How to Use the ATH Projection Chart for Options Trading

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This chart is not a crystal ball, but a powerful visualization of market sentiment based on options open interest (OI). It shows where traders are placing their bets on the future price of the stock. Here's how to translate the chart's elements into potential trading strategies:

1. **Identify the Trend (Bullish or Bearish):**
   - **Bullish Signal:** Look for the **Combined Projection** line (blue line with 'x' markers) to be trending upwards. If this line is heading towards or crosses above the **Last ATH** (grey dotted line), it indicates strong positive sentiment.
   - **Bearish Signal:** If the **Combined Projection** line is flat, trending downwards, or consistently stays below the last close price (orange dotted line), it suggests bearish or neutral sentiment.
2. **Develop a Bullish Strategy (Buying Calls):**
   - **Scenario:** The chart shows a clear uptrend, and the **Combined Projection** is pointing to a new high.
   - **Action:** Consider buying a **call option**.
   - **Expiration Date:** Choose an expiration date that gives your thesis time to play out. If the chart projects a price of $150 in 3 weeks, select an option expiring in 3 to 5 weeks.
   - **Strike Price:** Select a strike price near the **Combined Projection** price for your chosen expiration. For example, if the projection for a date is $150, a strike of $145 or $150 could be a good candidate. The green "Call Projection" markers can also serve as a guide for potential price targets.
3. **Develop a Bearish Strategy (Buying Puts):**
   - **Scenario:** The chart shows a clear downtrend, or the **Put Projection** markers (red circles) are significantly dragging the **Combined Projection** line down.
   - **Action:** Consider buying a **put option**.
   - **Expiration Date:** As with calls, match the expiration to the timeline of the projected weakness.
   - **Strike Price:** Select a strike price near or slightly above the **Combined Projection** for that date. You are betting the stock price will fall *below* this strike. The red "Put Projection" markers can indicate where bears see potential price floors.
4. **Interpret the Gaps and Proximity:**
   - **Call vs. Put Dominance:** Observe the location of the blue **Combined Projection** line relative to the green (Call) and red (Put) markers.
     - If it's closer to the **green markers**, call option sentiment (bullish) is more dominant.

        - If it's closer to the **red markers**, put option sentiment (bearish) is more dominant.
    - **Put/Call Ratio:** Use the P/C Ratio metric as a confirmation. A ratio < 0.7 generally confirms bullish sentiment, while a ratio > 1.0 confirms bearish sentiment.
5. **Focus on the Most Reliable Data:**
    - **The 4-Week Horizon:** Projections for the nearest **4-6 weeks** are typically the most reliable. This is because most options trading volume and open interest are concentrated in the nearest weekly and monthly contracts.
    - **Long-Term Projections:** Be cautious with projections that are many months out. They are based on far less data (lower OI and volume) and represent less "complete" trader sentiment.

By combining these points, you can move from simply viewing the chart to forming a data-backed trading thesis, selecting an appropriate options strategy, and choosing a specific contract.