NVDA Is Finally Here and Its Back is Sore

A few trade scenarios

VOLATILITY SUMMARY

(I suggest that regular readers shift to my substack: https://volatilitywiz.substack.com/. You will get my recent notes immediately in that forum. If you want the pdfs as well, you can surely receive both without an additional cost. ***Simply send me an email request to be added to Substack****.)*

I'll spare you any NVDA fundamental analysis; today's markets are much past that. It's option vol, 0DTE short vol, first and last hour 0DTE gamma, the opex cycle, incinerating cash on buybacks, CTAs, vol control funds, risk parity, Fed policy, Treasury twisting, debt spending…..anything but valuations. That old timey analysis and CFA church of finance stuff is dead. Just ask Einhorn.

So, free from the nonsense of wondering how much NVDA should be worth (imagine how much time is wasted on that) let's examine a few earnings vol trades.

Firstly, folks expect a big move tonight/tomorrow. But there is a very good chance it's not a move with the magnitude of three recent earnings releases:

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
21-Feb-2024 AMC	-3.8%	-8.7%	-7.1%	-7.1%	-2.9%	+16.4%	+11.2%	+4.7%	-1.1%	+4.7%
21-Nov-2023 AMC	+8.7%	+0.6%	+0.9%	+1.3%	-0.9%	-2.5%	-0.2%	+0.9%	-4.4%	-2.3%
23-Aug-2023 AMC	+10.7%	+8.4%	+8.8%	+0.3%	+3.2%	+0.1%	+6.6%	+0.1%	-6.1%	-6.1%
24-May-2023 AMC	+5.7%	+1.2%	-2.3%	-2.1%	-0.5%	+24.4%	+26.1%	+2.5%	-4.9%	-1.4%
22-Feb-2023 AMC	-6.5%	-8.8%	-5.7%	-3.0%	+0.5%	+14.0%	+13.0%	+1.9%	-1.8%	+0.9%
16-Nov-2022 AMC	+20.4%	+15.5%	-2.6%	-2.4%	-4.5%	-1.5%	-1.3%	+3.6%	-1.1%	-0.2%
24-Aug-2022 AMC	-4.8%	-6.1%	-3.5%	+1.1%	+0.2%	+4.0%	-2.2%	+6.5%	-0.1%	+6.3%
25-May-2022 AMC	+2.1%	+0.2%	+1.7%	+0.5%	+5.1%	+5.2%	-5.6%	+12.9%	0.0%	+11.4%
16-Feb-2022 AMC	+5.0%	-0.7%	+10.7%	+9.3%	+0.1%	-7.6%	-3.4%	+0.7%	-5.6%	-4.3%
17-Nov-2021 AMC	+10.0%	-0.7%	-3.7%	-2.5%	-3.1%	+8.3%	+10.6%	+1.3%	-3.2%	-2.1%
18-Aug-2021 AMC	-6.1%	-3.4%	-5.7%	-4.6%	-2.2%	+4.0%	+2.4%	+5.1%	-3.8%	+1.5%
26-May-2021 AMC	+14.1%	+11.6%	+4.7%	+0.6%	+0.3%	-1.4%	0.0%	+0.3%	-1.5%	-1.4%
Simple Average Returns - Last 12 Earnings										
Avg Return	+4.6%	+0.8%	-0.3%	-0.7%	-0.4%	+5.3%	+4.8%	+3.4%	-2.8%	+0.6%
Pos Occurrences	67%	50%	42%	50%	50%	67%	50%			42%
Neg Occurrences	33%	50%	58%	50%	50%	33%	42%			58%
Absolute Average Returns - Last 12 Earnings										
Abs Avg Return	± 8.2%	± 5.5%	± 4.8%	± 2.9%	± 2.0%	± 7.4%	± 6.9%	± 3.4%	± 2.8%	± 3.5%

The 8% implied move is around the absolute average return of the last 12 earnings releases, which is seems reasonable. But, there have been more duds than upside uber-spike surprises in recent times as you can see above.

And a big hidden story of this particular NVDA spike party pregame-palooza is how it has carried SMH stocks significantly higher going in:

In ETF: SMH - Semiconductors | Shares Outstanding: -Any-
Stock Ideas: -Any- | Share Float: -Any-
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Summary | Price Performance | Technical | Options | Security Info | Dividends

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Showing 1 to 25 of 25 entries (filtered from 11,155 total entries)

Symbol	Price	% Chg	2 Day	3 Day	4 Day	5 Day	6 Day	7 Day	2 Week
NVDA	947.67	-0.6%	0.0%	+2.5%	+0.4%	+0.1%	+3.7%	+4.8%	+4.7%
TSM	156.35	+1.7%	+1.8%	+3.1%	+2.7%	+0.5%	+2.9%	+6.8%	+10.8%
AVGO	1397.45	-0.1%	-1.2%	+0.2%	-1.0%	-2.7%	+1.3%	+4.5%	+7.2%
ASML	928.93	+0.4%	-1.1%	+0.4%	+1.0%	-0.9%	+1.5%	+1.3%	+2.3%
AMD	167.46	+1.7%	+0.7%	+1.8%	+3.0%	+4.9%	+9.3%	+11.2%	+8.4%
QCOM	202.59	+0.9%	+2.4%	+4.5%	+4.8%	+4.1%	+7.2%	+10.0%	+12.5%
TXN	203.20	+2.1%	+2.0%	+4.2%	+4.2%	+3.9%	+6.3%	+8.2%	+11.2%
AMAT	219.79	+0.2%	-0.1%	+3.6%	+2.7%	+1.1%	+4.8%	+6.4%	+6.0%
MU	127.29	-0.2%	-1.3%	+1.6%	-0.5%	-0.4%	+2.0%	+3.5%	+6.8%
INTC	32.00	+0.8%	-0.3%	+0.5%	-0.1%	+2.3%	+3.1%	+4.9%	+4.3%
LRCX	965.53	+0.2%	+2.5%	+5.9%	+2.4%	+1.9%	+5.8%	+6.8%	+5.5%
ADI	231.90	+7.0%	+6.6%	+8.3%	+8.3%	+7.5%	+9.4%	+11.3%	+13.9%
KLAC	770.16	+0.7%	-0.3%	+3.0%	+2.8%	+1.4%	+5.5%	+8.1%	+8.0%
SNPS	578.86	+1.3%	+0.8%	+2.1%	+1.7%	-0.2%	+3.4%	+3.9%	+5.3%
CDNS	294.17	+1.4%	+0.6%	+1.9%	+1.8%	+0.4%	+3.8%	+3.4%	+3.6%
NXPI	278.07	+1.3%	+1.6%	+3.9%	+3.1%	+2.2%	+3.9%	+5.4%	+7.5%
MRVL	73.82	+0.7%	-0.9%	+2.6%	+1.0%	+5.2%	+8.5%	+7.0%	+7.5%
MCHP	98.03	+2.4%	+2.1%	+3.9%	+4.0%	+2.8%	+4.4%	+5.9%	+7.0%
STM	41.73	+1.9%	-0.7%	+0.2%	-0.5%	-2.6%	-0.3%	+3.0%	+2.6%
MPWR	761.11	+0.6%	+0.7%	+4.3%	+4.5%	+2.7%	+6.6%	+8.3%	+8.4%
ON	74.97	+2.9%	+0.9%	+2.5%	+2.7%	+0.3%	+2.7%	+3.7%	+5.9%
TER	141.15	+0.6%	+1.3%	+7.0%	+7.4%	+7.0%	+11.1%	+13.1%	+16.7%
SWKS	93.63	+1.3%	-0.4%	+0.7%	-0.5%	-0.8%	-0.8%	-0.3%	+1.9%
QRVO	99.26	+1.3%	+0.6%	+0.8%	-0.2%	-0.6%	+0.2%	+0.9%	+2.6%
OLED	178.23	+1.8%	+1.5%	+2.9%	+2.6%	+1.6%	+1.9%	+3.0%	+1.7%

So, a few trade scenarios:

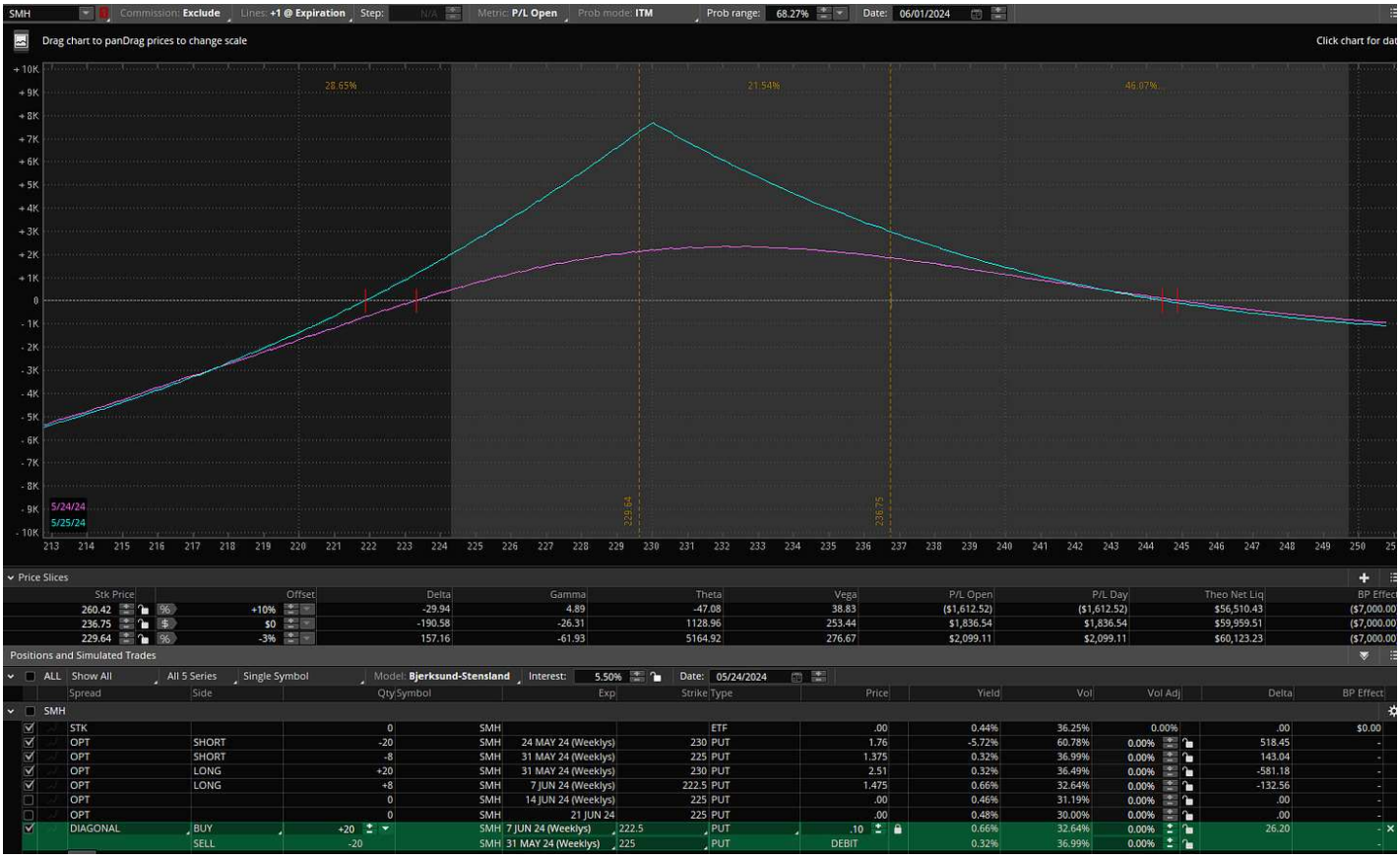
SMH fade post NVDA put calendar/diagonal spreads:

May 24th/May 31st $230 put calendar spread

Debit: .75 (filled)

