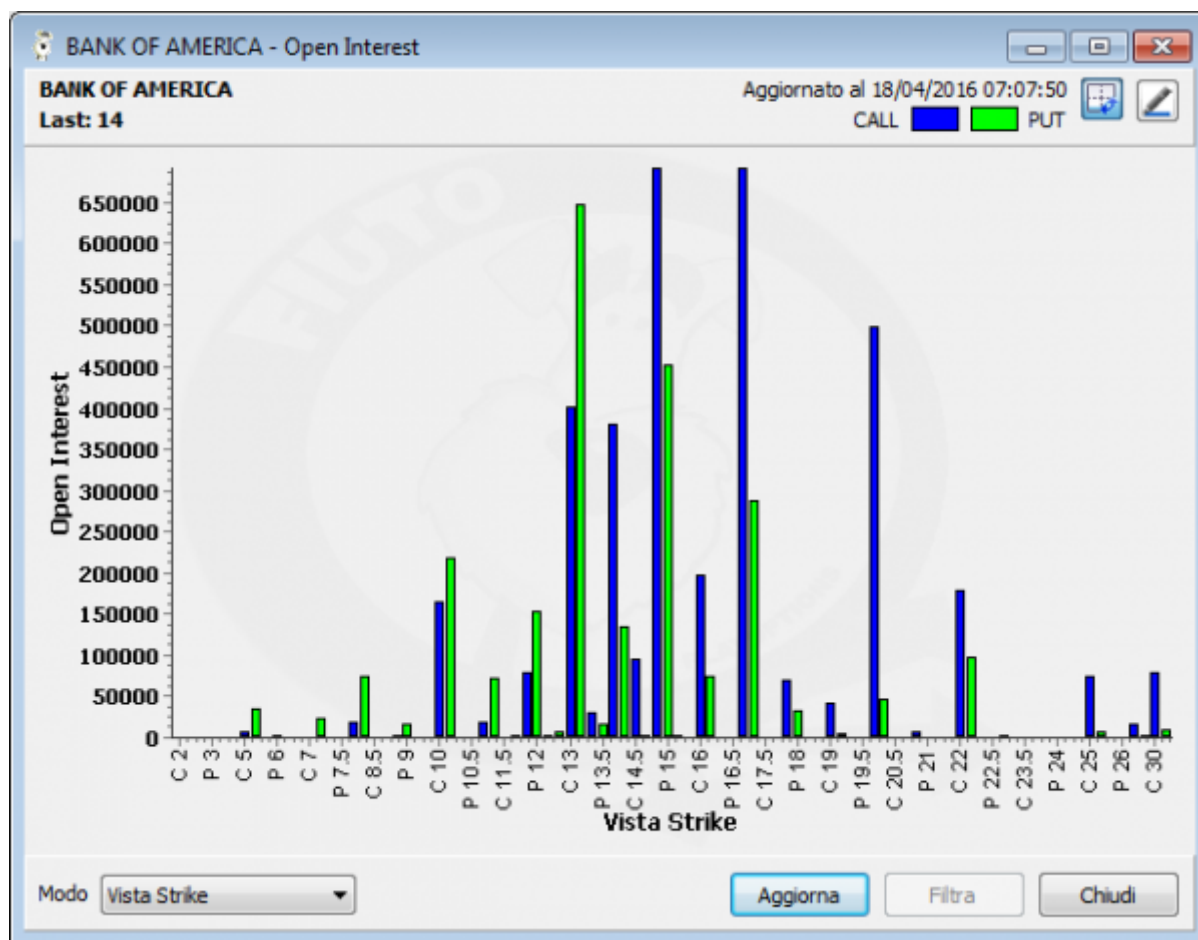
??????? andrea queste 3 righe pensaci te che non idea di come costruire la sintassi in inglese????We have in green the number of put position and in Blu the number of Call position. It is now to interpret because the market has put on those strike and with those contracts. to do this I have to immerse myself in the strategist who actually took those positions and do the first considerations … It 's true that each bar represents the number of open contracts and it is true that each bar is representative of those who bought and who sold . Buyers and sellers are in equal numbers and then if we do not do an additional reasoning to know how many contracts we have gives us no indication. What will the buyer if his contract is not in the direction you expected? Nothing! He will not do anything because they have no obligation, remember that it is the buyer, has already been spent and will just wait and see. The seller on the other hand will act on the market in two ways, can enter the underlying to repel the trend that would go ITM his option, or you will cover, in practice put in stock what the sales contract will oblige him to deliver. Again it intervenes on the market of sottostane and will modify the courses.

