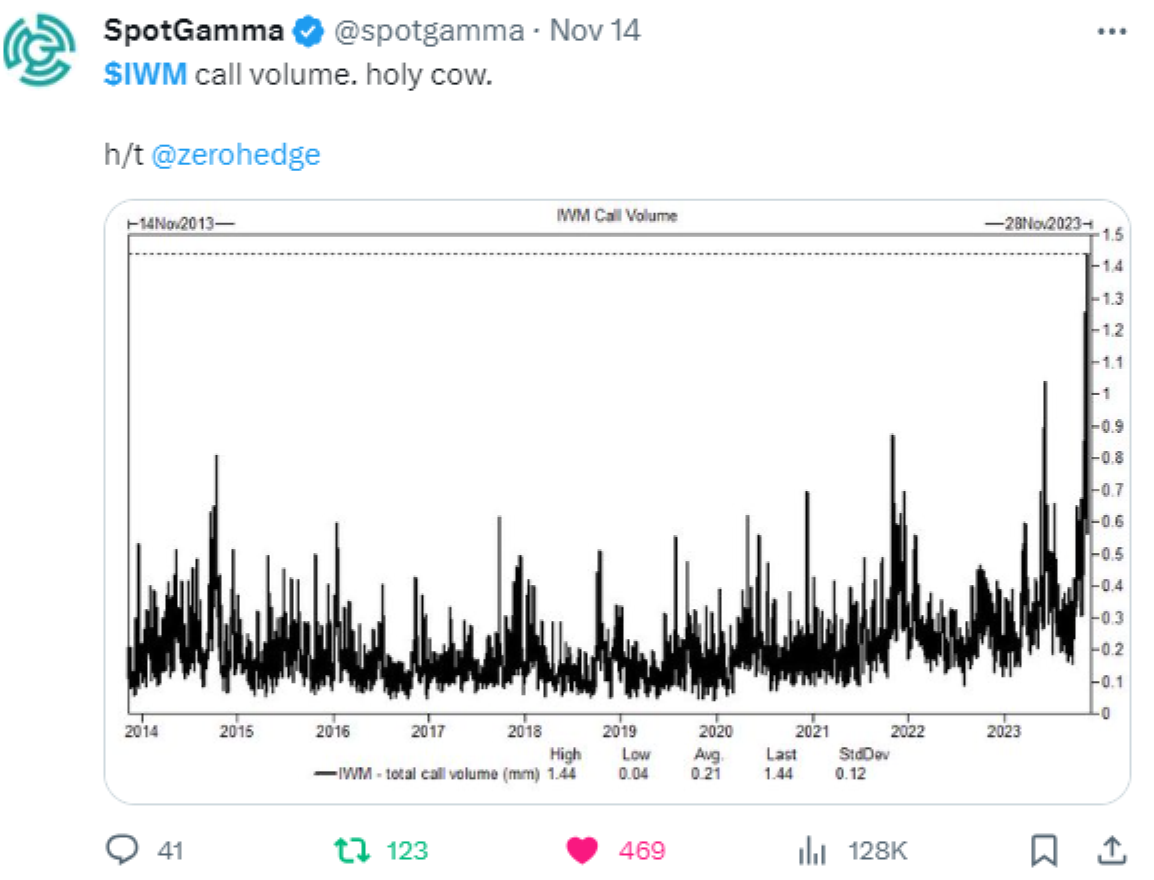
MARKETS AWAIT UNCLENCH – A THEORY ON THE REAL REASON FOR DECEMBER VOLATILITY – NVDA ON DECK- FED MEETING/DECEMBER VOL TRADE

VOLATILITY SUMMARY

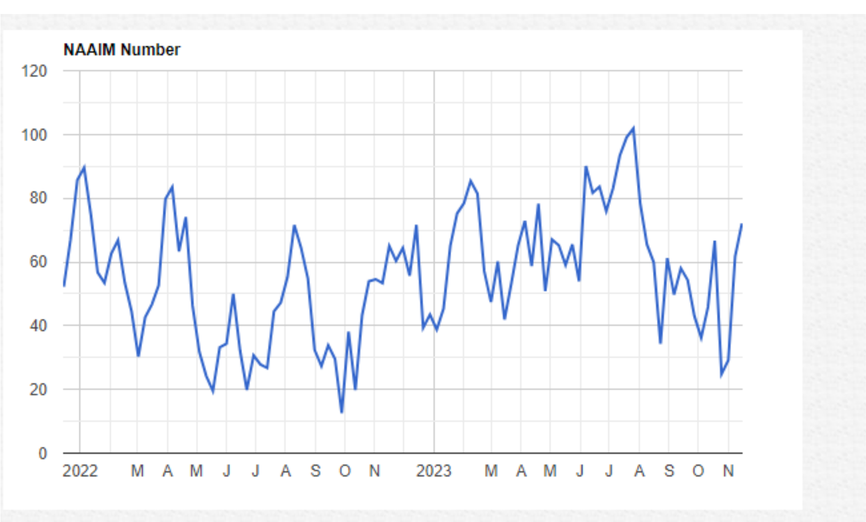
Well, this opex is more like the ole days of zirp in positive gamma, at least since the post-CPI ramp locked the index around 4500. How quaint. Every intraday dip tased by the vol selling crowd. The usual giga watering holes seeing large call gamma volume. A bucolic opex week, sit on the porch, grab a sweet tea and watch the time go by.

Yet, under the surface, bad breadth continues highlighted by this:

The Russell 2000, off over 1% while SPY/QQQ/DIA chop around flat. Water still hosing down the smoldering ashes of the short seller arson on Tuesday. Two interesting takeaways from the crime scene:



Goodness gracious, there is nothing to compare with that volume, ever. Now, here's the thing. Sentiment shifts faster than ever it seems and it's expressed with call buying. The options market has been democratized. Sentiment has gone from close to wondering where the Fed put was/recession is coming back to soft landing/we don't need a recession, literally overnight. Active managers are as invested (more like long calls, right) as they were during the July earnings season:



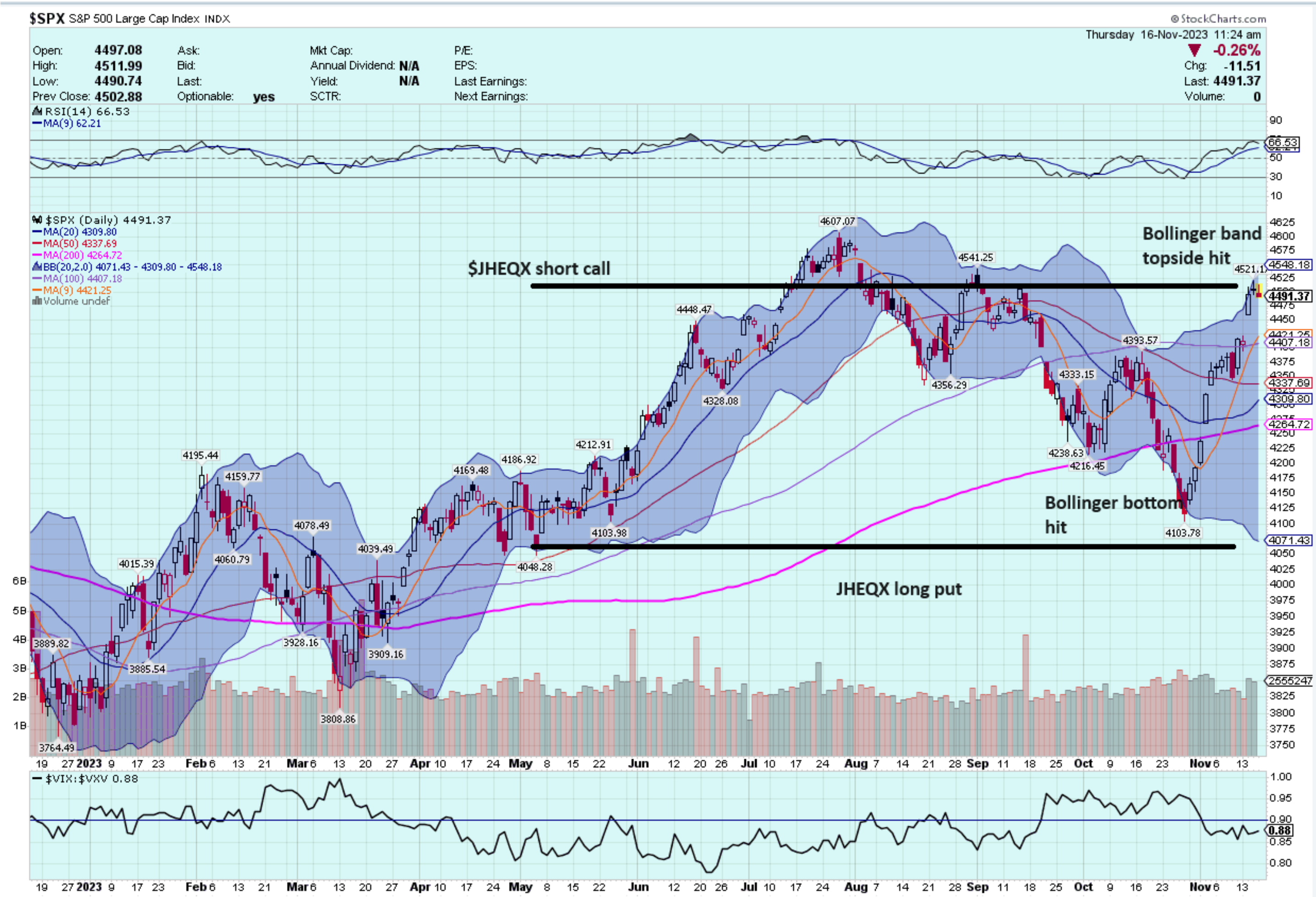
And some folks, well, they made a fortune expecting a squeeze of this magnitude. Using, yes, out-of-the-money opex expiring calls:

Now, back down most stocks slide, squeezes over, opex pinning being achieved by the Atlas' of the markets like MSFT/AAPL holding the whole special opening quotation thing at tomorrow's open together. (https://www.cmegroup.com/education/articles-and-reports/understanding-the-special-opening-quotation-soq.html)

(Which begs a thought for another day/note: If everyone has sold or is not interested in most stocks at this point, then what is the plan for next year? Are PMs going to simply load up on just giga tech on dips next year and expect 30% yet again? Will A.I. and valuation expansion be a 2023 redux?)

VOLATILITY ANALYTICS NEWSLETTER – NOVEMBER 16TH

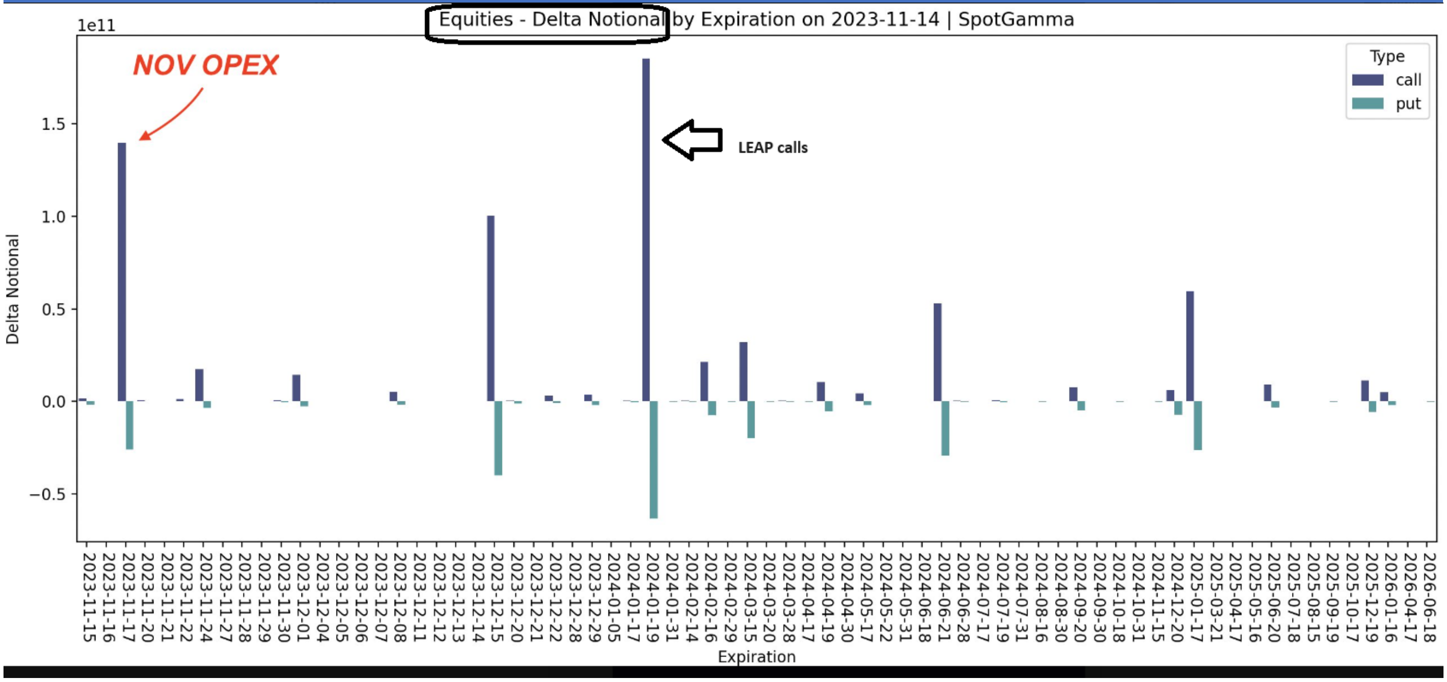
One thing I was pondering this week during the CPI gamma mayhem was the JPM collar. Can you believe that we nearly touched both sides of the collar and both Bollinger bands in only two weeks' time? Just amazing:



So, if you're scoring at home, this zero-debit collar has suddenly become a liability. 41000 or so collars, the short call being worth about $76 less the long put which is about $5.50 is roughly:

41k x 100 x $70.5 = $289mm. Not exactly pocket change for a 16B fund. The good (or scary perhaps) news is that it has 45 days or so to go, so a 5% rally into year-end would really do some damage.

IWM calls and JPM collars dovetail nicely with my topic du jour, why December volatility tends to rise after folks are beached like orca post turkey day. Take a gander at this chart:



LEAPS are calls that are listed years in advance. Basically, an opportunity for someone to own long term upside without plunking down the whole stock price or paying margin fees. And you know, these are generally folks that are long calls, not short.

What does this mean? Well, as you get closer to expiration and the deltas start to decay, you know, charm, then dealers are sellers of the long hedge. So, while the models most folks use to judge whether the market is in positive or negative gamma, this sort of flips that generality on its head.

Instead of buying back the short futures/stocks when the calls the dealers are long (covered calls sold to them) decay, it's the opposite. They are short the calls, thus long the underlying hedge and when they decay, dealers are sellers.

Take a look at the big tech stocks, at the open interest for January LEAPS, it's huge. Combine that with a lot of folks that most certainly got long calls in November post-Fed, when the seasonality/technicals/breadth thrust, what have you, signaled them to shift sentiment and go long December Santa calls as well. What you have is a lot of long calls that on a bad day in the market in December, go up in flames and dealers do a lot of selling. Hence, December volatility.

Just my theory, mind you, what exacerbates December vol. In the meantime, keep an eye on SOQ in the morning, how the market acts on that minor unclench, the markets after 3pm when there is more unclenching, and finally, if the S&P parks here, then Monday/Tuesday could be very interesting. NVDA is clearly the main event next week, so it's harder than usual to gauge how vol is going to act vis a vis unclench.

Volatility Trades:

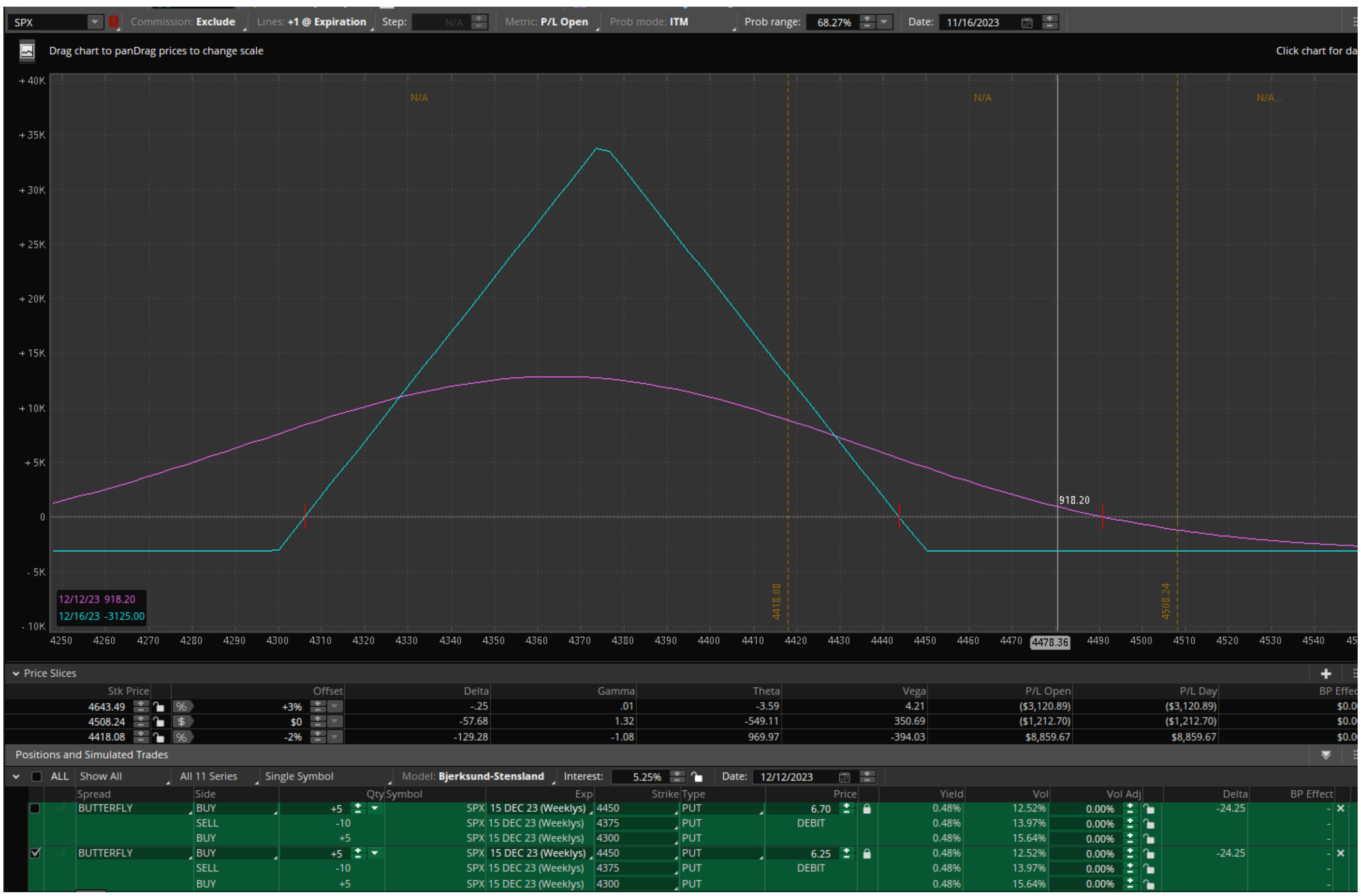
SPX Fed meeting put butterfly spread

Buy 4450 Dec put

Sell 2x 4375 Dec put

Buy 4300 Dec put

Net debit: $6-6.50



Another byproduct of an opex week like this is the room service hop that the low vol of the week gives you to set spreads for very low prices. 6 points of cost for owning 4450-4375, 8% of the width. Only 1% lower it starts to earn, and rapidly. And this spread holds a slew of risk events, JOLTS/CPI/Fed meeting/quarterly opex….It's priced as if the odds of the market having a down day in the next month are close to non-existent. Target- $12-15.

VOLATILITY ANALYTICS NEWSLETTER – NOVEMBER 16TH

REALIZED VOL REMAINS HIGH AS VIX NEARS LOWS OF THE YEAR – HEDGING FOR A CHANGE IN SENTIMENT – FED MEETING/END OF YEAR

VOLATILITY SUMMARY

Another amazing gap up and gamma-fueled short squeeze, making a mockery of old-timey ‘efficient’ and ‘forward-looking’ market tripe. Today, I’m just going to focus on trades that *are* forward looking, due to the level of implied volatility nearing the lows.

Clearly these market moves are borderline astonishing at this point; it’s a rally reminiscent of coming out of covid or a bank crisis, yet there wasn’t anything remotely like that, which is catching just about everybody off guard. and the Russell 2000 (IWM) is having one of *its best days ever*:

The ludicrously crowded Nasdaq-100 (QQQ) is *up 10% so far this month* and when you compare it to IWM, that outperformance broke out again. On top of that, with the realized volatility being this high, and it being trend vol to the upside, realized vol has surpassed implied volatility in QQQ:

It's almost as if two weeks ago, you had to have the imagination of a madman to think the S&P would travel 10% higher in two weeks. It's not like anything fundamentally has changed.

Tomorrow is vixpiration and retail sales, and while I expect virtually no impact from a negative print regarding the latter, the former might be interesting. It is often the vol dividing line/watershed between low opex week implied vol and rising vol.

If we pin 4500 or go higher, that increases the odds of unclench volatility next week if vixpiration through Friday's close is relatively uneventful. Implied volatility is quite low versus realized volatility and when you add in the fact that the markets have been moving in one direction, trend volatility is making fortunes out of long call vol geniuses.

VOLATILITY ANALYTICS NEWSLETTER – NOVEMBER 16TH

So, I will save more commentary on the usual stuff for ensuing notes because today is the ideal time to talk about looking ahead to when sentiment is not this ridiculous. I said the same thing and did a similar note during the July earnings summer ramp, and those ideas worked out quite well.

Here is a portion of that note and you will notice a lot of similarities to today:

VOLATILITY ANALYTICS NEWSLETTER – JULY 18TH

HEDGING IDEAS WHILE IMPLIED IS LOW ANTICIPATING AN AUTUMN RETURN OF REALIZED VOLATILITY

VOLATILITY SUMMARY

While everyone waits for the A.I. mentions and resulting giga tech earnings after hours spikes, it's probably a good time to look ahead, to potentially saner times. It certainly appears that QQQ has a date with all-time highs, not far away now, prices from early 2022 when almost everyone was thinking we were in a bubble.

You don't hear that now; you hear about future revenue boosts (sound familiar?) and that the most likely scenario for the economy is the rosiest possible outcome conceived as a low probability path only months ago.

The Fed meeting next week, well that's probably not a factor; it was a vol crush springboard last month and how often does Jay actually come out and talk things down? Quite rare. And in the midst of all the tech earnings that are being unveiled, it's probably even less relevant.

Managers are panic buying, meme stocks are on fire, folks don't dare sell in front of earnings, and speculative fervor in smashing puts every day combined with call gamma sweeps, hard to imagine a meaningful dip anytime soon, as I mentioned in last week's note.

This is the kind of thing that is happening with incredible frequency:

> **zerohedge** @zerohedge · 3m
> MSFT and NVDA have added $175BN market cap today, more than the mkt cap of 462 S&P companies, and more than the value of Nike, Wells Fargo, Walt Disney, Morgan Stanley, Intel, etc
> 30 39 134 14K

So, while this frenzy seems to be boiling over, the goal today is to examine a few hedging trades with three requirements. Trades that are very cheap due to low demand for hedging and low implied volatility, trades that will not bleed quickly, but ones that will pay immediately if volatility magically returns in the near term or the medium term.

So, here are a few trades that adhere to the goals stated in the last paragraph. I wrote that during July opex week which was similar to this week, gaps and huge upside moves. Bullish opexes can be as crazy directionally these days as bearish opexes are, they tend to really exaggerate the move in the prevailing direction.

Volatility Trades:

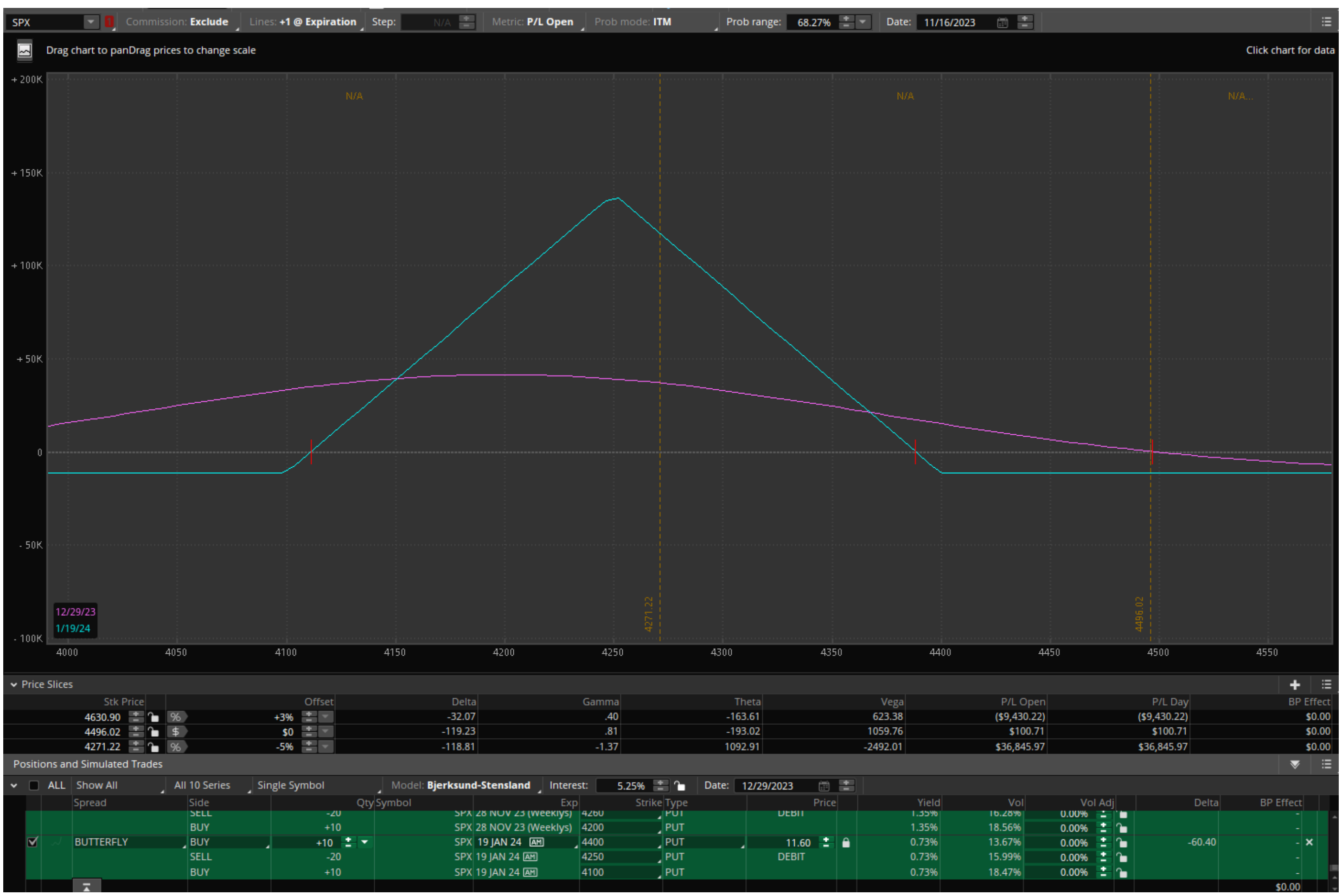
SPX January put butterfly spread

Buy 4400 put

Sell 2x 4250 put

Buy 4100 put

Net debit: $11.50-$12



150 points of downside for 12/150 = 8% of the width. Here is what I said about the nearly identical close-to-the-money put butterfly trade in July, ***which tagged the middle/short strikes at August opex:***

This is an extremely cheap trade. For about 14 SPX points, you get 150 points of downside below 4500, which is only 1% below current price. That is 9.3% of the width. I have no idea why people hedge with naked puts when you can put on a structure like this and pay so little. How much can 14 points bleed? One set of these for $1400 can easily make 500% and not even have to see the market correct 4% from today's price!

Consider this. 4550 x .96, 4% lower at September expiration is 4368. That means this fly at expiration would be worth $132. That's over an 800% return.

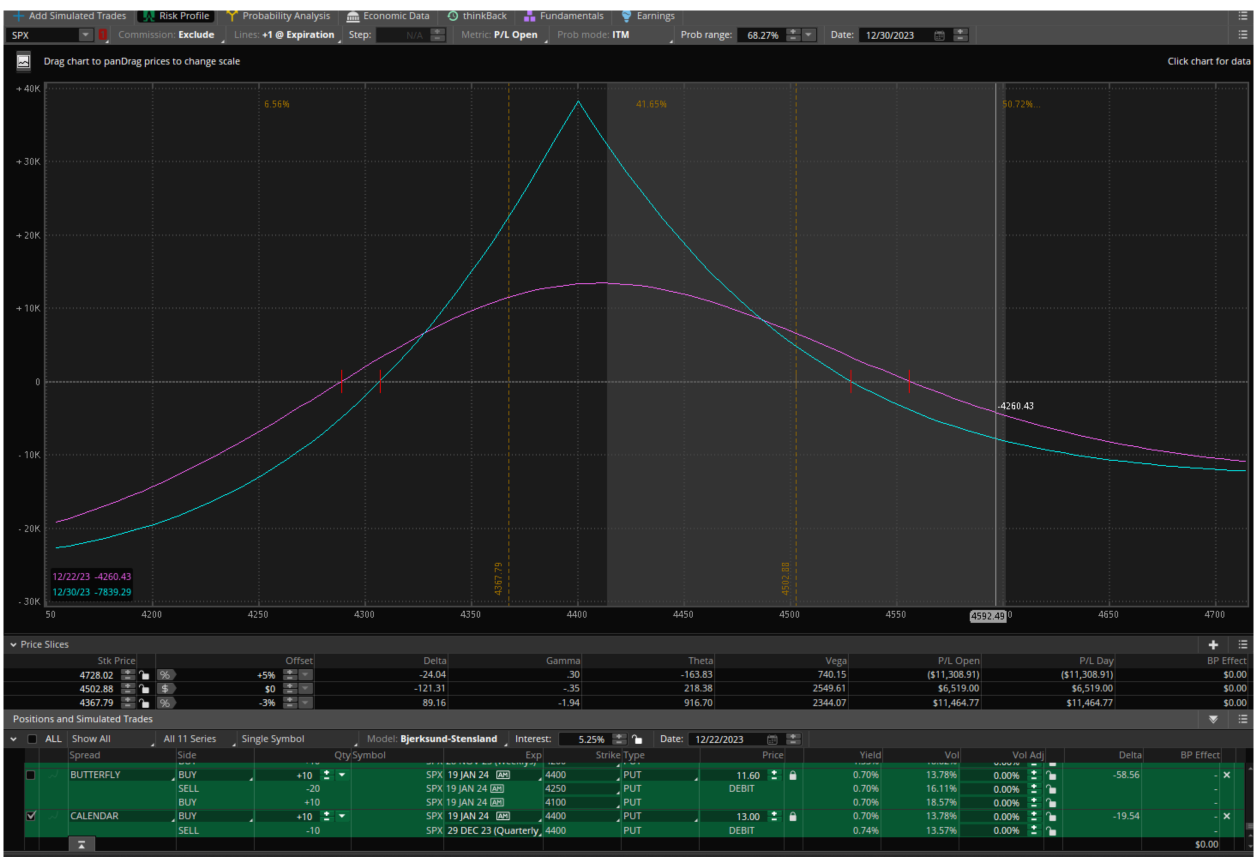
No need to elaborate further frankly.

SPX Fed meeting/Quarterly opex put calendar spread

Sell Dec 29th 4400 put

Buy Jan 19th 4400 put

Net debit: $12-14



QQQ Fed meeting/Quarterly opex put calendar spread

Sell 370 Dec 29th put

Buy 370 Jan 19th put

Net debit: $1.45-1.60

Two trades, same premise. Selling Fed/CPI/quarterly opex vol and owning new year vol for cheap. In the case of SPX, 3 weeks below 4400 for 13 SPX points, .3% of the underlying. That's a 30-minute afternoon move in SPX lately.

The QQQ trade is even more interesting, because folks are holding off selling the big names in here until the new year. Implied vol should start rising as we get closer to year end and the market realizes that.

I will be curious to see how these are pricing right before the Fed meeting. Lately, the 0-1DTE crowd vacuums the premium out before the event, leaving these events to be subject to large moves. That might be the time to kill both of these. Target $25-30 and $4-5.

MONDAY CONTINUES LEGENDARY STREAK DEMONSTRATING MARKET 'EFFICIENCY'- OPEX CYCLE CHOP ZONE CONTINUES AS EXPECTED- LOOKING AT 2018 QT CHARTS AGAIN FOR CLUES

VOLATILITY SUMMARY

Welcome to the chop zone:

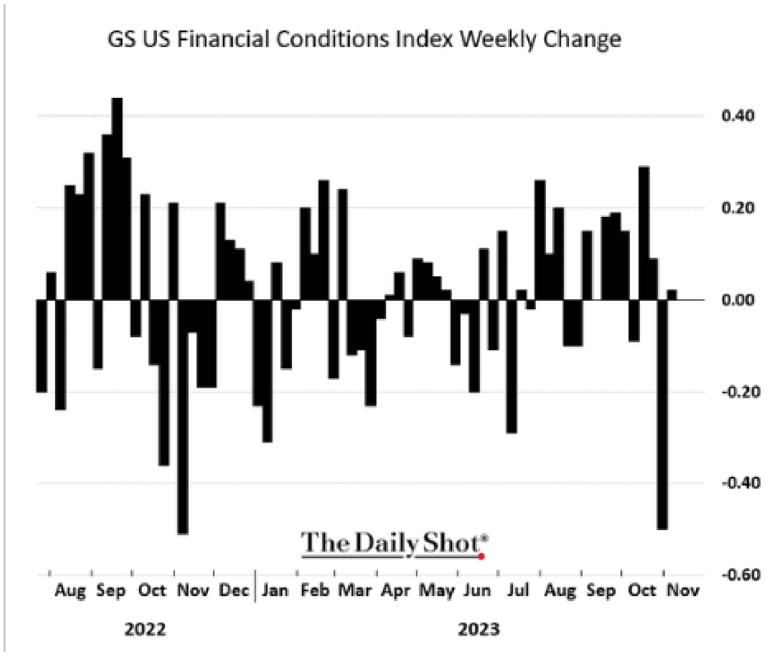
Wednesday's note:

It certainly appears to me, as I stated on Friday, that we've entered the chop area, where the markets might actually have a down day, yet that will magically be recovered the next day (or during an overnight ramp), and when morning ramps fail in the afternoon but conversely morning dips recover in the afternoon.