May 31st/June 7th 225/222.5 put diagonal spread

Debit: .10 (partial fill) - .12

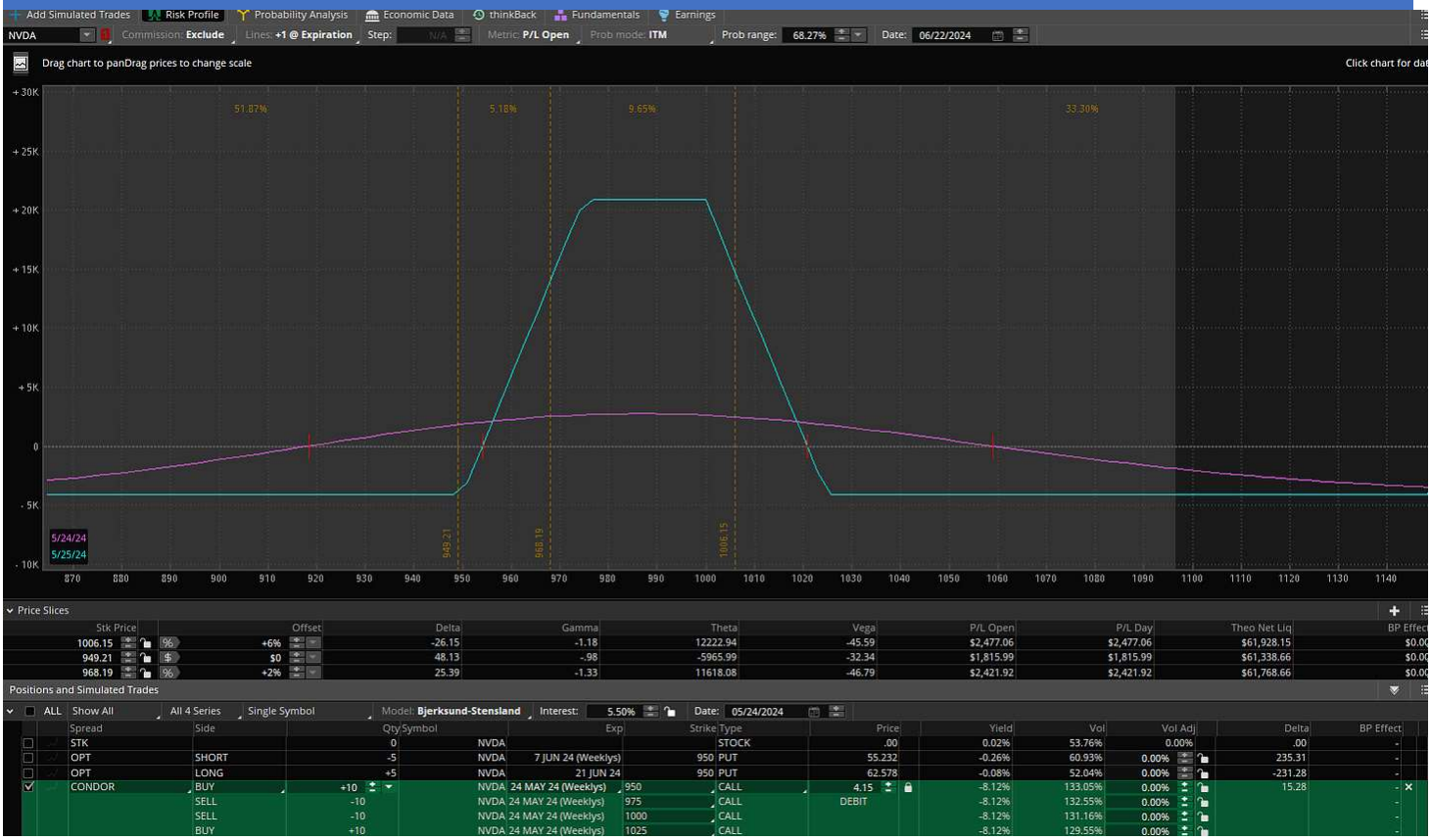


Sure, we haven't had a down day in May, and these stocks have outperformed, but you could have some post NVDA rebalance out of these names into end of month. A reason to avoid this, a repeat of last May:

NVDA earnings spike of 2-7%:

Buy May 24th 950/975/1000/1025 call condor

Debit: $4.15-4.30

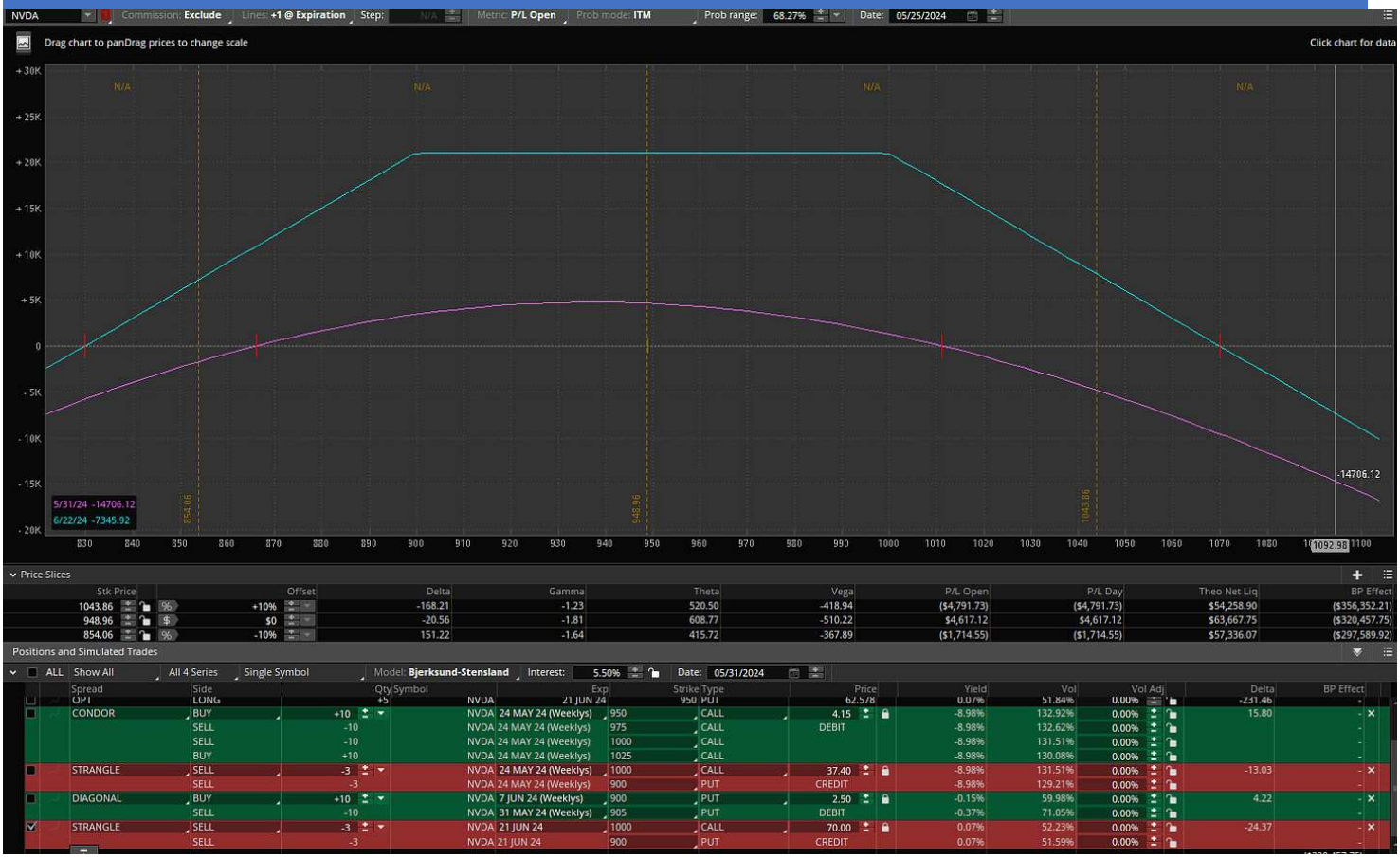


If you expect +15% again, avoid this. But it's reasonable to imagine a large supply of calls at $1000 providing resistance.

NVDA going nowhere fast for a while, short June strangle

Sell $900/$1000 June 21st strangle

Net credit: $70

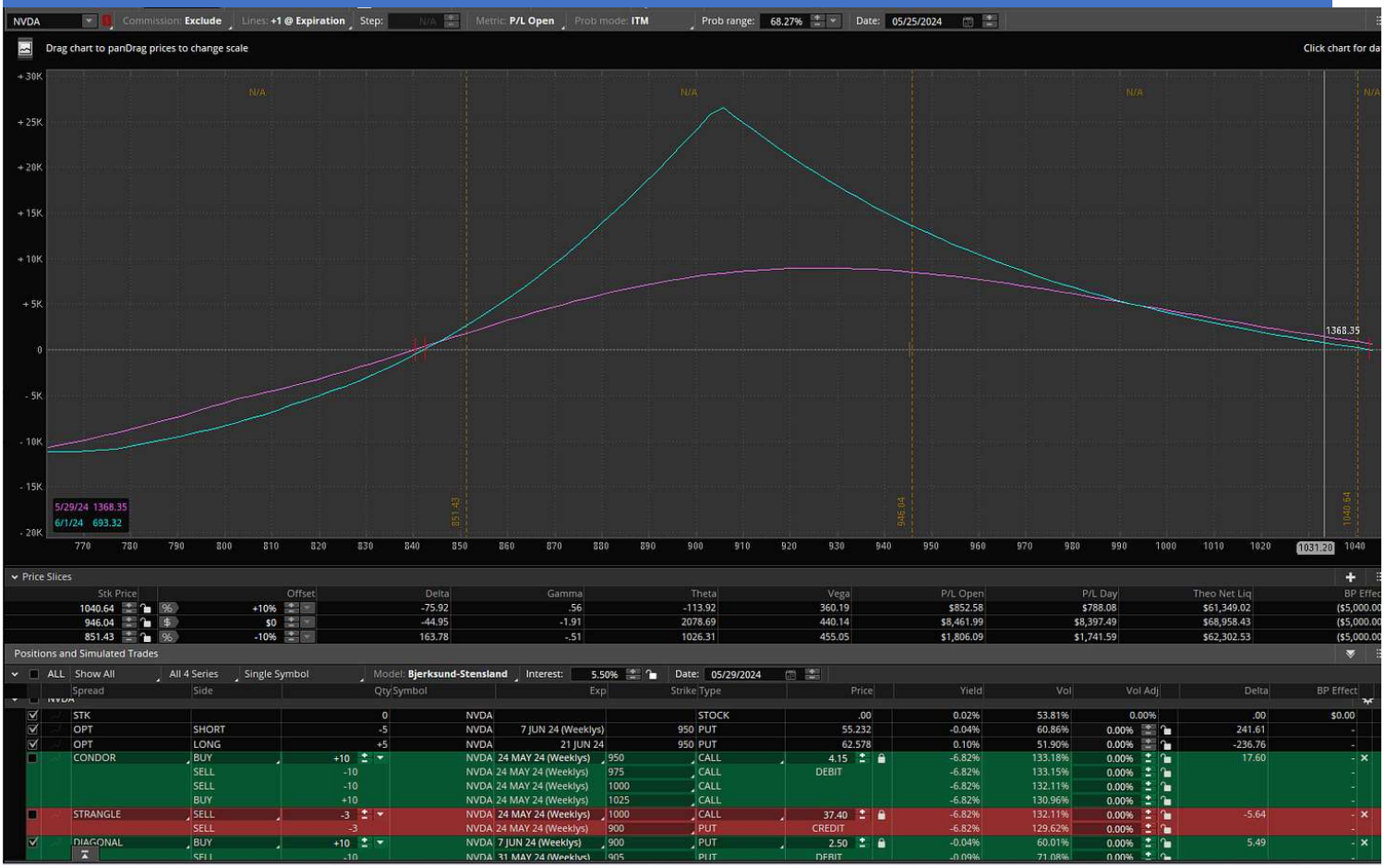


This gives you more than +-12% and will bleed with speed if NVDA goes nowhere post earnings.

NVDA -3-6% fade into end of month/post earnings:

Long NVDA put 905/900 diagonal spread May31st/June 7th

Net debit: $2.50



You would imagine this stock is nearly impervious to a real drop; folks have been buyers of every dip for some time and it's a gamma option target for round strikes seemingly every Thursday.

The interesting thing about these trades is that they all can work together. The call condor for the spike, the NVDA/SMH hangover fade a bit later on, and the vol drain if it is inside the expected move.

