

Analysis of CBOE AAPL option trading data^(a)

Summary activity of directional market participants (i.e., retail investors)



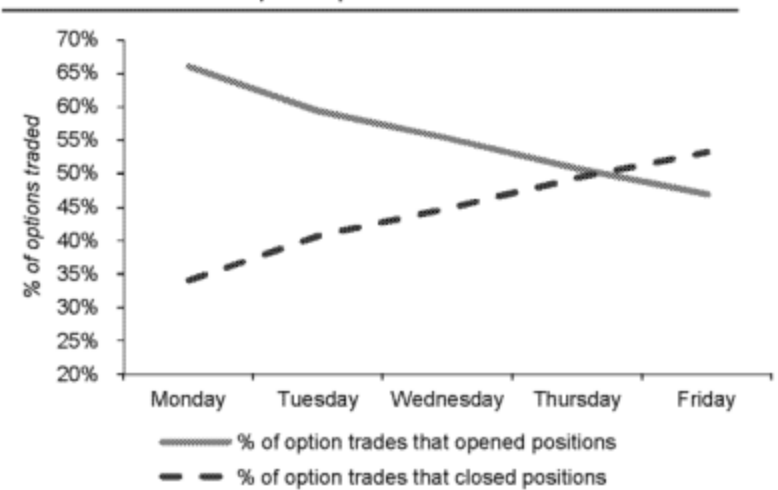
The CBOE has data on each option trade and designates the buyer and seller of options as either "customer" or "firm". We attribute "customer" transactions to directional retail investors, and "firm" transactions to hedged market participants

The dataset has certain limitations:

- The CBOE is only one of several exchanges that list options (with ~20% of total volume)
- Market maker trades are excluded
- The data does not have time stamps (which would have allowed us to see whether trading is clustered during a certain part of the day and compare this to the stock's intraday behavior)

- Since the Monday / Friday phenomenon coincides with the listing of weekly options, we focused on options with the shortest expiry
- Consistent with a hypothesis that Monday's outperformance is due, at least in part, to retail investors initiating option positions, the vast majority of directional option trades on Mondays were opening transactions
- In addition, the majority of the positions that were opened were bullish transactions, which would have caused a hedged market participant to buy shares
- By Friday, the majority of option trades were closing transactions
- Since the majority of option trades were bullish positions, closing these positions would have caused a hedged market participant to sell shares

Opening versus closing transactions for directional market participants^(b)



Bullish opens versus bearish opens for directional market participants^(b)