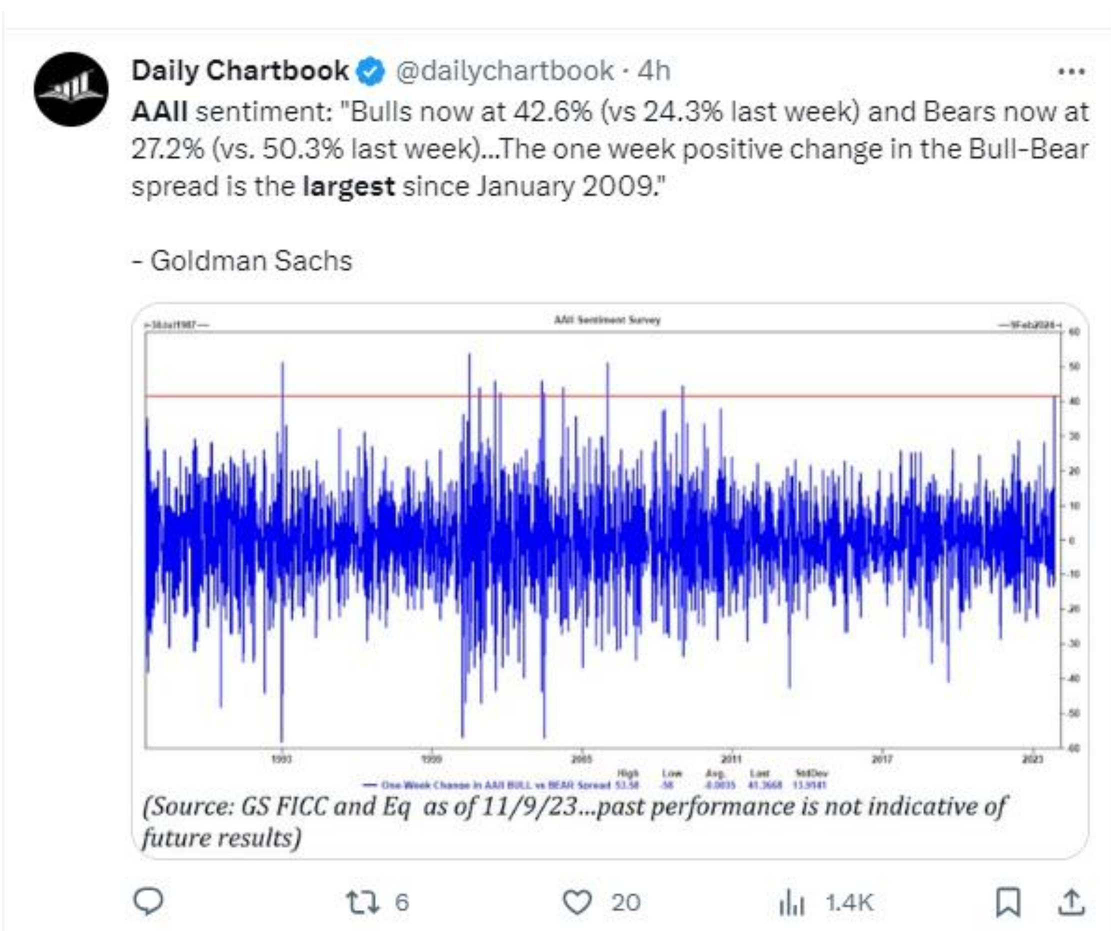
Yesterday's afternoon dip was erased with ease this morning, even as Powell got horrible news. Bad breadth folks foiled again. (See prior note) First, he was out fighting the easing that accompanied the ole 'give the market and inch and it takes the largest rally in two years', thing, since financial conditions eased markedly:

The United States: US financial conditions eased sharply over the past few days.

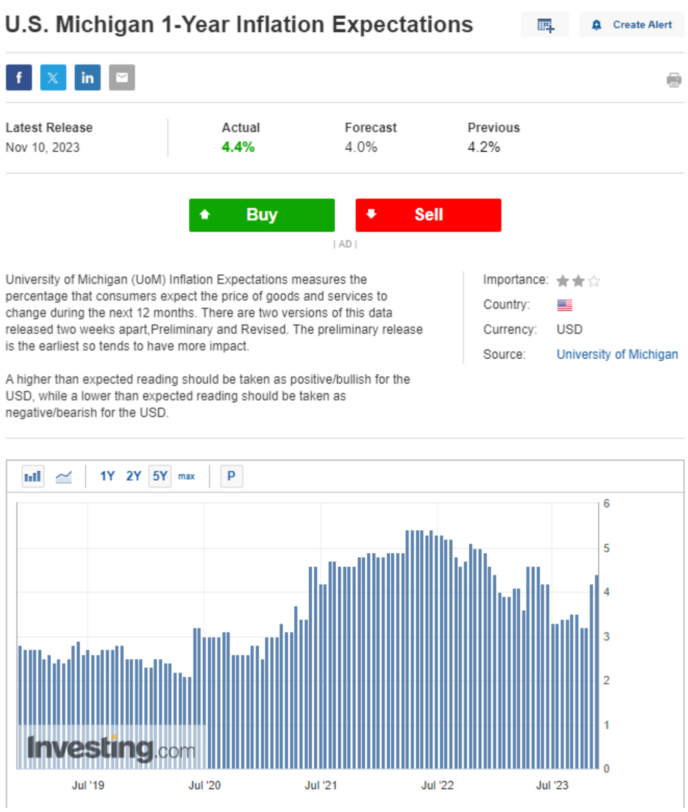
One of the largest easing weeks in ages, which shouldn't surprise anyone:

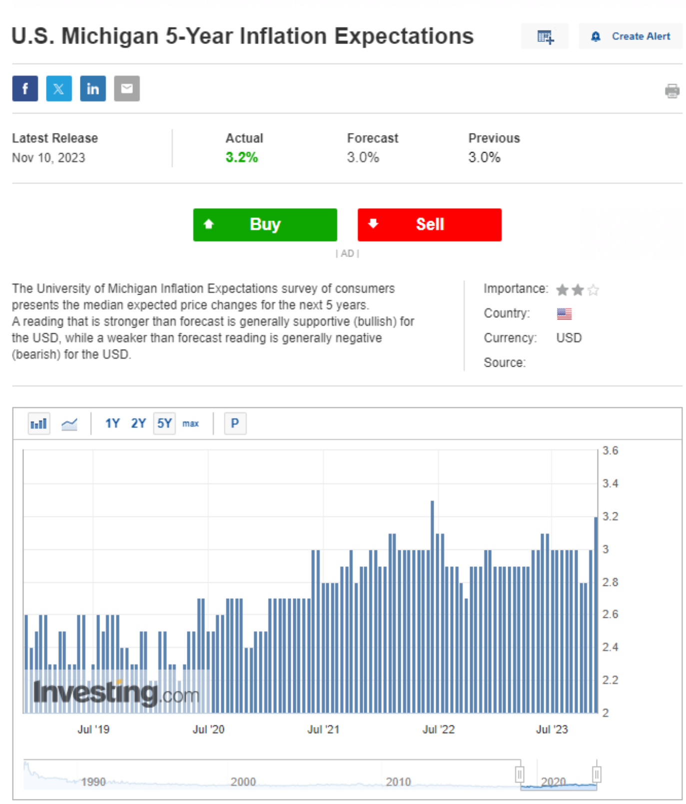


And sentiment, well, let's just say it broke the sound barrier rocketing higher in a Chuck Yeager test plane:



Thus subsequently, Powell was out doing his thing, trying to put the horse back in the barn, when he got this news today, which is precisely the kind of inflation news his horrible dreams are made of:





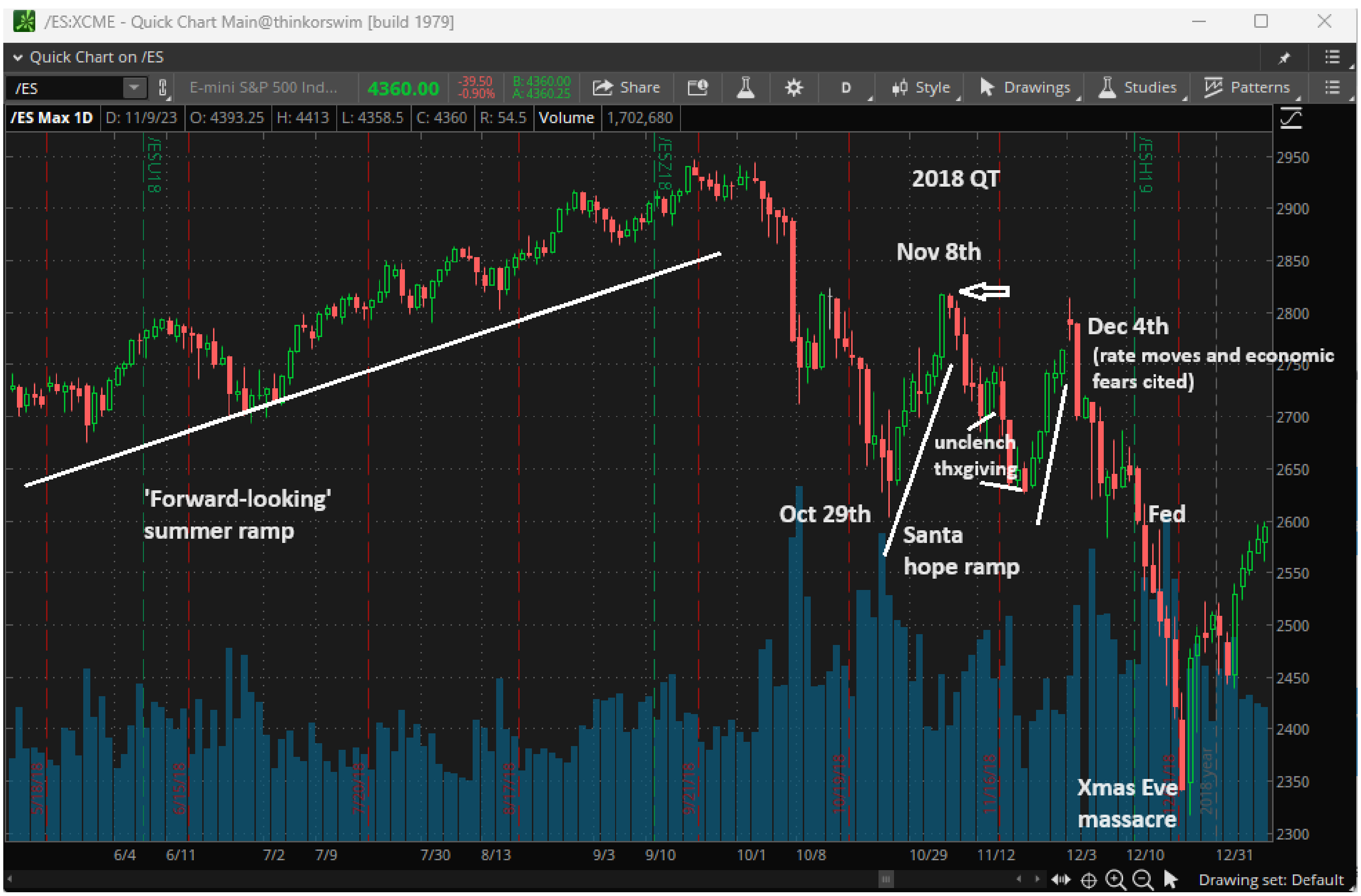
5-year inflation expectations near a multi-decade high? One year inflation expectations surging even as oil/gasoline fall….clearly he felt like:

Doesn't Powell always say that it's critically important to not let inflation expectations become embedded? Just yesterday he said:

> Policy restraint in this case is also good risk management. Supply shocks that drive inflation high enough for long enough can affect the longer-term inflation expectations of households and businesses. Monetary policy must forthrightly address any risks of a potential de-anchoring of inflation expectations, as well-anchored expectations help facilitate bringing inflation back to our target. The sharp policy tightening during 2022 likely contributed to keeping inflation expectations well anchored.

Get ready for an endless slew of Fed speak threatening future hikes, and Jay's pre-Christmas podium show might just not yield the same warm and fuzzy results that last week's did. They have no choice but to push back on easing conditions aggressively and CPI next week, things most certainly would auger well if it also exceeds expectations.

To that point, let's go back and review how 2018's QT and rate peak and how that went for the indices:

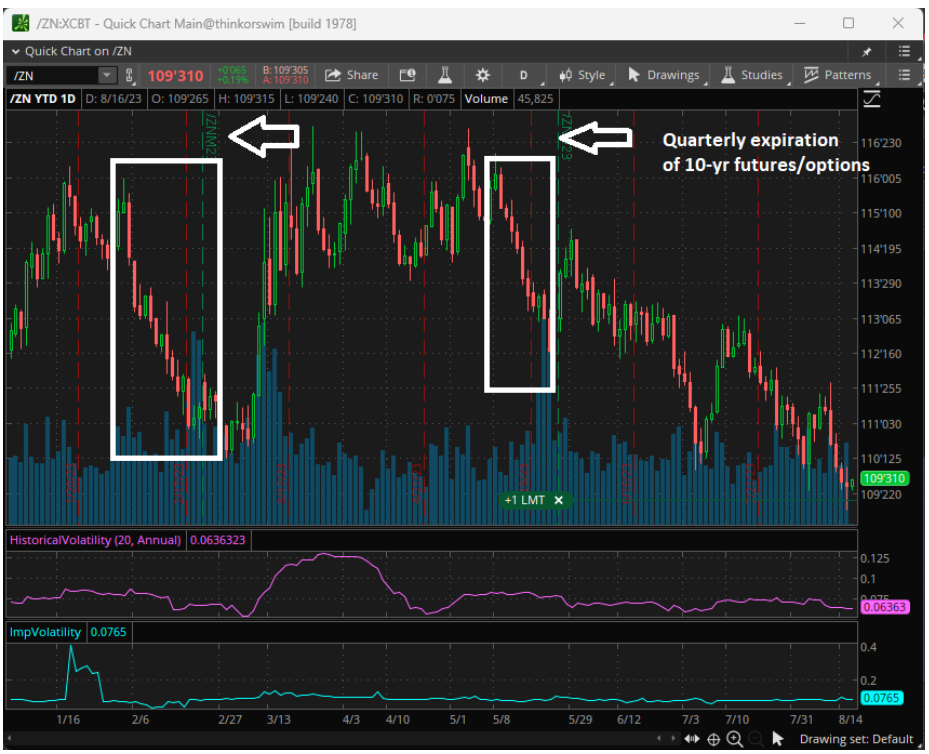


It obviously is not going to work out like this, but it certainly looks awfully similar thus far to this year. Back to the October levels, retracing the entire drop. Interestingly, back in 2018, if you look at news reports from December 4th, moves in rates and fears of a recession were blamed for the huge drop that day, sound familiar?

Speaking of rates and the 10-yr yield, December futures options expire soon, and this is a topic I discussed in August as having the potential to cause volatility, which it did into that expiration:

August 14th and 30th notes:

You know what's coming up, and is coincidentally on the date of Jackson Hole? Treasury note futures options quarterly expiration, a biggie, and specifically the 10-yr note futures contract. Just like everything else these days, it has large open interest and, well, look at this:



When these are falling it means that the 10-yr yield is rising, consider it a sort of inverse chart. So, there is a lot of options gamma in these right now, all those open and traded options have to be dealer hedged, just like stocks and indices options and this often forces rates higher during high gamma time periods. And we all know that a rising 10-yr causes stress in just about everything, and yes, in the tech stocks everyone loves.

And:

In fact, Bloomberg today highlighted a large seasonal arbitrage trade around 10-yr futures that occurs at the end of these cycles and had a lot of hedge funds shorting 10-yr futures which drove up yields:

Surge in Hedge-Fund Treasury Shorts Hints at Rise of Basis Trade

- Short positions in futures rose as recent bond selloff crested
- Indicates increasing leverage that raises volatility risks

By Edward Bolingbroke
August 29, 2023 at 4:46 PM EDT

Listen 3:35

A surge in short sales of US Treasury futures suggests hedge funds are expanding basis trades, a popular tactic that may be injecting leverage into a bond market whipsawed in the wake of this month's selloff.

So, lots of reasons for more volatility in the near term:

-CPI and PPI next week

-Those data points occur around vixpiration, frequently a volatility watershed point:

'With opex a week away, and vixpiration Wednesday, heavy chop is expected. And Wednesday's vixpiration, often the vol watershed day, happens again to coincide with the outset of giga tech earnings season. How did that go in July?'

Source: October 13th letter

-10-yr futures options gamma could enhance rates vol and thus equities vol

-Plain ole opex and unclench

-Fed needing to parrot more hawkish commentary

-Bullish sentiment surge

But before that cluster of vol events, we all know what has become a de facto free ride for QQQ call option longs right? The glorious streak of Mag7 Mondays, will we see the 19th straight?

Volatility Trade:

QQQ Dec 8th Jolts/NFP early Dec vol put butterfly spread

Buy $370 Dec 8th put

Sell 2x $360 put

Buy $350 put

Net debit: $1.00-1.20

Critical Fed data during this timeframe, the week before the meeting. NFP is the second Friday in December, not on the 1st, a calendar quirk that happens occasionally. This timeframe is often quite volatile anyway, as it was during 2018 QT as we saw in the chart above. Target $4.

VOLATILITY ANALYTICS NEWSLETTER – NOVEMBER 16TH

DIVERGENCES, BAD BREADTH AND HERDING RULE – MARKETS HAVE ENTERED THE CHOP ZONE – IS THERE AN END OF YEAR UNCLENCH COMING?

VOLATILITY SUMMARY

Markets change and evolve but people, not so much. Market dogma, a lot of those professorial rules that the CFA adopted as biblical chapters in how things work or should work don't apply in the same way anymore. Here is an example of someone that doesn't get it:

Christmas' rally cancelled

Mike Wilson argues that the chances of a 4Q rally have fallen considerably. His observations on narrowing breadth, cautious factor leadership, falling earnings revisions and fading consumer and business confidence support this assertion, while consensus sees a rally into year-end that's based mostly on bearish sentiment and seasonal tendencies. He sticks with his long-standing YE S&P target of 3,900, which implies a 17x multiple on our 2024 EPS forecast of approximately $230. (MS)

Link Oct 30 2023 at 16:40

His timing was exquisite. The strongest rally in two years came immediately after this, leaving people who think in old-timey concepts of bear markets in the dust.

Hey, Mr. Wilson! (couldn't help myself) This is markets reality:

I belong to a generation whose every member has seen the movie Meatballs. Among its most famous scenes is the one where Camp North Star head counselor Tripper Harrison (played by Bill Murray) delivers a fiery motivational speech to his young charges on the eve of North Star's annual beatdown at the hands of rival Camp Mohawk in a multi-event "Olympiad" sports competition. Harrison's impassioned soliloquy culminates in the refrain "It just doesn't matter," which becomes a chant that the campers take up and repeat as they charge out of the cabin, fired up to compete and not caring if they win or lose.

Nope, earnings, a recession or even an earnings recession… simply reach into your show & tell grab-bag of negatives and pull one out, show the class. Then sit down because they don't matter right now. Price to earnings multiples on the market? Haaa, that is pure comedy, nearly everyone follows companies' adjusted earnings now.

Breadth? I've been hearing about this forever now it seems, and it hasn't mattered a whit. And you just knew didn't you, you like I could feel them coming, that the gamma/vol crush nitrous ramp would bring out these almost pathetic tweets:

Walter Deemer @WalterDeemer · Nov 4

1/2 Saints preserve us -- we got a Whaley Breadth Thrust Friday! It takes Advances > 73.66% of Advances+Declines over a five-day period to get one. Friday's reading was 75.96% (Column N in the worksheet). This is the ...

Show more

Show this thread

	A	B	C	D	E	F	G	H	I	
1	Date		Advances	Declines	UpVolume	DnVolume		10-D Adv	10-D Decl	"B/
2										1.9
3281	16		2132	758	2877	457		14920	13976	
3282	17		1685	1203	2724	1021		16130	12706	
3283	18		482	2412	631	3026		14866	13983	
3284	19		582	2286	930	2988		14174	14708	
3285	20		788	2069	830	3102		13100	15710	
3286	23		896	1983	1144	2574		12034	16781	
3287	24		2008	872	2474	1301		11914	16889	
3288	25		683	2230	1061	2773		10838	18006	
3289	26		1508	1355	2166	2050		11860	16956	
3290	27		749	2137	847	3088		11513	17305	
3291	30		1999	882	2611	1250		11380	17429	
3292	31		2069	834	2898	1304		11764	17060	
3293	Nov 1		1943	954	2420	1755		13225	15602	
3294	2		2583	328	4192	497		15226	13644	
295	3		2416	486	3758	777		16854	12061	

There it is!

Sat 8:08 PM

Ryan Detrick, CMT @RyanDetrick · Nov 3

We officially saw a super rare Zweig Breadth Thrust today. Thanks to @NDR_Research for the data.

This rare signal is simply stocks moving from ...
Show more

Comedic Footnote: Do you know what nitrous does to gasoline and the functioning of the engine? Well, if you substitute gamma for nitrous and markets for engine in this definition my analogy is quite 'fire' as the kids say:

How Does Nitrous Oxide Help an Engine Perform Better?

Updated: Apr 19, 2021

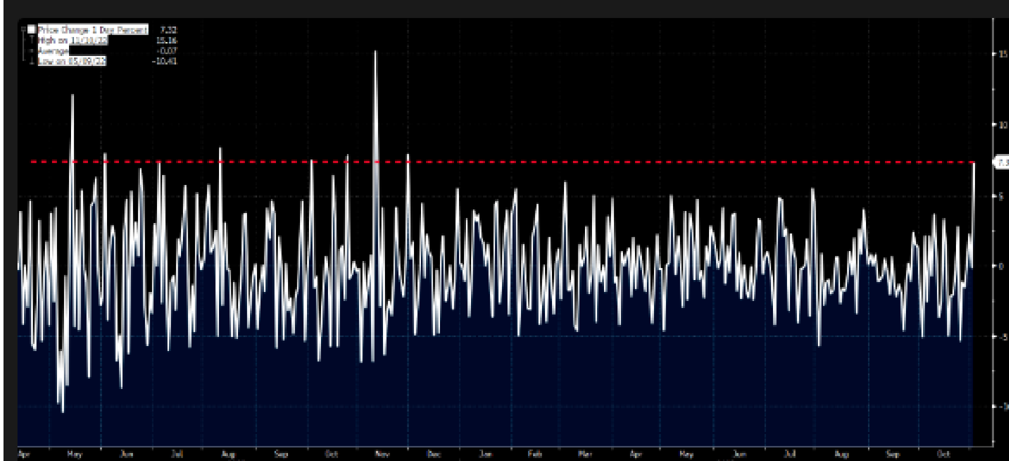
You may have read our article about how sodium chlorate acts as a way to store oxygen. You release the oxygen in sodium chlorate by heating it. It turns out that nitrous oxide (N20) works exactly the same way. When you heat nitrous oxide to about 570 degrees F (~300 C), it splits into oxygen and nitrogen. So the injection of ~~nitrous oxide~~ gamma into an ~~engine~~ market means that **more oxygen is available during combustion**. (of vega) Because you have more oxygen, you can also inject more fuel, allowing the same engine to produce more power. ~~Nitrous oxide~~ gamma is one of the simplest ways to provide a significant horsepower boost to any ~~gasoline engine~~ market.

Nitrous oxide has another effect that improves performance even more. When it vaporizes, nitrous oxide provides a significant **cooling effect on the intake air**. When you reduce the intake air temperature, you increase the air's density, and this provides even more oxygen inside the cylinder.

So, these 'breadth thrusts' which were simply an upside cocktail of implied vol incineration, aforementioned gamma fuel and of course, short covering in the junk names, because hedge fund factor crowding is a big part of the clown car giga tech herding situation:

Everything good comes to and end

Systematic Long/Short managers saw a decline of 1.1% yesterday, marking the third largest daily drop this year. The unwinding of crowded positions (with crowded shorts rising by 2 standard deviations) and stocks with high short interest (increasing by 2.6 standard deviations) were the primary causes of the "pain". Chart shows non profitable tech 1 day moves.



Source: Bloomberg/GS

Link

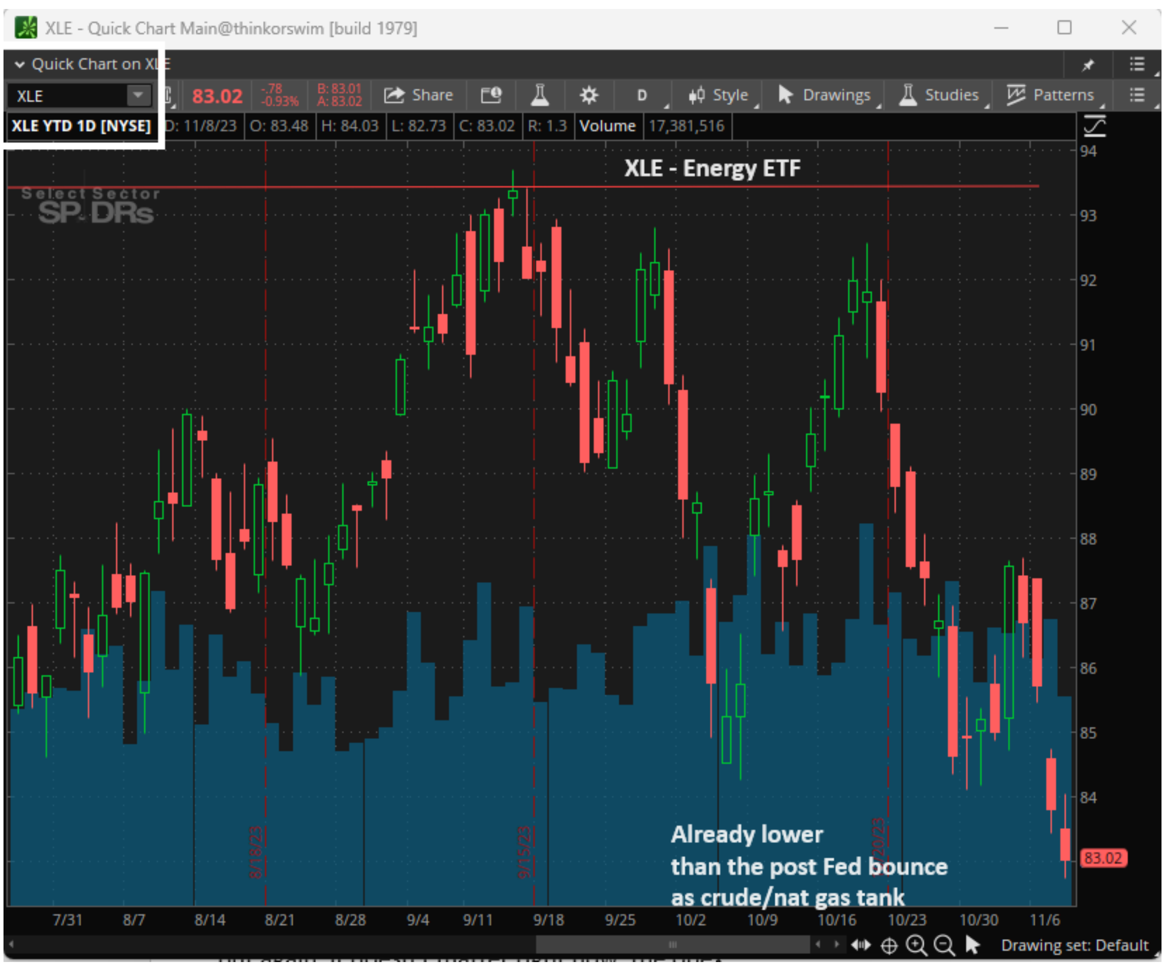
Nov 03 2023 at 11:00

This reminds me of what I wrote a few notes ago about 'sharpe' hedge fund trades, which basically highlighted the crowdedness of the low vol giga tech versus the high vol unprofitable or economically and rate sensitive stuff. I mean, that pretty much sums it up, the markets this year. Folks are really, really long/stuffed into the clown car oasis stuff and not liking basically anything else due to what is inevitably coming down the pike next year.

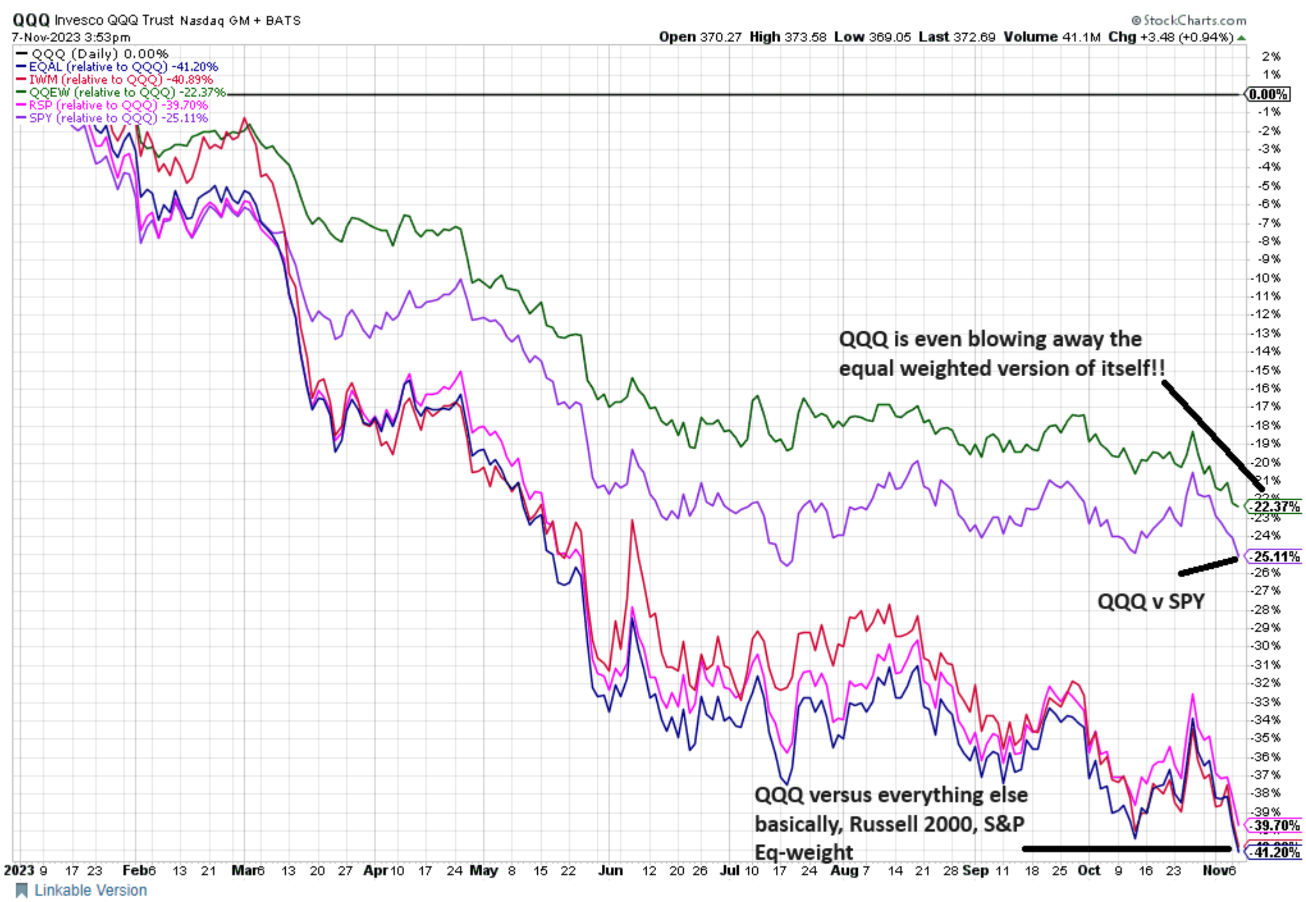
Nearly every day lately it seems, and even this week with SPX and QQQ still rising, a lot of stocks are down and this crowded hedge fund trade continues to earn, unabated:

Speaking of next year, and I will further delve into this topic as we approach year end, I can foresee a situation where seasonality and the calendar push this market jalopy sputtering into the December 31st garage, only to see implied vol perk up with that specific point in time. By market jalopy, you know what I mean, I'll let a couple charts do the explaining:


IWM - Quick Chart Main@thinkorswim [build 1979]
Quick Chart on IWM
IWM 360 D 4h [NYSE]
169.7175
Russell 2000 ETF
back to pre-NFP
prices
already
Drawing set: Default


XLE - Quick Chart Main@thinkorswim [build 1979]
XLE YTD 1D [NYSE]
83.02
XLE - Energy ETF
Already lower
than the post Fed bounce
as crude/nat gas tank
Drawing set: Default

And like QQQ is the one investment ring to rule them all, here is the one chart to rule them all, depicting the market jalopy for what it truly is:



I discovered something interesting today. I was pondering this market structure, and how narrow it is, and the equal weight ETFs, and I thought, 'Why aren't there more ETFs that simply take advantage of the fact that herded stocks outperform the indices almost all of the time?'

I mean, this is pretty much a fact, not to belabor again the point that valuations are pretty much useless in today's markets, but beyond the reality of it being true for a long time, it is even more true today; the investing flows in the passive investing dominated world keep siphoning to the herded names.

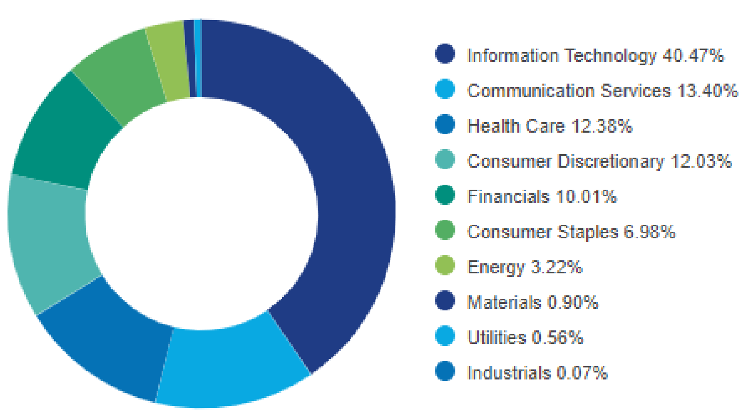
So, why not more ETFs that simply hold the biggest names? And then I thought, 'What if there was an ETF that held stuff like LLY and UNH, the herded names in non- giga tech in case/when there's a rotation?' Well, I happened to find one, XLG:

Product Details

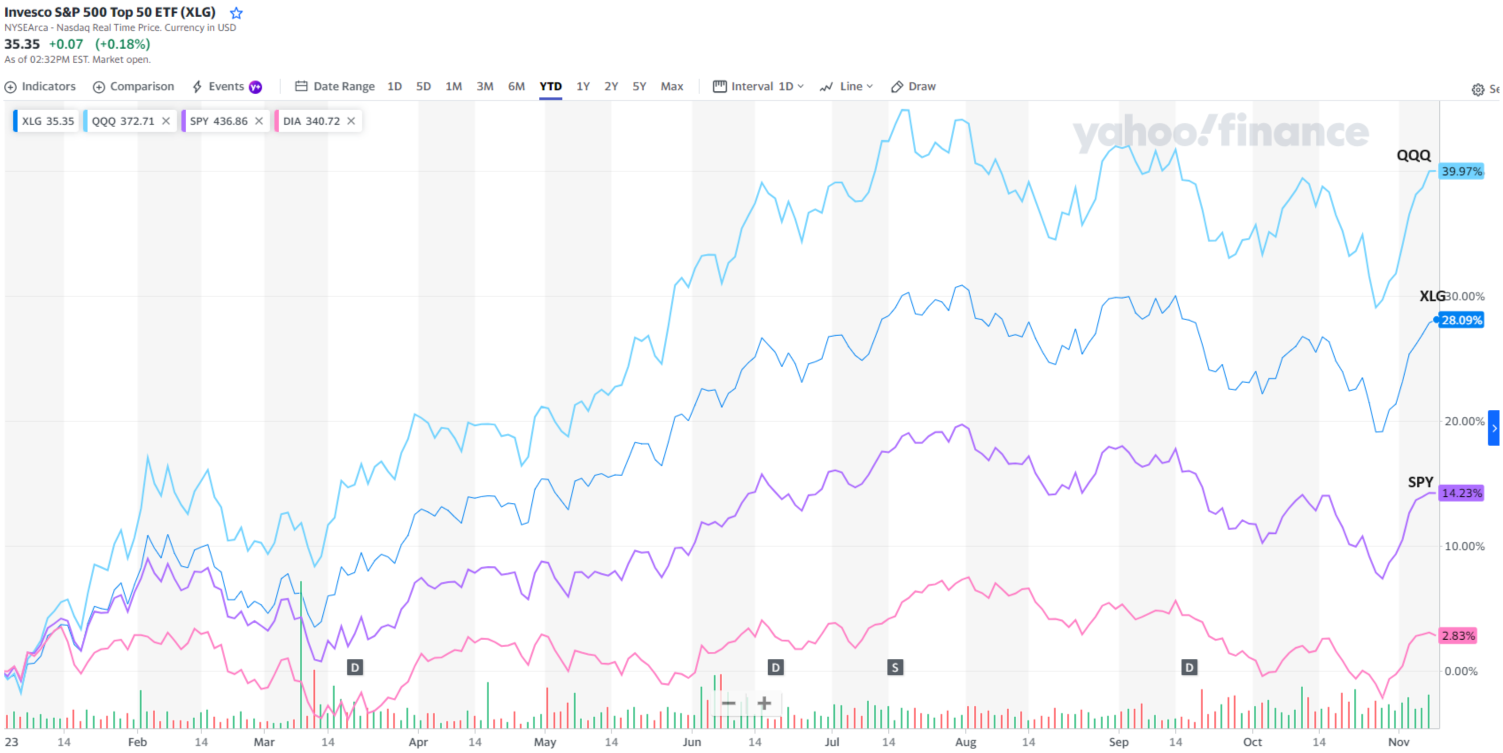
The Invesco S&P 500® Top 50 ETF (Fund) is based on the S&P 500® Top 50 Index (Index). The Fund will invest at least 90% of its total assets in securities that comprise the Index. The Index is composed of 50 of the largest companies in the S&P 500® Index. The Fund and the Index are rebalanced annually.