Unclench May Be NVDA

Vixpiration arrives with NVDA Earnings

VOLATILITY SUMMARY

With chip stocks like AMD rallying off invites to the NVDA spike party next Wednesday, that sort of watershed market moment will arrive with another event receiving no fanfare. In the meantime, the pregame cocktails at the SMH lounge are flowing heavily:

Filters: 3

Descriptive (3) | Fundamental | Technical | ETF | All (3)

Exchange	Any	Index	Any	Sector	Any	Industry	Semiconductors	Country	Any
Market Cap.	+Large (over $10bln	Dividend Yield	Any	Float Short	Any	Analyst Recom.	Any	Option/Short	Optior
Earnings Date	Any	Average Volume	Any	Relative Volume	Any	Current Volume	Any	Trades	Elite o
Price	Any	Target Price	Any	IPO Date	Any	Shares Outstanding	Any	Float	Any

Overview | Valuation | Financial | Ownership | Performance | Technical | ETF | ETF Perf | Custom | Charts | Tickers | Basic | TA | News | Snapshot | Maps

#1 / 21 Total save as portfolio | create alert Timeframe: Intraday | Daily Refresh: 3min | off

No.	Ticker	Perf Week	Perf Month	Perf Quart	Perf Half	Perf Year	Perf YTD	Volatility W	Volatility M	Recom	Avg Volume	Rel Volume	Price	Change
1	NVDA	7.00%	13.00%	30.69%	91.24%	225.06%	91.75%	3.01%	4.30%	1.35	51.29M	0.69	949.60	0.35%
2	TSM	8.10%	11.02%	19.62%	56.05%	79.73%	48.41%	2.31%	2.91%	1.37	15.41M	0.66	154.35	-0.79%
3	AVGO	10.03%	12.01%	13.56%	47.66%	123.97%	28.70%	3.02%	3.31%	1.63	2.87M	0.73	1436.66	0.03%
4	AMD	9.49%	8.33%	-5.60%	39.18%	64.42%	13.19%	2.80%	3.61%	1.50	61.52M	1.46	166.85	4.50%
5	QCOM	8.26%	18.95%	25.31%	53.47%	88.32%	35.14%	1.87%	2.45%	1.95	8.15M	0.57	195.46	0.44%
6	TXN	5.64%	18.14%	21.81%	30.57%	19.82%	14.85%	1.44%	2.01%	2.75	5.43M	0.61	195.76	0.12%
7	MU	9.75%	11.15%	58.40%	67.55%	102.89%	51.51%	2.18%	3.26%	1.54	22.95M	0.62	129.30	1.17%
8	INTC	5.80%	-10.78%	-27.73%	-19.22%	8.95%	-36.65%	2.26%	2.31%	2.72	50.05M	0.67	31.83	1.81%
9	ARM	10.98%	6.88%	-14.00%	115.16%	-	52.99%	5.47%	6.01%	2.09	11.50M	0.68	114.96	1.14%
10	ADI	5.03%	13.55%	14.69%	21.12%	17.67%	8.32%	1.43%	2.03%	1.91	3.29M	0.42	215.09	-0.31%
11	NXPI	4.69%	20.32%	16.44%	40.09%	64.58%	18.87%	1.54%	2.53%	2.06	2.28M	0.28	273.03	0.38%
12	MRVL	8.33%	10.29%	8.72%	28.56%	75.95%	21.57%	2.55%	3.17%	1.36	13.40M	0.95	73.32	4.52%
13	MCHP	4.64%	11.88%	15.36%	17.10%	28.53%	5.54%	1.52%	2.68%	1.79	5.31M	0.53	95.18	-0.19%
14	STM	4.53%	4.50%	-6.99%	-3.65%	-0.81%	-15.93%	1.54%	1.93%	1.88	3.34M	0.55	42.15	-1.65%
15	MPWR	4.39%	15.90%	0.65%	38.03%	83.61%	17.17%	2.29%	3.57%	1.73	527.53K	0.23	739.11	-0.30%
16	ON	3.73%	14.65%	-8.32%	5.65%	-10.99%	-11.51%	2.50%	3.36%	1.97	6.66M	0.43	73.92	-1.10%
17	GFS	5.22%	14.64%	-0.07%	-2.68%	0.12%	-10.41%	2.78%	2.75%	2.11	1.47M	0.41	54.29	-0.33%
18	ASX	3.31%	0.10%	10.07%	24.71%	51.65%	12.65%	1.64%	2.26%	1.85	5.99M	0.37	10.60	-1.21%
19	UMC	2.67%	7.40%	4.51%	6.28%	3.32%	-3.64%	1.27%	2.10%	2.00	7.78M	0.39	8.15	-0.47%
20	SWKS	2.97%	-3.53%	-10.02%	2.30%	-1.49%	-15.50%	1.66%	2.32%	2.71	2.50M	0.43	94.99	0.64%

Lest we forget, vixpiration is next Wednesday and what is different about it this month is that it arrives post OPEX, a situation that happens four times per year when the OPEX cycle is five weeks instead of four:

I frequently write about vixpiration and the often out of the blue change in market behavior:

What Is it About Wobbly Wednesdays?

SCOTT MURRAY

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APR 4

Back in December, you may recall a sleepy Wednesday afternoon after quarterly opex… Twas vixpiration and the stockings were full of NVDA/AMD/META leap calls when out of nowhere while folks were already 3 nogs in, this happened: The 'wha happened' fincom, being a reference to the great

Read full story

So, when unclench comes it might be more interesting than usual. You recall, with the market under pressure in April, I expected and unclench up and that occurred, so the question is, will unclench come Tuesday, Wednesday or Thursday. (Not at all is a possibility, but as an RVol enthusiast, those thoughts can reside with negative swing thoughts, not in the front of brain please.)

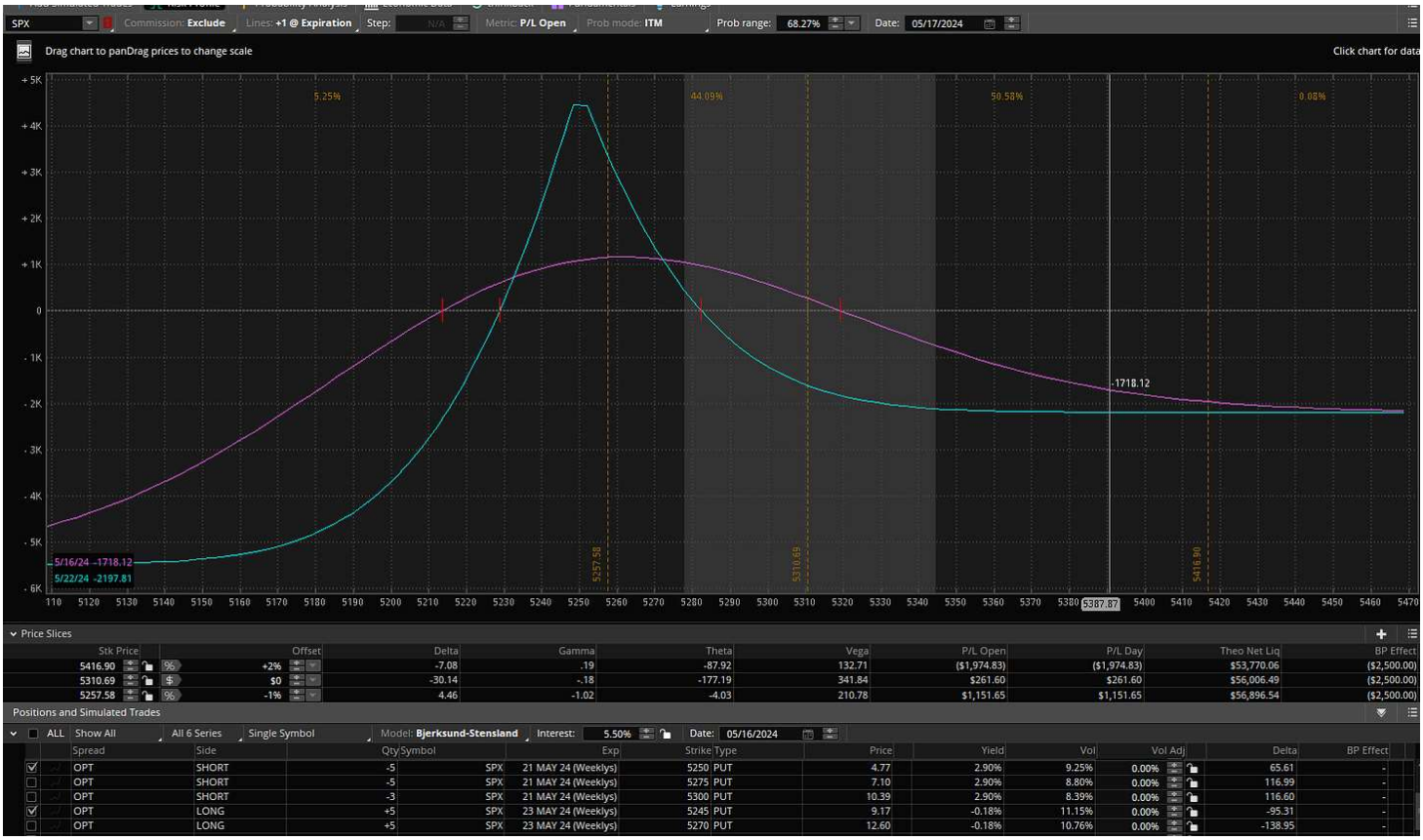
Thus, a couple unclench trade ideas.

SPX Put diagonal spread

Sell May 21st put

Buy May 23rd put

Net debit, 4.35 (filled) - 4.55



Short Tuesday and long Thursday captures vixpiration and NVDA earnings vol, precisely what I'm looking for. Target, $10

IWM put diagonal spread

Sell May 21st $205 put

Buy May 23rdh $204 put

Net debit: .09 (filled) - Target, .30

Same premise, 9 cents for two days is quite a deal. Now, you can do 20/21, 21/22, 22/23 for credits, and I've started some of those as well:

	PUTS							
Strike	Bid X	Ask X	Last X	Net Chng	%Change	Impl Vol	Volume	Open.Int
								26.85% (±0.771)
								19.39% (±1.775)
								13.79% (±2.431)
205 / 204	-.02	0	-.04	-.08	-200.00%	14.02%	158	267 POS
206 / 205	-.06	-.03	-.07	-.06	+600.00%	13.63%	99	214
207 / 206	-.12	-.09	-.12	-.05	+71.43%	13.31%	65	412
208 / 207	-.22	-.18	-.25	-.05	+25.00%	13.10%	36	200
209 / 208	-.36	-.30	-.26	-.04	+18.18%	12.99%	158	122
210 / 209	-.52	-.43	-.32	-.06	+23.08%	12.89%	14	75
211 / 210	-.72	-.58	-.68	-.32	+88.89%	12.92%	5	36
212 / 211	-.87	-.70	-.30	.51	-62.96%	13.11%	6	25
								14.38% (±2.826)
205 / 204	-.03	-.01	.02	.08	-133.33%	14.63%	37	137 POS
206 / 205	-.07	-.04	-.05	-.06	-600.00%	14.33%	65	412
207 / 206	-.13	-.10	-.09	-.06	+200.00%	14.13%	36	94
208 / 207	-.22	-.18	-.20	.02	-9.09%	14.01%	84	122 POS
209 / 208	-.34	-.28	-.32	-.06	+23.08%	13.94%	112	75
210 / 209	-.48	-.38	-.18	.18	-50.00%	13.82%	5	66
211 / 210	-.64	-.50	-.68	-.69	-6900.00%	13.81%	4	25
212 / 211	-.78	-.63	-.31	0	0.00%	13.98%	N/A	19
								15.38% (±3.306)
205 / 204	-.07	-.04	-.04	0	0.00%	15.29%	67	289
206 / 205	-.12	-.09	-.19	-.13	+216.67%	15.05%	53	94
207 / 206	-.19	-.16	-.22	-.15	+214.29%	14.91%	84	245
208 / 207	-.29	-.24	-.31	-.28	+933.33%	14.82%	71	154
209 / 208	-.40	-.33	-.20	.03	-13.04%	14.73%	38	66
210 / 209	-.53	-.43	-.56	.18	-24.32%	14.66%	4	27
211 / 210	-.66	-.53	-.29	.51	-63.75%	14.69%	N/A	12
212 / 211	-.79	-.62	0	0	N/A	14.70%	N/A	0

The risk with these is the market blowing past the long strike, in which case it becomes painful, but that would take -2%+ from spot price today. Ideally, if we get a 1-2% drop and implied vol rises then you can turn a credit into .20.

NVDA Spike Party Invites Sent

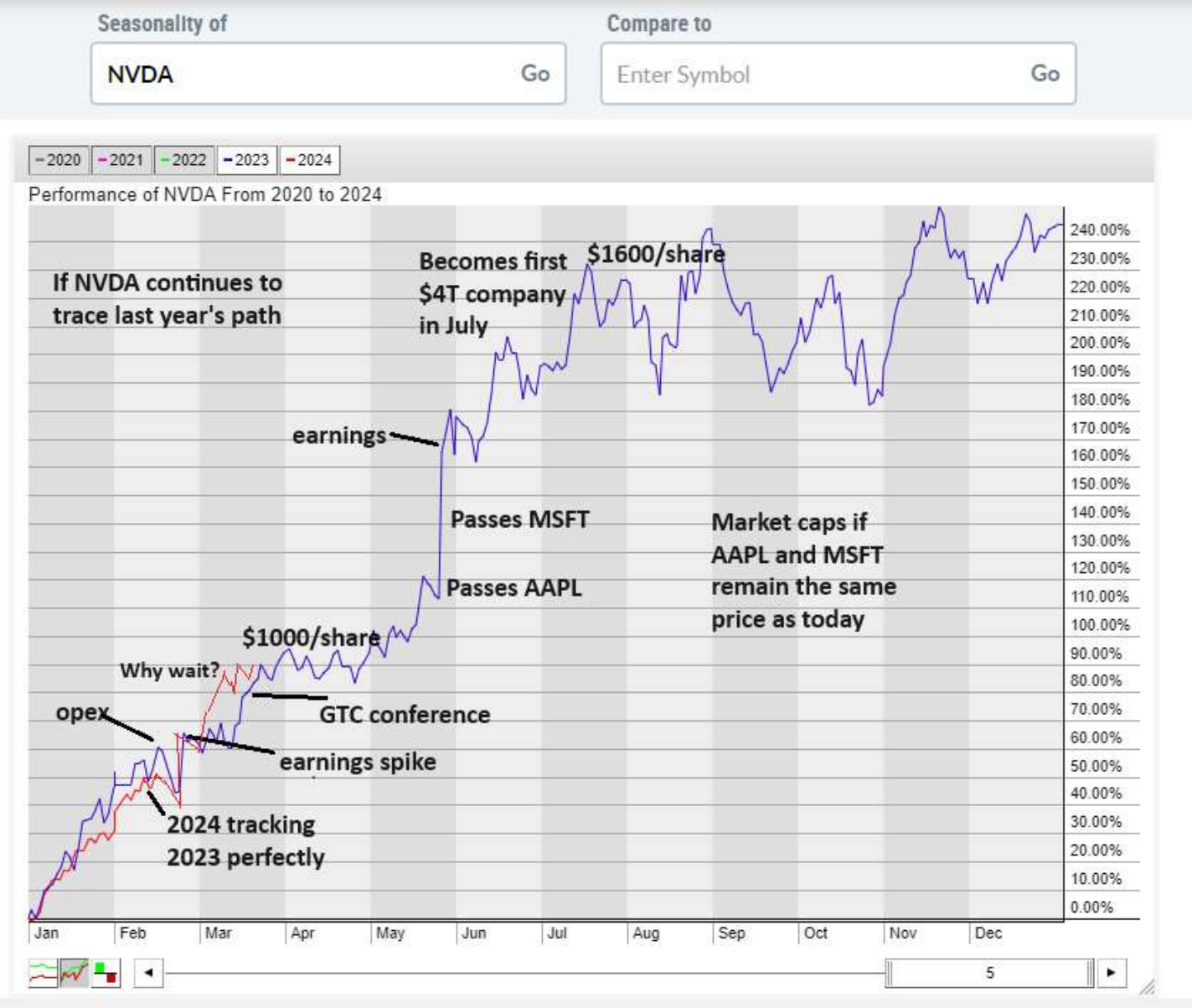
Call flies and chill this summer?

