

PROJECT REPORT ON
“A STUDY ON THE USE OF OPTIONS FOR MARKET SENTIMENT
ANALYSIS: A PUT-CALL RATIO APPROACH”

Submitted By

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Submitted To



VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfilment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

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Date: 09/09/2024

CERTIFICATE

This is to certify that **Prajna** bearing USN 4AL22BA058, is a bona-fide student of Master of Business Administration course of Alva's Institute of Engineering and Technology, Moodbidri for the batch 2022-2024, affiliated to Visvesvaraya Technological University, Belagavi. The Project report on "A Study on the Use of Options for Market Sentiment Analysis: A Put-Call Ratio Approach" is prepared by her under the guidance of **Dr. Vishnu Prasanna K.N.**, Professor, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belagavi Karnataka.

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DECLARATION

I, **Ms. Prajna (USN: 4AL22BA058)** hereby declare that the project report entitled **“A STUDY ON THE USE OF OPTIONS FOR MARKET SENTIMENT ANALYSIS: A PUT-CALL RATIO APPROACH”** is prepared by me under the guidelines of Dr. Vishnu Prasanna K.N., Professor of Finance, PG Department of Business Administration, Alva's Institute of Engineering and Technology, Mijar, Moodbidri.

I also declare that this project work is towards the partial fulfilment of the university regulations for degree of MASTER OF BUSINESS ADMINISTRATION by Visvesvaraya Technological University, Belgaum.

I have undergone a project for a period of 6 weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University/Institution

Date:19-09-2024

Place: Mijar, Moodbidri



Signature of the Student

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With Regards,

Prajna

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EXECUTIVE SUMMARY

The application of options data in understanding market sentiment, particularly through the lens of put-call ratios. This research investigates how the relationship between put and call options can serve as a reliable indicator of market sentiment, offering valuable insights for investors and analysts.

The study begins by introducing the concept of put and call options, explaining their significance in financial markets and their role in shaping investor behaviour. It then delves into the methodology of calculating put-call ratios, which involves comparing the volume of put options to call options traded within a given period. This ratio is interpreted as a measure of bullishness or bearishness in the market, with high ratios indicating increased bearish sentiment and vice versa.

Through empirical analysis, the research demonstrates the efficacy of put-call ratios as a tool for market sentiment analysis. By examining historical data and correlating put-call ratios with market movements, the study establishes a robust relationship between these ratios and subsequent price trends. Moreover, it explores the implications of different levels of put-call ratios on market dynamics, shedding light on how investors can use this information to make informed trading decisions.

Furthermore, the paper discusses the limitations and challenges associated with using put-call ratios for sentiment analysis, such as potential biases and the need for context in interpretation. It also suggests avenues for future research to enhance the effectiveness of this approach and address existing gaps in understanding. In conclusion, "The Use of Options for Market Sentiment Analysis: A Put-Call Ratio Approach" underscores the value of options data in gauging market sentiment and offers practical insights for investors seeking to better understand and navigate financial markets. By leveraging put-call ratios as a key metric, investors can gain a deeper understanding of market sentiment and potentially capitalize on emerging trends and opportunities.