Sector Allocation

as of 11/07/2023



And how pray tell has this ETF done this year versus QQQ and the SPX?

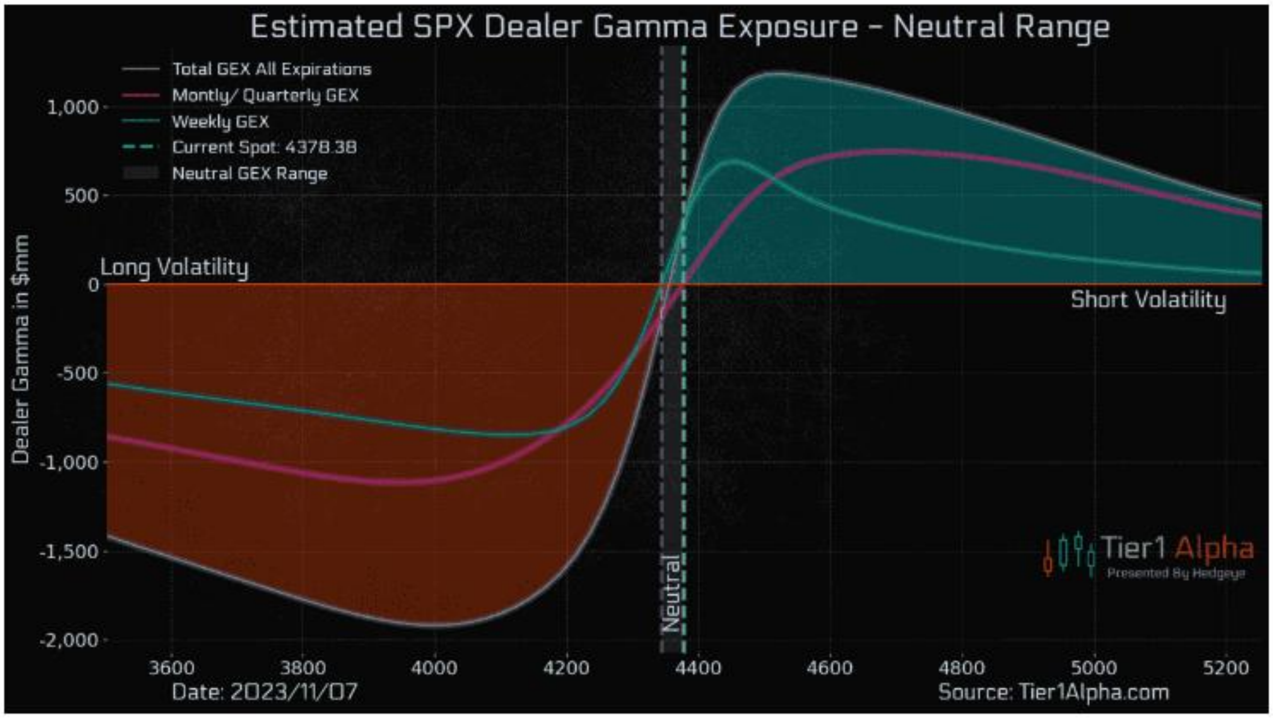


How about that? Not too shabby. Sure, it holds a lot of giga tech, but it *outperformed QQQ by 10%* when it was getting hammered last year when folks had a brief bout of herding dizziness regarding rates and tech duration. Don't kid yourself, in a down year, 10% outperformance means a ton to a portfolio manager. You can basically create your own typical hedge fund by owning this and long TWM (2x short IWM) and SARK (short ARKK- unprofitable tech).

Anyway, back to the here and now, the opex cycle as it were, and the chop zone. This is how it went in October, and similarly to different extents in most months this year:

It certainly appears to me, as I stated on Friday, that we've entered the chop area, where the markets might actually have a down day, yet that will magically be recovered the next day (or during an overnight ramp), and when morning ramps fail in the afternoon but conversely morning dips recover in the afternoon.

What may differ from October, is how opex week goes and in my opinion, it mostly comes down to this:



Earlier this week, we introduced our neutral gamma window, which measures the spread between the weekly gamma flip and the monthly gamma flip. Today, that gap has narrowed significantly, which means if dealers are pushed back below the 4355 strike, there is less of a buffer on the other side before dealers will be back in a vol-supplying, negative gamma regime.

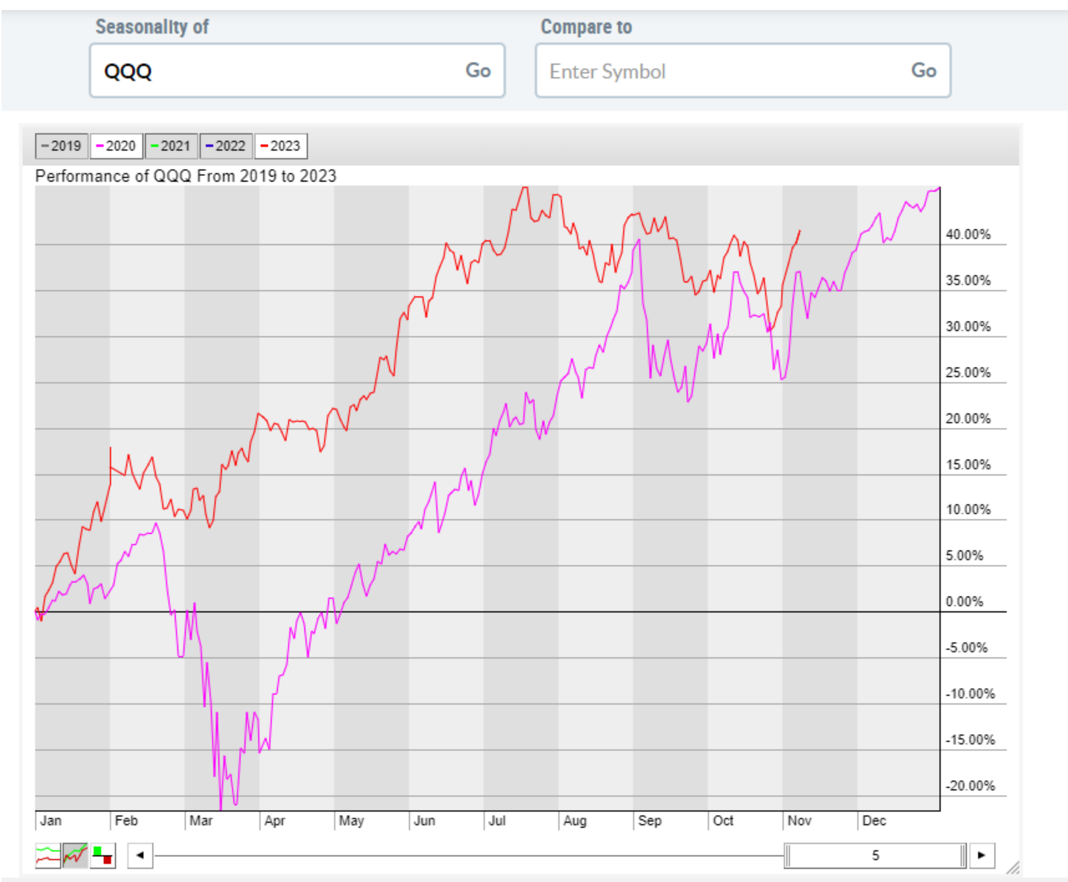
(Source: Tier1alpha.com 11/8 daily note)

If we enter negative gamma, flip over per se, then the post vixpiration watershed I often refer to, well, the chop gets heavier and unclench starts early. That's what happened in October, we were in negative gamma and the bounce into the chop zone time frame crumbled before unclench, early unclench if you will.

Should we stay in positive gamma, it's tougher to unglue the indices as dealers are buying futures on dips, which is why the positive gamma area is often so low in realized vol. The good news for vol fans is that that black diamond negative slope into where dealers become rapid sellers isn't far away. Can CPI and retail sales next week be blamed for pushing equities over the K-12?

(Lane Meyer doesn't know when to quit.)

One more interesting chart I keep following is this odd analog:



Why it continues to mirror 2020 is anyone's guess, but if you think about it, 2020 saw QQQ drop 30% in February and March during the onset of covid while last year saw QQQ drop 35%, so it's sort of as if they are following the same recovery path from recent nadirs. If it follows again, and it did a damn great job of mirroring October, it does suggest we're due for an actual down day in QQQ shortly. Which would dovetail with the Thursday before opex result in the SPX chop chart above.

Essentially, the vol forecast is for mild chop for a bit yet.

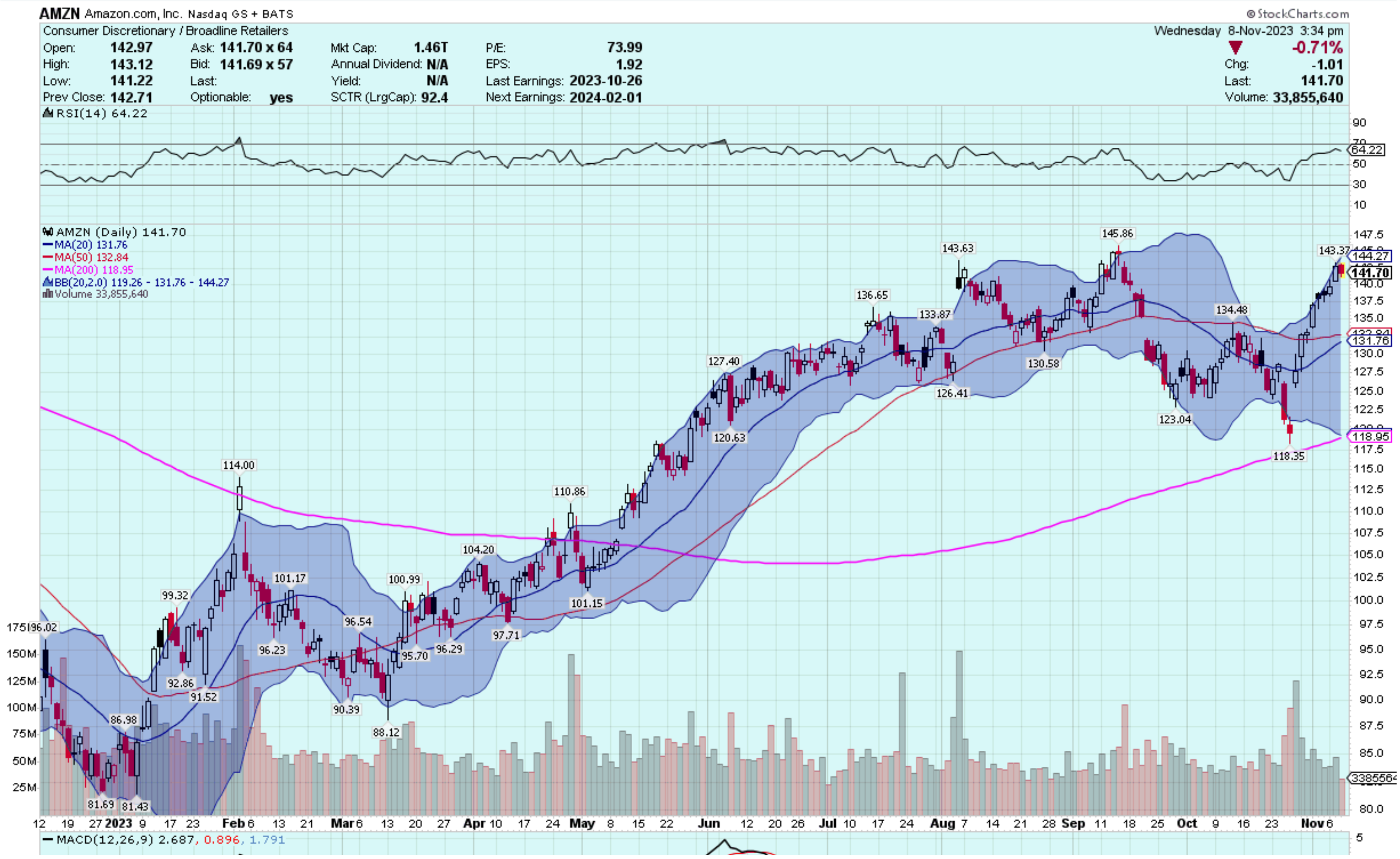
Volatility Trade:

AMZN unclench put calendar spread

Buy Nov 24th $140 put

Sell Nov 24th $132 put

Net debit: $1.40



A basic unclench long vol trade. $8 of potential for $1.40, nearly 6-1. It's where it has paused in the past, it's had a comical series of consecutive up days, 20% off a low eight trading days ago. I know, like TSLA that is not a car company it's a tech company, AMZN is a cloud storage company and not a consumer retail company.

But…..with lithium prices tanking under weak demand for EVs globally, amazing how it suddenly became a car company again in October and hasn't recovered. Ostracized from the cool crowd of MSFT/AMZN/META that are perched near 52-week highs. Well, retail sales are next week, so maybe AMZN decides to think about retail for a couple days.

Put verts pay faster than put flies and you don't have to be as exact (you can't blow through it), plus, it's a trade that's more reflective of my get long more vol thesis of late. Target, $4.

VOLATILITY ANALYTICS NEWSLETTER – NOVEMBER 16TH

CRASH UP YET ANOTHER EXAMPLE THAT OWNING VOL WINS IN A 0DTE WORLD- CHRISTMAS CREEP SENTIMENT SHIFT ALREADY – TRADE FOR POST CPI/OPEX

VOLATILITY SUMMARY

Stunning option-driven markets. I've been hammering home two main themes in this note lately, owning vol and the opex cycle. From only a week ago and 250 SPX points (what?) lower:

And while things, justifiably mind you considering the landscape, seem awfully heavy in markets right now, we are entering that part of the opex cycle, where premium burn likes to support the indices. (You know, when Cem starts tweeting queen emojis and the such)

In the blink of an eye, the biggest week of the year, all of the downdraft from mid-October erased, small caps come to life (remember I mentioned IWM/RTY last week, it's where the shorts hang out), and the 10-yr yield retraces back to….September levels:

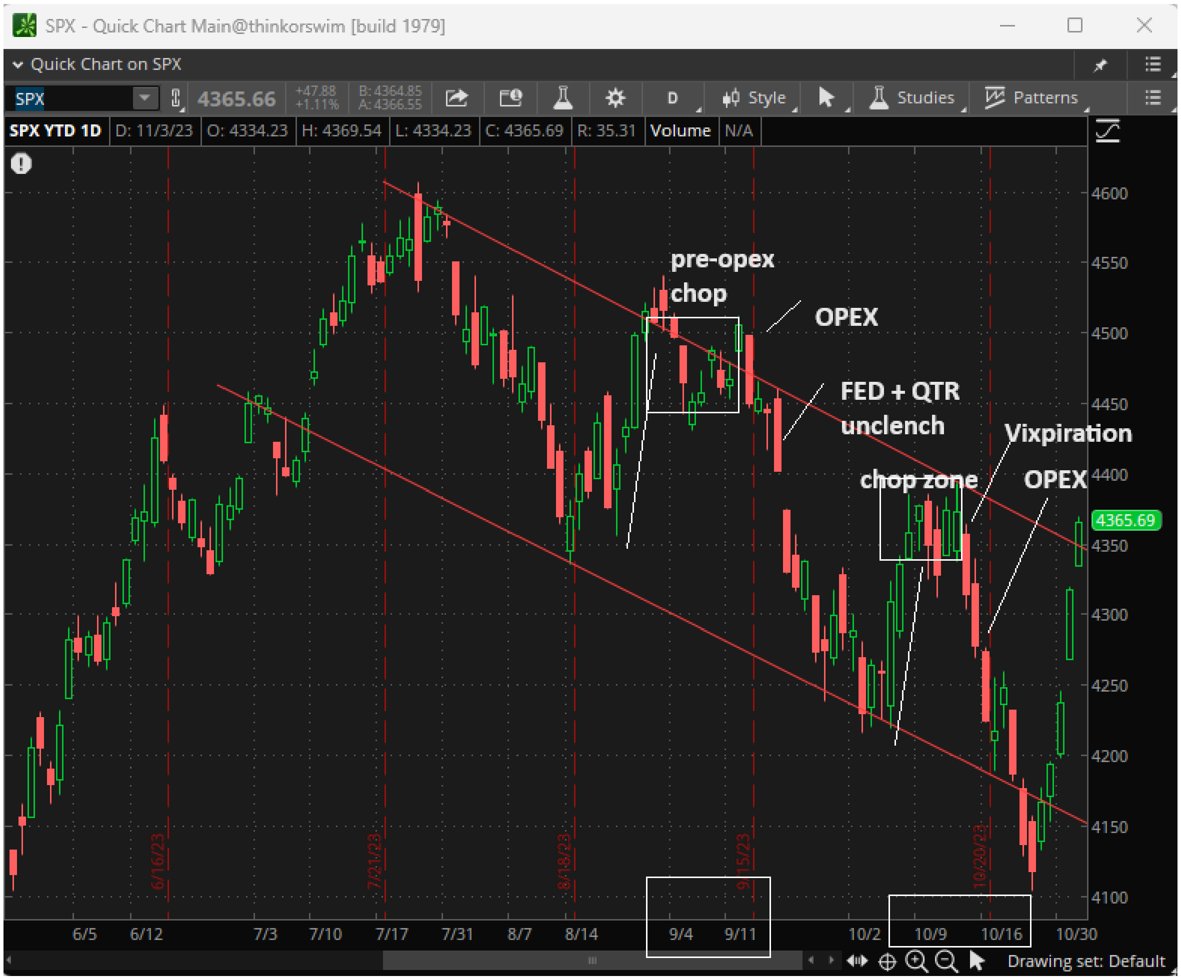
Being bearish the indices seems pointless regardless of what the news is these days. Recessions or yield spikes, so much the better for buying calls. Bears get a chance during the part of the opex cycle when gamma rolls off and before the end of the month/early in the month behavior kicks back in.

So, here we are again, up a lot lately and about to probably reenter the chop zone once this Santa spike parabola runs out of rocket fuel. Christmas creep is not only for the Hallmark channel or retail promotion starting in October, now folks start talking about/expecting the Santa rally in equity markets two months early as well. I've spoken about this before:

From the October 13th note:

In fact, I say this every year, vol almost always seems to rise in December, just when folks are looking for a Santa rally which statistically comes only from Christmas through the first week of January. December is often a volatile month; smooth to the finish, it usually is not! And with QT and massive rates volatility and sticky inflation and massive divergences in tech versus everything and macro weakness just beginning….vol is probably going to hang around.

Speaking of the aforementioned chop zone, we are nearing the time when the indices grind in an area, post-vanna/charm melt up:



(Charm is just decay of deltas, so for a dealer delta-hedging, he needs less long or short futures to hedge…..which means, gamma time. The residual of dying option delta is gamma, and the gamma playground is what makes 0DTE all the rage, and means sweeping puts or calls can wag the indices dog. Vanna is the implied vol effect on deltas, so if post event implied vol gets crushed, we have the same effect, deltas fall and dealer hedges unwind. Dealers clearly were buying a lot of S&P Emini contracts this week.)

Once again, owing the option vol was better than spreading vertically or in time. Here is a Friday 4300 call, just stunning the profit potential/leverage ***available before the Fed and NFP***:

(Did I do this, no. The hope is that if I write these examples out many times I will finally figure out how to have the imagination required to look so far out of the money that it seems impossible.)

So, the forecast is for some chop and then we will see how the markets handle the 10-yr auction next week with a whole new rate level (Don't the October auction bidders left out over a couple ticks in yield because they were worried feel stupid now..) and then it's on to CPI and retail sales, with a heavy dose of Fed speak along the way too be sure.

Volatility Trade:

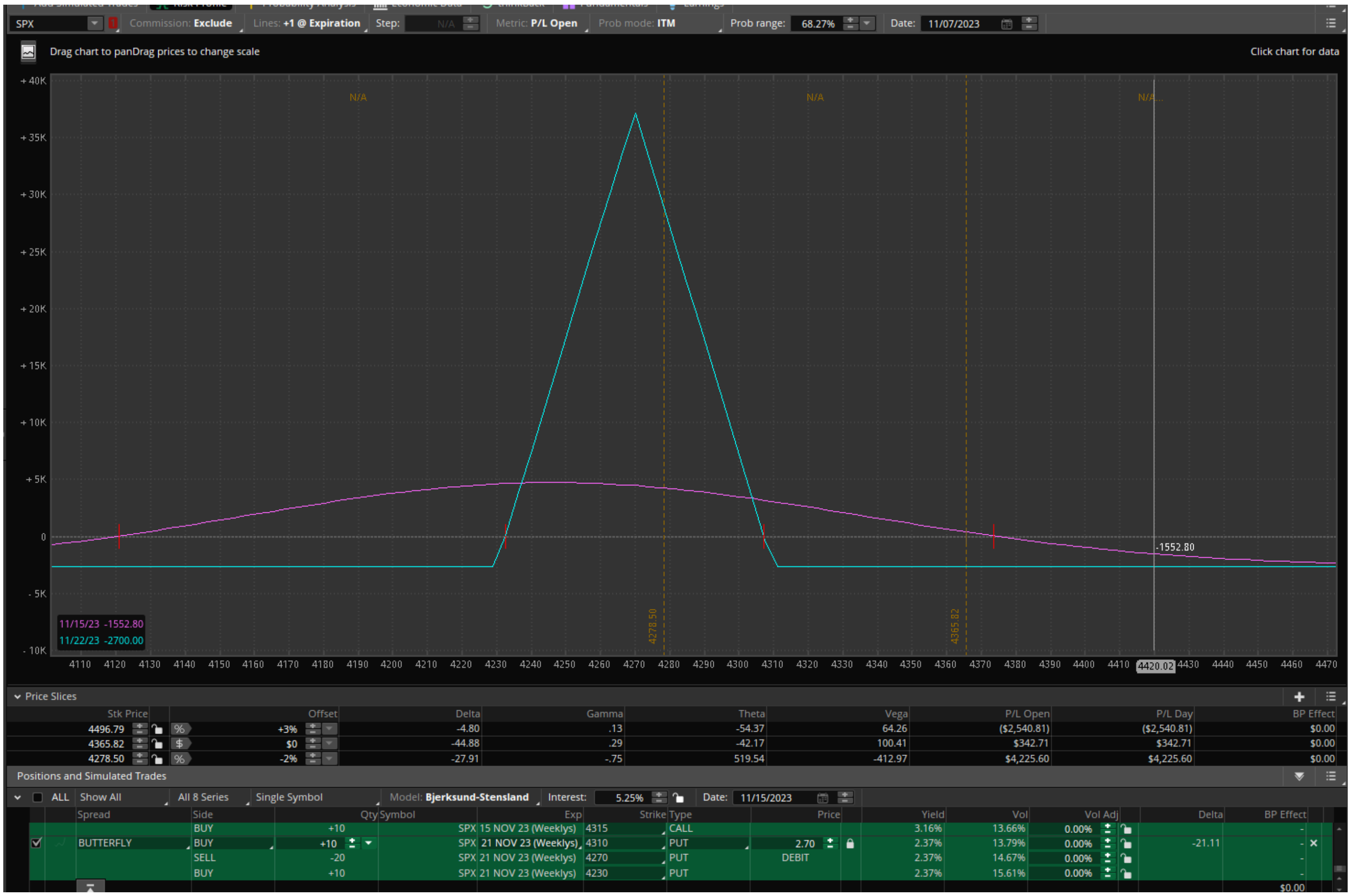
SPX Unclench put butterfly spread

Buy 4310 Nov 21st put

Sell 2x 4270 put Nov 21st

Buy 4230 Nov 21st put

Net debit: $2.75-3 ($2.90 filled)



40 pts wide for 7% of width, so cheap. A 2% or so pullback after vixpiration would be ideal. Target: $8.

ZOMBIFIED FED CAN'T SAVE BLOODY MARKETS AFTER EATING INTO YOUR PORTFOLIO – A FEW THOUGHTS PRE-FED/JOLTS/NFP – 0DTE TRADE IDEAS

VOLATILITY SUMMARY

Ah, I did slather on some thick Halloween schtick, and you are thus groaning like the undead, but it's pretty accurate, that headline. The zombie Fed, can't cut and can't hike, just staggering around like the mob of [zombie firms it has created], powerless to save yet eating bond and stock values and finally sinking its teeth into the heart of global portfolios, the giga tech names where the world equity herd resides.

One of the darkest portfolio managers, he who should be called Dr. Crash since it seems like that's all he has blathered about for decades now, Jeremy Grantham had this to say and it wasn't even on Halloween when he was quoted, it was January:

"We are in what I think of as the vampire phase of the bull market, where you throw everything you have at it: you stab it with Covid, you shoot it with the end of QE and the promise of higher rates, and you poison it with unexpected inflation – which has always killed P/E ratios before, but quite uniquely, not this time yet – and still the creature flies," Grantham writes.

"(Just as it staggered through the second half of 2007 as its mortgage and other financial wounds increased one by one.) Until, just as you're beginning to think the thing is completely immortal, it finally, and perhaps a little anticlimactically, keels over and dies. The sooner the better for everyone."

https://ioandc.com/grantham-calls-the-death-of-the-vampire/

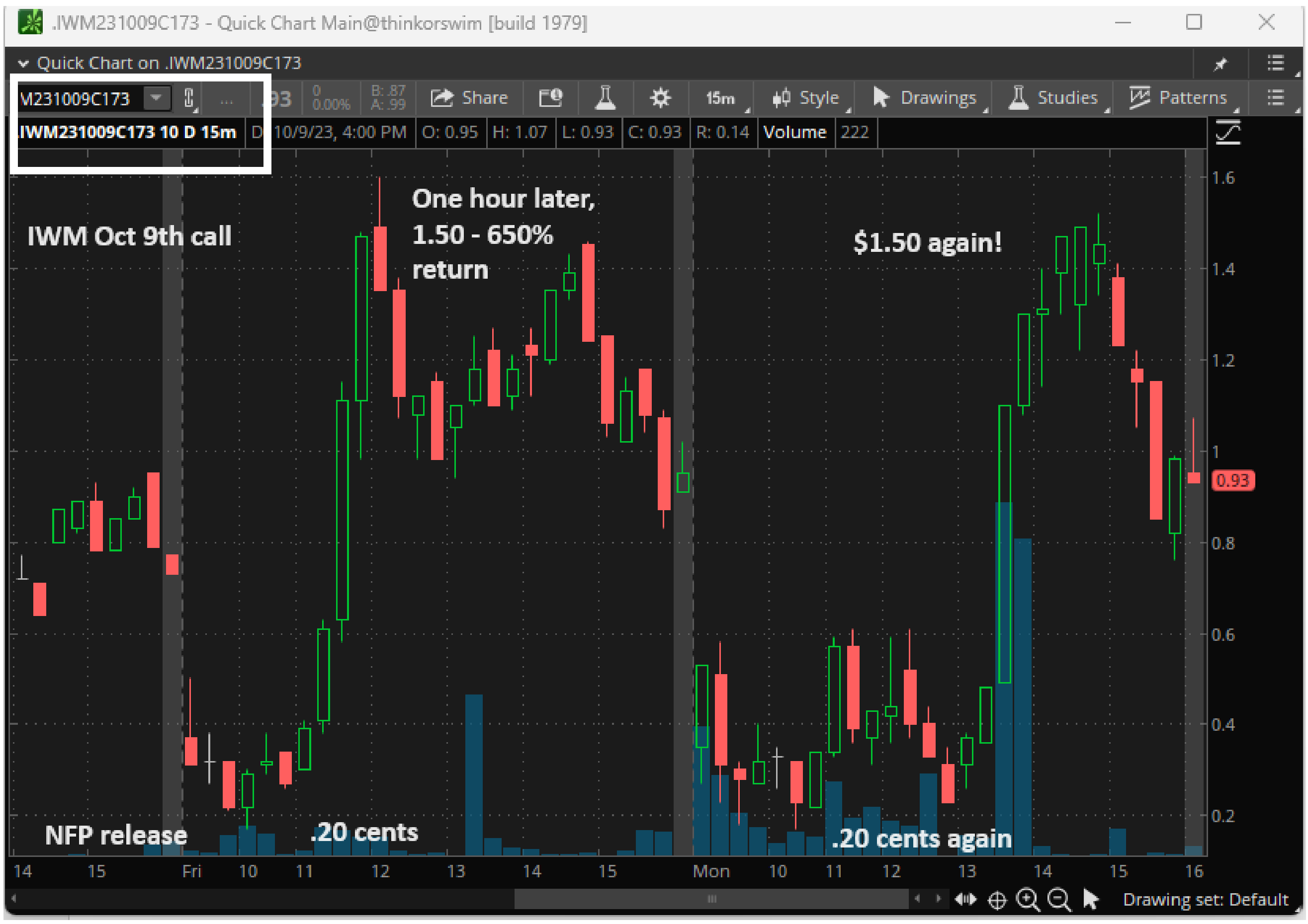
And so, the markets world braces again for Jay's prattle show about dark and cloudy skies, glued to his imaginary truths that are simply dusty theories deserving to be burned at the stake, while waiting the scythe of rates to cause something to go bump in the night.

If you are looking for something to 0DTE trade during all the horror, let me remind you of the discarded and desiccated IWM, loaded with rate sensitive undead companies (more like neo-dead), which is why in theory it is down so much versus QQQ, is heavily shorted and houses heavily shorted names within.

From the October 10th note:

Vol continues to be sold aggressively into monthly payrolls, JOLTs, CPI and the Fed meeting, and the result often is a big move in options that are grossly underpriced once the first move is made. Also, the day before the event frequently offers some excellent opportunities as well.

Now, let's be realistic, not every release is going to see a day where the S&P 500 has a 60-100 point low/high intraday vol result like recent events, but as they keep happening and when a few of these moves are harvested, those trades pay for several that do not. In fact, you can potentially keep trading the same option for a couple days and do it twice. For example, look at an IWM $173 Monday call that expired yesterday:



Someone got a jump on panning for post-Fed upside vol in this gutter yesterday:

FLOWrensics @FLOWrensics_ · Oct 30

$IWM Repeat sweepers in the 11/06 $165 CALLS ~$800K premium

TIME	SYMBOL	EXP	STRIKE	C/P	SPOT	DETAILS	TYPE	VALUE	IV
12:32:33	IWM	11/6/23	165	CALL	162.84	800@1.32_A	SWEEP	$105.6K	25
12:32:11	IWM	11/6/23	165	CALL	162.87	943@1.32_A	SWEEP	$124.5K	24
12:31:45	IWM	11/6/23	165	CALL	162.89	1000@1.329_AA	SWEEP	$132.9K	24
12:29:51	IWM	11/6/23	165	CALL	162.9	3000@1.33_A	BLOCK	$399K	24

1 12 41 15K

Also yesterday, the black cat was let out of the bag early on Treasury auction needs for the 4th quarter, a topic I mentioned last week as probably coming in light, which it did:

Oct 30 (Reuters) - The U.S. Treasury Department said on Monday it expects to borrow $776 billion in the fourth quarter, $76 billion less than its forecast in July, citing increased revenue estimates, bringing some relief to bond markets rattled for months by a glut of new debt.

A U.S. Treasury official said revenue is expected to rise in the October-December period partly because income tax payments from California and some other states deferred due to natural disasters were now starting to flow into the Treasury.