?????So, contrary that you read in the literature, the number of option contracts are to be seen as contracts sold, or if the number of call is higher than the put means that the market expects a descent. Why the error of interpretation that reads the texts is easily explained: the texts are written a few years ago and was never corrected, years when, still had not permitted the sale of the options, but only the purchase.

??????At this point we can count on the number of contracts, on the type and on strike on which they are placed. Here we have the supports and resistances that are the real media and the real market resistance. The buyer never to intervene in the market option contract diverting the trend, while the seller must, depending on whether Call or Put, take action on the underlying to be able to cover. That's why you have to consider the open interest, so it is called the number of open contracts, as part sold. At each level of open interest, there will therefore be a defense of the strike price sold more or less intense depending on the strength that the seller has and that comes from the premium

received. Another aspect that you must know is if the contract that you see is "real" or is synthetic. I take the example with a Call:

- Sell 1 Call so the open interest increases by 1. Who reads it will think bear market.
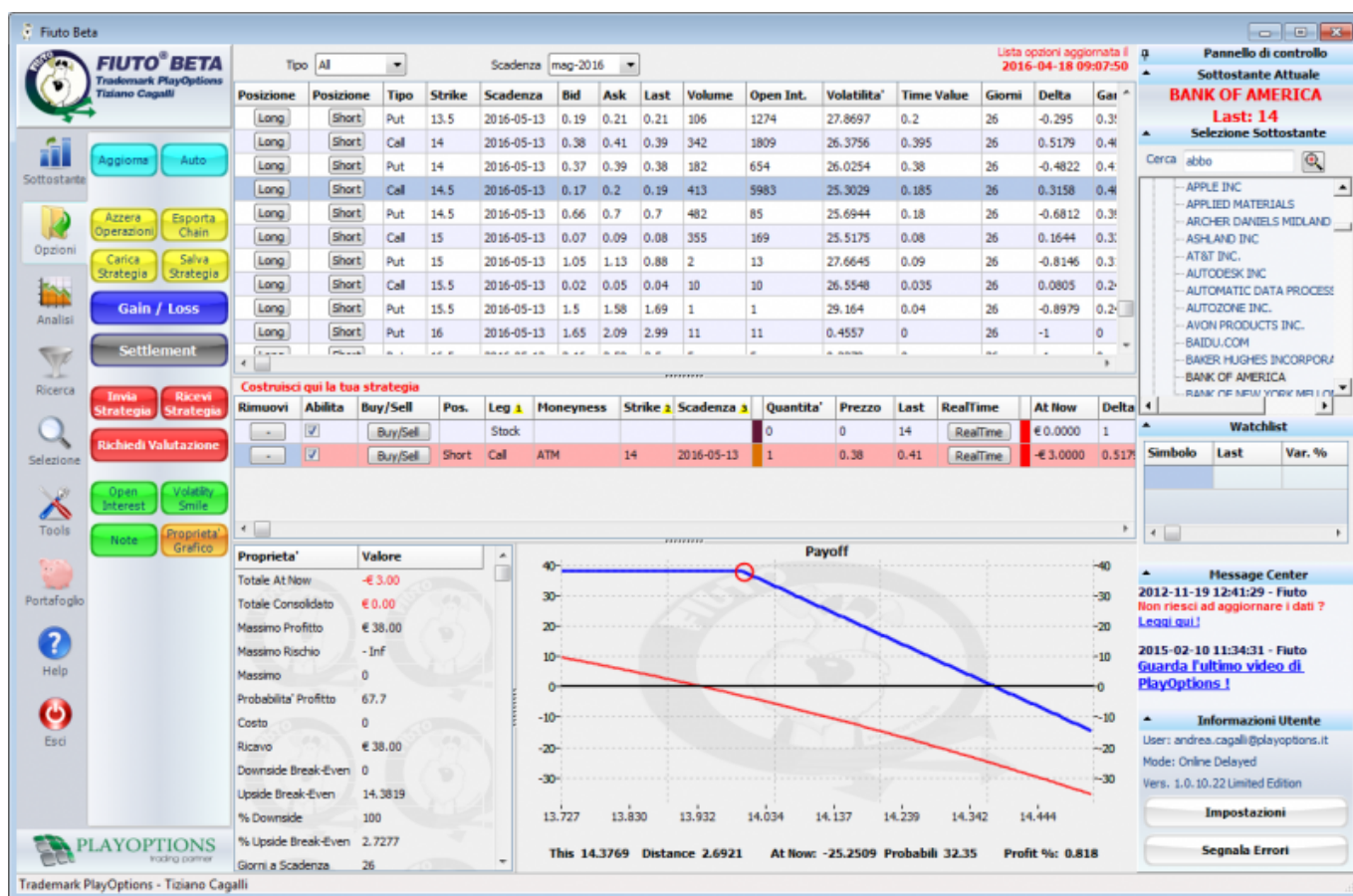
- Sell 1 Call and at the same time I buy one future and so my position becomes a synthetical Put.
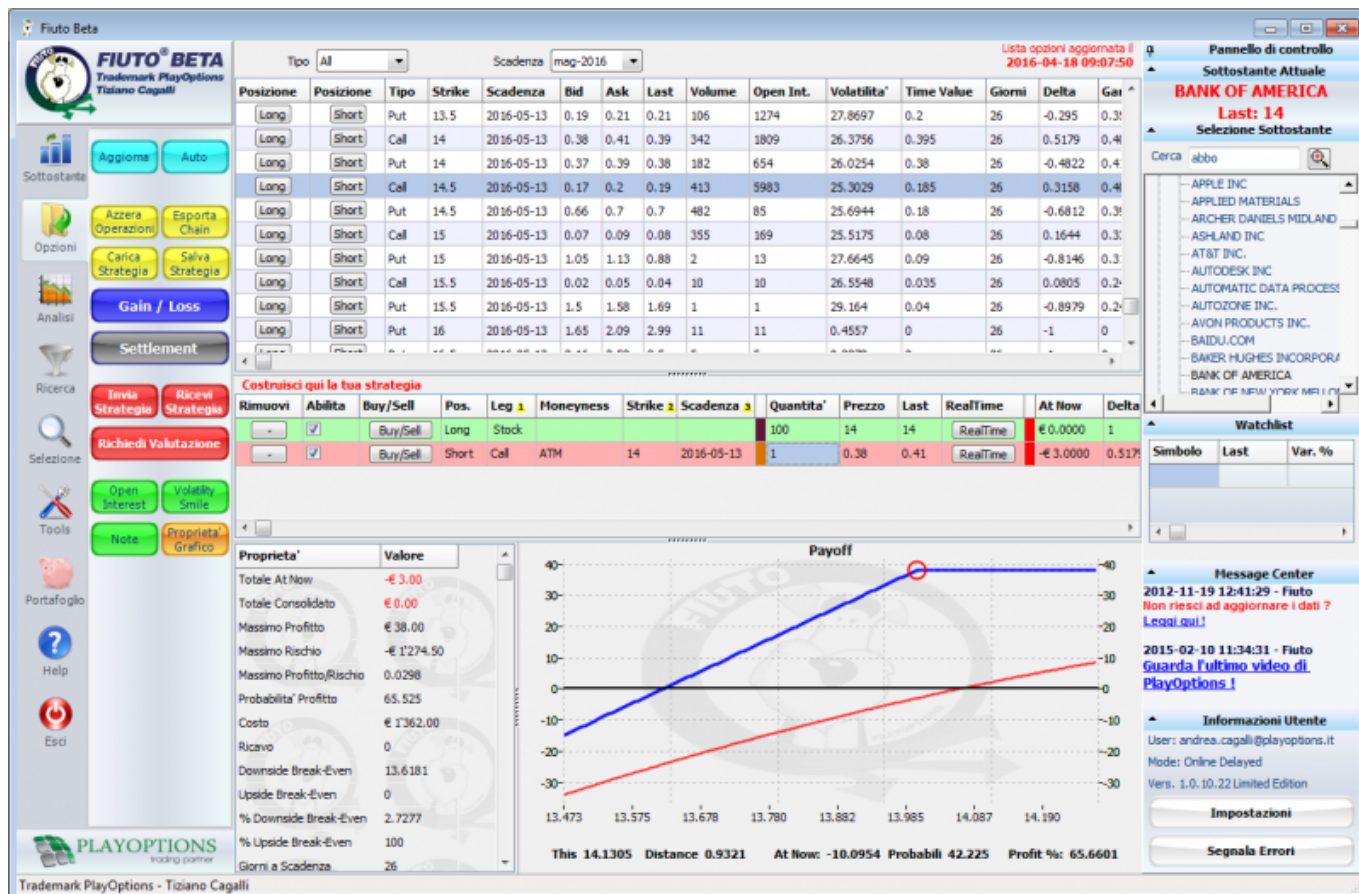
Basically what I want to show with these lines is that the reading of the Open Interest as it is explained in the common literature is useless.