VOLATILITY SUMMARY

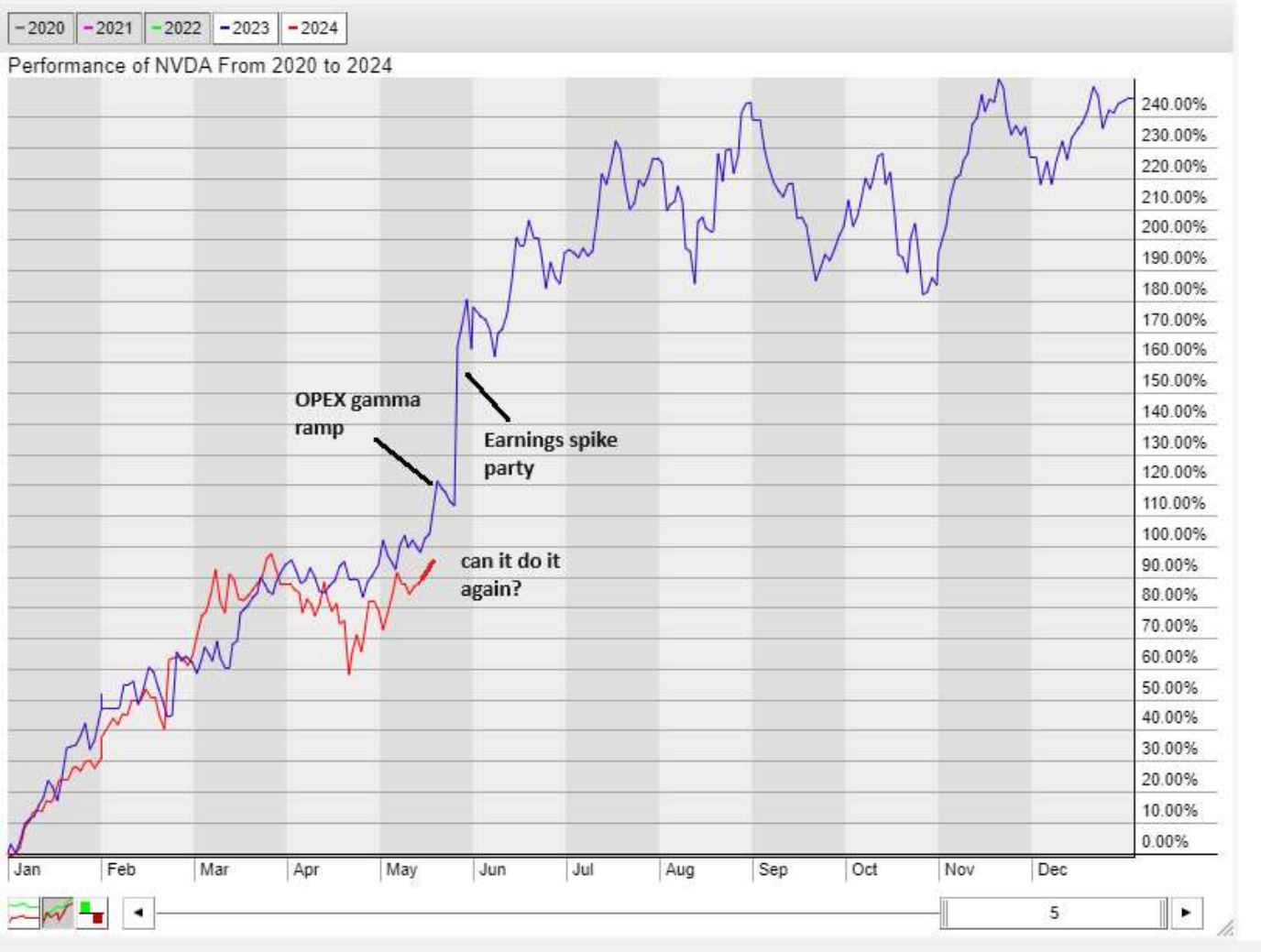
Look at how organized folks were in buying SMCI today, aren't you impressed by managers/traders as synchronized swimmers:

We know the deal. (It's the OPEX stupid.) And it's time for the world's most important company to welcome you to the quarterly super soiree known as NVDA's earnings spike party. And SMCI and most things SMH are invited.

This one will be particularly interesting; remember this chart, one that I started months ago:



Well, it's time to find out as that analog is still on track, but it has awfully big shoes to fill:



It obviously doesn't make much sense for this outcome to repeat due to the sheer market cap involved, but it will be quite entertaining nonetheless.

But, looking at SMH, it clearly has an impact on most things semi, as you can see here, keep in mind, NVDA is 20% of this ETF:

But as you can see, SMH companies screen amazingly well in May:

Close Filters ▲ Clear

Descriptive				Statistics			
In My Watchlist	-Not Selected-	Earnings Date	-Any-	Years of Obs	Above 5	Avg Stock Volume	-Any-
Market Cap	Over $10 Billion	Earnings Confirmed?	-Any-	% Positive Obs	Above 70%	Avg Option Volume	-Any-
In ETF	SMH - Semiconductors	Sector	-Any-	% Negative Obs	-Any-	Return Std Dev	-Any-
Calendar Month	May	Industry	-Any-	Avg Return	-Any-	Sharpe Ratio	-Any-
Stock Type	-Any-			Median Return	-Any-		

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Seasonal Period			Frequency of Returns		Returns by Calendar Month						Magnitude of Returns By Calendar Month		
Symbol	Calendar Month	Yrs of Obs	% Positive Obs	% Negative Obs	Average	Median	Best	Worst	Std Dev	Sharpe Ratio	Absolute Avg	Absolute Max	Absolute Min
NVDA	May	10	80%	20%	+12.6%	+10.2%	38.4%	-25.2%	20%	0.64	17.7%	38.4%	0.3%
MRVL	May	10	70%	30%	+9.1%	+4.7%	48.2%	-10.9%	16%	0.55	11.6%	48.2%	0.1%
AVGO	May	10	90%	10%	+8.6%	+7.8%	29.0%	-21.0%	14%	0.63	12.8%	29.0%	3.5%
AMAT	May	10	90%	10%	+7.1%	+6.1%	19.3%	-12.2%	9%	0.77	9.6%	19.3%	1.7%
SNPS	May	10	90%	10%	+7.0%	+4.7%	22.5%	-3.8%	8%	0.91	7.8%	22.5%	1.6%
LRCX	May	10	90%	10%	+6.5%	+7.4%	17.7%	-15.8%	9%	0.75	9.6%	17.7%	4.7%
NXPI	May	10	80%	20%	+5.5%	+9.0%	16.8%	-16.5%	9%	0.58	9.5%	16.8%	3.5%
MU	May	10	70%	30%	+5.3%	+7.1%	25.3%	-22.5%	13%	0.41	10.4%	25.3%	0.0%
TER	May	10	90%	10%	+5.1%	+5.3%	16.5%	-14.0%	9%	0.59	7.9%	16.5%	0.7%
ON	May	10	80%	20%	+4.9%	+6.2%	16.4%	-23.0%	13%	0.39	11.0%	23.0%	2.7%
CDNS	May	10	80%	20%	+4.7%	+6.4%	12.5%	-8.4%	6%	0.73	7.1%	12.5%	1.9%
MCHP	May	10	90%	10%	+4.5%	+5.4%	16.4%	-19.9%	10%	0.46	8.4%	19.9%	0.1%
KLAC	May	10	90%	10%	+4.3%	+5.1%	14.6%	-19.1%	10%	0.44	8.1%	19.1%	0.5%
ASML	May	7	86%	14%	+4.3%	+4.4%	14.2%	-9.9%	8%	0.51	7.1%	14.2%	0.1%
ADI	May	10	80%	20%	+4.1%	+5.7%	12.5%	-16.9%	9%	0.48	7.7%	16.9%	1.2%
MPWR	May	10	80%	20%	+3.6%	+6.0%	14.8%	-25.2%	11%	0.32	9.7%	25.2%	4.9%
TXN	May	10	90%	10%	+3.2%	+3.9%	10.3%	-11.5%	6%	0.57	5.5%	11.5%	3.1%
TSM	May	10	70%	30%	+1.6%	+1.5%	17.0%	-12.5%	8%	0.21	5.3%	17.0%	0.5%
INTC	May	10	70%	30%	+1.3%	+2.1%	6.9%	-13.7%	6%	0.22	4.2%	13.7%	0.1%
STM	May	10	70%	30%	+1.3%	+2.2%	9.8%	-18.0%	8%	0.16	5.8%	18.0%	0.1%
QCOM	May	10	70%	30%	+1.1%	+2.5%	13.9%	-22.4%	10%	0.11	6.8%	22.4%	2.2%

Showing 1 to 21 of 21 entries (filtered from 124,489 total entries) Previous 1 Next

As well as in July:

Close Filters ▲ Clear

Descriptive				Statistics			
In My Watchlist	-Not Selected-	Earnings Date	-Any-	Years of Obs	Above 5	Avg Stock Volume	-Any-
Market Cap	Over $10 Billion	Earnings Confirmed?	-Any-	% Positive Obs	Above 70%	Avg Option Volume	-Any-
In ETF	SMH - Semiconductors	Sector	-Any-	% Negative Obs	-Any-	Return Std Dev	-Any-
Calendar Month	Jul	Industry	-Any-	Avg Return	-Any-	Sharpe Ratio	-Any-
Stock Type	-Any-			Median Return	-Any-		

Load Existing: -My Saved Presets- Reload Preset Save Changes Delete Filter ▶ Save New Preset

Search:

Seasonal Period			Frequency of Returns		Returns by Calendar Month						Magnitude of Returns By Calendar Month		
Symbol	Calendar Month	Yrs of Obs	% Positive Obs	% Negative Obs	Average	Median	Best	Worst	Std Dev	Sharpe Ratio	Absolute Avg	Absolute Max	Absolute Min
AMD	Jul	10	80%	20%	+12.3%	+11.1%	47.2%	-19.6%	20%	0.62	17.6%	47.2%	0.3%
LRCX	Jul	10	80%	20%	+8.3%	+10.7%	17.4%	-5.5%	8%	1.09	9.8%	17.4%	2.0%
ASML	Jul	7	71%	29%	+8.2%	+8.1%	20.7%	-3.9%	9%	0.94	9.6%	20.7%	1.2%
MPWR	Jul	10	80%	20%	+7.7%	+6.3%	21.0%	-2.6%	8%	0.95	8.4%	21.0%	0.7%
STM	Jul	10	70%	30%	+7.4%	+5.5%	24.3%	-7.3%	11%	0.68	10.2%	24.3%	1.9%
NVDA	Jul	10	70%	30%	+7.3%	+6.9%	21.5%	-5.6%	9%	0.79	9.1%	21.5%	0.8%
QCOM	Jul	10	70%	30%	+6.5%	+7.9%	16.8%	-6.9%	9%	0.72	9.3%	16.8%	2.8%
CDNS	Jul	10	70%	30%	+6.4%	+5.5%	24.0%	-3.8%	8%	0.77	7.4%	24.0%	0.2%
KLAC	Jul	10	80%	20%	+6.4%	+4.7%	20.2%	-5.6%	8%	0.78	7.8%	20.2%	1.2%
ON	Jul	10	70%	30%	+6.3%	+5.2%	32.7%	-9.2%	12%	0.53	9.6%	32.7%	0.8%
SWKS	Jul	10	70%	30%	+5.3%	+6.2%	17.5%	-8.1%	8%	0.65	8.1%	17.5%	2.1%
TER	Jul	10	70%	30%	+5.2%	+3.4%	16.3%	-7.0%	9%	0.61	7.7%	16.3%	0.2%
SNPS	Jul	10	90%	10%	+4.2%	+3.5%	21.0%	-2.7%	6%	0.65	4.7%	21.0%	0.1%
AMAT	Jul	10	70%	30%	+4.1%	+5.9%	16.5%	-9.7%	8%	0.51	7.8%	16.5%	1.7%
NXPI	Jul	10	70%	30%	+3.1%	+1.9%	24.2%	-12.7%	10%	0.31	7.0%	24.2%	0.3%
AVGO	Jul	10	70%	30%	+0.9%	+1.3%	10.2%	-8.6%	6%	0.15	4.5%	10.2%	0.4%