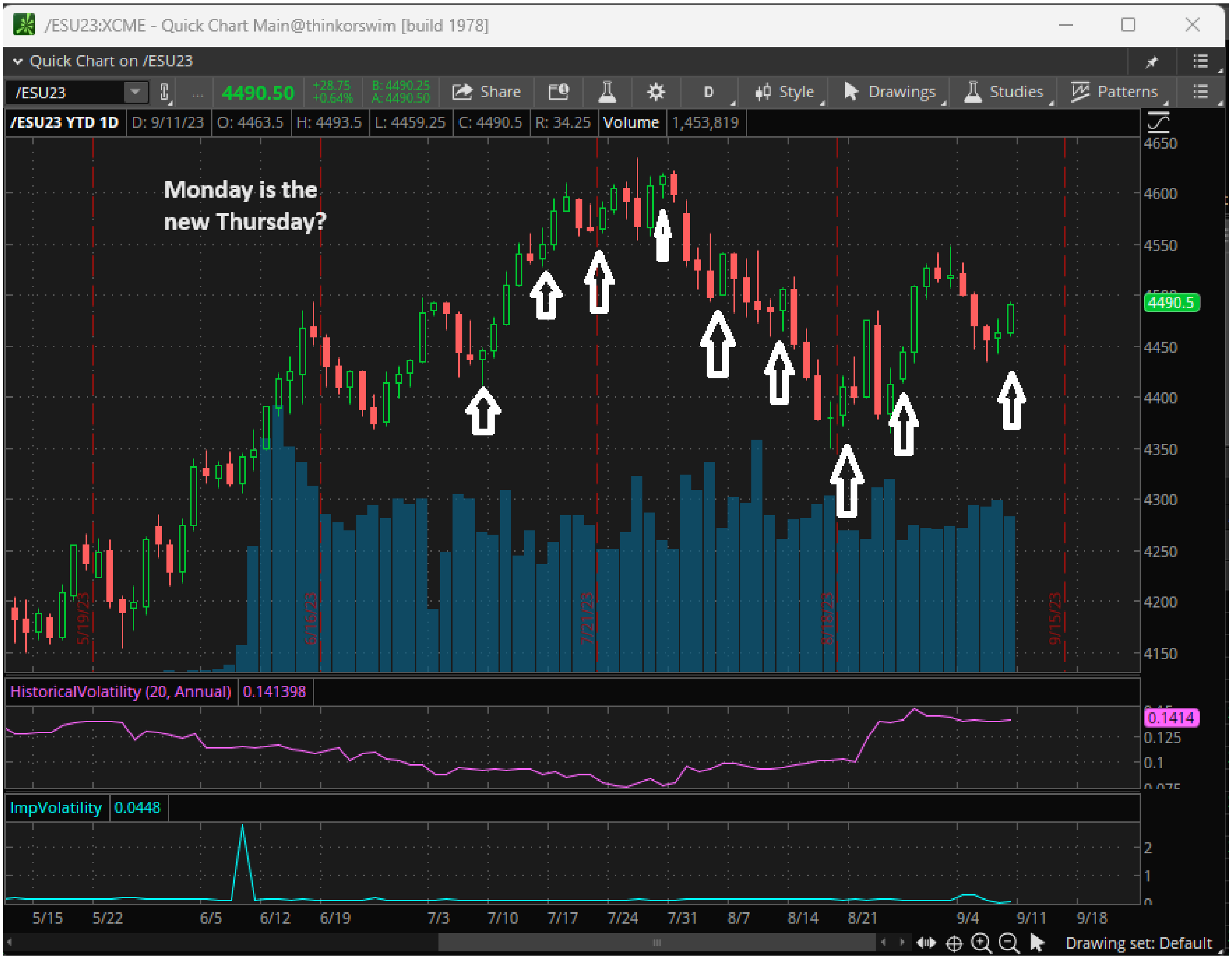
https://www.reuters.com/markets/us/us-treasury-borrow-776-billion-q4-2023-10-30/

So, that's some rates noise mostly out of the way for bond markets to focus squarely on JOLTS, and that is where 0DTE comes in. If JOLTS is higher than expected and the market drops, that probably sets up a nice 10am-noon dead cat bounce pre-Fed, and since premium is higher than usual on the 0DTE options for obvious reasons, call spreads might be a better idea.

Hard to pinpoint specific ideas until we see if it falls, by how much and how much implied vol dies. But, a knee-jerk drop on JOLTS would be a nice set up pre-Fed, that's basically the point.

I wanted to circle back on this topic, one I wrote about not long ago:

From the September 13th note:



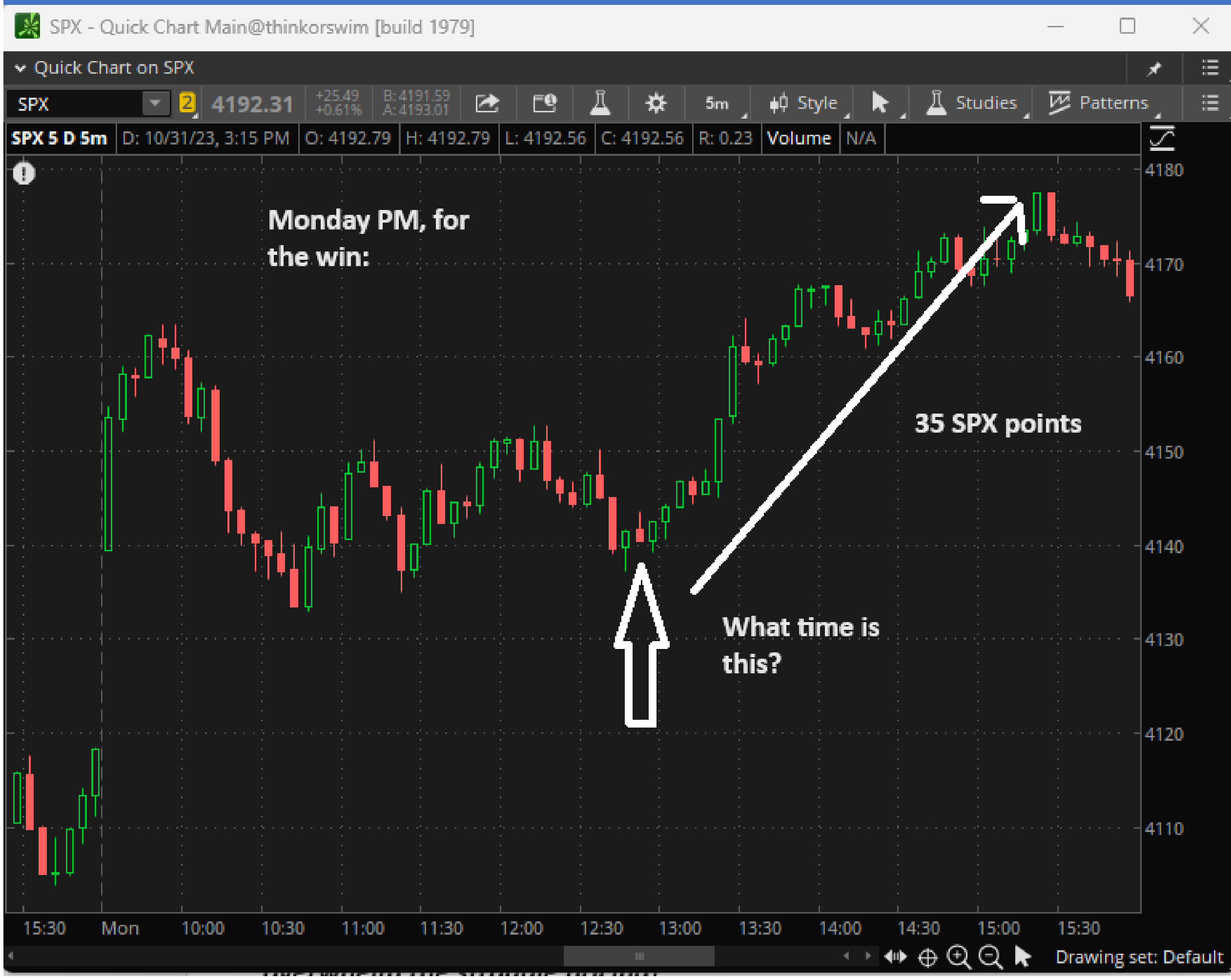
The market doesn't have a case of the Mondays, that is for sure, it's been up every time since June opex, if you can believe that. (There were a couple post-holiday Tuesdays in there to open weeks, not counting those since…well they aren't Mondays.)

Well, I have located quite the handy dandy tool for this combining Mondays with 0DTE and in this case, screening for the 1pm phenomenon. Check this out:

On marketchameleon.com, you can screen 0DTE strategies by time of day, day of week and macro/vol event days using SPY and QQQ option straddle vol pricing data. How amazing is that!? This is hedge fund quant fun for us plebes.

Here we can see that Mondays from 1pm to close have consistently not only been positive most of the time during that window, ***but they have also been positive enough to overwhelm the straddle pricing!***

Yesterday wasn't looking particularly hot, another trendmatic fade-o-rama kind of day, until:



It really is astonishing, this new 0DTE land we are in. I have some more thoughts on this, how it relates to the entire vol surface and the opex cycle, which I will get to in a note after all these vol events pass.

I will circle back to carve up the market carcass after Jay spooks everyone. Probably Thursday evening, post Fed full day reaction and pre-NFP.

RUSSELL 2000 REACHES PRICE FROM 2020 – SENTIMENT CONTINUES TO SOUR BEFORE FED – JPM COLLAR PRICE NEARS

VOLATILITY SUMMARY

Some interesting commentary from an economist who, brace yourself, believes that traditional economic theories, those espoused by Jay Powell's Fed, might not be correct… stop the presses:

Nobel Laureate Romer Says Fed Would Be 'Crazy' to Hike More

- Inflation, growth theory is 'just not true right now,' he says
- Fed should begin cutting rates ahead of reaching 2% target

"The theory was you could only bring inflation down when the economy slows and that just is not true right now," said Romer, who is an economics professor at Boston College. "So right now we're at a period where we've just got to look at the facts and not be confused by some theory that turns out to be wrong."

https://www.bloomberg.com/news/articles/2023-10-26/nobel-laureate-romer-says-fed-would-be-crazy-to-hike-more?sref=1zxv5xkq

Equity markets aren't waiting for autopilot Jay to say something like, 'It doesn't ***feel*** like policy is too tight.' Folks are deleveraging during game of chicken season with a push from rising realized volatility. Remember my comments on Wednesday in this regard?

And, considering the plateau QQQ is still on, it's almost hard to imagine that 'game of chicken' season is going to end anytime soon. Managers that were right this year, the few that went against value, with the high valuations and thus fortunately surfed A.I. mania, they are probably going to be tested further; it seems to have a future date with the 200-day moving average at a minimum…

Well, Charlie the celebrity quant was out yesterday commenting on exactly this, seeing folks tapping out on the giga-herded names that have worked, referring to them as Sharpe trades, essentially in that their return/risk was very high, thus high Sharpe. But, the denominator is realized vol, and since that is rising in these names:

"Crowded growth [shares] and tech longs are actually putting up good enough numbers but still not being rewarded by the market, especially when EPS beats but revenue misses," McElligott noted.

This matters. These are your consensus longs. Your hiding places. Your 2023 alpha generators. Your hedge fund favorites.

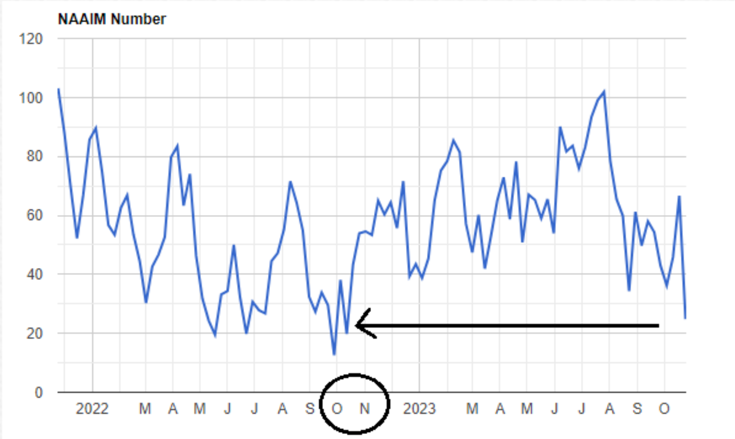
Two Nomura baskets tracking growth longs and the most crowded hedge fund names just suffered ~7% six-day drawdowns, a 2.5 standard deviation event on a one-year lookback.

"You can feel it in the PNL [and] you can see it in the intraday behaviors and end-of-day performance of late," Charlie went on, noting that "a bunch of the stuff that's been high Sharpe over parts of the year has recently turned high vol." That's bad news. "BIG $HARPES, BIG PROBLEM$," as he put it. Even for discretionary cohorts, volatility is an exposure toggle (to employ Charlie's favorite phrase), so… commence the de-grossing.

Bringing it back to discretionary investors, McElligott said that if you ask him "further breakdown is likely dependent on the fundamental / active side of the equities universe and an extension of this recent earnings behavioral shift towards longs, especially as PNL management psychology moves into year-end protection mode."

Source: https://heisenbergreport.com/2023/10/26/mcelligott-sees-big-problems-for-2023-big-sharpe-trades/

In the meantime, active investment managers are turning quite dour, in the case of the NAAIM, bearishness levels last seen in October of last year, don't you love markets + calendar symmetry? They usually call it 'seasonality' when it's bullish, like Santa rally, first days of January, July 4th, etc, right now they just called it a recession coming:

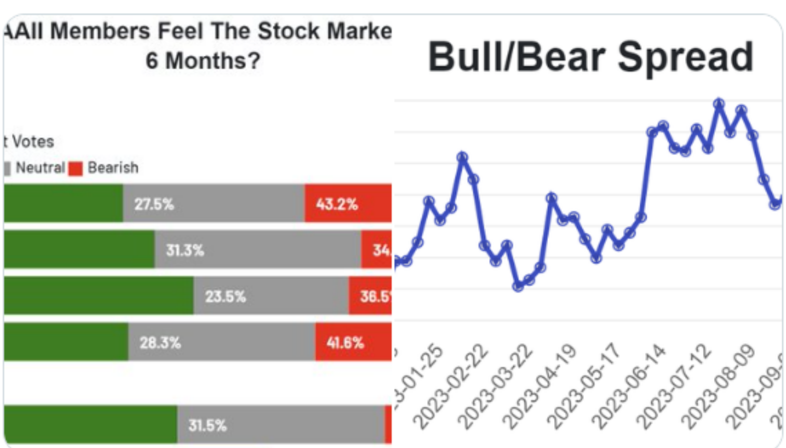


This week's NAAIM Exposure Index number is:
24.82

AAII SentimentSurvey
@AAIISentiment

AAII Sentiment Survey:
*Bearish: At its highest level in nearly six months; unusually high
*Bullish: Right at the bottom of its typical range
*Neutral: Below average for 4th week

aaii.com/sentimentsurvey



8:21 AM · Oct 26, 2023 · **5,912** Views

And interestingly, although it's a bit early for it to really matter to markets and dealers, the huge end of quarter JPM collar spread (a popular fintwit popcorn trade for sure), the long strike is rapidly approaching, so it will be fun to monitor after Thanksgiving into year-end:

1:34:33	SPXW	09/29/23	4100	CALL	0	19300@179.25	BLOCK	$345.95M	0
1:34:33	SPXW	12/29/23	4050	PUT	0	41100@56.64	BLOCK	$232.79M	0
1:34:33	SPXW	12/29/23	3410	PUT	0	41100@9.53	BLOCK	$39.17M	0
1:34:33	SPXW	12/29/23	4500	CALL	0	41100@47.15	BLOCK	$193.79M	0

How it's looking:

Rough estimates, judging by the screenshot on the prior page, which were the unadjusted strikes, they sold the calls to buy the put spread for about $47 each side/net zero to enter, so the value of this hedge now is about:

41000 collars x 100 = 4.1mm x (long put current value ($93) – short put ($11)) $82 = $336mm, which means dealers have had to add about $145mm of short exposure lately. So, thinking about Mr. long call vert from the last note, who was a huge vol buy for dealers, this is approaching that size. It matters even this early.

So, a couple final thoughts and then a trade. Certainly, Friday has been quite the risk off situation lately and recent Mondays (most Mondays for quite a while now actually, take a look at just Mondays on a chart) have seen a sort of vol exhale, similar to post risk events like NFP or CPI:

SpotGamma
@spotgamma

Its hard to have a lot of conviction over this weekend and into 11/1 FOMC, but it is of note that the last 2 Fridays has seen a big move higher in VIX that was subsequently unwound on Monday.

2:41 PM · Oct 27, 2023 · **17K** Views

Usually, Friday's close is a nice time to buy vol, since folks overcrush it into the weekend, but lately it's been a good time to sell it, something to think about early next week when looking at implieds.

And while things, justifiably mind you considering the landscape, seem awfully heavy in markets right now, we are entering that part of the opex cycle, where premium burn likes to support the indices. (You know, when Cem starts tweeting queen emojis and the such)

So, with all the vol events staring the market down the barrel of shotgun and considering the time of the opex cycle, wasn't it that horribly tragic news of excellent September payrolls when the markets opened 40 points lower and just marched higher considering vol burn and time of opex cycle?

Looks vaguely familiar to now, a steep one direction drop into end of month, so it wouldn't surprise me if the markets catch their breath with the help of the opex cycle after NFP. Or we can continue to crash because, well, Jay + good news.

Volatility Trade:

Post FED/NFP broken wing call butterfly spread

Buy 4210 Nov 6th call

Sell 2x Nov 6th 4240 call

Sell Nov 6th 4275 call

Net debit: $1.75 (filled) - $2

This is a bargain for less than 2 SPX points. You are getting a lot of leverage for not a lot of risk. For this to burn, SPX would have to rally to 4300 by NFP day, and let's be realistic, that is a lot of upside vol that would certainly not bring back systemic or trend strats into the picture.

And, you can imagine a lot of folks that are sitting overhead looking to sell after the earnings reactions just witnessed. So, it's less than 2 points that can easily pay $10 on a 2% bounce from here. Target, $7.50.

I will have some 0DTE commentary in a note before the Fed/Jolts/Tbac/ISM circus.

VOLATILITY ANALYTICS NEWSLETTER – NOVEMBER 16TH

GIGA TECH HERD FINALLY BEGINS TO BLEED DOWN TO THE UNIVERSE OF STOCKS – NEXT WEEK'S VOL EVENTS ARE MANY AND HUGE FOR MARKETS

VOLATILITY SUMMARY

Remember this from my October 13th note?

You might find this interesting, from celebrity quant Charlie McElligott a couple weeks ago:

> Long story short (there's probably a pun in there somewhere, but it's not intentional), the impact of the quarterly roll was supposed to be one-way (Charlie used the same language), but upside index options plays for November amounting to $233 million (!) in premium paid turned what would've been a large vol supply event into a vol *buy*, altering the setup for Q4 and the end-of-year trade.
>
> What does that mean? Well, colloquially, the read-through is that there could be embedded overhead pushback on a rally. McElligott elaborated. "If this is who we believe it is, the entity trades with extreme discretion and is typically uber-quick to monetize a winning trade," he said.
>
> So, if the market moves in favor of those positions, profit-taking is likely. Charlie spelled out the implications of that hypothetical profit-taking. "[T]he market is operating in some ways with an upside overhang thanks to there being all of this delta to go if we see SPX rally and those options print," he said.

Well, if you were having a bad couple of months, it wasn't this bad. Guess who finally gave up hope for a seasonal rally? Yep, Mr. Index Call Vert:

- **The massive SPX Call Spread buyer who I've hammered you all on for weeks looks to finally be tapping-out of a large chunk of their trades**, taking what I'd say is closer now to a ~$150mm-$200mm "L" *(from a trade that at one point was +$250mm, ouch)*

Nov3 4400/4600cs -20k -1bn in delta and 3mm in vega
Nov10 4450/4550 cs -16k -500mm in delta and 2mm in vega
Nov 4450/4650 cs -22k -1bn in delta and 4.6mm in vega
Nov 4450/4550 cs -26k -1bn in delta and 4mm in vega
Nov10 4400/4600 cs -10k -700mm in delta and 2.3mm in vega

Oof, a $400mm U-Turn is a tough trade fail to swallow. Especially, since you know who was basically on the other side of your trade, pocketing several Irani-sized pallets of Jay's QT induced cash? This smarmy and intolerable fund manager celebrity:

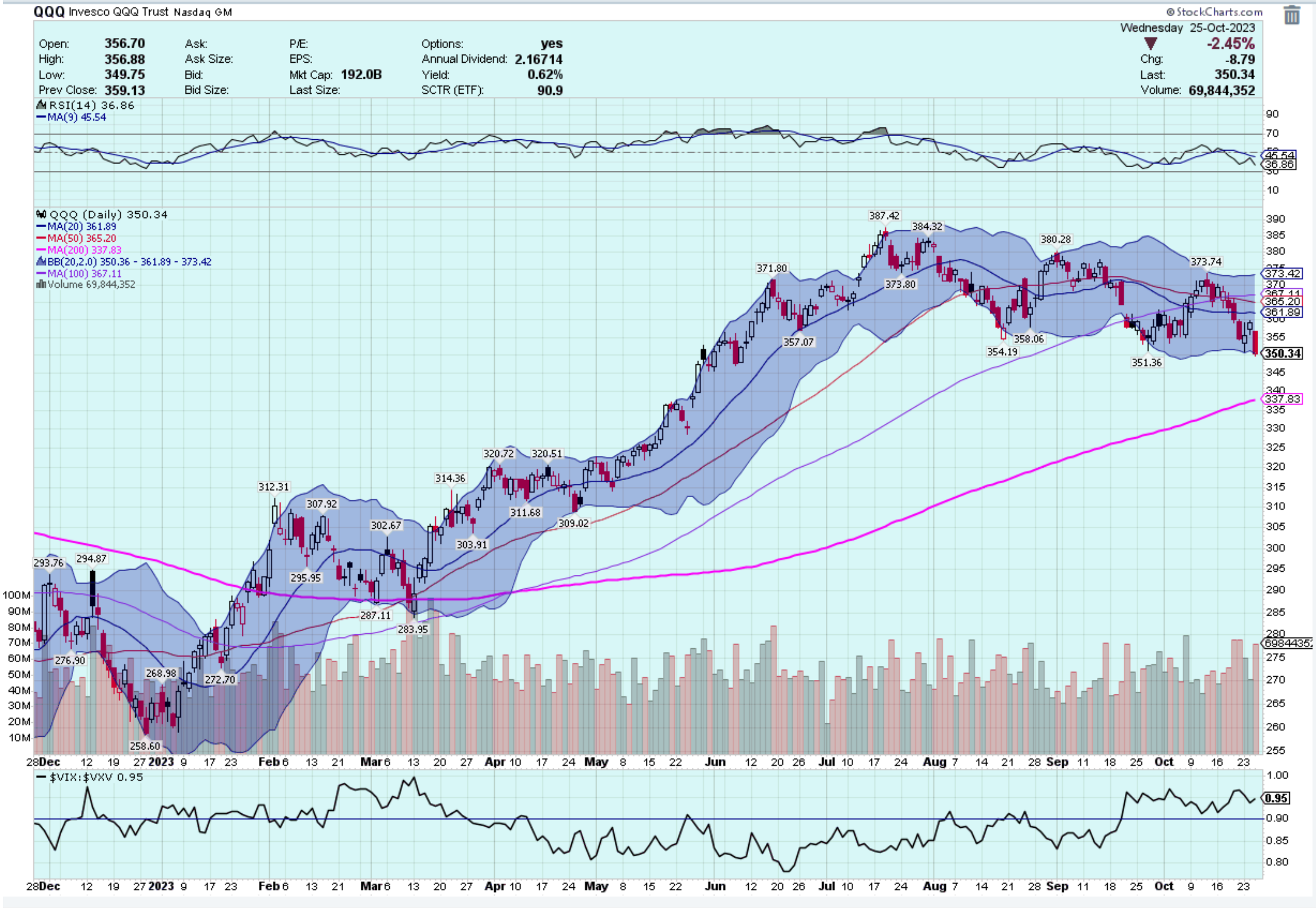
(Pallet joke: https://www.cnn.com/2016/08/03/politics/us-sends-plane-iran-400-million-cash/index.html)

One giant problem with seasonality: it tends to work a whole lot less when central bankers are motivated to cause economic damage. Jay's Jihad against aggregate demand is starting to leave more holes in things/collateral damage than Cheney's birdshot. (Too young for that joke? See: https://www.vanityfair.com/hollywood/2018/12/guy-dick-cheney-shot-harry-whittington-watching-vice)

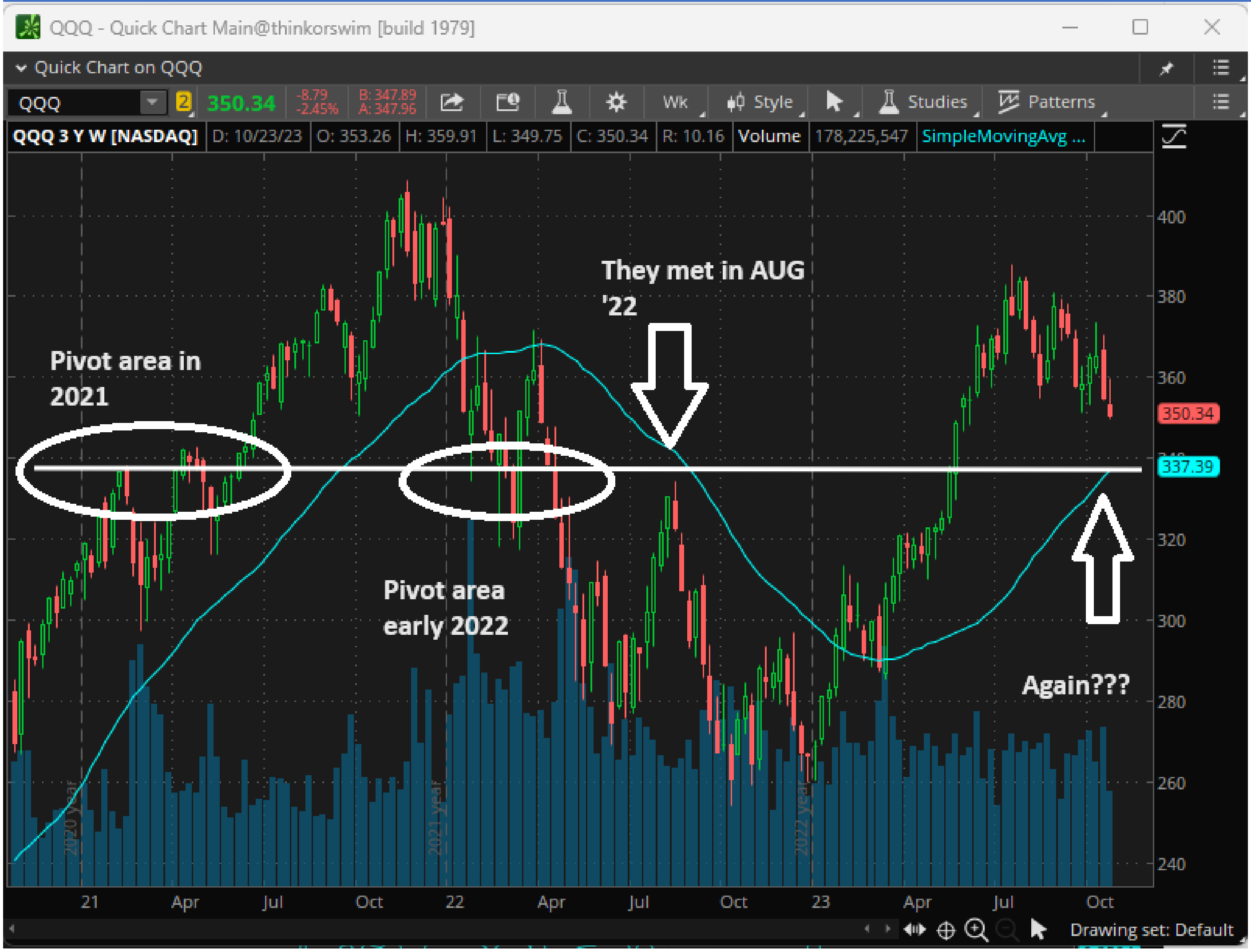
Good earnings aren't working for stocks and yet bad ones, forget it. ADP beat estimates yesterday (I know, that game is one of the oldest complete farces in market history) but, they reiterated guidance and 10% growth and this is how the market reacted to pretty darn good news in this environment:

So, earnings don't matter for the most part. MSFT had a great quarter, showed 25% earnings growth and it had trouble hanging on to a small gain on the day.

And, considering the plateau QQQ *is still on*, it's almost hard to imagine that 'game of chicken' season is going to end anytime soon. Managers that were right this year, the few that went against value, with the high valuations and thus fortunately surfed A.I. mania, they are probably going to be tested further; it seems to have a future date with the 200-day moving average at a minimum:

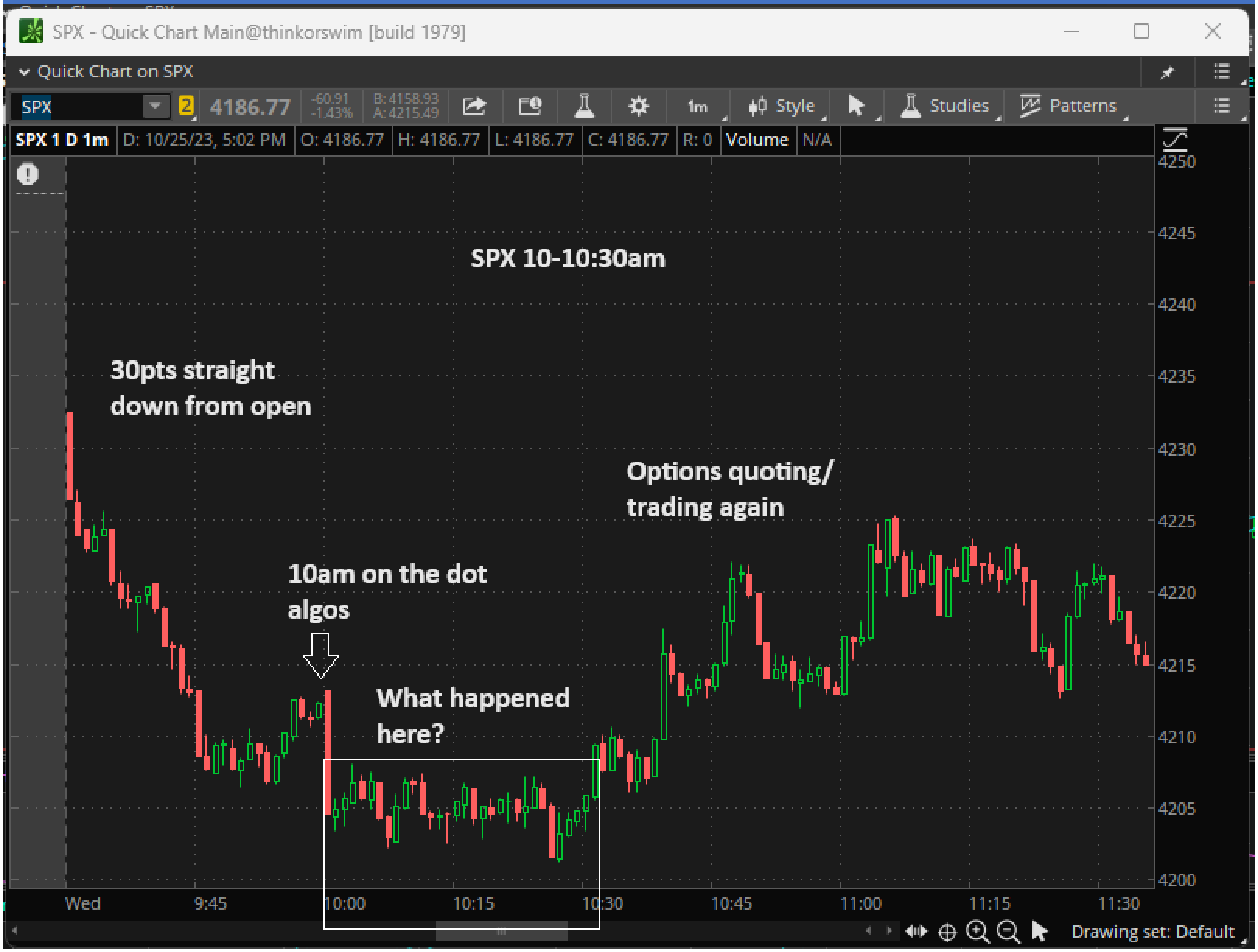


Let's be realistic, the 200-day moving average area would still be up 25% or so year-to-date in QQQ. Interestingly, that particular spot would also dovetail with a support level from the last few years, and a combination of level and average that marked the top last summer:



Swipe down to a trade idea for this technical analysis tinder date below.

Before I continue on the topic of options vol, you probably missed some Mr. Market humor today. Now, we all know how important options are to market functioning and behavior these days, you would have to be more than ignorant at this point to not realize or accept that. But, did you see what happened this morning, in the middle of the market puking out the earnings hope and over-owned tech stocks?



The market just froze as if it was a shortened half-day holiday trade with the VIX at 12. Ghosts of Thanksgiving Friday past markets in the middle of the indices trying to melt down. Well, there was a perfectly good explanation for this, and you probably guessed it, what was to blame:

RIGD - 0DTE Alerts
@rigd_ai

OPTIONS TRADING IS DOWN AT E*TRADE, IBKR, WEBULL, ROBINHOOD, THINKORSWIM, FIDELITY, WEBULL AND MORE

THE MARKET IS 100% RIGD!!!!

#0DTE $SPY $QQQ

10:26 AM · Oct 25, 2023 · **18.4K** Views

Cboe US Options Exchange System Status Update - OPRA Processing Issue

October 25, 2023 10:16:03

Cboe US Options Exchanges have identified an OPRA processing issue impacting Cboe's ability to submit quotes to OPRA. All other Cboe Exchange systems are operating normally.

Cboe Trade Desk
+1.913.815.7001
tradedesk@cboe.com

So, if you aren't quite sure yet which end of the dog wags the market, there is yet another example.

Well, if you stole Jay's dusty printer and printed/traded off of the 1pm phenomenon I've been hammering home in my recent 0DTE notes, congratulations, it has been damn consistent.

But, things are changing, you can't keep a great trend quiet for very long; big hedge fund money has invested in awfully smart systems to ferret this stuff out and frontrun until it doesn't work, or it adapts/morphs:

That is not only quite a risk-free bearish feast, but it follows a schedule on top of it. Bears get served a Chateaubriand precisely at the lunch gong. Yet, why wait, might as well get into the honey pot early, as in perhaps European traders want in on Jay's QT turned bear QE. It will be interesting to see what happens tomorrow at 1pm when the 7-yr auction is released.

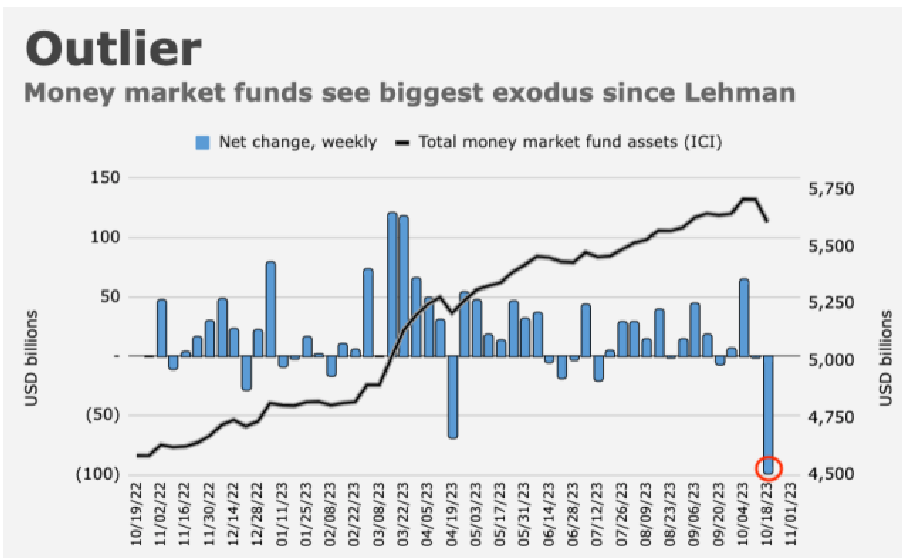
(Hint, it's going to tail, bond markets are quite volatile if you haven't noticed; 'when issued' yields versus auction doesn't matter anymore if it's off a few bps compared to the last few years of snoozer auctions/bond markets during ZIRP regardless of what ZH says about how bad it was. When are people going to figure this out?)

Ok, so let's lay out the vol events lying dead ahead, there are a slew of biggies and thus, markets are almost sure to be quite volatile. (I'd say choppy, but we seem to be on the Acela high speed commuter rail down, so will refrain from 'chop' until we have an actual up day.)