I Remember to offer the ability to not lose valuable information that can be obtained from the knowledge of institutional positions, Fiuto beta has two instruments, CIT and LIT used to analyzing daily movements.
The characteristic of these instruments is that, by analyzing non-real-time data, they offer a delayed response and they require the recording of daily positions, thus more suitable for operators not professionisti.

We the need a real-time instrument with an unambiguous answer. The solution came with Ibeberg that allows real-time data, accessing of PlayOptions server,you obtain the indispensable divisions between real and synthetic positions.

The Defense Points Distribution points,is the map of the defensive positions which will be the support and resistance in the path of the underlying trend.

In each trade of the futures we mark out all trade in option chain and with our algorithms we can identify positions premium received both. We group the output and we represent it as a histogram that, at this point, should not be interpreted, but only read.
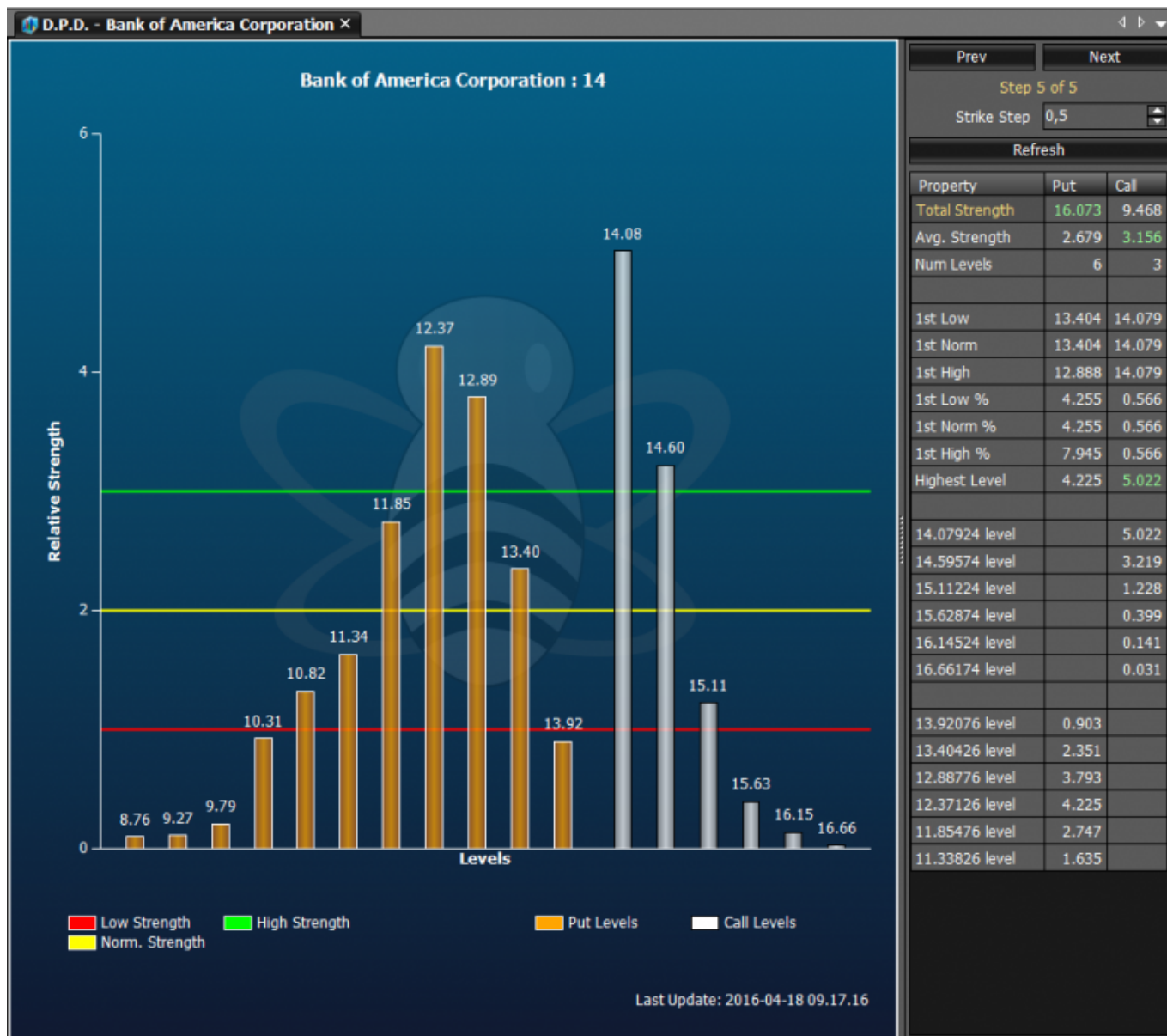
As you see in the picture the DPD is completely different from the open interest
\\let's make an analysis on Bank Of America reading DPD:

Uptrend detected by the numerous orange columns (Put) but with a strong resistance to the first level of Call (gray column on 14:08). The resistance that they will offer will be strong cause to the relative strength which is at higher level than the Put sellers.
There are no doubts, today we have to built a bull strategy.The price can move between 12.89 and 08.14.
Note that the D.P.D. no longer coincide with the exact strike as Open Interest but incorporate the premium.


Example

Three horizontal lines are shown for an easy interpretation. They represent the relative strength