Showing 1 to 16 of 16 entries (filtered from 124,489 total entries) Previous 1 Next

And why stop there, since the spike party pregaming which began today seems to usher in the obligatory summer rally, looking at QQQ, all the who's who companies screen quite well in July:

In My Watchlist	-Not Selected-	Earnings Date	-Any-	Years of Obs	Above 5	Avg Stock Volume	-Any-
Market Cap	Over $100 Billion	Earnings Confirmed?	-Any-	% Positive Obs	Above 70%	Avg Option Volume	-Any-
In ETF	QQQ - Nasdaq 100	Sector	-Any-	% Negative Obs	-Any-	Return Std Dev	-Any-
Calendar Month	Jul	Industry	-Any-	Avg Return	-Any-	Sharpe Ratio	-Any-
Stock Type	-Any-			Median Return	-Any-		

Load Existing: -My Saved Presets- Reload Preset Save Changes Delete Filter ► Save New Preset

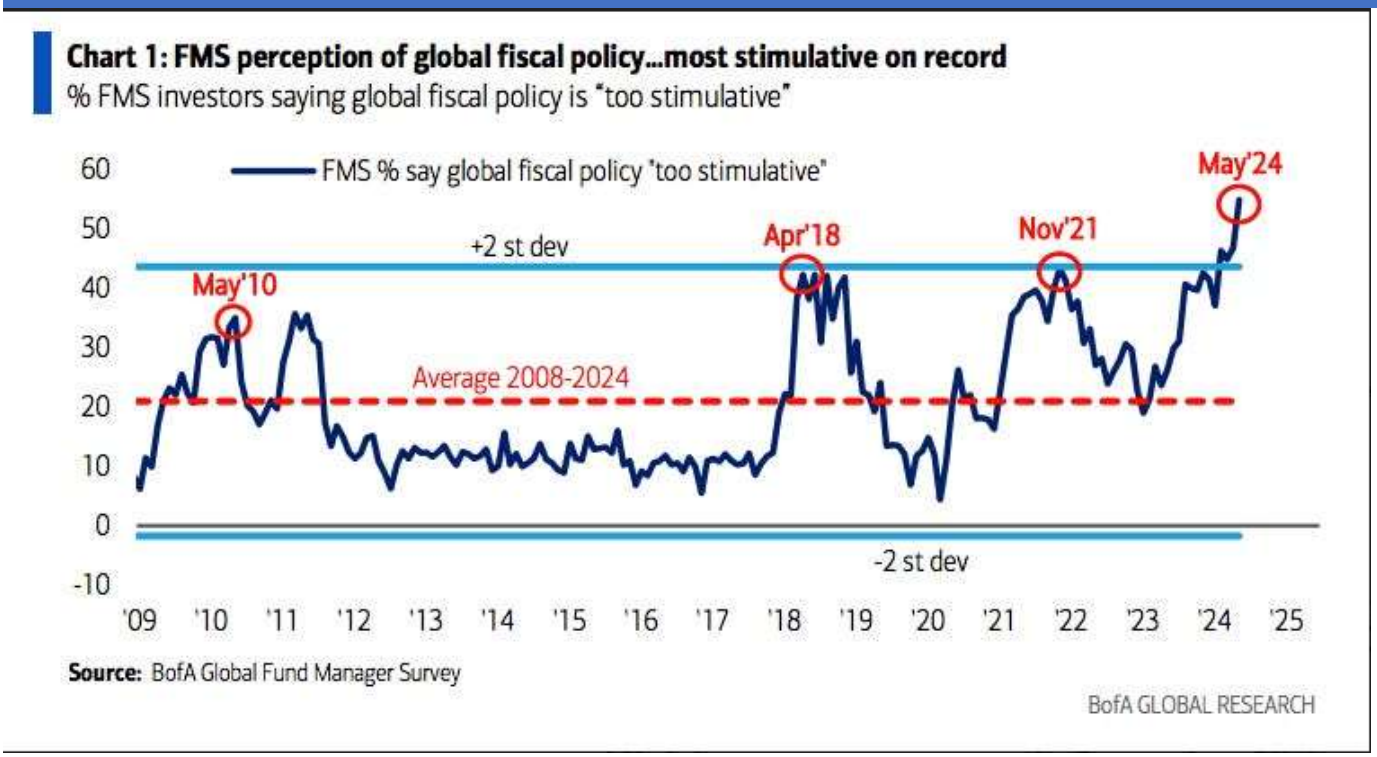
Search:

Seasonal Period			Frequency of Returns		Returns by Calendar Month						Magnitude of Returns By Calendar Month		
Symbol	Calendar Month	Yrs of Obs	% Positive Obs	% Negative Obs	Average	Median	Best	Worst	Std Dev	Sharpe Ratio	Absolute Avg	Absolute Max	Absolute Min
AMD	Jul	10	80%	20%	+12.3%	+11.1%	47.2%	-19.6%	20%	0.62	17.6%	47.2%	0.3%
LRCX	Jul	10	80%	20%	+8.3%	+10.7%	17.4%	-5.5%	8%	1.09	9.8%	17.4%	2.0%
GOOGL	Jul	10	90%	10%	+8.9%	+9.5%	21.8%	-0.9%	6%	1.40	9.1%	21.8%	0.9%
GOOG	Jul	10	90%	10%	+8.4%	+8.5%	20.2%	-0.6%	6%	1.46	8.5%	20.2%	0.6%
META	Jul	10	80%	20%	+5.1%	+8.2%	12.1%	-11.2%	7%	0.69	7.6%	12.1%	0.6%
ASML	Jul	7	71%	29%	+8.2%	+8.1%	20.7%	-3.9%	9%	0.94	9.6%	20.7%	1.2%
QCOM	Jul	10	70%	30%	+6.5%	+7.9%	16.8%	-6.9%	9%	0.72	9.3%	16.8%	2.8%
ISRG	Jul	10	80%	20%	+7.0%	+7.0%	20.3%	-5.1%	8%	0.91	8.2%	20.3%	0.3%
NVDA	Jul	10	70%	30%	+7.3%	+6.9%	21.5%	-5.6%	9%	0.79	9.1%	21.5%	0.8%
BKNG	Jul	10	90%	10%	+5.3%	+6.2%	10.7%	-0.4%	4%	1.25	5.4%	10.7%	0.1%
AMAT	Jul	10	70%	30%	+4.1%	+5.9%	16.5%	-9.7%	8%	0.51	7.8%	16.5%	1.7%
COST	Jul	10	90%	10%	+5.7%	+5.6%	12.9%	-0.9%	4%	1.51	5.9%	12.9%	0.9%
MSFT	Jul	10	90%	10%	+4.9%	+5.3%	10.8%	-1.4%	4%	1.28	5.1%	10.8%	0.7%
AAPL	Jul	10	90%	10%	+6.5%	+4.9%	18.9%	-3.3%	7%	0.96	7.2%	18.9%	1.3%
AMGN	Jul	10	90%	10%	+5.5%	+4.6%	15.0%	-0.9%	5%	1.04	5.7%	15.0%	0.9%
INTU	Jul	10	80%	20%	+5.7%	+4.2%	18.4%	-0.6%	6%	0.99	5.8%	18.4%	0.0%
CMCSA	Jul	10	90%	10%	+4.1%	+3.7%	9.8%	-4.4%	5%	0.91	5.0%	9.8%	0.1%
AMZN	Jul	10	70%	30%	+7.2%	+3.6%	27.1%	-3.6%	11%	0.66	8.9%	27.1%	1.4%
REGN	Jul	10	80%	20%	+5.2%	+3.1%	21.7%	-2.6%	7%	0.71	6.1%	21.7%	0.1%
PEP	Jul	10	80%	20%	+2.5%	+3.0%	5.9%	-2.5%	3%	0.86	3.3%	5.9%	1.0%
AZN	Jul	10	70%	30%	+2.4%	+2.7%	13.1%	-11.5%	7%	0.32	6.0%	13.1%	0.2%
HON	Jul	10	70%	30%	+2.8%	+2.6%	10.8%	-6.4%	5%	0.51	4.5%	10.8%	0.0%
TMUS	Jul	10	70%	30%	+2.8%	+2.4%	7.5%	-2.0%	4%	0.78	3.4%	7.5%	0.4%
ADBE	Jul	10	90%	10%	+3.6%	+2.1%	12.0%	-4.3%	5%	0.72	4.5%	12.0%	0.4%
ADP	Jul	10	70%	30%	+3.8%	+1.6%	16.1%	-10.7%	8%	0.45	6.7%	16.1%	0.6%

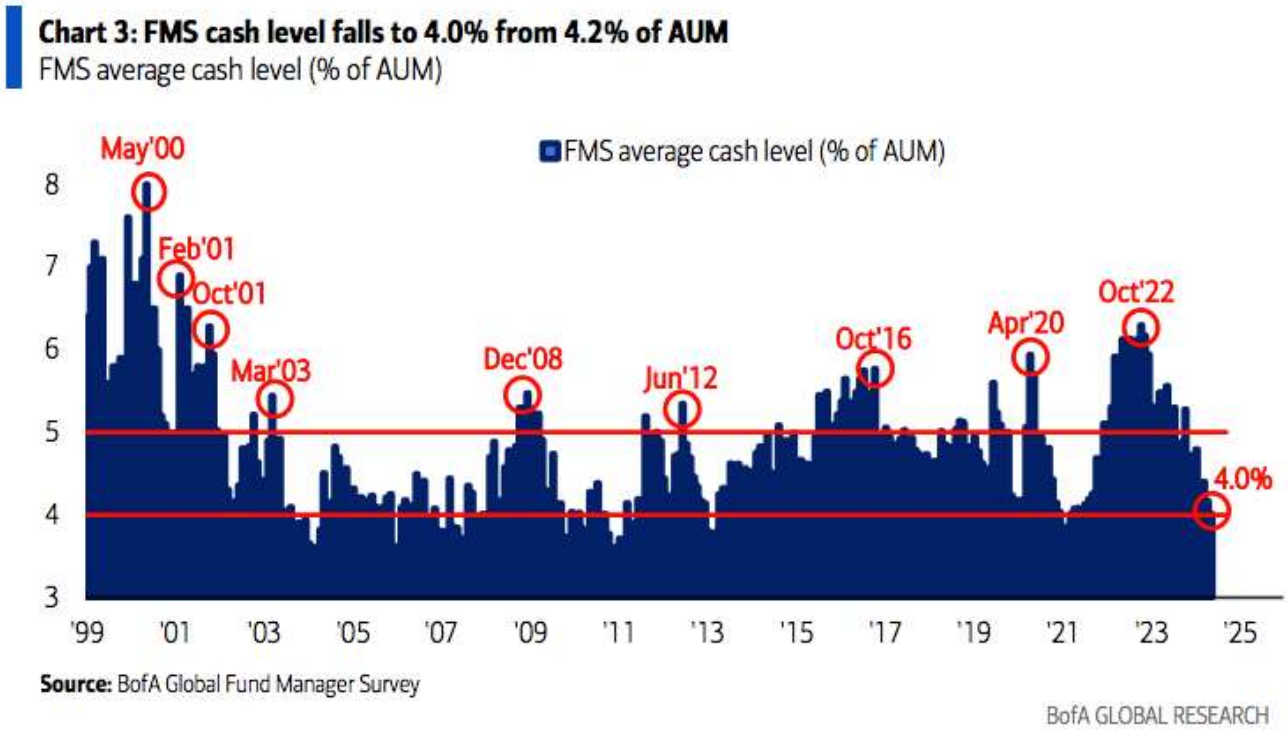
Showing 1 to 25 of 27 entries (filtered from 124,573 total entries)

Sure, every fund manager is mega long, CTAs are getting longer, vol control is gobbling at the highs, Ivol in the indices is trashed, buybacks are constant, it's just a full on bull stampeed regardless of the economy cracking at the edges. People losing jobs, bullish of course. I'm not here to fight Jay Yellen.