1. November 1st – JOLTs – It has been one of the most volatile days this year, since people landing jobs is clearly bad.
2. November 1st 8:30am – TBAC funding announcement – The Treasury advisory committee releases funding needs for the next quarter. Now this could be better than expected, the late California tax filing delay and student loan restart may have actually reduced immediate Treasury needs, and it was reflected in a huge withdrawal from money market funds last week:

The $98.8 billion outflow came amid cash withdrawals presumably tied to tax payments around an extended filing deadline.

The entirety of the redemptions (and then some) were in institutional government. That category shed $112.42 billion during the week.



This is anomalous and therefore it makes little sense to contextualize it via this year's massive inflows to money funds.

I love a "since Lehman" headline as much as anybody, but I don't think there's anything to see here. The IRS granted several automatic extensions this year tied to severe weather, and there was a deadline on October 16. The only color I saw on Thursday evening cited companies making delayed tax payments.

Source: https://heisenbergreport.com/2023/10/19/money-market-funds-see-largest-outflow-since-lehman/

The bottom line here is that if the Treasury requires higher auction amounts than expected, bonds should fall and equity indices will follow. Vice versa if the above theory holds water and bonds subsequently rally off lower than expected auction raises.

3. Fed meeting – Mr. Autopilot will probably get questioned on the soon to be infamous ‘Does not *feel* like policy is too tight’. Anything can happen, but lately he has been a maestro at tanking things, so vol will be bid.
4. November 3rd – Non-farm payrolls. Lately, this event has reemerged as a big vol day. In October, Bloomberg opined that it would be the last good one, we shall see:

September Jobs Report May Be Last Good One Before Sharp Slowdown

- Bloomberg Economics expects employers hired 173,000 last month
- Growth may plummet amid tighter financial conditions, strikes

Whatever it says, folks will bring in all kinds of caveats around strikes, seasonal adjustments, the household survey, etc. Regardless, price will be moving.

If you are hunting for good news There are no Treasury note/bond auctions next week. Bond vol fun starts again on the 7th, and CPI isn’t far behind that, but the above is enough of a vol calendar to be concerned with for now.

Volatility Trades:

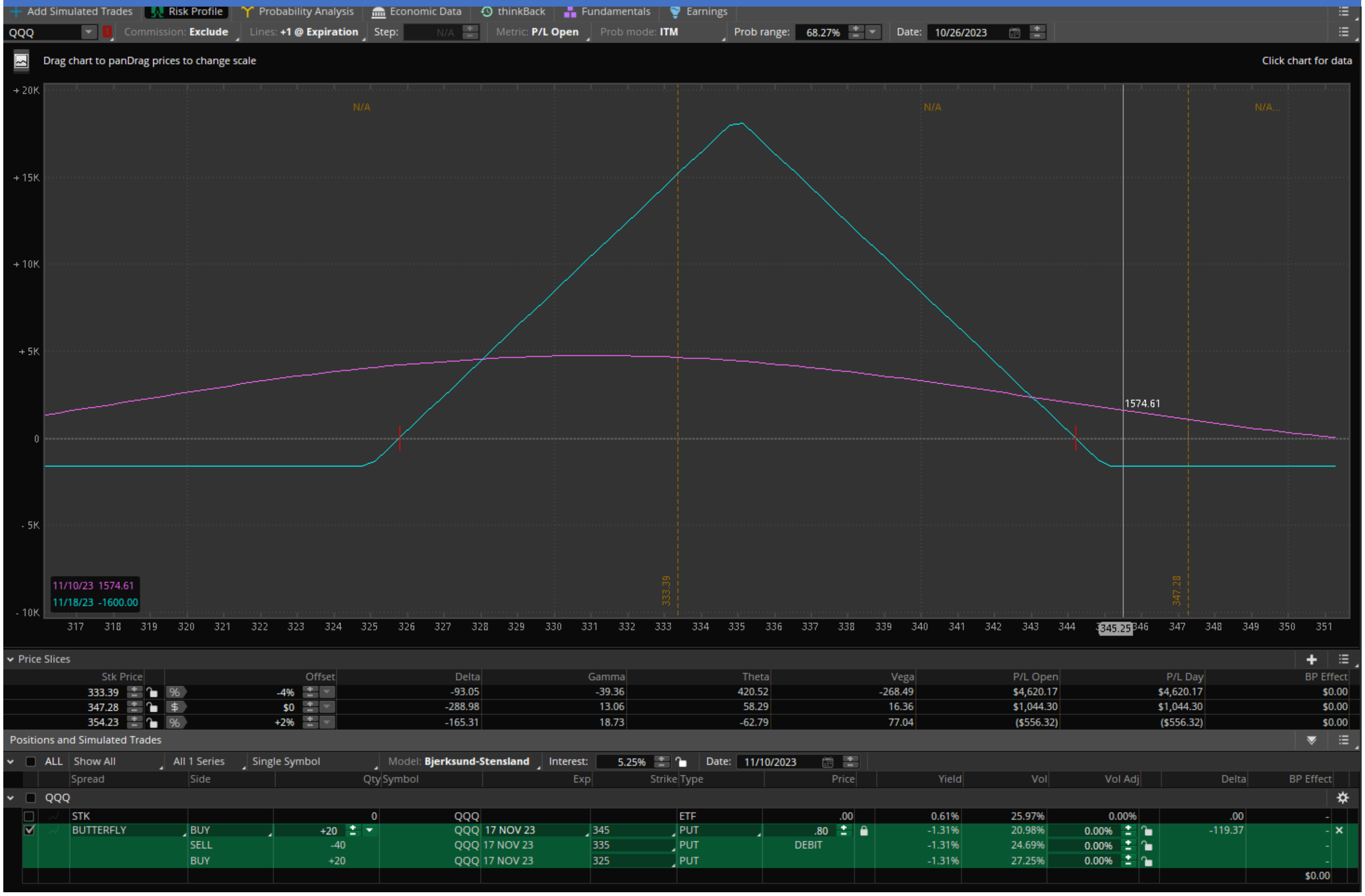
QQQ Nov 17th OPEX put butterfly spread

Buy $345 Nov put

Sell 2x $335 put

Buy $325 put

Net debit: .80-1.00



On the premise mentioned above, a bearish spread targeting the 200-day moving average on QQQ, with the short strikes near said average and clear support/pivots. If you expect a bounce, maybe wait to add this cheaper. Target, $3.

SPX Call diagonal spread:

Sell Nov 1st SPX 4250 call

Buy Nov 2nd SPX 4255 call

Net debit: 1.60-1.70

I call this a ‘prove it to me’ spread. In that, it doesn’t cost much and works if the market proves it can buck a strong prevailing trend, in this case, obviously the aforementioned Acela lower. I expect at some point a bounce as shorts take profits ahead of the myriad of vol events – wouldn’t you? Just let them go by and sell again after?

Threading the needly perfectly, this thing could be worth $10, but I will kill it at $5, if we bounce. These spreads for Thu/Fri this week are over $3 now, and that is with no event in the back leg, so, more of a matter of the market essentially just pausing its waterfall for a day ahead of these events to make 3x.

Also, take a look at Mon/Tue, they are pricing around 1.70 as well.

TECH EARNINGS VOL UNDERPRICED LIKE INDEX VOL - DISPERSION TRADING RESPONSIBLE? – VIXPIRATION WAS THE VOL WATERSHED AGAIN

VOLATILITY SUMMARY

'With opex a week away, and vixpiration Wednesday, heavy chop is expected. And Wednesday's vixpiration, often the vol watershed day, happens again to coincide with the outset of giga tech earnings season. How did that go in July?'

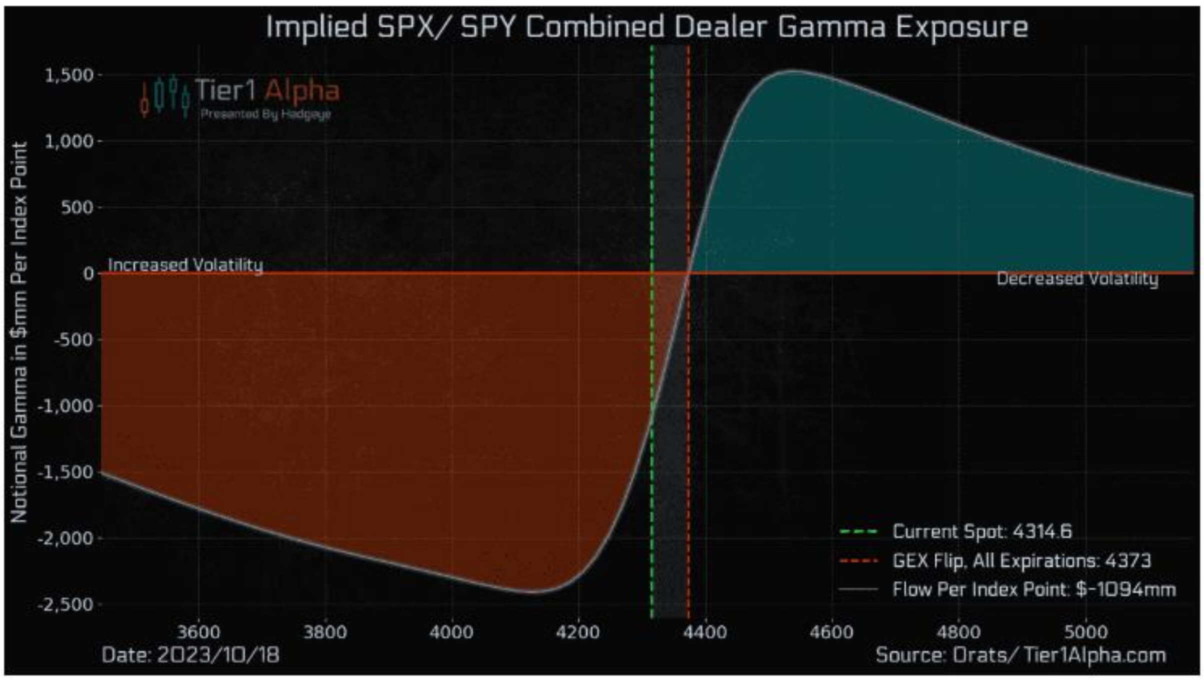
Source: October 13th letter

While everyone waits for the attack to start, so they can buy QQQ again…..I mostly jest, but would that surprise you?

In the meantime, VIX 9-day, a better representation of 'fear' (for lack of a better word) in the markets in my opinion, since the vast majority of options volume these days falls into that window, closed at the highest level since the end of the first quarter, when banking headlines were causing market haywire:

But markets falling in negative gamma while folks wait for next steps in the Middle East and really for the main events of earnings season to begin on Tuesday afternoon with giga tech firm reports, is not a big surprise. Vixpiration was once again the dividing line between implied and realized vol temporarily easing and it picking back up. And when I say realized vol, I mean day-to-day change, because we all know, intraday vol has remained high. Because, you know, we pretty much are always living on the negative gamma slope now:

GAMMA EXPOSURE:



Dealers are back in a negative gamma regime, with just over $1 billion to hedge per index point. Yesterday, we pointed out that the gamma curve was quite steep, suggesting that even small changes in the index could significantly impact dealers' positions. As the markets fell, this is precisely the behavior we observed.

Source: Tier1Alpha.com newsletter

Folks are going to look at the following chart and assume something like, ‘well, lower highs and heading to new lows’, and I don’t blame them; folks trading the channel are loving what they think is a new trend, because *you know that everybody looks for the new trend*:

So, if you are one of those folks, carry on.

What interested me today were NFLX and TSLA earnings reactions. And, it was bugging me yesterday, that implied volatility into both of these reports seemed way too low relative to recent earnings releases, *precisely when it seemed to me to have way more importance*.

I mean, these stocks are obviously the behemoths holding up the entire market and the ones managers need to stay propped to make their year if they are doing well by holding herd stocks or simply SPY/QQQ. They are the market, *especially with nearly everything else down year-to-date.*

So, with so much on the line and NFLX and TSLA both with long histories of giant earnings release moves, not only for year but in recent times mind you, so no potential for forgetting that, why did they go in with implied volatilities for earnings so low?

Here's my guess. Yet another growing source of vol supply:

One Trading Strategy Is Winning Big in This Nasty Year for Stocks

- Dispersion trade up as single stocks swing, VIX stays muted
- Subdued demand for portfolio hedges is behind volatility quirk

https://www.bloomberg.com/news/articles/2022-10-17/one-options-trade-wins-big-in-strange-year-for-stock-volatility?sref=1zxv5xkq

Volatility Trades Get Reborn as Market Split Spurs New Short

- Macro forces spur growing divergence across stocks, industries
- Dispersion trade is advancing beyond hedge-fund investors

https://www.bloomberg.com/news/articles/2018-08-22/volatility-trades-are-reborn-as-two-tier-market-spurs-new-short?sref=1zxv5xkq

Call it the volatility trade, squared.

As macro shocks hit global markets, a complex strategy that bets the gap between stock winners and losers will grow is spreading across hedge funds, real-money managers and even private banks.

The so-called dispersion trades offer a way to play a slew of market themes, everything from splits among tech stocks to the prey and predators of the M&A boom and the trade-war fallout.

Known as a short-correlation bet, it pairs a long and short position in equity options to profit from diverging prices.

So, sell some vol over here, long some vol over there. Cute. What happens when it doesn't work?

The strategy, which has cooled of late after notching outsize gains earlier in the year, is deployed mostly by volatility hedge funds and banks packaging it into systematic strategies. Versions of the trade may buy options on a basket of stocks while others, like those managed by Assenagon and Fulcrum, are more selective. Some are neutral to volatility, whereas others are buying more options than they sell.

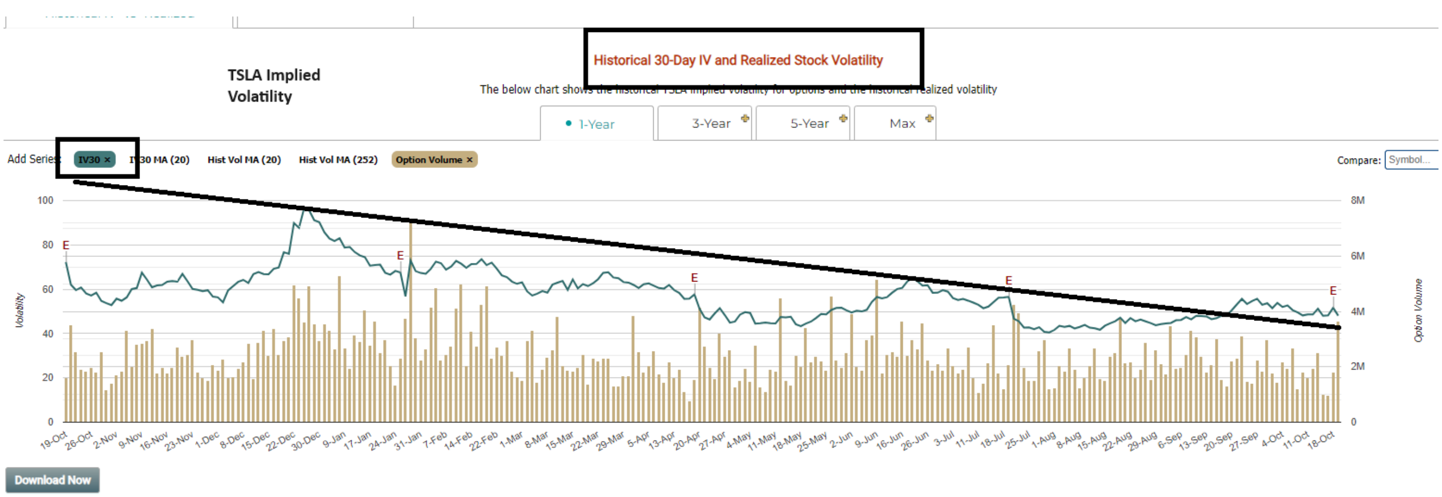
And:

With shorting volatility a key ingredient in the trade, it comes with a health warning for tourists and practitioners alike.

"It's an elegant strategy but it's definitely complex," said Tobias Hekster, co-chief investment officer at hedge fund True Partner Capital. "It requires quite a bit of management and maintenance."

Fast-money traders with a short-correlation bias incurred "significant" losses in August 2011, for example, when the Cboe Volatility Index gapped upwards by 25 points, according to Hekster, a volatility trader.

Ok, look at how TSLA implied vol has been falling and notice how the rises that naturally coincide with earnings season vol have been coming down:

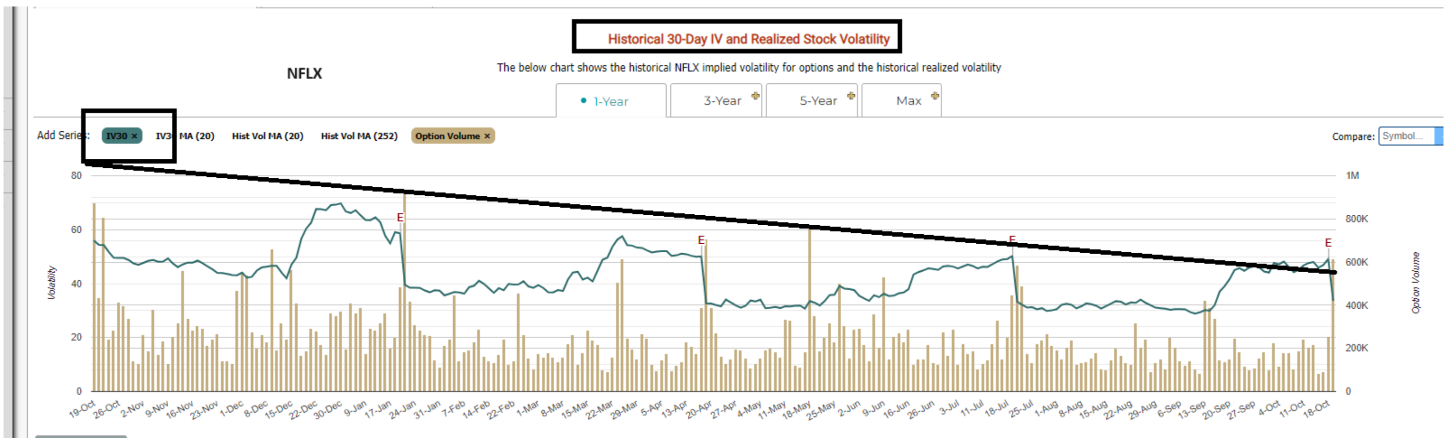


But…. the earnings moves lately have been high:

Stock Price Performance - Last 12 Quarterly Earnings — TSLA

	Before Earnings (Not Including Day of Earnings)					Day of Earnings					After Earnings (Not Including Day of Earnings)					Custom Range
Date	2 Weeks	1 Week	3 Days	2 Days	1 Day	Earnings Move	Opening Gap	Open-to-High	Open-to-Low	Drift Open-to-Close	1 Day	2 Days	3 Days	1 Week	2 Weeks	2 Days Before to 2 Days After
18-Oct-2023 AMC	-7.1%	-7.7%	-3.4%	-4.4%	-4.8%	-100.0%	-6.9%	+2.1%	-4.1%							
19-Jul-2023 AMC	+3.1%	+7.1%	+3.5%	+0.3%	-0.7%	-9.7%	-4.1%	+0.5%	-6.5%	-5.9%	-1.1%	+2.3%	+0.9%	-2.7%	-1.4%	-8.3%
19-Apr-2023 AMC	-2.7%	0.0%	-2.4%	-3.5%	-2.0%	-9.8%	-8.0%	+2.2%	-3.4%	-1.9%	+1.3%	-0.3%	-1.4%	-1.7%	-1.1%	-11.8%
25-Jan-2023 AMC	+17.2%	+12.2%	+8.3%	+0.5%	+0.4%	+11.0%	!!! +10.8%	+0.9%	-3.3%	+0.2%	+11.0%	+4.0%	+8.1%	+17.5%	+29.4%	+15.8%
19-Oct-2022 AMC	-7.8%	+2.2%	+8.3%	+1.2%	+0.8%	-6.7%	-6.2%	+3.5%	-3.0%	-0.5%	+3.5%	+1.9%	+7.3%	+8.6%	+3.9%	-4.1%
20-Jul-2022 AMC	+6.8%	+4.4%	+3.1%	+2.9%	+0.8%	+9.8%	+3.0%	+7.2%	0.0%	+6.6%	+0.2%	-1.2%	-4.7%	+3.4%	+13.6%	+9.3%
20-Apr-2022 AMC	-6.6%	-4.4%	-0.8%	-2.7%	-5.0%	+3.2%	+10.1%	+1.6%	-7.4%	-6.2%	-0.4%	-1.1%	-13.1%	-13.0%	-13.4%	-2.9%
26-Jan-2022 AMC	-15.3%	-5.9%	-0.7%	+0.8%	+2.1%	-11.6%	-0.4%	+0.2%	-11.2%	-11.2%	+2.1%	+13.0%	+12.3%	+7.5%	+9.1%	+2.0%
20-Oct-2021 AMC	+10.6%	+6.8%	+2.7%	-0.5%	+0.2%	[illegible]	-1.1%	+5.1%	-0.1%	+4.4%	+1.8%	+14.6%	+13.9%	+20.5%	+37.6%	+18.6%
26-Jul-2021 AMC	-4.1%	+1.8%	+0.4%	+1.3%	+2.2%	-2.0%	+0.9%	+0.5%	-5.5%	-2.8%	+0.3%	+5.1%	+6.6%	+10.1%	+10.1%	+5.3%
26-Apr-2021 AMC	+5.2%	+3.3%	-0.8%	+2.6%	+1.2%	-4.5%	-2.9%	+1.0%	-1.9%	-1.7%	-1.5%	-3.9%	+0.7%	-4.4%	-12.4%	-7.2%
27-Jan-2021 AMC	+1.1%	+1.6%	+2.1%	-1.9%	-2.1%	-3.3%	-5.2%	+3.5%	-2.3%	+2.0%	-5.0%	+0.5%	+4.5%	+1.7%	-2.9%	-4.9%

And check out NFLX, same situation:



But even crazier earnings moves lately:

Stock Price Performance - Last 12 Quarterly Earnings — NFLX

	Before Earnings (Not Including Day of Earnings)					Day of Earnings					After Earnings (Not Including Day of Earnings)					Custom Range
Date	2 Weeks	1 Week	3 Days	2 Days	1 Day	Earnings Move	Opening Gap	Open-to-High	Open-to-Low	Drift Open-to-Close	1 Day	2 Days	3 Days	1 Week	2 Weeks	2 Days Before to 2 Days After
18-Oct-2023 AMC	-8.2%	-5.4%	-2.7%	-4.1%	-2.7%	+16.1%	+16.9%	+1.0%	-3.1%	-0.7%						
19-Jul-2023 AMC	+7.1%	+7.6%	+8.1%	+6.1%	+0.6%	-8.4%	-6.5%	+0.4%	-3.3%	-2.1%	-2.3%	-2.1%	-2.2%	-5.5%	-1.5%	-9.8%
18-Apr-2023 AMC	-3.8%	-1.3%	-3.6%	-1.5%	+0.3%	-3.2%	-3.1%	+0.7%	-2.3%	-0.1%	+0.7%	+1.5%	+1.8%	-0.6%	-1.2%	-1.4%
19-Jan-2023 AMC	+2.0%	-4.4%	-5.1%	-3.2%	-3.2%	+8.5%	!!!!!!! +6.5%	+2.3%	-1.1%	+1.9%	+4.4%	+6.2%	+7.4%	+5.3%	+6.8%	+11.5%
18-Oct-2022 AMC	+0.1%	+12.4%	+3.6%	+4.7%	-1.7%	+13.1%	+10.1%	+5.4%	-0.9%	+2.7%	-1.6%	+6.3%	+3.7%	+9.6%	+0.2%	+18.1%
19-Jul-2022 AMC	+8.5%	+15.6%	+15.4%	+6.6%	+5.6%	+7.4%	+3.3%	+4.2%	-3.9%	+3.9%	+3.4%	+1.9%	+1.0%	+4.8%	+4.8%	+15.5%
19-Apr-2022 AMC	-8.3%	+1.3%	-0.5%	+2.2%	+3.2%	-35.1%	-29.7%	+1.5%	-13.3%	-7.7%	-3.5%	-4.7%	-7.2%	-16.7%	-9.8%	-36.2%
20-Jan-2022 AMC	-8.1%	-2.1%	-3.3%	-0.5%	-1.5%	-21.8%	-21.3%	+2.3%	-5.0%	-0.6%	-2.6%	-7.8%	-9.5%	-3.3%	+3.2%	-29.0%
19-Oct-2021 AMC	+0.7%	+2.3%	+0.8%	+1.7%	+0.2%	[illegible]	-2.2%	+2.0%	-1.3%	0.0%	+4.5%	+6.3%	+7.4%	+6.0%	+10.1%	+4.2%
20-Jul-2021 AMC	-2.0%	-1.8%	-2.2%	+0.1%	-0.2%	-3.3%	-0.9%	+0.9%	-3.9%	-2.4%	-0.4%	+0.4%	+0.6%	+1.1%	+0.7%	-3.2%
20-Apr-2021 AMC	+0.9%	-0.8%	+0.1%	+0.6%	-0.9%	-7.4%	-7.7%	+1.6%	-0.8%	+0.3%	0.0%	-0.7%	+0.3%	-0.5%	-2.5%	-8.8%
19-Jan-2021 AMC	-3.7%	+1.5%	-1.2%	+0.2%	+0.8%	+16.9%	+12.5%	+5.1%	-1.3%	+3.9%	-1.1%	-3.6%	-5.0%	-10.8%	-8.0%	+13.5%

Funds are shorting this volatility, isn't it obvious now? And isn't that a recurring theme lately, especially in this note, when I keep hammering home the fact that it's often better to be long vol than to be short vol lately? Shorting vol is crowded on several shadow fronts these days, yet another byproduct of Jay and ZIRP.

Here are two charts that demonstrate how ridiculous the market mispricings were going into last night. Here are the NFLX and TSLA at-the-money straddle charts:

And:

Whaaaat? They both made 100% overnight returns??!!

So, this strategy isn't even sophisticated, it is more like option dumb. It's supposed to lose more often than it wins, right? You could have opted for a long iron condor (two long option vertical spreads one put/one call) or double long butterfly spreads (put and call butterflies) and crushed 100% overnight.

It's a great time to be a long vol trader, that is for sure. Too many people are in the short vol business. And, you know who's back, Jay the autopilot, you saw what he said today:

You might just get what these short vol guys hate the most, everything going in one direction sometime soon. Volmageddon 2.0. The kindling is certainly there, the markets propped on just a few names and a growing cadre of folks exotically shorting vol in a myriad of ways.

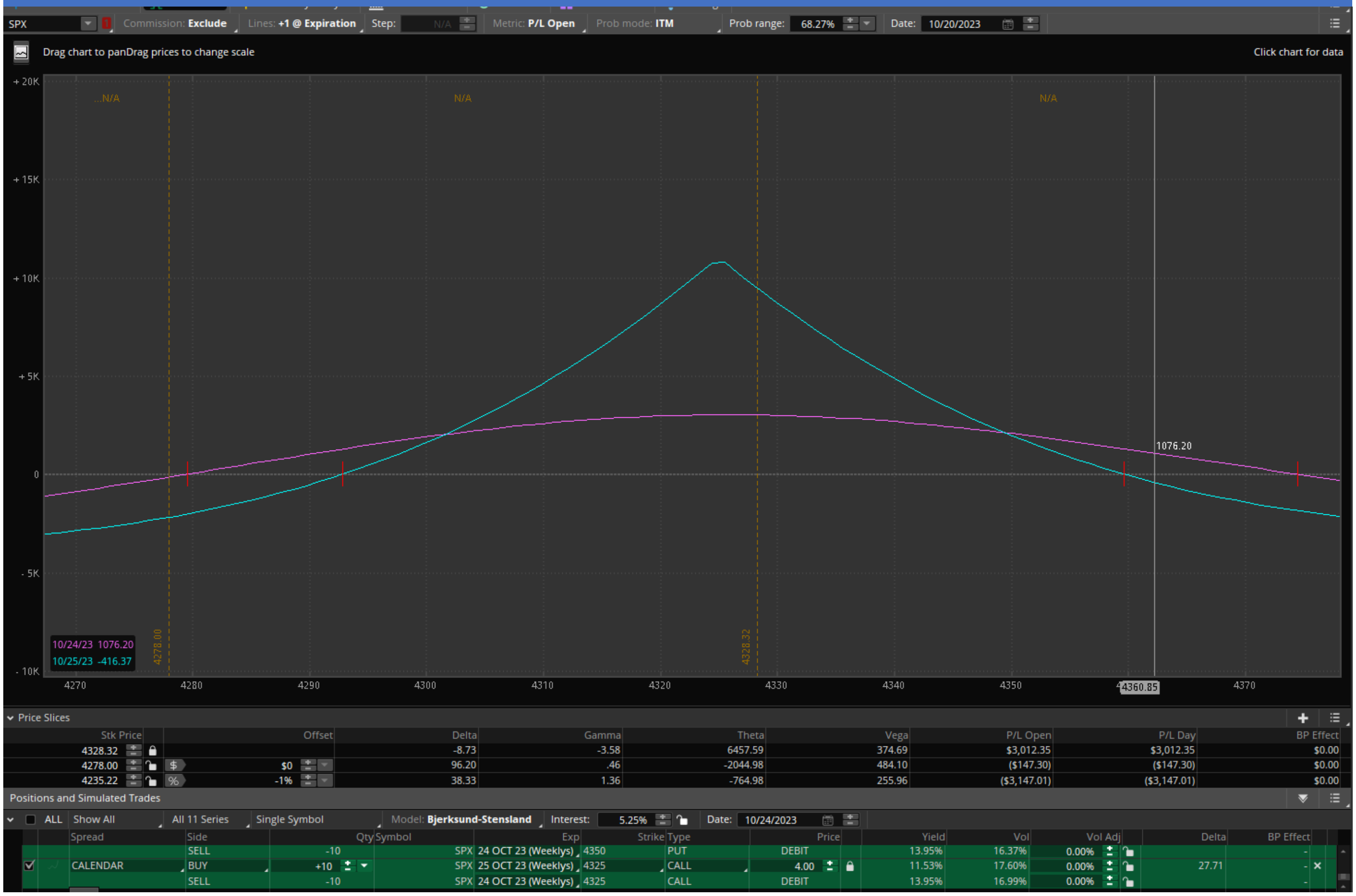
Volatility Trades:

Long tech earnings call calendar spread

Sell Oct 24th 4325 call

Buy Oct 25th 4325 call

Net debit: $3.75-4.00



The QQQ put calendars for the 24th/26th are working nicely and the war news during opex week is raising implied volatility in the front of the surface, when the vol smashers usually would have killed Monday and Tuesday's vol by now. So, pairing elevated front with MSFT/GOOG earnings in the back leg, is nicely priced at 4 SPX points.

As I see it, this is essentially a market vol event, with the giant chunk of market cap in QQQ/SPY in the few giga tech names. They have to come through for basically everyone, nerves will be high. Target, $6.50-7.

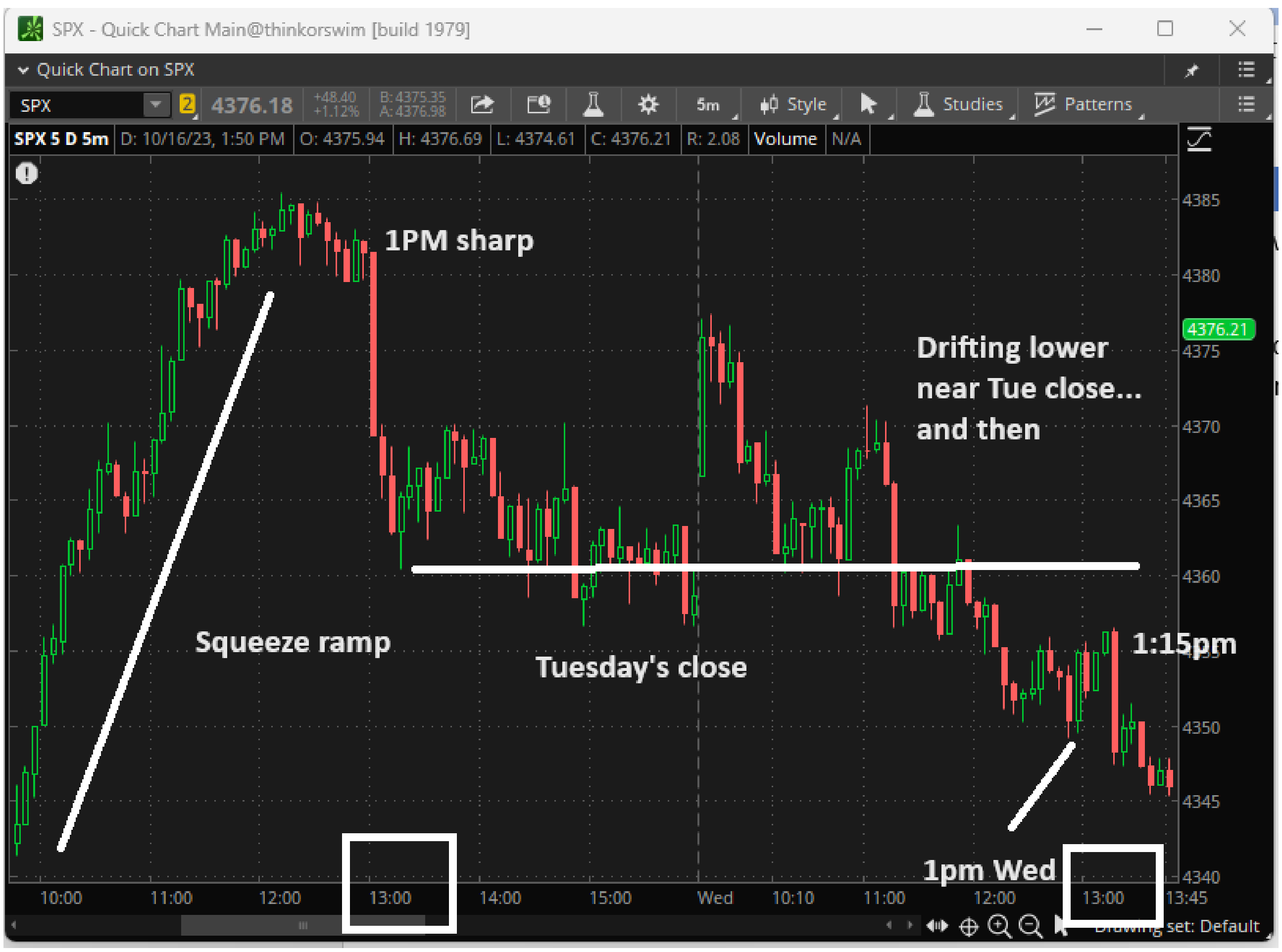
VOLATILITY ANALYTICS NEWSLETTER – NOVEMBER 16TH

0DTE OBSERVATIONS FROM CPI – MORE TRADES FOR GIGA TECH EARNINGS

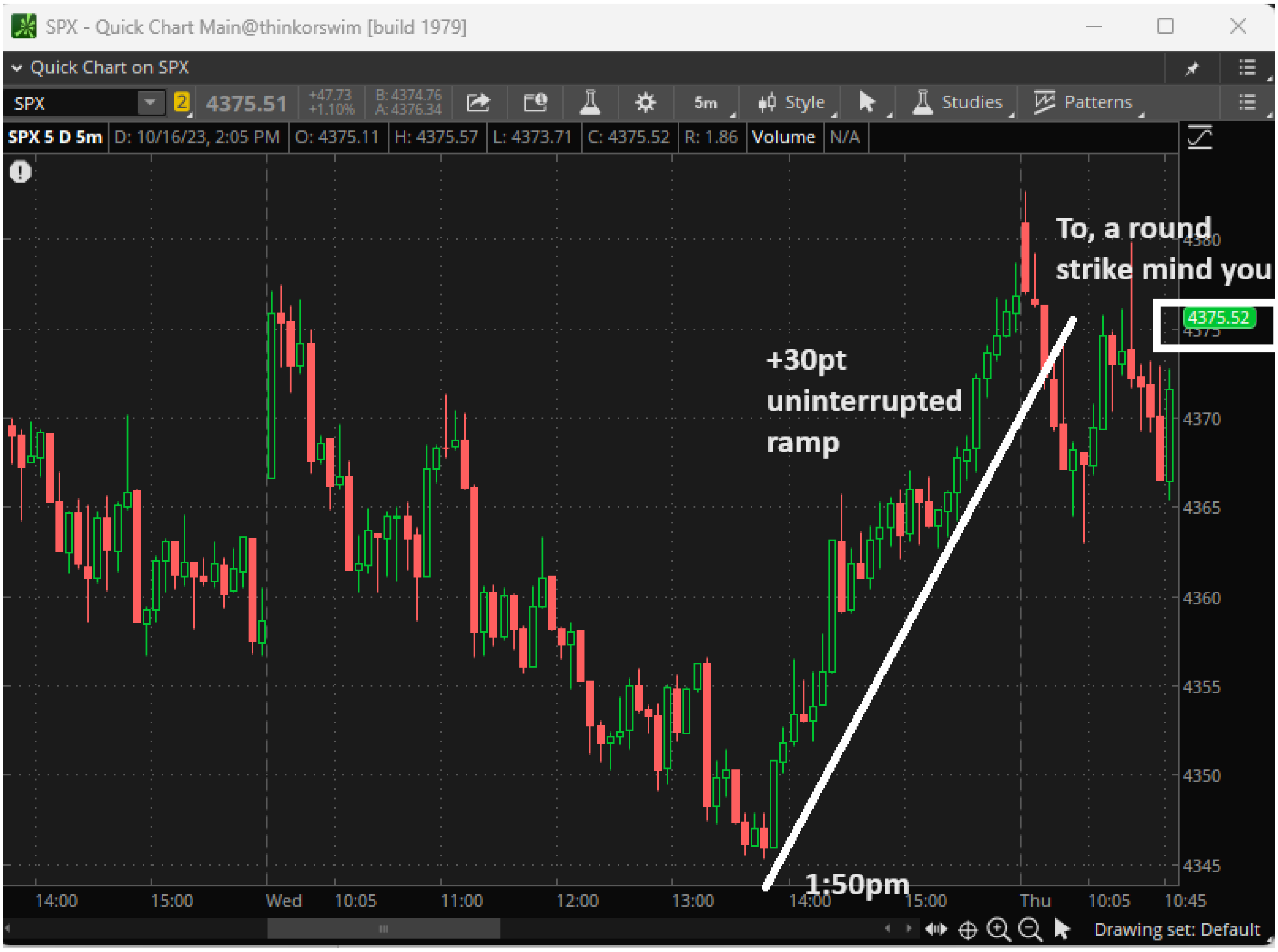
VOLATILITY SUMMARY

While we sit on a pre-vixpiration ramp and camp/vol smash Monday (how surprising) a brief lookback on 0DTE price action around CPI last week.