In the example below we can see a resistance at 23633.63 and a support at 23109.61, a stronger one at 22593.11 and 22851.36.
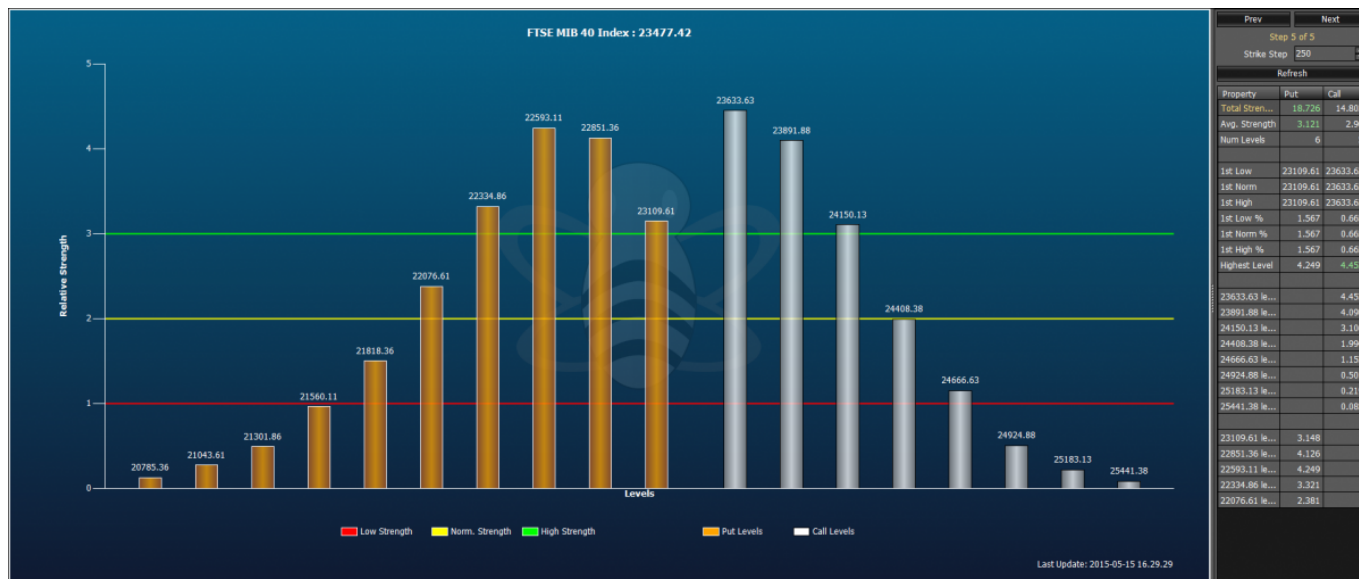
The "Refresh" button update the D.P.D. with new data, you can do a Refresh every hour. Clicking on button "Refresh", if it is not spent an hour since the last update a window which initiates the time remaining appears.
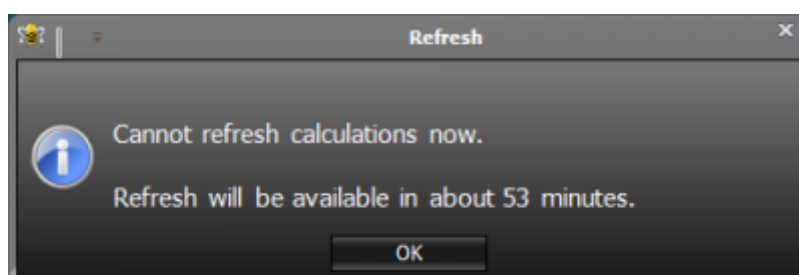
The Defense Point Distribution and DPD Forecast Map are not comparable in fact the DPD is a photo in real time while the forecast is a projection based on previous movements.

Legend

- Total Strength: sum of its forces divided into put and call
- Avg. Strength: Average relative strength divided into put and call
- Number of Levels: number of put and call levels with a relative strength greater than Low Strength

- 1st Low: first level from the price of the financial instrument with a greater relative strength of Low Strength
- 1st Norm: the first level from the price of the financial instrument with a greater relative strength of Normal Strength
- 1st High: the first level from the price of the financial instrument with a greater relative strength of High Strength
- 1st Low%: distance% compared to the price of the financial instrument of the 1st Low
- 1st Norm%: distance% compared to the price of the financial instrument of the 1st Norm
- 1st High%: distance% compared to the price of the financial instrument of the 1st High
- Highest Level: relative maximum value of the force divided into put and call

- 23633.63 level: the First Call resistance price (relative to the example)
- 23891.88 level: the price of the second resistance Call (relative to the example)
- 24150.13 level: the price of the third Call resistance (relative to the example)
- …
- X level …: the number of Call resistences and their value are closely related to the financial instrument and market conditions

- 23109.61 level: Price of the first Put support (relative to the example)
- 22851.36 level: Price of the second Put support (relative to the example)
- 22593.11 level: Price of the third Put support (relative to the example)
- …
- X level …: the number of Put resistences and their value are closely related to the financial instrument and market conditions

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