And if you can believe it, managers are even unhappy with that duo's orchestration of this bullish bash:



I mean, they've had their arms twisted by the endless ramp they started last fall and are running low on cash:



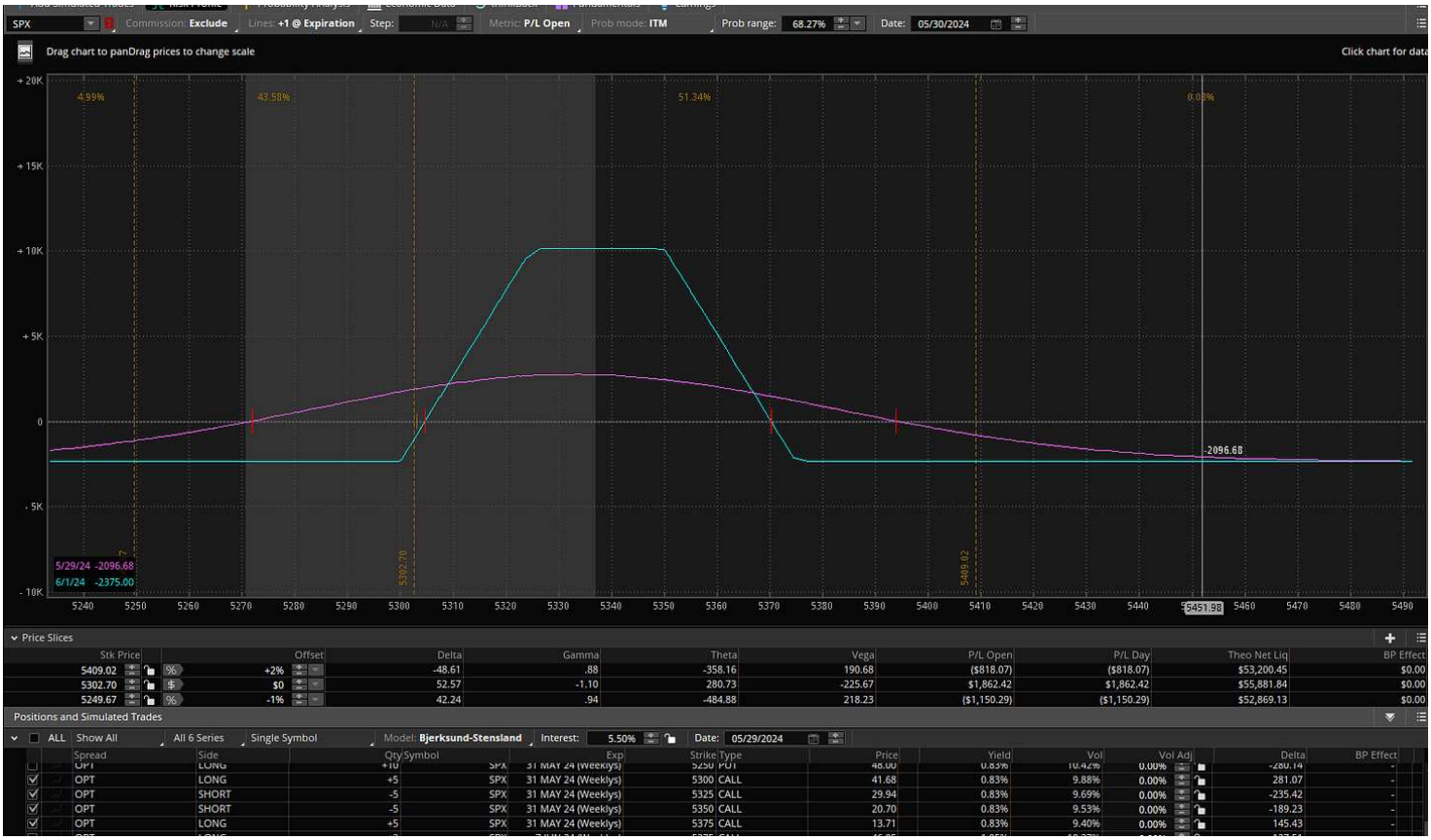
So with this as a backdrop, understanding that folks are more than 'in', what other conclusions are you supposed to take looking forward to this summer:

Until I see a red day, in a May where the bulls are literally undefeated on a daily basis thus far, there's no other logical assumption I can make. Can you? I'm calling it the call flies and chill summer.

Sure, unclench is coming, but that is a topic for later this week. In the meantime, it's about gamma and NVDA.

SPX May 31st 5300/5325/5350/5375 call condor spread

Net debit: $4.75-4.85 (4.75 filled) Target, $10-15.

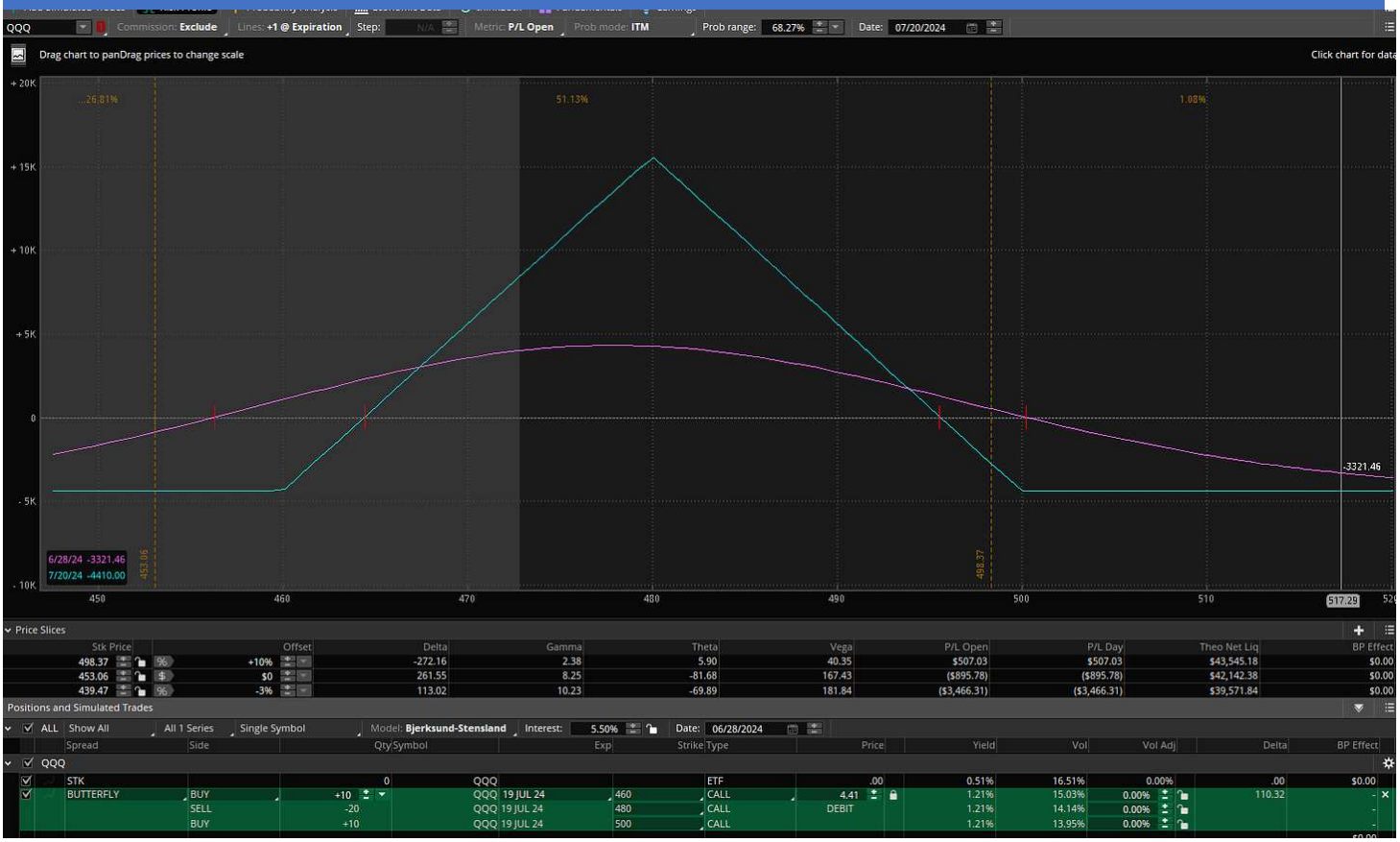


Sure, it's rather conservative to the upside, but I do expect a down day sometime in May.

QQQ July OPEX call butterfly spread

QQQ July 19th $460/480/500

Net debit: $3.50-4, Target $10



This is more of a trade I will look to add on dips if we see down days in May, thus I have not started it as yet. Call flies and chill trade for summer.

NVDA put calendar spread

Sell June 7th $950 put

Buy June 21st $950 put

Net debit: $7.35 (filled) Target $15-20

Taking a stab here that the spike won't be like 20% again, and then it will rest in early June like last year:

NVDA - Quick Chart Main@thinkorswim [build 1980]
Quick Chart on NVDA
NVDA
947.0493
Style
Studies
Patterns
NVDA 1 Y 1D [NASDAQ]
D: 5/15/24
O: 924.72
H: 948.5
L: 915.99
C: 947.05
R: 32.51
Volume
35,826,925
NVIDIA
Post spike June rest
pre OPEX week
480
460
440
420
400
380
360
340
320
300
280
5/22
5/29
6/5
6/12
6/19
6/26
7/3
7/10
7/17
7/24
7/31
8/7
Drawing set: Default

Welcome Back GME IVol Fans

The vol surface again offers amazing value

VOLATILITY SUMMARY

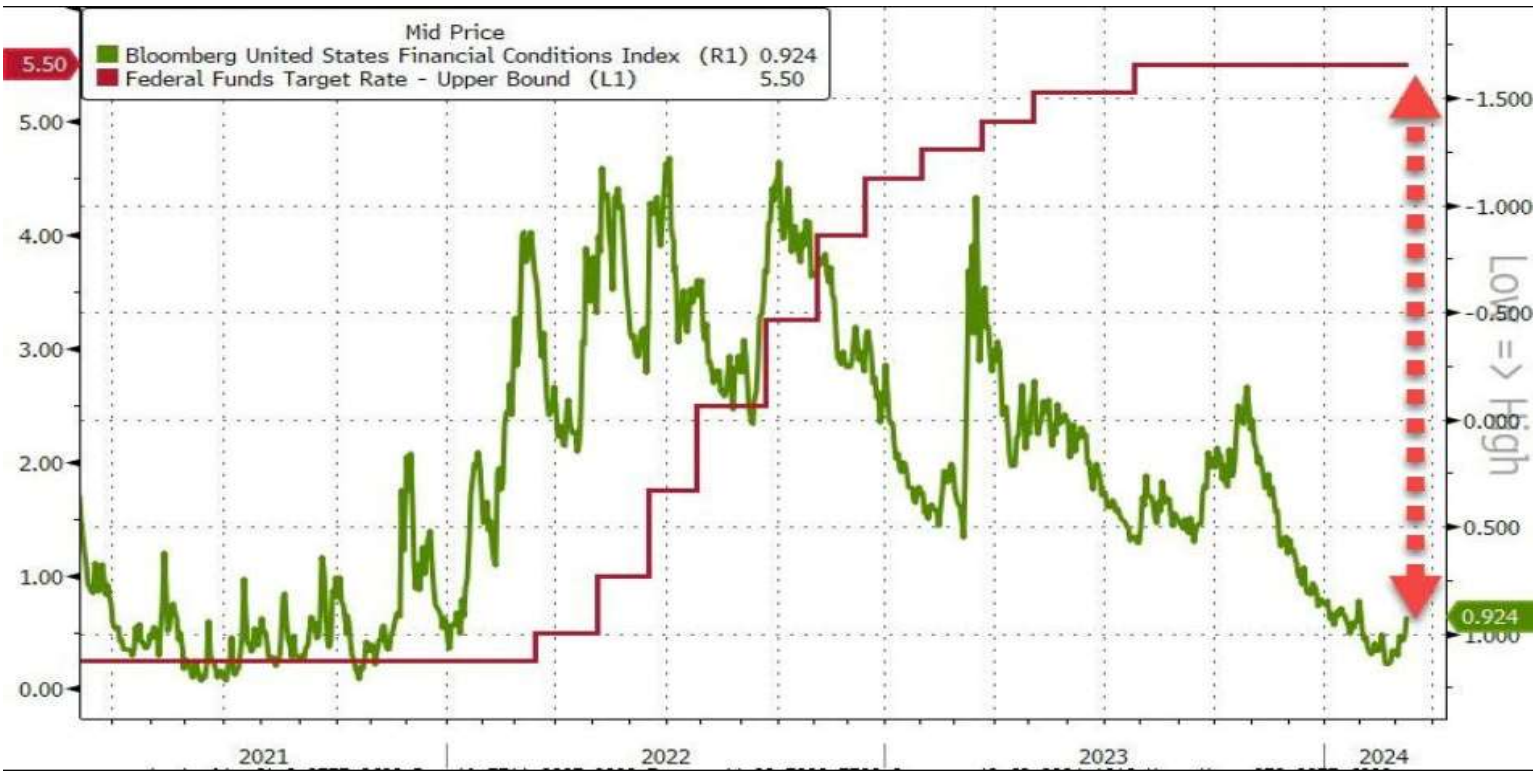
Ahhh yes, the juice is loose again in GME. Recently I have been posting charts here about odd comparisons to 2021, like SPX/SPY:

Powell Engineering Stealth QE Already?

SCOTT MURRAY

.