Things were sort of meandering lower on CPI eve Wednesday after a squeezy kind day Tuesday, where IWM/Russell 2000 and most downtrodden stocks that were previously refusing to bounce finally gave up and saw some short covering ahead of CPI data. And, once again before I go on, exactly 1pm on Tuesday was the daily turning point, the time I alluded to in last week's note:



So, while Tuesday offered a large move the first half of the day to sort of shoot against after 1pm with 0DTE options, Wednesday before CPI did not, just a gradual drift around flat, so the setup I wrote about and was looking for, a big move up or down into Euro-close or 1pm didn't materialize. And as you can see in the above chart, nothing is happening into nearly 2pm until:

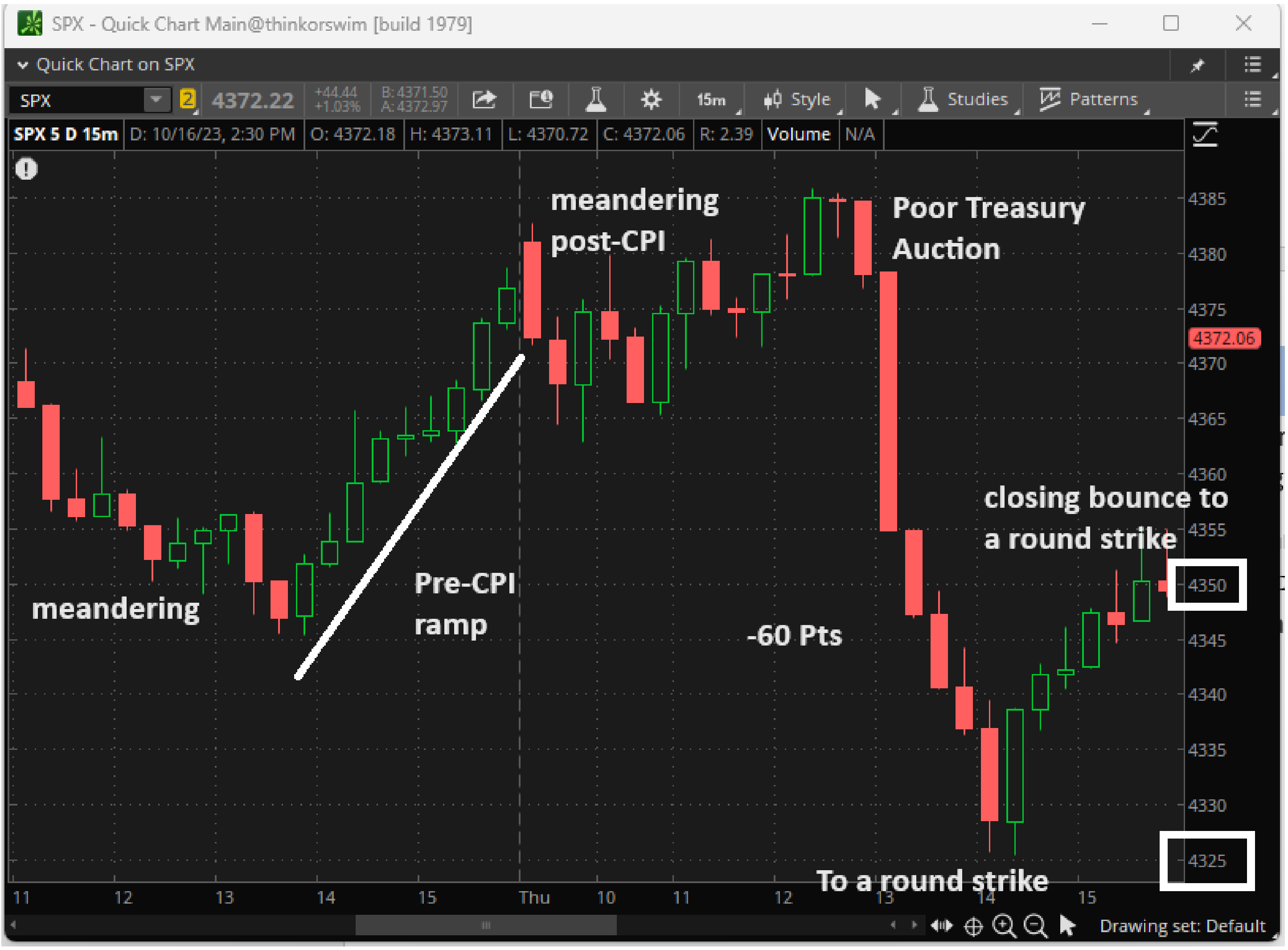


The train leaves the station and doesn't look back in a straight ramp higher and sits, of course to rub it in, on the round strike of 4375. Amazing. It was as if, once everyone fell asleep the shenanigans began. The 4360 call:

And, if you felt slighted like I did, that you were asleep at the switch and missed a 600% return in the afternoon, you also missed the next bus. 'They' jumped on 4370s and had fun getting 600% out of those in the last half hour to boot:

So, I suppose the 0DTE lesson of the story here: if there is an event the next day, keep an eye out for cheap options well past 1pm *especially* if it looks like nothing is going to happen.

On CPI day, if you had quickly absorbed the lesson above (I did not apparently learn fast enough), about if things appear exceptionally quiet, more reason to be on the lookout for the potential of a big late move. Once again, the morning was meandering along, digesting a mixed CPI report when:



Again, what do we see here?

A. 1pm move
B. 2pm bounce
C. Round strike low
D. Round strike close

So, I'm adding Treasury note/bond auctions to my list of 0DTE vol events to consider in the future; makes sense, if the highly volatile long duration section of the yield curve moves markets then these are most certainly to be considered vol events, no?

And so, if you had 4350 puts on Thursday, well, it was a good day for you:

Our markets today, 0DTE bucket shop nirvana. I hope these observations help you navigate/profit from some potential post-vixpiration/pre-NFLX/TSLA Wednesday 0DTE fun.

Volatility Trades:

QQQ Giga tech earnings put calendar spread

Sell \$362 Oct 24th put

Buy \$362 Oct 26th put

Net debit: .52-.56 (.54 filled)

VOLATILITY ANALYTICS NEWSLETTER – NOVEMBER 16TH

Pretty basic concept of being long back vol event risk, building off the 18/20th trade ideas from Friday. This time, the back leg holds a giant chunk of QQQ/SPY in GOOG/MSFT/AMZN earnings releases. If the market shoots higher or lower after NFLX/TSLA report, I will adjust and add these spreads higher or lower. Target, $1.

OPEX CYCLE PING PONG MARKETS ARE BACK - SEASONALITY AND CALL VOL OBSERVATIONS– GIGA TECH EARNINGS TRADE IDEAS

VOLATILITY SUMMARY

You might find this interesting, from celebrity quant Charlie McElligott a couple weeks ago:

> Long story short (there's probably a pun in there somewhere, but it's not intentional), the impact of the quarterly roll was supposed to be one-way (Charlie used the same language), but upside index options plays for November amounting to $233 million (!) in premium paid turned what would've been a large vol supply event into a vol *buy*, altering the setup for Q4 and the end-of-year trade.
>
> What does that mean? Well, colloquially, the read-through is that there could be embedded overhead pushback on a rally. McElligott elaborated. "If this is who we believe it is, the entity trades with extreme discretion and is typically uber-quick to monetize a winning trade," he said.
>
> So, if the market moves in favor of those positions, profit-taking is likely. Charlie spelled out the implications of that hypothetical profit-taking. "[T]he market is operating in some ways with an upside overhang thanks to there being all of this delta to go if we see SPX rally and those options print," he said.

Source: https://heisenbergreport.com/2023/10/02/rally-bets-saddle-stocks-with-upside-overhang/

So, we are in that time of year when folks that are behind (which is nearly everyone, considering all bonds/treasuries and most stocks are down year to date), grab for the options keno slip with the Santa rally/fourth quarter seasonality in mind, hoping to cut the performance deficit to, well let's be honest, to QQQ's stunning performance year to date.

I keep recalling around every year end the true story of this particular hedge fund manager who turned options yolo-er in an attempt to stick-save his year-end statements:

Manager 'truly sorry' for blowing up hedge fund

PUBLISHED WED, JAN 21 2015•1:16 PM EST | UPDATED WED, JAN 21 2015•3:52 PM EST

Li said in the letter that he made a series of "aggressive transactions" over the last three weeks to make up for poor returns in December. He said he bet on stock price options, predicated on the broader market rising. But stock indexes fell, causing the huge losses along with several undisclosed direct investments, according to the note.

"My only hope is that you understand that I acted in an attempt—however misguided—to generate higher returns for the fund and its investors. But even so, I acted overzealously, causing you devastating losses for which there is no excuse," he added.

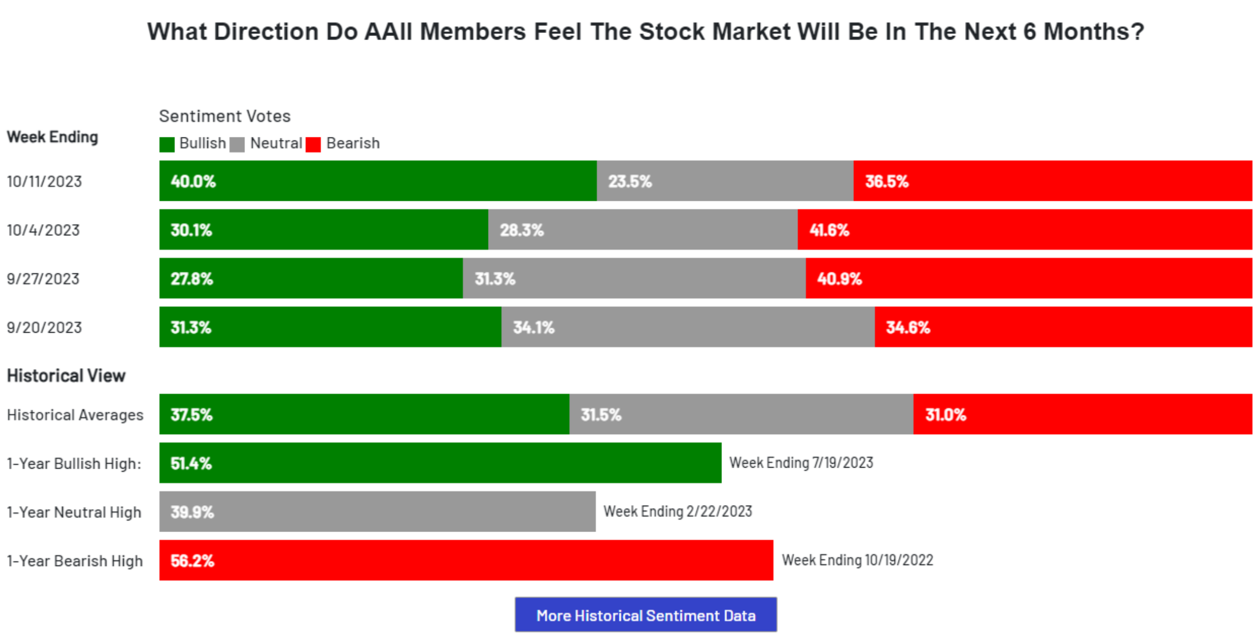
Source: https://www.cnbc.com/2015/01/21/manager-truly-sorry-for-blowing-up-hedge-fund.html

Calendar risk (my term) is real, and it enhances or is part of what influences market seasonality to behave the way it does; the risk of statement underperformance is powerful. It also stands to reason that implied volatility often seasonally rises, as folks look to protect outperforming areas in their portfolios without selling and incurring taxes.

In fact, I say this every year, *vol almost always seems to rise in December*, just when folks are looking for a Santa rally which statistically comes only from Christmas through the first week of January. December is often a volatile month; smooth to the finish, it usually is not! And with QT and massive rates volatility and sticky inflation and massive divergences in tech versus everything and macro weakness just beginning….vol is probably going to hang around.

Back to Charlie, his commentary, being the god of greeks and all, these outstanding call verticals are well known, and certain nefarious markets news sites that gab about gamma games are all over it:

Comically, with earnings season about here, sentiment also has magically and dramatically reverted to bullish:



Sort of gives you the impression, that this overhang might just put a dent into giga tech earnings spike season. You know, selling those spikes. That and the fact that managers, they have to be staring down the barrel of 2024, and can owning all this tech really work to this shocking 'relative to everything else' degree again, especially when folks are finally coming to the realization that Jay's jihad to dent the economy about to take some victims:

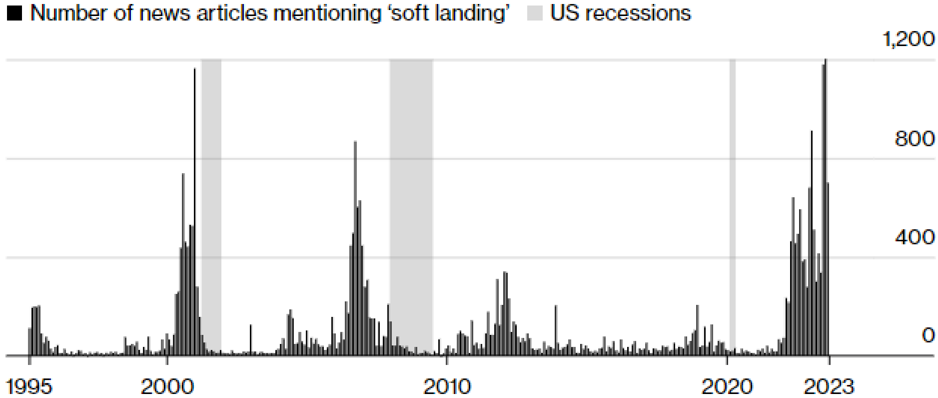
Soft Landing Calls Always Precede Recessions...

"The most likely outcome is that the economy will move forward toward a soft landing." So said then-San Francisco Fed President Janet Yellen in October 2007, just two months before the Great Recession began. Yellen wasn't alone in her optimism. With alarming regularity, soft landing calls peak before hard landings hit.

Soft Landing Hopes and Hard Landing Realities

Optimism tends to peak before a downturn hits

■ Number of news articles mentioning 'soft landing' ■ US recessions



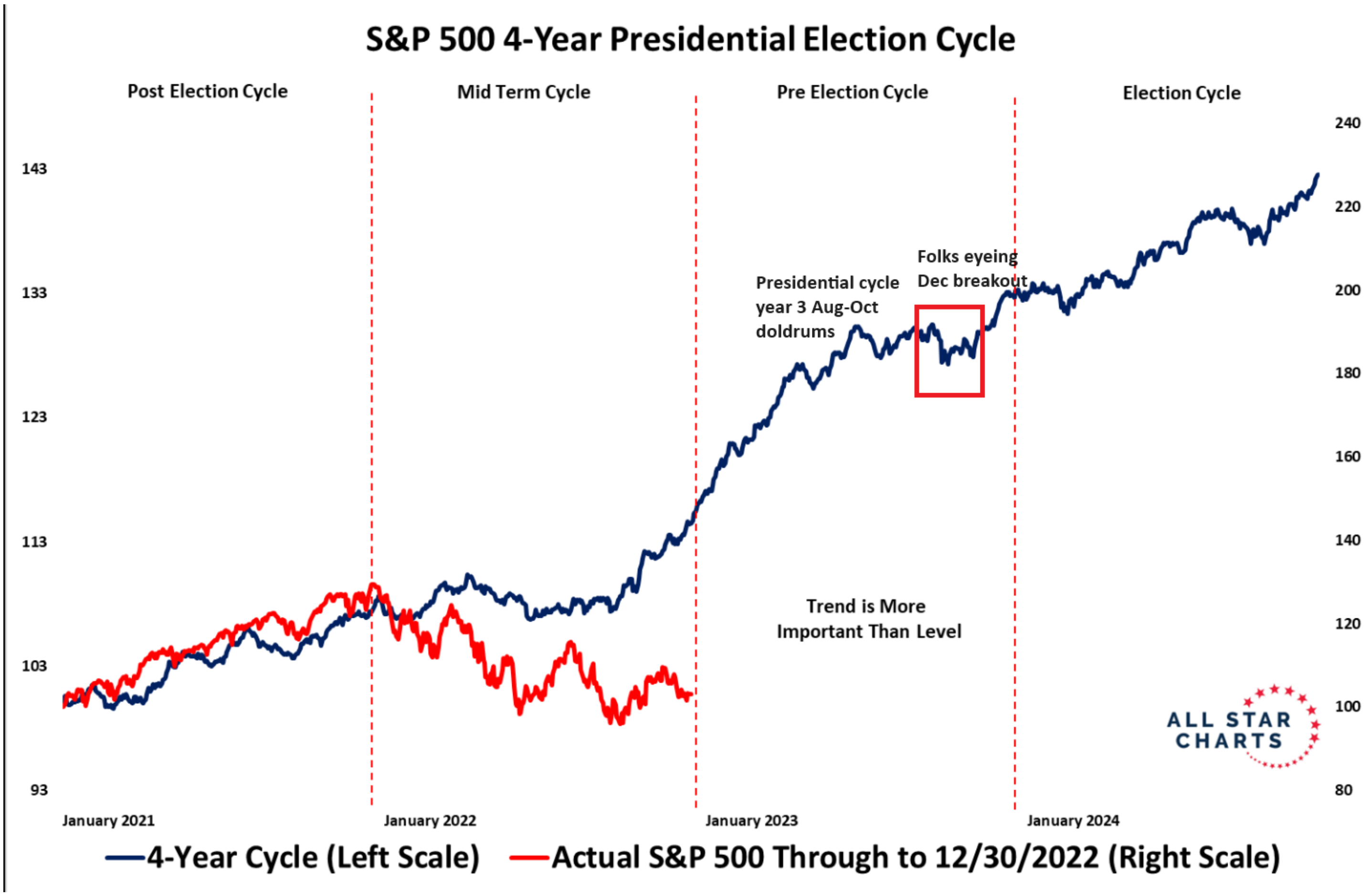
Source: Data compiled from news sources tracked by Bloomberg

Why do economists find it so difficult to anticipate recessions? One reason is simply the way forecasting works. It typically assumes that what happens next in the economy will be some kind of extension of what's already happened – a linear process, in the jargon. But recessions are non-linear events. The human mind isn't good at thinking about them.

Source: https://www.bloomberg.com/news/articles/2023-10-01/6-reasons-why-a-us-recession-is-likely-and-coming-soon?sref=1zxv5xkq

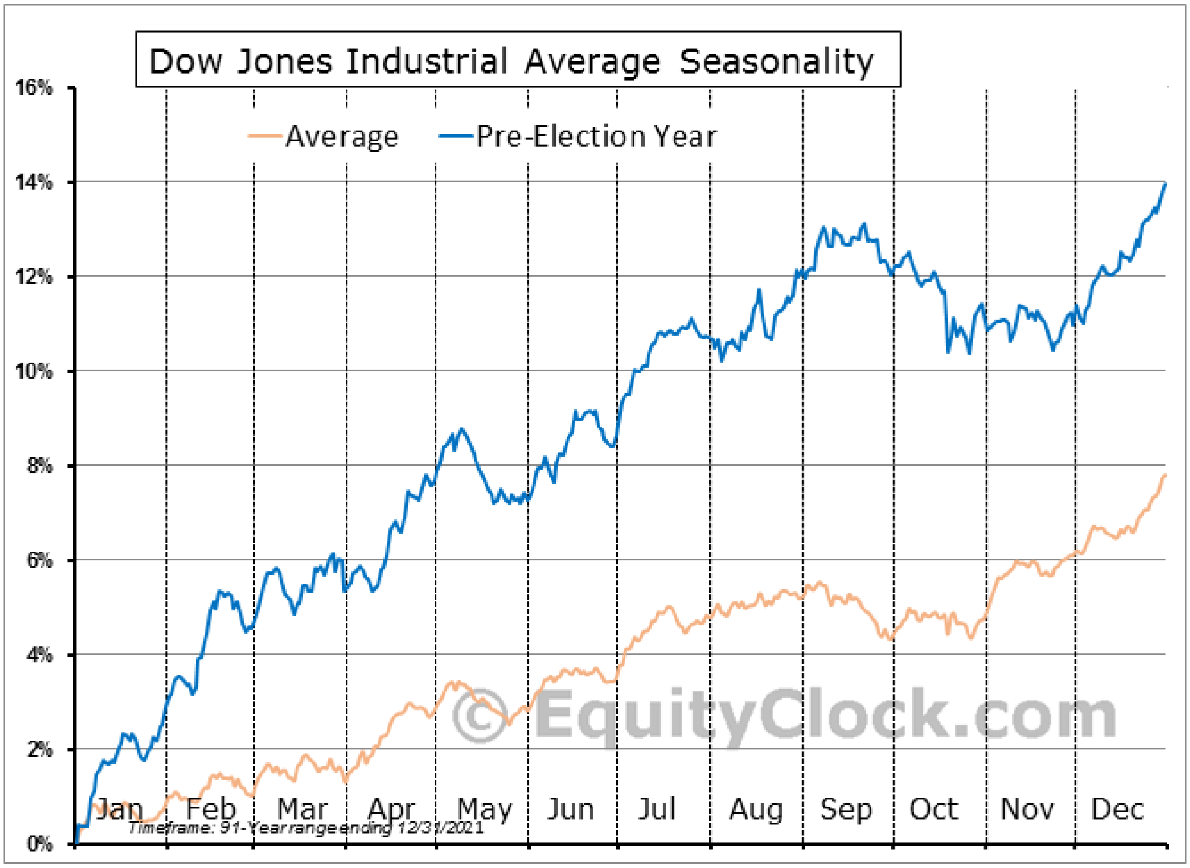
(I will remind you, when the time comes, around Christmas, a great trade is to own vol in the big winners, because folks will be looking to dump some when the tax year changes. And there will be vol trades, of course.)

But, one thing folks are holding onto regarding seasonality, beyond the obvious time of the year stuff is the Presidential cycle seasonality, which worked nearly perfectly this year believe it or not:



You can see a bit closer below on an old Dow chart (couldn't find one for the S&P 500) how it doesn't break out until late in the year whereas most years a general positive market reaction to third quarter earnings and a ramp into Thanksgiving are the average result:

Dow Jones Industrial Average Pre-Election Year Seasonal Chart

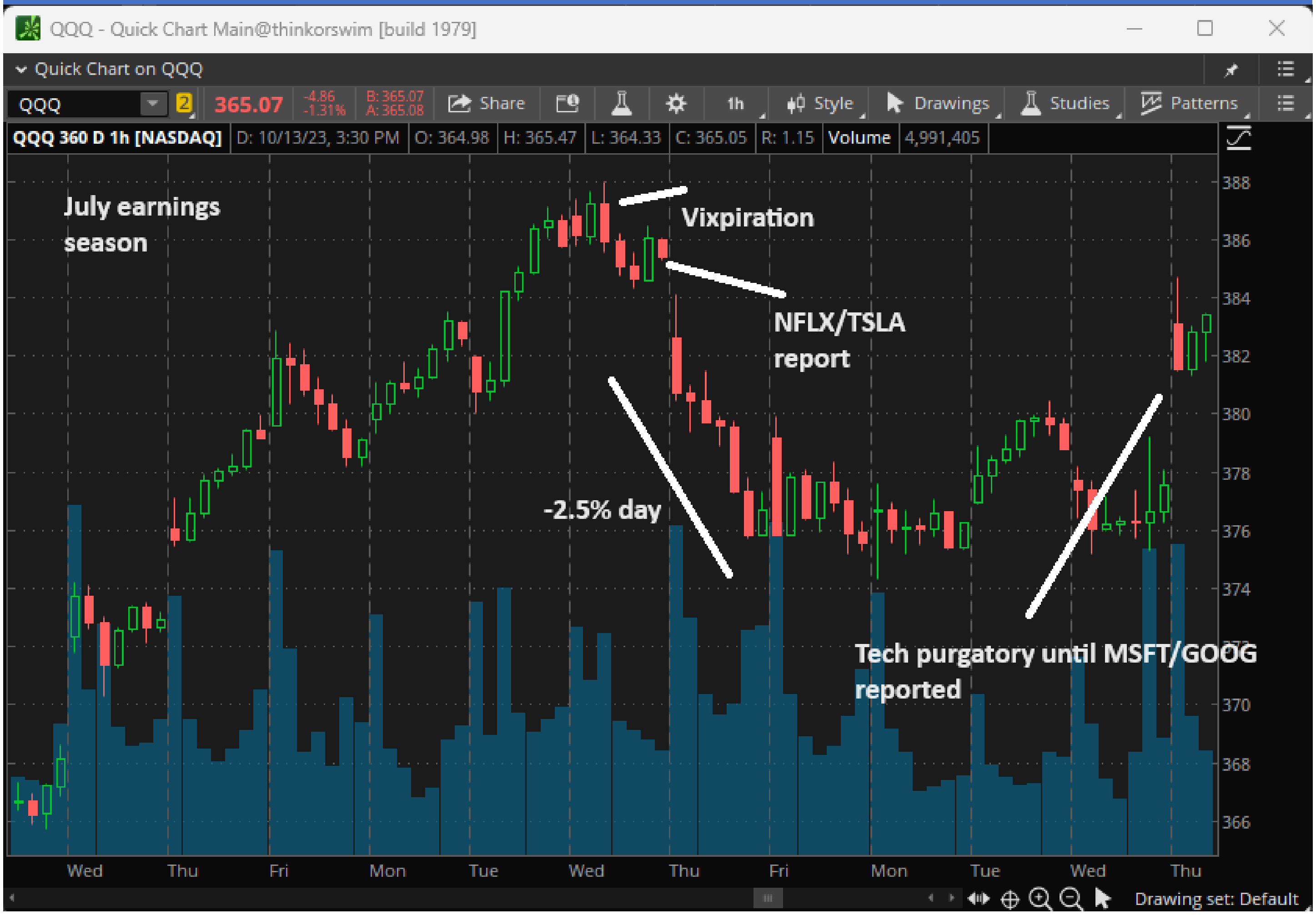


Dow Jones Industrial Average Pre-Election Year Seasonal Chart

So, here we are in game of chicken season, a vol stew of protecting tech gains stirred with hopes for the end of year rally being expressed with call options again. And we know how that works, when they burn off, or they are monetized, dealers are sellers.

The opposite of what happens when folks buy downside vol/puts. When traders sell those or that vol burns off subsequently dealers become buyers and that equals bounces. It works both ways, in this case an overhang versus support.

With opex a week away, and vixpiration Wednesday, heavy chop is expected. And Wednesday's vixpiration, often the vol watershed day, happens again to coincide with the outset of giga tech earnings season. How did that go in July?



It should be an interesting week.

Volatility Trades:

SPX FANG earnings put calendar spread

Sell 4350 Oct 24th put

Buy 4350 Oct 26th put

Net debit: 4.25-4.50

The 24th is a huge earnings day, with GOOG/MSFT after the bell. The back leg also holds MSFT on the 25th, so we are talking about a giant chunk of QQQ and SPY market cap. Everyone will be on edge and vol should be bid. Target, $8.

You can also look to do the same with NFLX/TSLA for vixpiration. I have 18/20pm put spreads and 18/20am spreads, the standard SPX expiration, next Friday morning. Those are already pricing $5 at-the-money, and those have a half day less than the 24/26s.

I wanted to put a QQQ 18/20 trade in this note but it went from .55 yesterday to .70 today on the rise in implied vol. They are still a value for .2% of the underlying.

I will return early next week, with another 0DTE note with charts and analysis on CPI/post-CPI price action/observations.

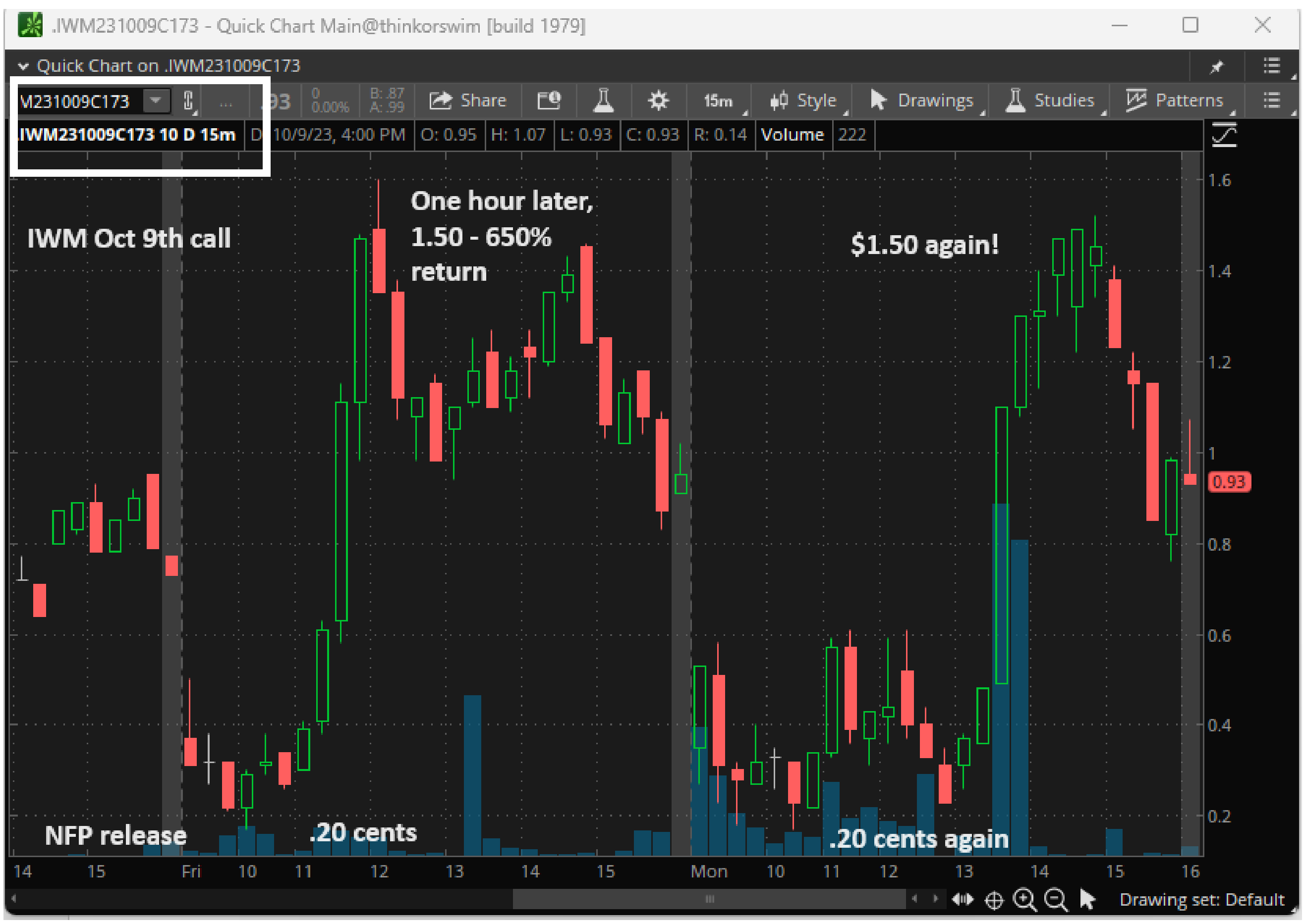
PRE-CPI AND 0-1DTE – TRADE IDEAS FOR INTRADAY VOL BEFORE AND AFTER THE RELEASE

VOLATILITY SUMMARY

In this space, I continually post charts showing 0-1DTE options gaining hundreds of percent, and it has become so frequent that I've decided to attempt to add more value to this letter by penning short notes prior to these events focused on 0-1DTE ideas.

Vol continues to be sold aggressively into monthly payrolls, JOLTs, CPI and the Fed meeting, and the result often is a big move in options that are grossly underpriced once the first move is made. Also, the day before the event frequently offers some excellent opportunities as well.

