

FUTURES **L** **I** **N** **G** **O**

OPEN INTEREST



WHAT IS OPEN INTEREST?

Definition

The total number of outstanding futures contracts that **have not been settled** at the end of the trading day.

How it works?

Calculated by adding all the contracts from opened trades and subtracting the contracts when a trade is closed.

$$+ \text{Opened Contracts} - \text{Closed Contracts} = \text{Open Interest}$$

MOVEMENTS OF OPEN INTEREST

Open interest of a futures contract will:



when new contracts are added.

when contracts are closed.



when contracts are transferred
between traders.

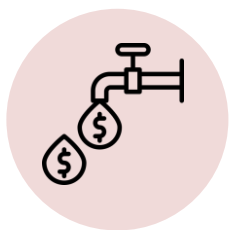
WHAT HIGH OPEN INTEREST MEANS?

Trend Analysis

A high open interest with rising prices indicates an uptrend.
A high open interest with falling prices indicates a downtrend.



Liquidity



A high open interest signifies a more liquid market, making traders easier to enter and exit positions.

Market Sentiment

A high open interest also reflects strong investor confidence and interest in a futures contract.



EXAMPLES

Scenario

Yesterday, the open interest of crude palm oil futures (FCPO) was 213,000 at the end of the trading day.

Today, Trader A buys 10 FCPO contracts.

Trader B then buys 5 FCPO contracts

Trader A closes position by selling 5 FCPO contracts.

Open Interest

213,000

213,010 **+ 10**

213,015 **+ 5**

213,010 **- 5**

The open interest of FCPO today will remain at 213,010 until another trader opens or closes a position.