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#Knowledge
A 2016 post that I posted in AAFL Facebook group on max pain ... Might be useful from awareness perspective...

Manoj Kumar ▶ Amibroker AFL collection
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Max Pain theory in options - a simple explanation

It is a fact that on the date of expiry option writers manipulate the market. They manipulate in such a way that they get the maximum benefit, i.e. The minimum loss. In other words market ideally expires at a point where there is max benefits to the option writers. This theory is called max pain theory .

Option writers are option sellers. Majority of option contracts usually expire worthless. Let us consider an eg:

Nifty trades at 8700
Tom is the expiry date .
8500, 8600, 8700, 8800,8900 are the strikes.
Call open interest 100, 150, 200, 180, 160
Put open interest 80,100,180,160,140

At expiry If nifty closes at 8500, call writer loss at given strikes are 0,0,0,100,200. Multiplied by Number of contracts of 75, call writer loss in Rs is 0,0,0,7.5k,15k. So total call writer loss is Rs 22.5k.
Similarly put writer loss at the given strikes are 100,100,0,0,0. Multiplied by contract lots of 75, we get the loss in Rs as 7.5k,7.5k,0,0,0. Total put writer loss is Rs15k.
Hence total option writer loss is sum of call writer loss and put writer loss which is 22.5k plus 15k which is 37.5k

Like this for each strike price option writers loss needs to