Now, let's be realistic, not every release is going to see a day where the S&P 500 has a 60-100 point low/high intraday vol result like recent events, but as they keep happening and when a few of these moves are harvested, those trades pay for several that do not. In fact, you can potentially keep trading the same option for a couple days and do it twice. For example, look at an IWM $173 Monday call that expired yesterday:

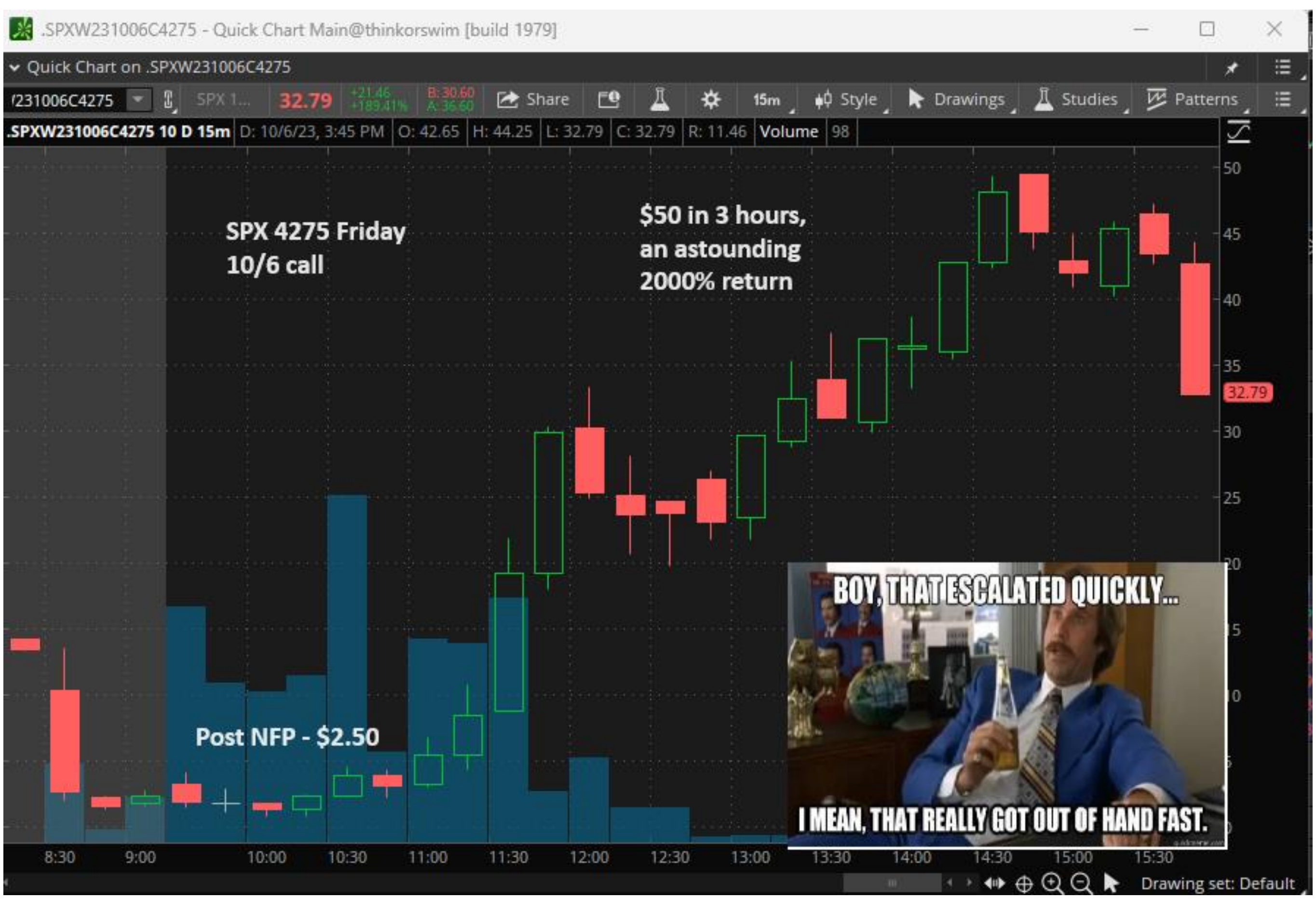


What happened here that we can learn from?

A. Post-release 0-1DTE vol on Friday was too low/the options were very inexpensive
B. A lot of folks were/are short
C. IWM was near fairly long-term support
D. The markets were down at least .5% and Europe about to close or recently closed
E. We were far detached from the prices at the prior OPEX thus potential reversion in beat up names nearing OPEX
F. And, very, very importantly, earnings season was approaching

IWM and RUT options are excellent places to look for vol that is often far too cheap, not quite sure why, *especially when it is prone to massive squeezes*. And, considering the chart from last week's note, the IWM/QQQ short small caps/long giga tech factor trade is very crowded.

But, the Russell 2000 wasn't really ready to squeeze until today, having it's best day when there weren't 0DTE options available. It lagged SPX/QQQ on Friday, and thus the real value was in the Friday SPX options post NFP. I guess, having both just in case one squeezed more than the other might be a great way to approach things:



A 0-1DTE long gamma portfolio perhaps. (Where is that on the 'efficient frontier' I wonder?)

So, let's look at CPI's price action on September 12th for perhaps some ideas on how scour for cheap gamma. Times of the day very key, notice European close and post Euroclose:

So, with CPI the following day, the SPX had at this point rallied three straight days of off a low following a 100pt SPX drawdown over five days. Sound vaguely familiar?

What events were behind CPI, another thing to consider. It was quarterly opex week and the Fed meeting was the following week, so massive intraday reversal potential existed.

Looking at the day before the September 20th Fed meeting, calls bought on the dip worked quite well, yet markets had come down 80pts from a post-CPI rally. A chart of the September 19th 4430 call:

The rest is recent history, the VIX went into that meeting sub-14, with the worst week historically on deck, and well…. puts made fortunes. We won't be as lucky to own vol at that price this time around I suspect, recent Fed-heads one more 25bps hike flip-flopping or not.

So, what am I looking for? On pre-CPI day, cheap calls if SPX is down 20-30pts in the morning around 10:30-11am, and if the market is up after Europe closes, say around 12:30-1pm, cheap puts. Round strikes preferred since they are obvious targets. Same basic idea for CPI day; if the market initially doesn't like the CPI print, cheap calls.

This is far from an exhaustive list of ideas, looking at the charts above, you may see something more obvious with regard to price and timing.

One consideration, the backbone to aiding 0-1DTE buying call gamma on dip strats currently, is that folks are looking toward earnings and seasonality at the moment, which starts with JPM Friday, but really starts with NFLX/TSLA next Wednesday afternoon, which also happens to be, yes, vixpiration day, how quaint.

I clearly have some ideas for that timeframe and will post a note post-CPI on Friday. (Hint, the market hated the day after those earnings releases in July, the day after vixpiration.)

OWNING DOWNSIDE VOL/HEDGES WINS BIG – LEGENDARY FACTOR TRADE SHOWS DIVERGENCES DEBUNKING THE MYTH OF TECH AND RATES- EARNINGS VOL TRADES

VOLATILITY SUMMARY

Rates, rates, rates, every day, rates. It's a bear steeping-tastrophe. It goes without saying, I suppose, that we wouldn't be in a mess where we have to look at rates spike nearly every day, watch equity markets *tank* on the news of people being hired and spike when the economy looks worse if it wasn't for Jay being asleep at the printer again. You can't turn on Bloomberg/CNBC and even attempt the "Fed" drinking game, you wouldn't get an hour into any day.

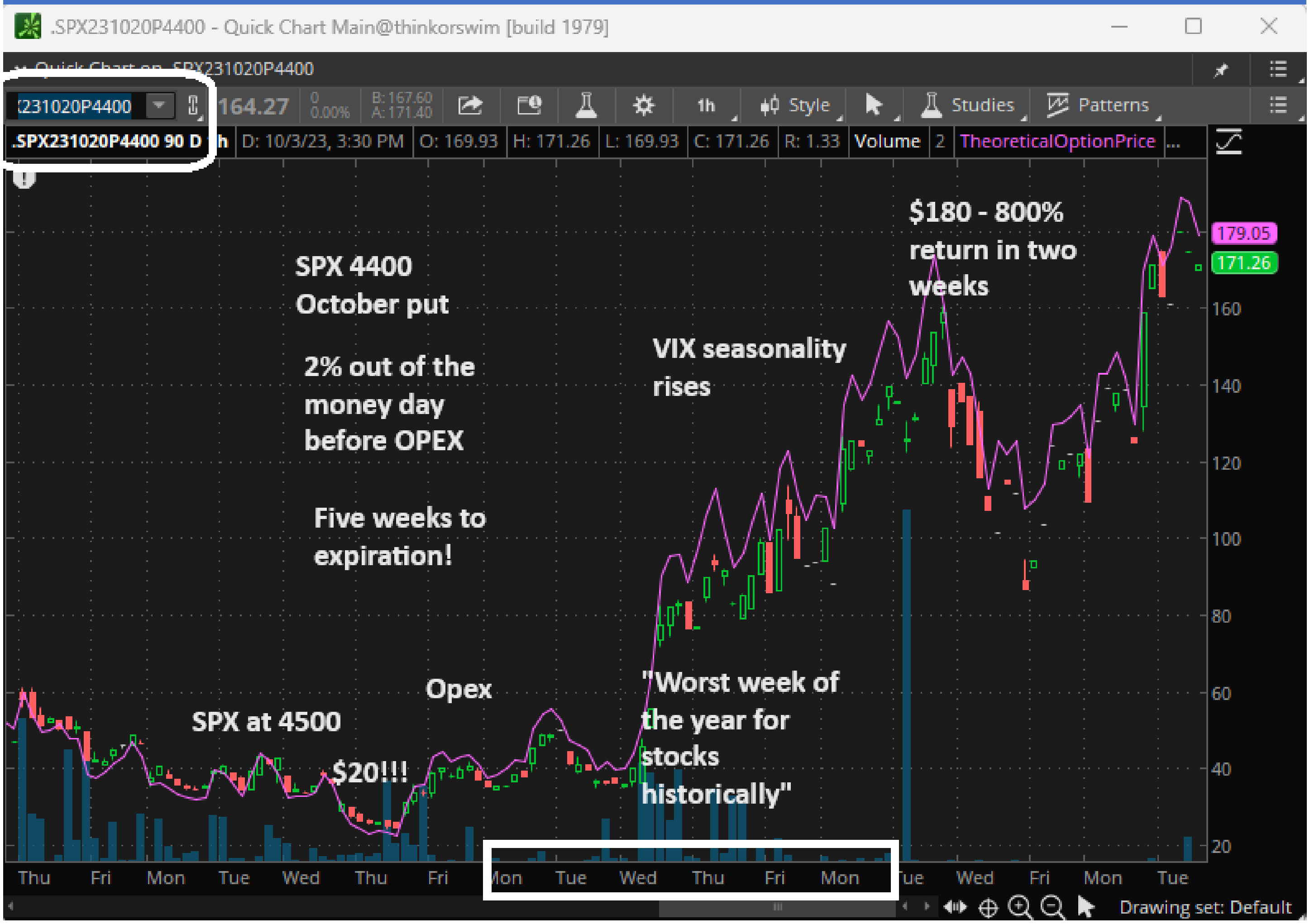
(JOLTS is the new CPI apparently, 65-70 SPX point intraday ranges last two releases..)

What amazes me lately, is that even in what appears to be a trendless equities market is really embedded with smaller but pervasive and repeating trends. And the trends are seasonal as well, which begs the question, if everyone is a trend follower (seems that way) and everyone knows the seasonality, why do both keep happening?

Well, I should make a top ten list of market dogma that is pure BS. A lot of the stuff you either hear on tv or learn in finance classes that is just a bunch of made up malarky. Clearly, I've pounded on the 'forward-looking' twaddle for a while, but let's add to the list 'random walk' and 'efficient markets'.

The answer probably lies in the fact that so much money is invested/traded now when trends are established and vol is lower in CTA and systemic strats. It's simply self-reinforcing.

And since markets keep trending, and do it seasonally to boot, combine those observations with volatility that keeps getting sold for income in new tenors and higher volume (0-1DTE for example) and in new forms (more vol selling ETFs launching like QQQY) and you get things like this, that should have been totally predictable:



Yet, you and I both know, there was plenty of this stuff going around:

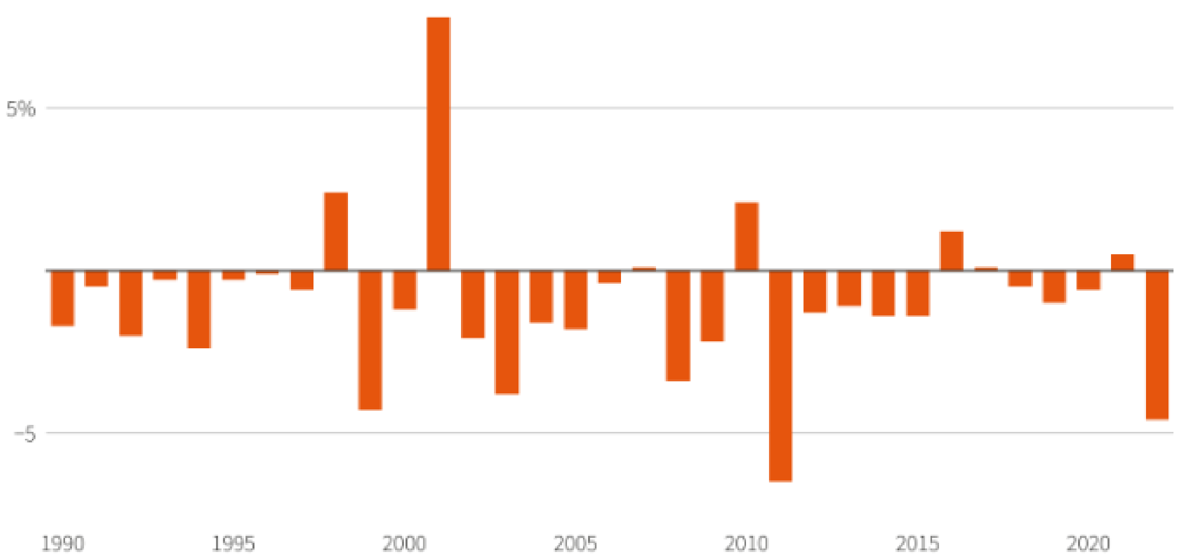
From Sep 21st note:

And, on top of this, weren't we besieged with warnings about how this was the worst week of the year for stocks?

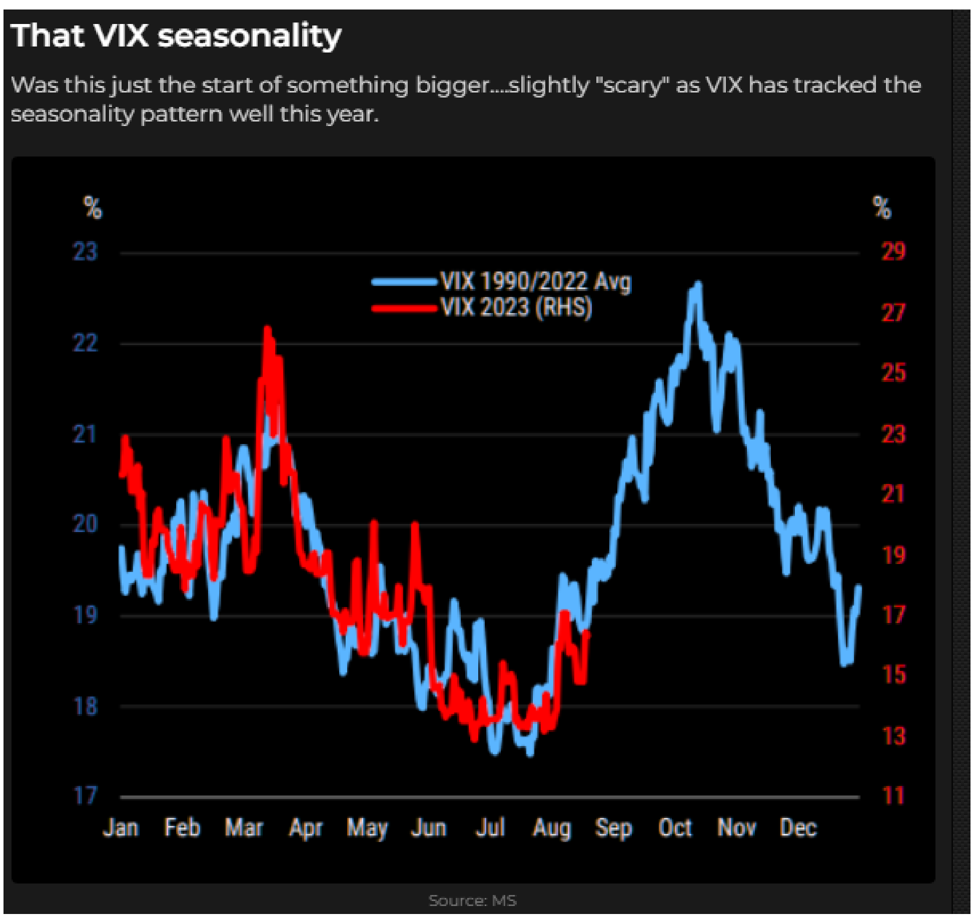
Source: https://www.reuters.com/markets/us/fed-meeting-comes-during-historically-tough-week-us-stocks-2023-09-12/

The September effect

In 26 of the last 33 years, the S&P 500 fell in the week following the September options expiration, with a median drop of 1%

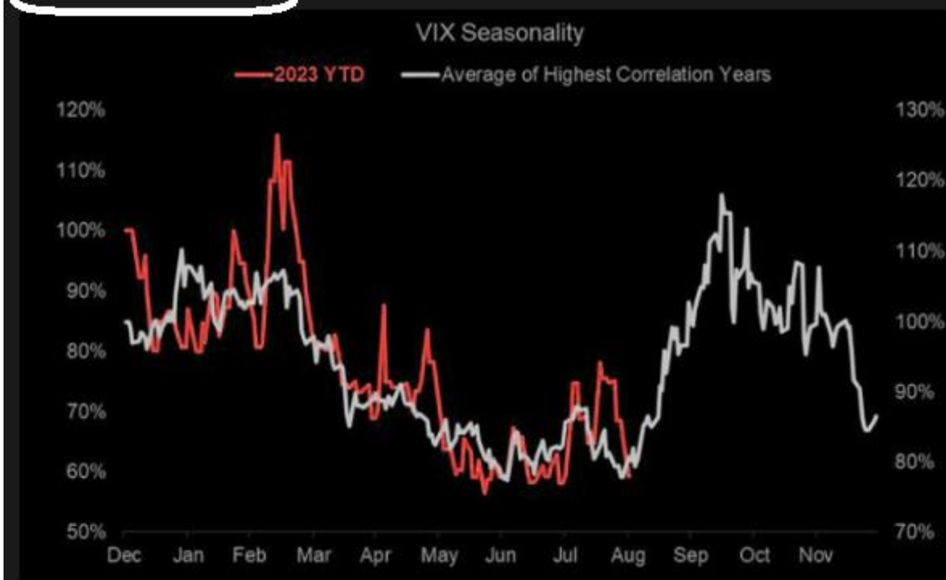


And this:



VIX seasonality

Time to get busy...



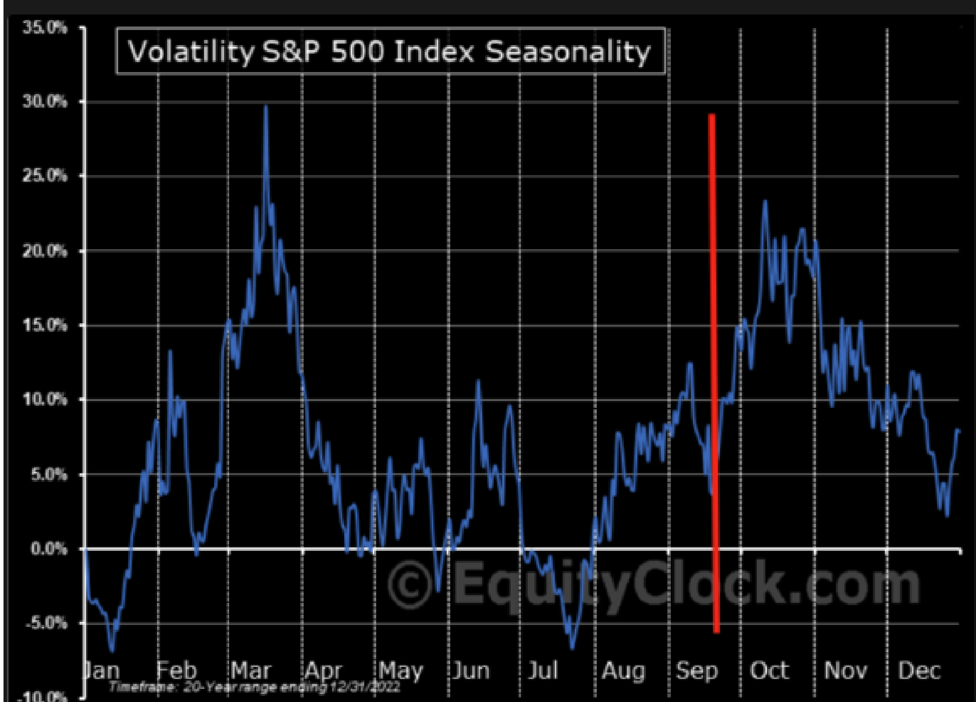
Source: Nomura

Link

Sep 06 2023 at 04:00

You are here

VIX seasonality perfection...



Source: Equity Clock

Link

Sep 21 2023 at 09:00

All you had to do was buy naked long vol; I'm going to write this here over and over again in the hopes that I can get it through my head that vol remains cheap relative to realized vol and especially to what I call trendvol. Directional vol can be even cheaper than it appears due to the potential for convexity magnification, similar to how a leveraged ETF keeps growing faster than its implied leverage when it feeds on itself repeatedly.

So, can we apply this instead of sounding like the Herald of Hindsight? Well, if trends inside of ranges are the thing now, let's call them 'trangy' seasonal markets, let's look at IWM, the Russell 2000 ETF for some clues to where cheap vol might be hiding out:

Clearly, boat missed on buying puts on IWM or owning the TZA 3x bear ETF staring in August (By the way, IWM is down 13% and TZA is up 53%, see what I mean....) but earnings season clearly has been quite good for IWM. Let's look at what rates did last year for some context as well:

Interestingly, a rapid rise in the 10-year rate petered out in mid-October, the day ***CPI 'relieved' folks by rising month on month .4% and year over year 8.2%, both worse than forecasts!*** It almost makes you chuckle, but the real story, was that the next day, on the 14th of October, JPM reported better than expected and earnings season did what earnings season seems to do most of the time, the markets grind higher on the better than expected game.

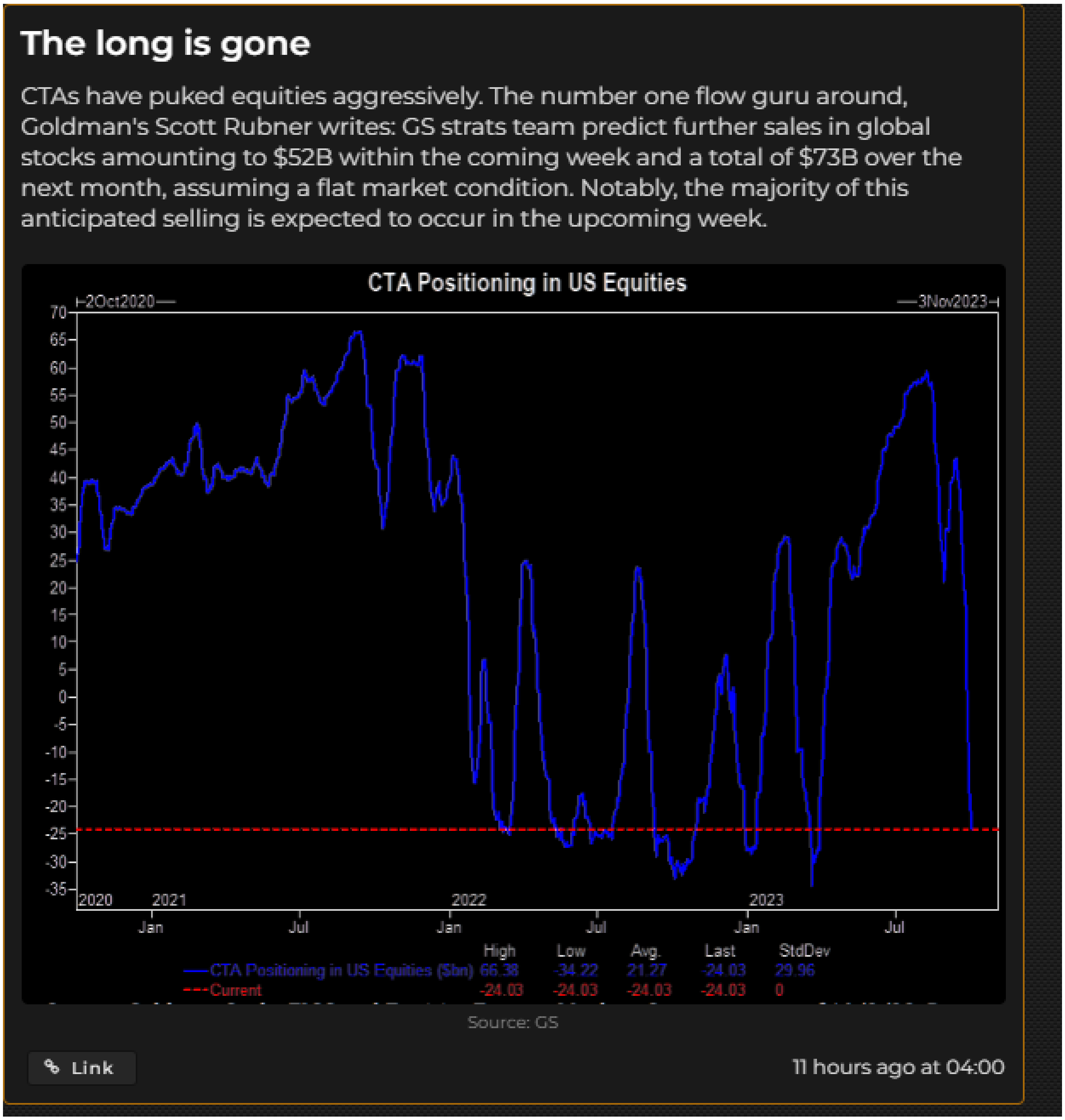
And to add a little fuel to this idea, that small caps might come out of the sewer, is this compelling chart:

So, if you were a genius hedge fund manager and you went long the Nasdaq 100 and short the Russell 2000, you are up over 100% year to date and will probably have to turn away new investors for winning the Crystal Ball Investing Award for 2024. (I remember as a kid, there was movie where this youngster looked at the newspaper and saw the future winning horses highlighted https://www.imdb.com/title/tt0082849/)

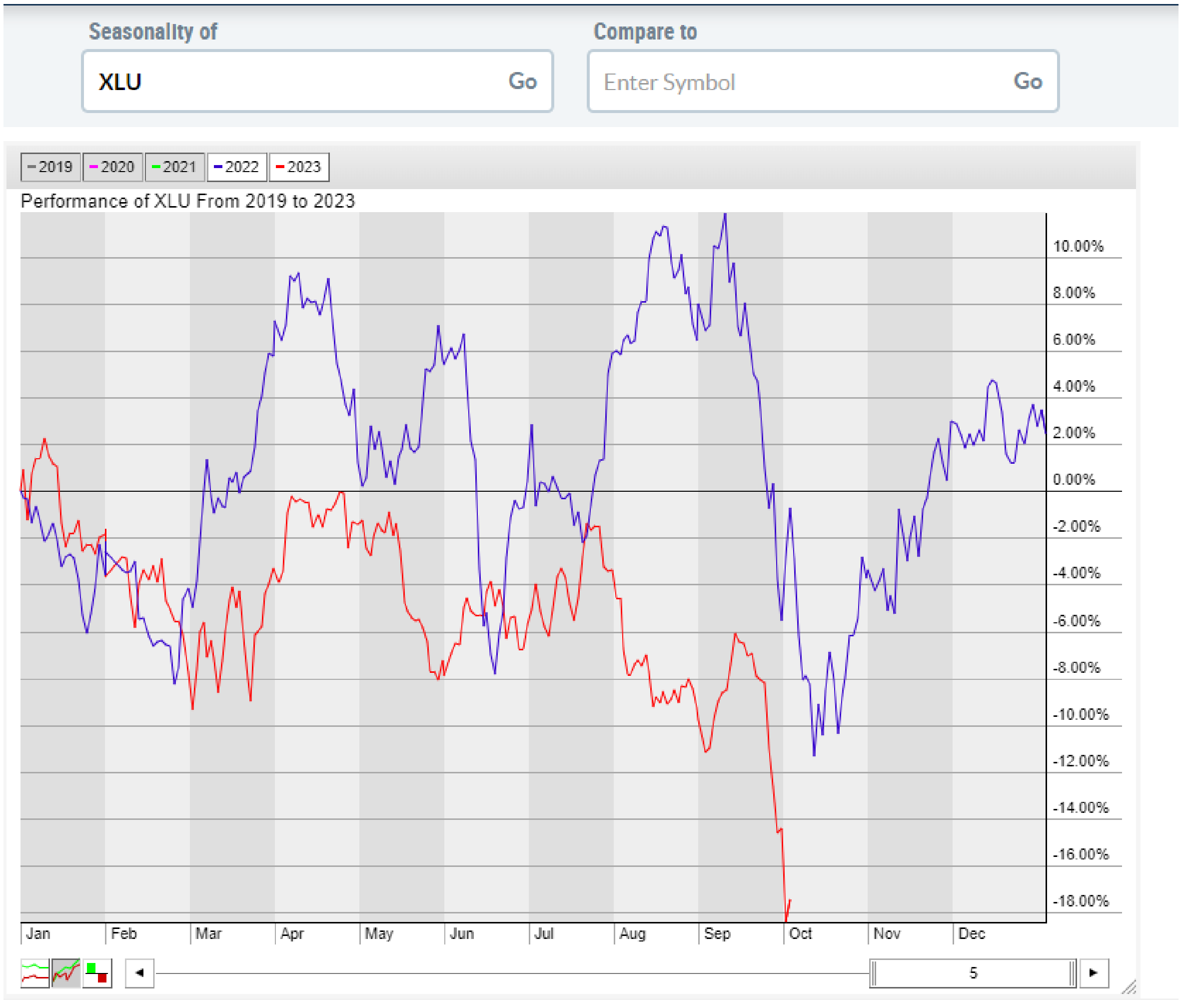
Imagine thinking, 'Oh, higher rates for longer plus value stocks must be a sign to go long QQQ/short IWM'. Anyway, this trade is ripe for one of those huge factor unwind days, where the Bloomberg/Nomura/McElligott article says it was an 8 standard deviation factor day or whatever.

My point is that the universe of stocks not giga tech related is due for a catchup of sorts, potentially, and what better time than October opex and earnings season for that to begin, while the news/sentiment is pretty darn sour.

I'm thinking that we might be in for a bit of a pre-earnings purgatory here, seeing that so many stocks are near 52-week lows, a lot of hedge fund folks have sold and are leaning short, and CTAs are leaning short now:



Even utilities have followed last year's pattern of crashing around now:



A lot has happened price-wise since the last earnings season ended, mostly bad, and it might be time for sentiment to improve a little.