MAR 13

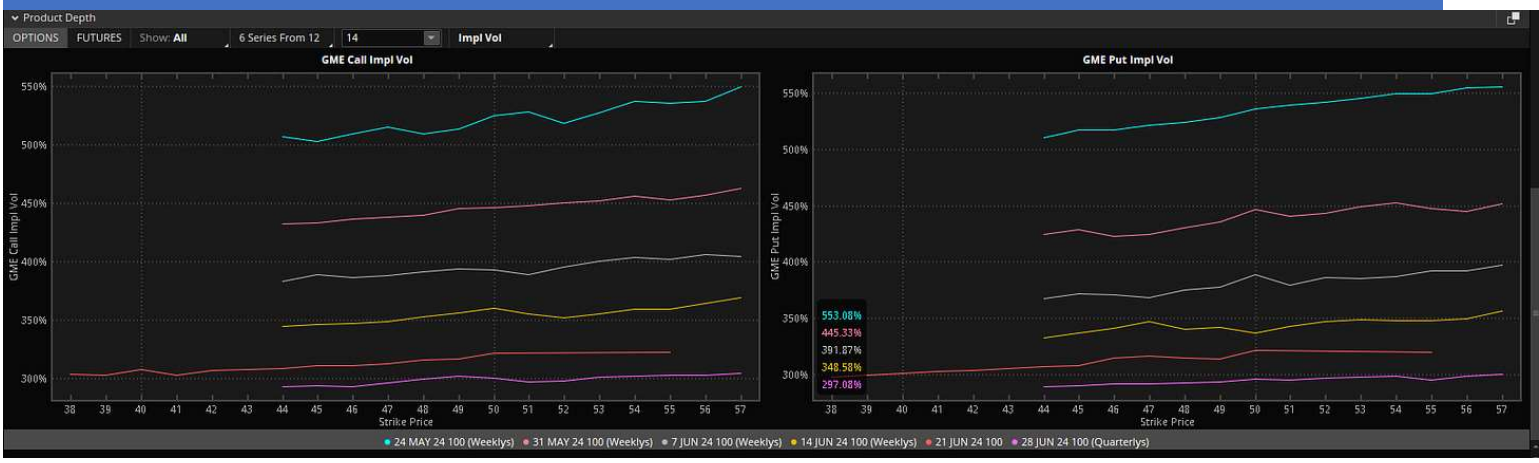


Once again, the articles are making the rounds about financial conditions being so loose as to potentially cause consternation among Fed officials averse to the re-inflammation of inflation: https://www.bloomberg.com/news/newsletters/2024-03-08/odd-lots-newsletter-it-s-time-to-talk-about-looser-financial-conditions?sref=1zxv5xkq

Read full story

Well, I certainly didn't expect looser conditions to revamp the meme stonk phase of easing. By revamp, I mean the Ivol didn't take as long to get fully ripe and juicy as @spotgamma points out:

And the vol surface/term structure, a beautiful mess, clearly affected by short interest:



Inverted and you can see with the put skew, the opposite of a normal situation where implied vol rises at lower strikes. Lots of things going on, the calls, demanded by shorts so they can call you away from your short call in those verticals or a fly spreads or covered calls you put on and get thus get their short covered.

And with borrow rates so high now, then the long put vertical used as a short substitute, buying near and shorting out of the money, affecting the put skew. On top of the fact, if you want to naked short put vol, you want to do it at lower strikes.

So, this presents some nice/cheap opportunities:

GME put diagonal spread

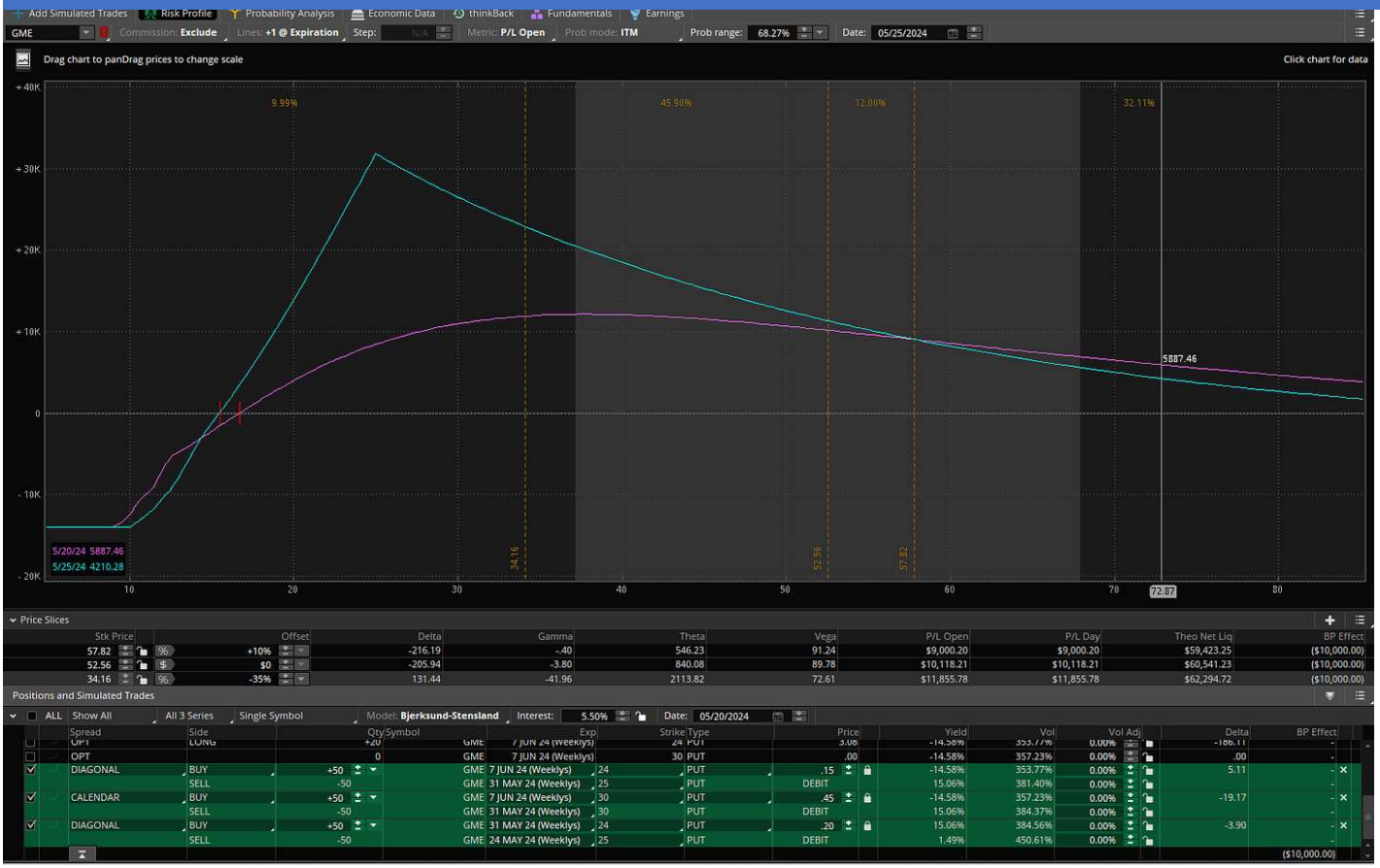
May 24th/31st $25/$24 for .20 (filled)

GME Holiday/Earnings put diagonal spread

May 31st/June 7th $25/$24 for .13-.15 (.13 filled)

GME Holiday/Earnings put calendar spread

May 31st/June 7th $30 strike for .45 (.43 filled)



A P/L chart doesn't get much prettier than that. Keep in mind though, it's based on current Ivol, and if somehow it just churned around 50 for a while as unlikely as that seems, it would deflate.

Now, the 24/31s, you can set them higher, but if post OPEX GME retraces the entire move, and you know it is OPEX call option triggered in the first place, than a 30/29 will sting at $25. Which is why I went with the $25, where it opened yesterday.

Regarding the 31/7s, you can't ask for a better set up. The 31s are during Memorial Day shortened week and the 7s have the earnings release vol. This is a function of the vol surface being so inverted.

Markets Frozen on High Implied Vol

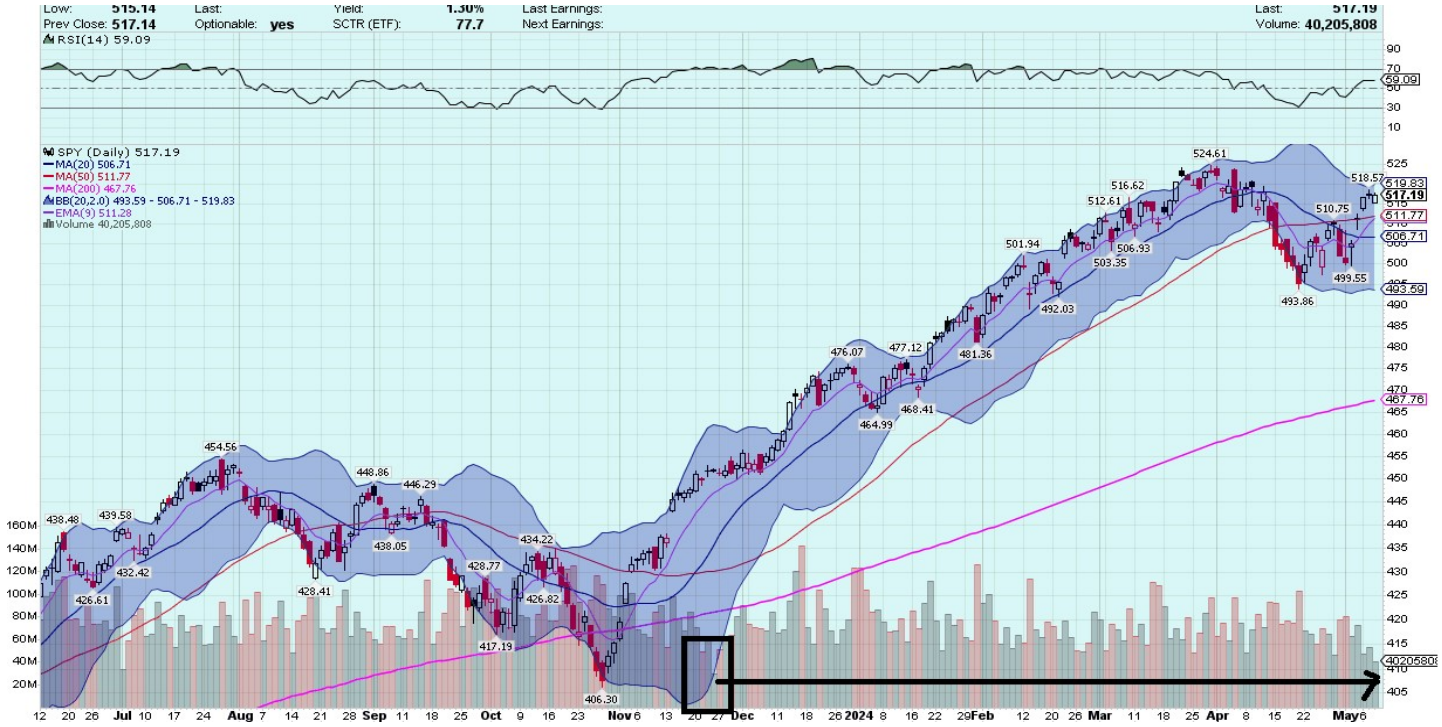
Choose your path trade ideas

VOLATILITY SUMMARY

There's simply too much juice out there for the market to move ahead of the next couple days. I talked out this market behavior tendency into CPI last week:

SPY Volume and Index Premium Continue to Evaporate

MAY 8



SPY today saw the lowest volume since the half day after Thanksgiving, as the Rvol torture chamber dished out more bleed and nothing to see. It was for the most part pointless to be stuck to your screen as markets basically acted like they weren't open by 10:30am on:

Read full story

I really don't think PPI matters a whole lot; whatever it is I suspect it will be forgotten by end of day as the main event approaches and the move mean reverted due to the decent sized implied vol behind it. Some of this implied vol market tractor beam is in the options tomorrow, which at 30 SPX points seems a bit high:

Strike	Bid X	Ask X	Mark	Impl Vol	Net Chng	Volume	Open.Int
							13.91
	May 14th straddles						14.19
5150 / 5145	69.50	75.55	72.525	14.55%	-7.28	36	222
5155 / 5150	67.55	70.95	69.250	16.29%	.44	321	141
5160 / 5155	62.90	63.75	63.325	14.35%	-5.04	136	525
5165 / 5160	58.50	59.55	59.025	14.42%	.03	91	153
5170 / 5165	54.35	55.35	54.850	14.42%	-4.41	94	264
5175 / 5170	50.55	51.40	50.975	14.50%	-4.19	94	814
5180 / 5175	46.85	47.70	47.275	14.51%	-7.55	359	235
5185 / 5180	43.30	44.30	43.800	14.49%	-7.12	89	281
5190 / 5185	40.50	41.10	40.800	14.56%	-6.18	277	355
5195 / 5190	37.50	38.20	37.850	14.46%	-2.30	117	135
5200 / 5195	35.20	35.50	35.350	14.40%	-2.45	430	478
5205 / 5200	33.10	33.50	33.300	14.38%	-1.88	341	281
5210 / 5205	31.30	31.60	31.450	14.24%	-2.70	775	369
5215 / 5210	30.00	30.30	30.150	14.15%	-2.95	1,435	336
5220 / 5215	29.10	29.50	29.300	14.04%	-2.48	2,064	344
5225 / 5220	28.70	29.00	28.850	13.90%	-2.58	2,445	229
5230 / 5225	28.70	29.00	28.850	13.73%	-2.12	3,599	445
5235 / 5230	29.40	29.60	29.500	13.61%	-2.62	1,696	166
5240 / 5235	30.30	30.60	30.450	13.40%	-2.05	1,570	217
5245 / 5240	31.80	32.40	32.100	13.27%	-2.91	545	113
5250 / 5245	33.80	34.40	34.100	13.07%	-.01	271	36
5255 / 5250	36.20	37.00	36.600	12.87%	4.86	112	577
5260 / 5255	39.30	40.20	39.750	12.82%	2.06	35	12
5265 / 5260	42.70	43.70	43.200	12.72%	-2.45	406	44
5270 / 5265	46.50	47.45	46.975	12.63%	3.61	34	26