Volatility Trades:

NFLX Oct 13th call condor spread

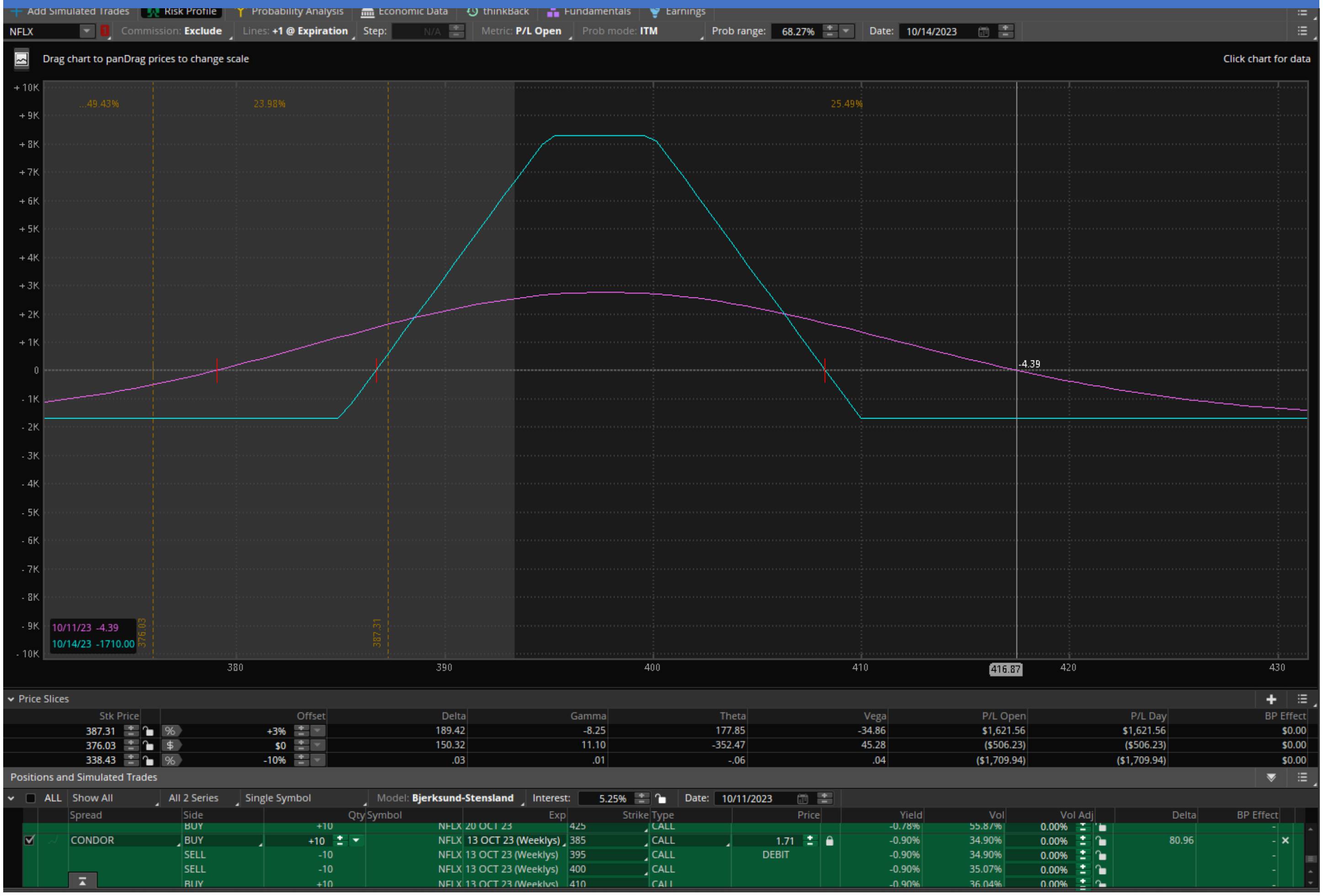
Buy $385 call

Sell $395 call

Sell $400 call

Buy $410 call

Net debit: $1.70-1.75



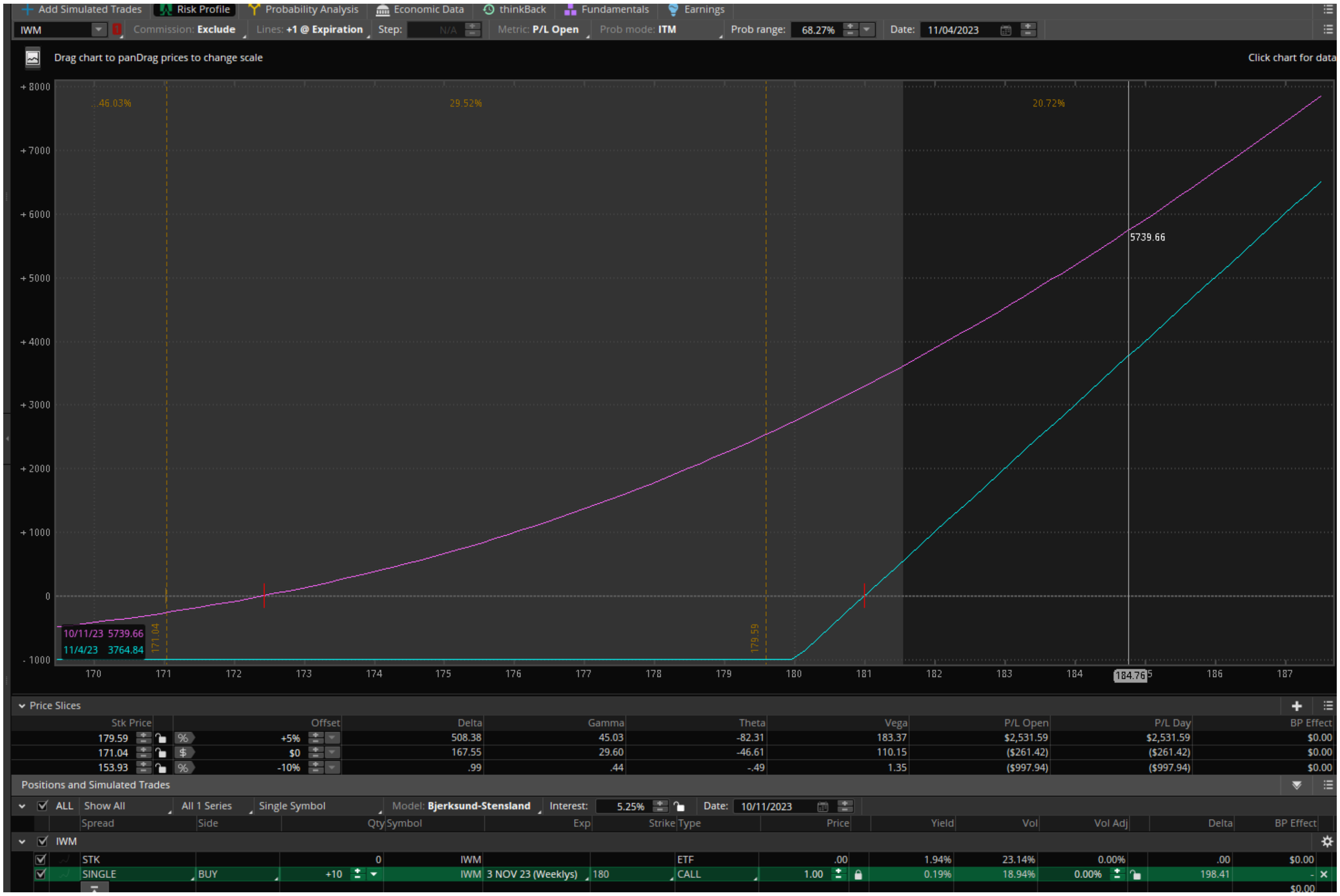
Earnings are on the 18th, and the chart looks like it's rounding out a bottom:

The chart shows $400 as a logical pivot in the past, and it's $100 down since before it last reported. Also, as you can see in July, and in the chart below it tends to float into earnings in October, not to mention that they are about to announce a price hike, which usually is a spike day for the stock. The news of that this week was squelched by a horrible market day.

Stock Price Performance - Last 12 Quarterly Earnings										
	Before Earnings (Not including Day of Earnings)					Day of Earnings				
Date	2 Weeks	1 Week	3 Days	2 Days	1 Day	Earnings Move	Opening Gap	Open-to-High	Open-to-Low	Drift Open-to-Close
19-Jul-2023 AMC	+7.1%	+7.6%	+8.1%	+6.1%	+0.6%	-8.4%	-6.5%	+0.4%	-3.3%	-2.1%
18-Apr-2023 AMC	-3.8%	-1.3%	-3.6%	-1.5%	+0.3%	-3.2%	-3.1%	+0.7%	-2.3%	-0.1%
19-Jan-2023 AMC	+2.0%	-4.4%	-5.1%	-3.2%	-3.2%	+8.5%	+6.5%	+2.3%	-1.1%	+1.9%
18-Oct-2022 AMC	+0.1%	+12.4%	+3.6%	+4.7%	-1.7%	+13.1%	+10.1%	+5.4%	-0.9%	+2.7%
19-Jul-2022 AMC	+8.5%	+15.6%	+15.4%	+6.6%	+5.6%	+7.4%	+3.3%	+4.2%	-3.9%	+3.9%
19-Apr-2022 AMC	-8.3%	+1.3%	-0.5%	+2.2%	+3.2%	-35.1%	-29.7%	+1.5%	-13.3%	-7.7%
20-Jan-2022 AMC	-8.1%	-2.1%	-3.3%	-0.5%	-1.5%	-21.8%	-21.3%	+2.3%	-5.0%	-0.6%
19-Oct-2021 AMC	+0.7%	+2.3%	+0.8%	+1.7%	+0.2%	-2.2%	-2.2%	+2.0%	-1.3%	0.0%
20-Jul-2021 AMC	-2.0%	-1.8%	-2.2%	+0.1%	-0.2%	-3.3%	-0.9%	+0.9%	-3.9%	-2.4%
20-Apr-2021 AMC	+0.9%	-0.8%	+0.1%	+0.6%	-0.9%	-7.4%	-7.7%	+1.6%	-0.8%	+0.3%
19-Jan-2021 AMC	-3.7%	+1.5%	-1.2%	+0.2%	+0.8%	+16.9%	+12.5%	+5.1%	-1.3%	+3.9%
20-Oct-2020 AMC	+3.9%	-5.2%	-3.1%	-1.0%	-1.0%	-6.9%	-4.6%	+1.1%	-2.6%	-2.4%

IWM November 3rd $180 call

Net Debit: $1



I know you never thought you'd see this in my note. Reminds me of Rocky III, "If you can change then I can change, we all can change.." or something. Anyway, why Nov 3rd? Well, Fed vol, non-farm payrolls vol, JOLTs vol all in this window. Target, $2.50.

I should have another short note Saturday with a few more ideas post-NFP.

END OF QUARTER PANICKY FIXED INCOME TRADING BECOMES CONCRETE SHOES FOR EQUITIES – WILL REALIZED VOL REMAIN HIGHER? – TRADES FOR EARNINGS/CPI

VOLATILITY SUMMARY

July 14th note:

"I've said this before but allow me to repeat myself. Equity markets (and bond markets for that matter) are not forward-looking. They are more like teenage parties; they don't end until the cops show up or get kicked in the nuts."

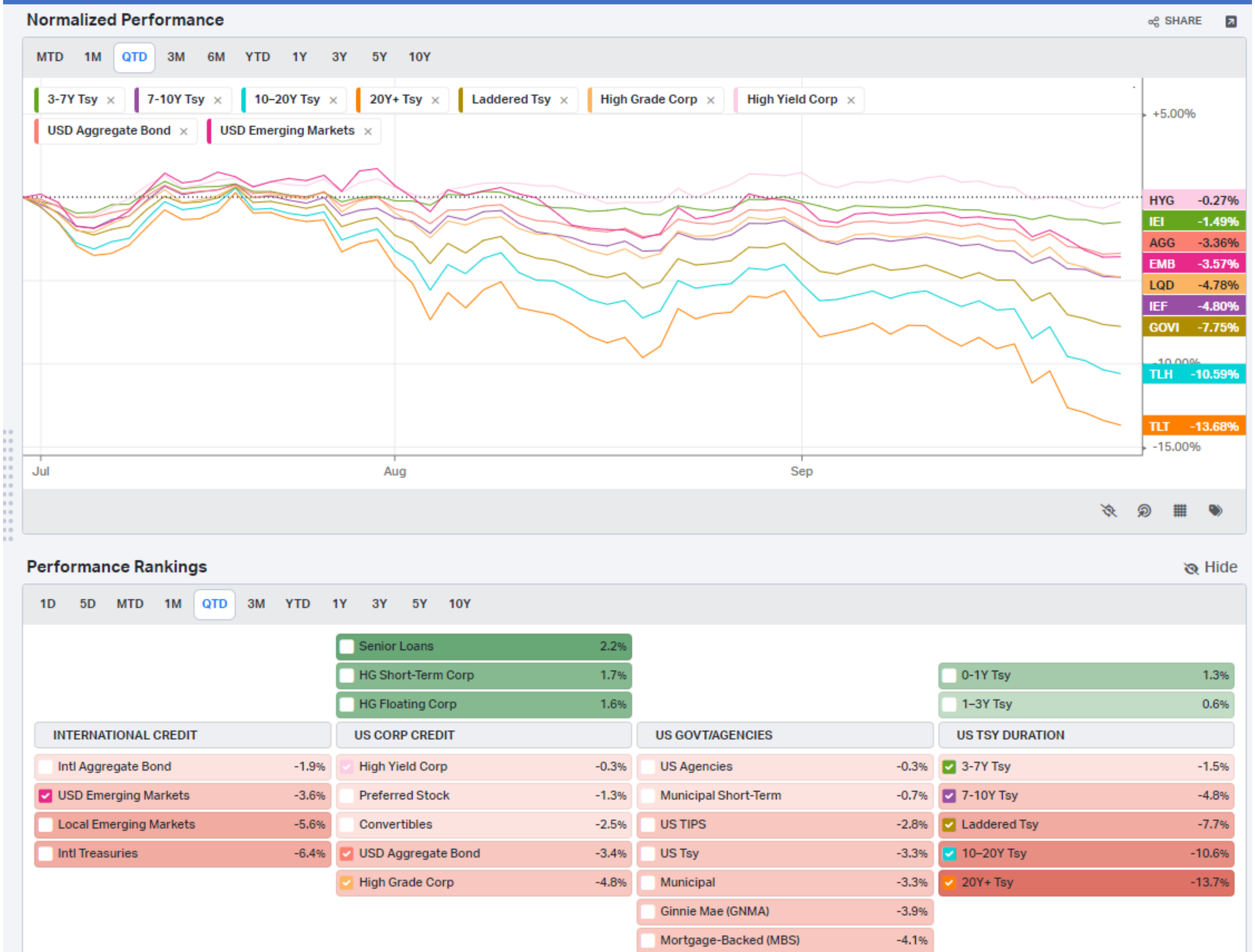
Well, how's it going, fixed income managers? The 'smart' ones in the room. The conservative, prudent stewards of capital. The ones that do their extra homework and have advanced degrees from the Church of Finance (CFAs).

They wouldn't get caught in, say, rushing to buy things in the hopes that they would go up into year end, would they? Because it's the end of the Fed hiking cycle? Because inflation will come down? Because rates won't stay higher for longer? I think they forgot who flies the friendly skies of global fixed income airlines, oh yes….he's back to bring this bird in:

While you are contemplating if the entire rates complex going berserk (purely coincidental to the end of the quarter, right?) will finally cause more havoc in the banking system, or shadow banking system, or whatever real estate/private equity/leveraged loan/ system…..How did 2018 go you ask? When 'autopilot Jay' was tightening into year-end?

A lot to chew on there.

Well, here is how the 'smart guys in the room' did this quarter, in an array of fixed income areas:



Absolute carnage; the end of quarter statements are going to be quite a Picasso, attempting to paint a rosier picture with some tax advantaged maneuvering and window dressing. Comically, the riskiest bonds (HYG/JNK junk ETFs) did the best this quarter into a worsening economy/quantitative tightening, how funny is that?

I mean, how could these managers have known things like:

A. Jay Powell repeating one thousand times over that rates would be higher for longer, or
B. That the dot plot was going to show a higher curve for next year, or
C. That there was going to be huge fresh new supply of treasuries to refill the TGA and to pay off the additional budget deficit interest, or
D. That these higher rates/QT would negatively affect corporate bonds or …….

That's just a start, right? For these forward-looking 'smarter' markets. (Insert frustrated eye-roll emoji)

In the meantime, a lot of non giga-tech herd stocks look similar to Boeing's chart, which is quite the thing, going down every day by almost the same amount with amazing symmetry?

So, it seems to me that realized vol is going to be here for a while as the markets wonder if the summer of looking-forward to a future of AI induced profit bliss might have been just a bit of a drunken market summer dream. And back to reality with all the concerns the summer tried to look through, a slowing economy, tightening consumers and banks, etc.

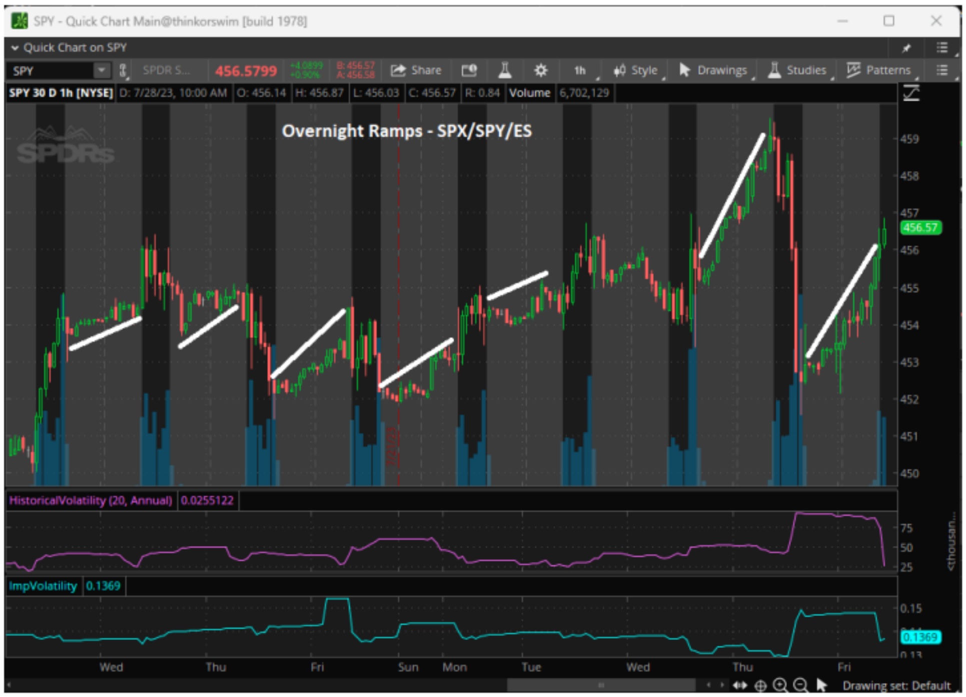
Let's be realistic, if the areas of the market that are supposed to be relatively quiet, like highly liquid corporate bond ETFs (LQD) are acting like this, how quickly are we going back to July-like overnight tractor-beam S&P futures daily ramps of +10? Remember July earnings season, it was the last one we had, seems so long ago already:

VOLATILITY ANALYTICS NEWSLETTER – JULY 28TH

OVERNIGHT RAMPING APPROACHING COMICAL – VOL MAY INCREASE POST AAPL/AMZN AS CORRELATIONS RISE – TRADES FOR NFP/CPI/POST TECH EARNINGS

VOLATILITY SUMMARY

I'm trying to remember when I last saw this, probably October into November of 2021, when every night it seemed the futures just seemed to be caught in a tractor beam higher, down wasn't an option, and it's happening again:



So, the first day of the month is almost here, it's almost always bullish, first day or two of the month, and part of the reason this time may be perhaps related to the fixed income space in a different way. Yes, the end of quarter managers' duck duck goose/musical chairs games will be over, folks will be positioning in some of those beaten down spaces for the fourth quarter, but also, a gigantic amount of fixed income ETFs go ex-distribution early next week:

VettaFi ETF Database Channels Tools Research Webcasts Themes Multimedia

Symbol	ETF Name	Total Assets ($MM)	YTD	Avg Volume	Previous Closing Price	1-Day Change	Overall Rating
BND	Vanguard Total Bond Market ETF	$94,767.10	-0.76%	5,847,134	$69.88	-0.10%	
AGG	iShares Core U.S. Aggregate Bond ETF	$91,140.70	-0.89%	7,708,700	$94.18	-0.13%	
BNDX	Vanguard Total International Bond ETF	$51,014.40	2.26%	2,140,651	$47.94	-0.06%	
VCIT	Vanguard Intermediate-Term Corporate Bond ETF	$39,107.20	0.74%	4,912,878	$76.19	-0.25%	
TLT	iShares 20+ Year Treasury Bond ETF	$38,224.00	-8.83%	27,846,788	$88.87	-0.35%	
VCSH	Vanguard Short-Term Corporate Bond ETF	$36,380.50	1.92%	3,824,123	$75.13	-0.07%	
MUB	iShares National Muni Bond ETF	$34,223.00	-0.58%	2,904,123	$103.09	-0.11%	
BSV	Vanguard Short-Term Bond ETF	$33,040.60	1.27%	2,888,511	$75.09	-0.04%	
BIL	SPDR Bloomberg 1-3 Month T-Bill ETF	$30,742.50	3.48%	6,590,645	$91.75	0.01%	
LQD	iShares iBoxx $ Investment Grade Corporate Bond ETF	$30,074.00	-0.13%	20,074,356	$102.54	-0.28%	
IEF	iShares 7-10 Year Treasury Bond ETF	$27,518.80	-2.45%	6,976,854	$91.73	-0.03%	
VTEB	Vanguard Tax-Exempt Bond ETF	$27,212.20	-0.52%	3,866,986	$48.33	-0.08%	

So, I expect a little calm here for a bit and then, probably as we get into earnings season, folks will have a lot to digest regarding the outlook for stocks/earnings, their end of year statements, the economic outlook for next year, what to sell for tax losses, and numerous other considerations. Let's see how forward looking the Sybil-like/schizophrenic markets will be.

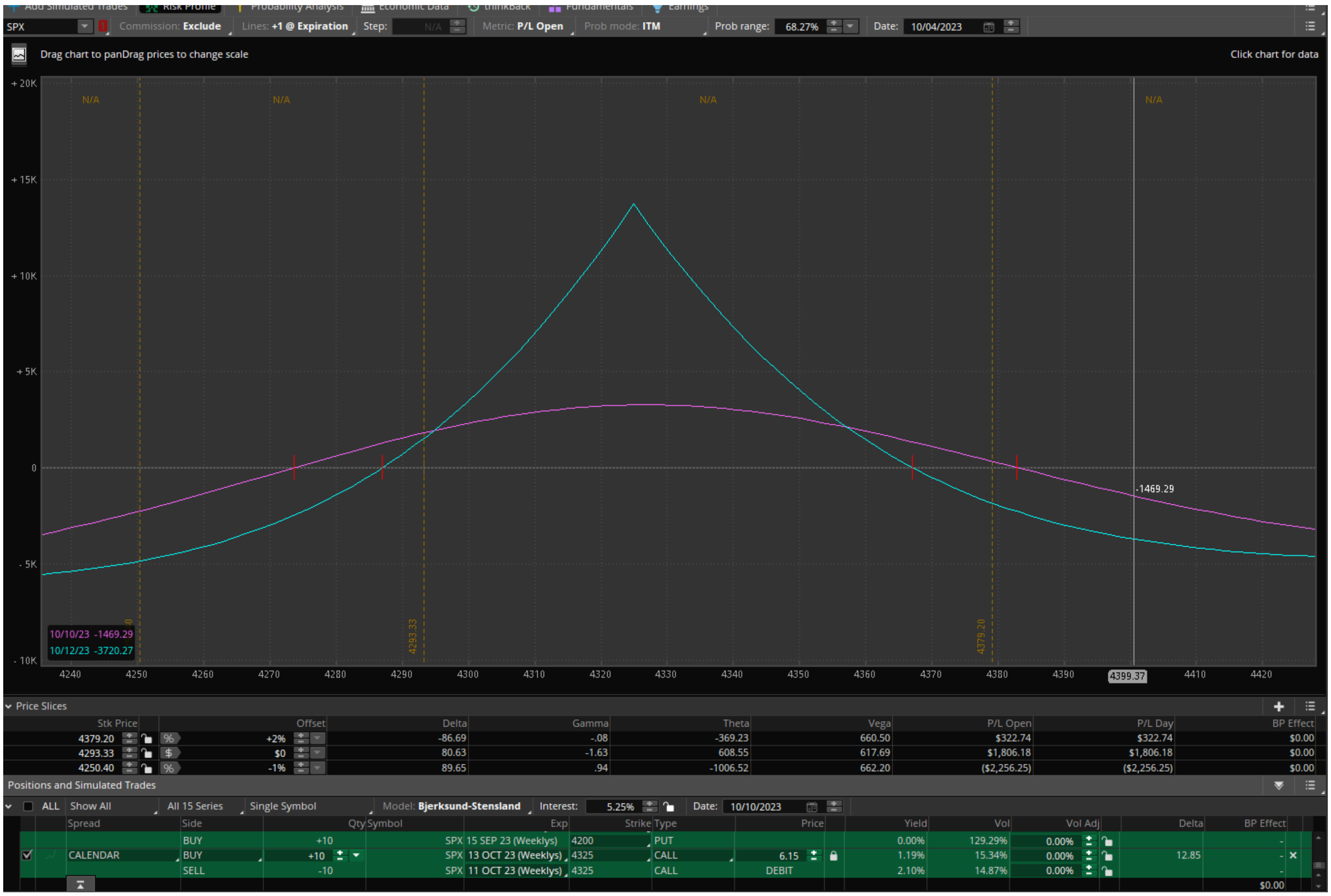
Volatility Trades:

SPX CPI call calendar spread

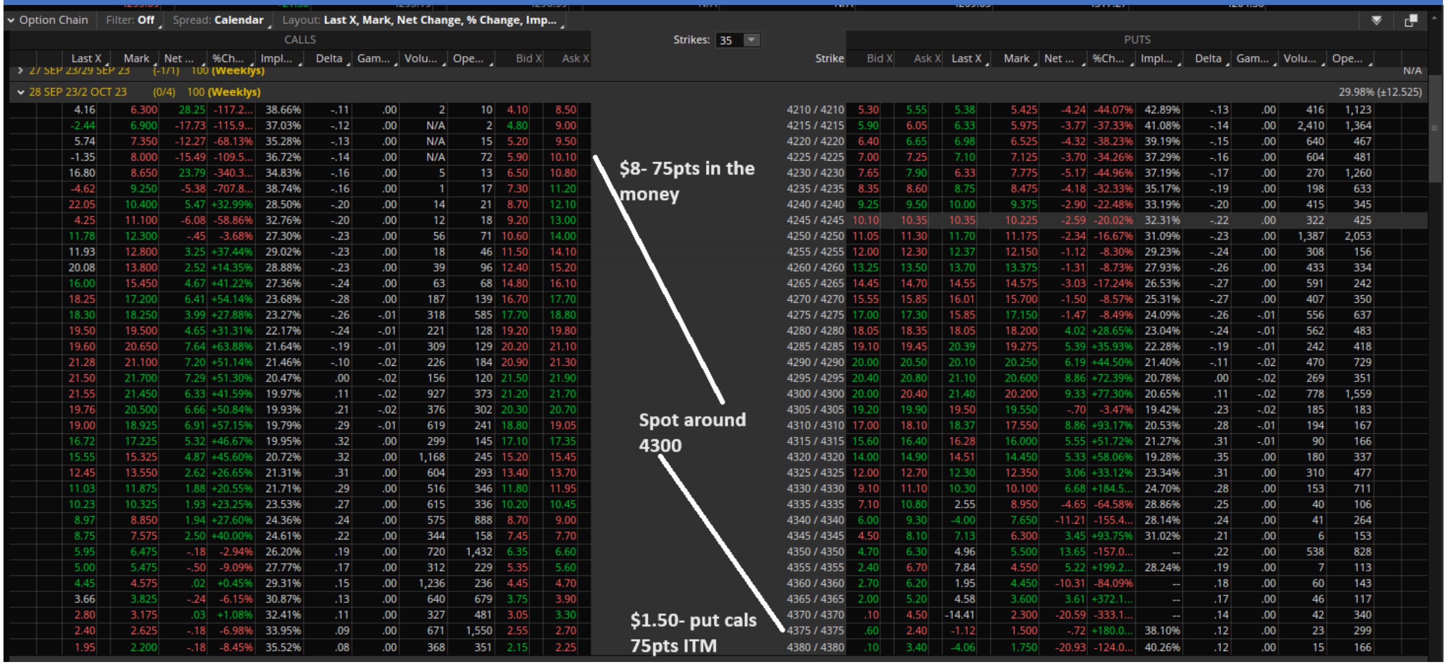
Sell Oct 11th 4325 call

Buy Oct 13th 4325 call

Net debit: $6.00-40



I'm flipping the script a little. And there are two reasons why I'm gravitating to calls instead of puts. The IV structure and the gain/loss distribution. Look at today/Tuesday two-day call calendar spreads:



Option Chain Filter: Off Spread: Calendar Layout: Last X, Mark, Net Change, % Change, Imp...

Strikes: 35

27 SEP 23/29 SEP 23 (-1/1) 100 (Weeklys)

28 SEP 23/2 OCT 23 (0/4) 100 (Weeklys) 29.98% (±12.525)

CALLS

Strike	Last X	Mark	Net ...	%Ch...	Impl...	Delta	Gam...	Volu...	Ope...	Bid X	Ask X
4210 / 4210	4.16	6.300	28.25	-117.2...	38.66%	-.11	.00	2	10	4.10	8.50
4215 / 4215	-2.44	6.900	-17.73	-115.9...	37.03%	-.12	.00	N/A	2	4.80	9.00
4220 / 4220	5.74	7.350	-12.27	-68.13%	35.28%	-.13	.00	N/A	15	5.20	9.50
4225 / 4225	-1.35	8.000	-15.49	-109.5...	36.72%	-.14	.00	N/A	72	5.90	10.10
4230 / 4230	16.80	8.650	23.79	-340.3...	34.83%	-.16	.00	5	13	6.50	10.80
4235 / 4235	-4.62	9.250	-5.38	-707.8...	38.74%	-.16	.00	1	17	7.30	11.20
4240 / 4240	22.05	10.400	5.47	+32.99%	28.50%	-.20	.00	14	21	8.70	12.10
4245 / 4245	4.25	11.100	-6.08	-58.86%	32.76%	-.20	.00	12	18	9.20	13.00
4250 / 4250	11.78	12.300	-.45	-3.68%	27.30%	-.23	.00	56	71	10.60	14.00
4255 / 4255	11.93	12.800	3.25	+37.44%	29.02%	-.23	.00	18	46	11.50	14.10
4260 / 4260	20.08	13.800	2.52	+14.35%	28.88%	-.23	.00	39	96	12.40	15.20
4265 / 4265	16.00	15.450	4.67	+41.22%	27.36%	-.24	.00	63	68	14.80	16.10
4270 / 4270	18.25	17.200	6.41	+54.14%	23.68%	-.28	.00	187	139	16.70	17.70
4275 / 4275	18.30	18.250	3.99	+27.88%	23.27%	-.26	-.01	318	585	17.70	18.80
4280 / 4280	19.50	19.500	4.65	+31.31%	22.17%	-.24	-.01	221	128	19.20	19.80
4285 / 4285	19.60	20.650	7.64	+63.88%	21.64%	-.19	-.01	309	129	20.20	21.10
4290 / 4290	21.28	21.100	7.20	+51.14%	21.46%	-.10	-.02	226	184	20.90	21.30
4295 / 4295	21.50	21.700	7.29	+51.30%	20.47%	.00	-.02	156	120	21.50	21.90
4300 / 4300	21.55	21.450	6.33	+41.59%	19.97%	.11	-.02	927	373	21.20	21.70
4305 / 4305	19.76	20.500	6.66	+50.84%	19.93%	.21	-.02	376	302	20.30	20.70
4310 / 4310	19.00	18.925	6.91	+57.15%	19.79%	.29	-.01	619	241	18.80	19.05
4315 / 4315	16.72	17.225	5.32	+46.67%	19.95%	.32	.00	299	145	17.10	17.35
4320 / 4320	15.55	15.325	4.87	+45.60%	20.72%	.32	.00	1,168	245	15.20	15.45
4325 / 4325	12.45	13.550	2.62	+26.65%	21.31%	.31	.00	604	293	13.40	13.70
4330 / 4330	11.03	11.875	1.88	+20.55%	21.71%	.29	.00	516	346	11.80	11.95
4335 / 4335	10.23	10.325	1.93	+23.25%	23.53%	.27	.00	615	336	10.20	10.45
4340 / 4340	8.97	8.850	1.94	+27.60%	24.36%	.24	.00	575	888	8.70	9.00
4345 / 4345	8.75	7.575	2.50	+40.00%	24.61%	.22	.00	344	158	7.45	7.70
4350 / 4350	5.95	6.475	-.18	-2.94%	26.20%	.19	.00	720	1,432	6.35	6.60
4355 / 4355	5.00	5.475	-.50	-9.09%	27.77%	.17	.00	312	229	5.35	5.60
4360 / 4360	4.45	4.575	.02	+0.45%	29.31%	.15	.00	1,236	236	4.45	4.70
4365 / 4365	3.66	3.825	-.24	-6.15%	30.87%	.13	.00	640	679	3.75	3.90
4370 / 4370	2.80	3.175	.03	+1.08%	32.41%	.11	.00	327	481	3.05	3.30
4375 / 4375	2.40	2.625	-.18	-6.98%	33.95%	.09	.00	671	1,550	2.55	2.70
4380 / 4380	1.95	2.200	-.18	-8.45%	35.52%	.08	.00	368	351	2.15	2.25

PUTS

Strike	Bid X	Ask X	Last X	Mark	Net ...	%Ch...	Impl...	Delta	Gam...	Volu...	Ope...
4210 / 4210	5.30	5.55	5.38	5.425	-4.24	-44.07%	42.89%	-.13	.00	416	1,123
4215 / 4215	5.90	6.05	6.33	5.975	-3.77	-37.33%	41.08%	-.14	.00	2,410	1,364
4220 / 4220	6.40	6.65	6.98	6.525	-4.32	-38.23%	39.19%	-.15	.00	640	467
4225 / 4225	7.00	7.25	7.10	7.125	-3.70	-34.26%	37.29%	-.16	.00	604	481
4230 / 4230	7.65	7.90	6.33	7.775	-5.17	-44.96%	37.19%	-.17	.00	270	1,260
4235 / 4235	8.35	8.60	8.75	8.475	-4.18	-32.33%	35.17%	-.19	.00	198	633
4240 / 4240	9.25	9.50	10.00	9.375	-2.90	-22.48%	33.19%	-.20	.00	415	345
4245 / 4245	10.10	10.35	10.35	10.225	-2.59	-20.02%	32.31%	-.22	.00	322	425
4250 / 4250	11.05	11.30	11.70	11.175	-2.34	-16.67%	31.09%	-.23	.00	1,387	2,053
4255 / 4255	12.00	12.30	12.37	12.150	-1.12	-8.30%	29.23%	-.24	.00	308	156
4260 / 4260	13.25	13.50	13.70	13.375	-1.31	-8.73%	27.93%	-.26	.00	433	334
4265 / 4265	14.45	14.70	14.55	14.575	-3.03	-17.24%	26.53%	-.27	.00	591	242
4270 / 4270	15.55	15.85	16.01	15.700	-1.50	-8.57%	25.31%	-.27	.00	407	350
4275 / 4275	17.00	17.30	15.85	17.150	-1.47	-8.49%	24.09%	-.26	-.01	556	637
4280 / 4280	18.05	18.35	18.05	18.200	4.02	+28.65%	23.04%	-.24	-.01	562	483
4285 / 4285	19.10	19.45	20.39	19.275	5.39	+35.93%	22.28%	-.19	-.01	242	418
4290 / 4290	20.00	20.50	20.10	20.250	6.19	+44.50%	21.40%	-.11	-.02	470	729
4295 / 4295	20.40	20.80	21.10	20.600	8.86	+72.39%	20.78%	.00	-.02	269	351
4300 / 4300	20.00	20.40	21.40	20.200	9.33	+77.30%	20.65%	.11	-.02	778	1,559
4305 / 4305	19.20	19.90	19.50	19.550	-.70	-3.47%	19.42%	.23	-.02	185	183
4310 / 4310	17.00	18.10	18.37	17.550	8.86	+93.17%	20.53%	.28	-.01	194	167
4315 / 4315	15.60	16.40	16.28	16.000	5.55	+51.72%	21.27%	.31	-.01	90	166
4320 / 4320	14.00	14.90	14.51	14.450	5.33	+58.06%	19.28%	.35	.00	180	337
4325 / 4325	12.00	12.70	12.30	12.350	3.06	+33.12%	23.34%	.31	.00	310	477
4330 / 4330	9.10	11.10	10.30	10.100	6.68	+184.5...	24.70%	.28	.00	153	711
4335 / 4335	7.10	10.80	2.55	8.950	-4.65	-64.58%	28.86%	.25	.00	40	106
4340 / 4340	6.00	9.30	-4.00	7.650	-11.21	-155.4...	28.14%	.24	.00	41	264
4345 / 4345	4.50	8.10	7.13	6.300	3.45	+93.75%	31.02%	.21	.00	6	153
4350 / 4350	4.70	6.30	4.96	5.500	13.65	-157.0...	--	.22	.00	538	828
4355 / 4355	2.40	6.70	7.84	4.550	5.22	+199.2...	28.24%	.19	.00	7	113
4360 / 4360	2.70	6.20	1.95	4.450	-10.31	-84.09%	--	.18	.00	60	143
4365 / 4365	2.00	5.20	4.58	3.600	3.61	+372.1...	--	.17	.00	46	117
4370 / 4370	.10	4.50	-14.41	2.300	-20.59	-333.1...	--	.14	.00	42	340
4375 / 4375	.60	2.40	-1.12	1.500	-.72	+180.0...	38.10%	.12	.00	23	299
4380 / 4380	.10	3.40	-4.06	1.750	-20.93	-124.0...	40.26%	.12	.00	15	166

For a while now, there has been a skew toward calls, could be rates, could be demand, but essentially, calls have been holding IV better. Put smashing/vol offering is a hot market dynamic lately. So in the case of put calendars, when they go deep ITM when the market drops, they are worthless or even have to be closed for a debit. And when the market shoots higher, the IV gets annihilated and the put calendars 1%+ out of the money evaporate quickly.

Conversely, when we get a spike up, the call calendars do just fine with the call skew in place. You can see here, 2% in the money, they still earn. They cost more initially but they have more of a yield type behavior with a larger margin for error. Target, $10.