I think there is a decent chance the market rallies a bit tomorrow and Wednesday on burning put premium fuel, so added a few long call flies:

SPX May 14th long call butterfly spread

Buy 5225 5/14 call

Sell 2x 5550 5/14 call

Buy 5275 5/14 call

Net debit: 5.70-6.10 (6.00 filled) Target: $12

Buy 5230 call

Sell 2x 5260 call

Buy 5290 call

Net debit: 4.90-5.10 (5.00 filled) Target $12-15

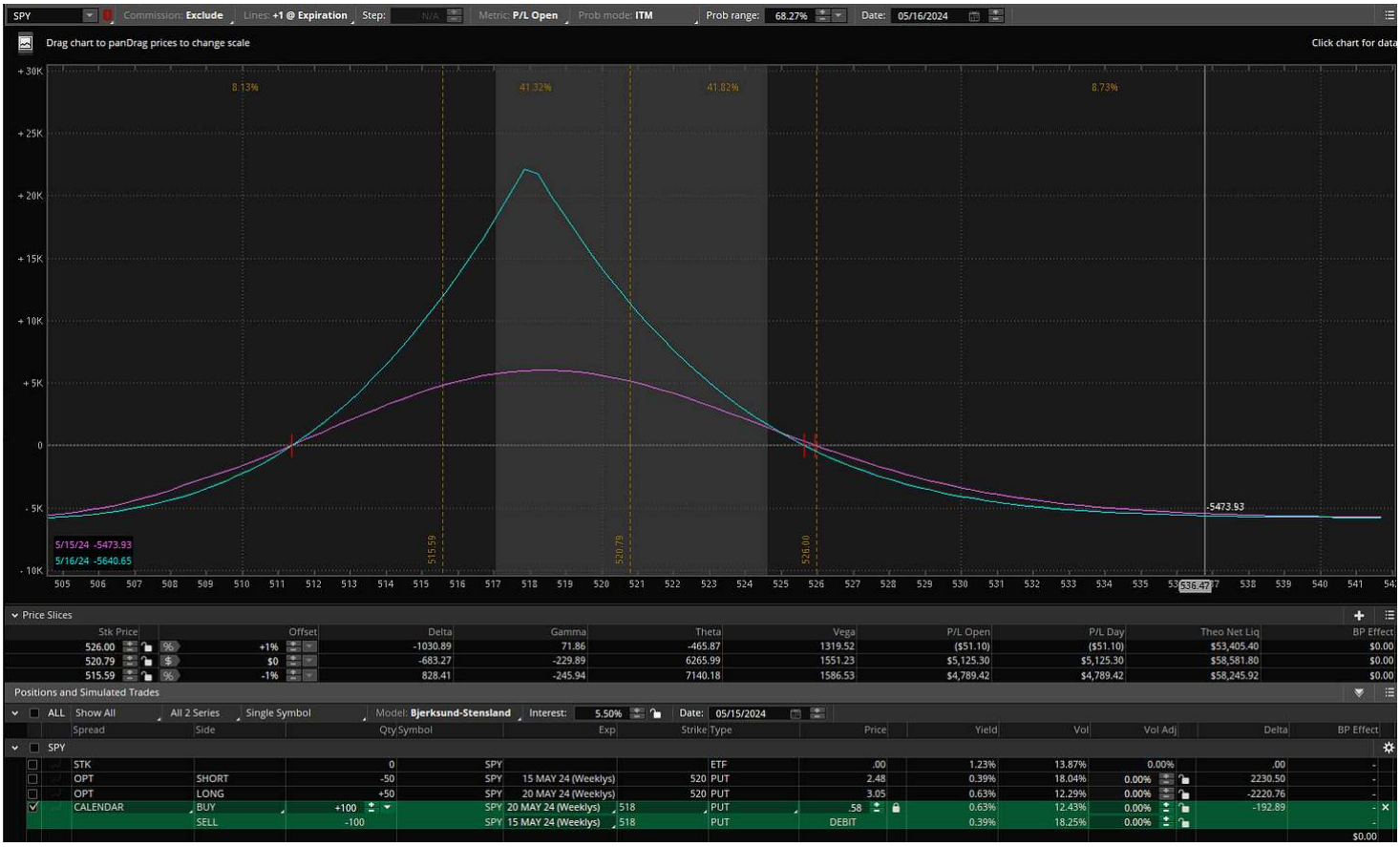
I centered Wednesday's fly right at the all-time high, would that surprise you?

Now if you are inclined to be bearish CPI day, you are in luck. As a reader pointed out (@polan13, great follow) SPX May 15/20 spreads are almost ludicrously cheap. You get jobless claims, OPEX and unclench all for a 5-6 SPX points.

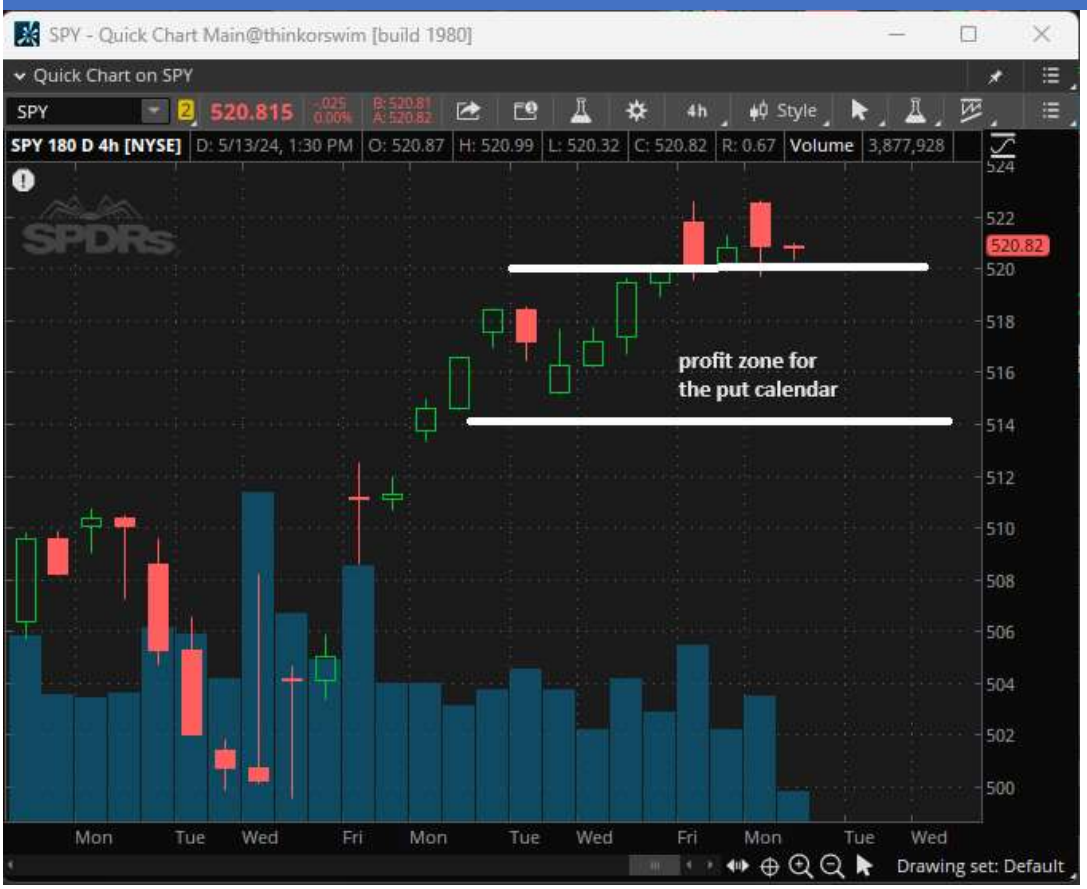
Sell 5200 May 15th put

Buy 5200 May 20th put

Net debit: 5.90-6.20 or SPY 518 puts for .57-.58 (.57 filled) Target $1.25-1.50



A -1% day would treat this quite nicely.



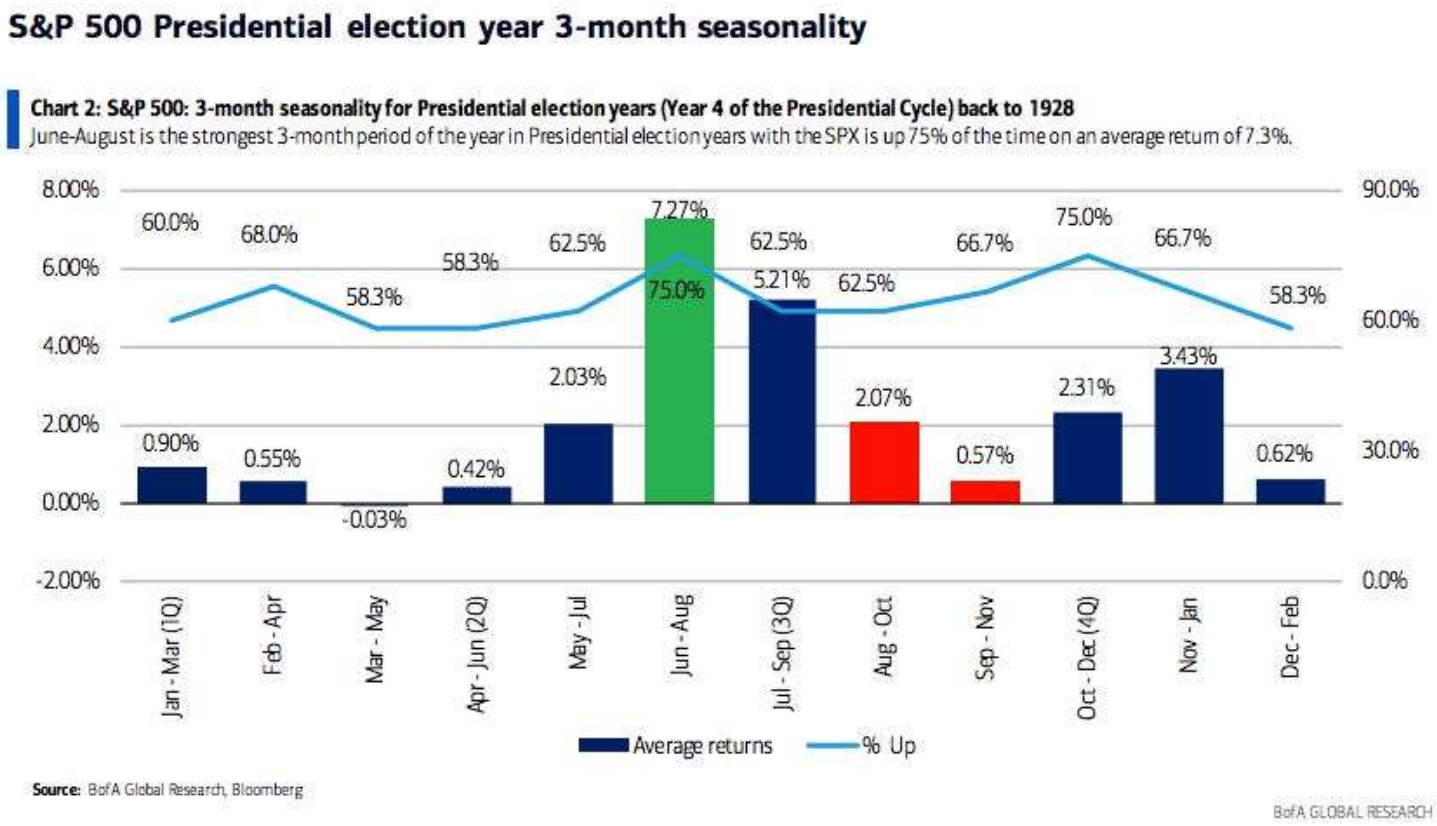
I also get the impression, as I mentioned last week, that if CPI is poor, the summer rally anticipation and short vol mafia will pull out the neuralyzer. I'd like this take to be wrong of course, I'm here for the Rvol as you know.

Summer Rally Cacophony Already at High Volume

What is more automatic than the annual summer ramp?

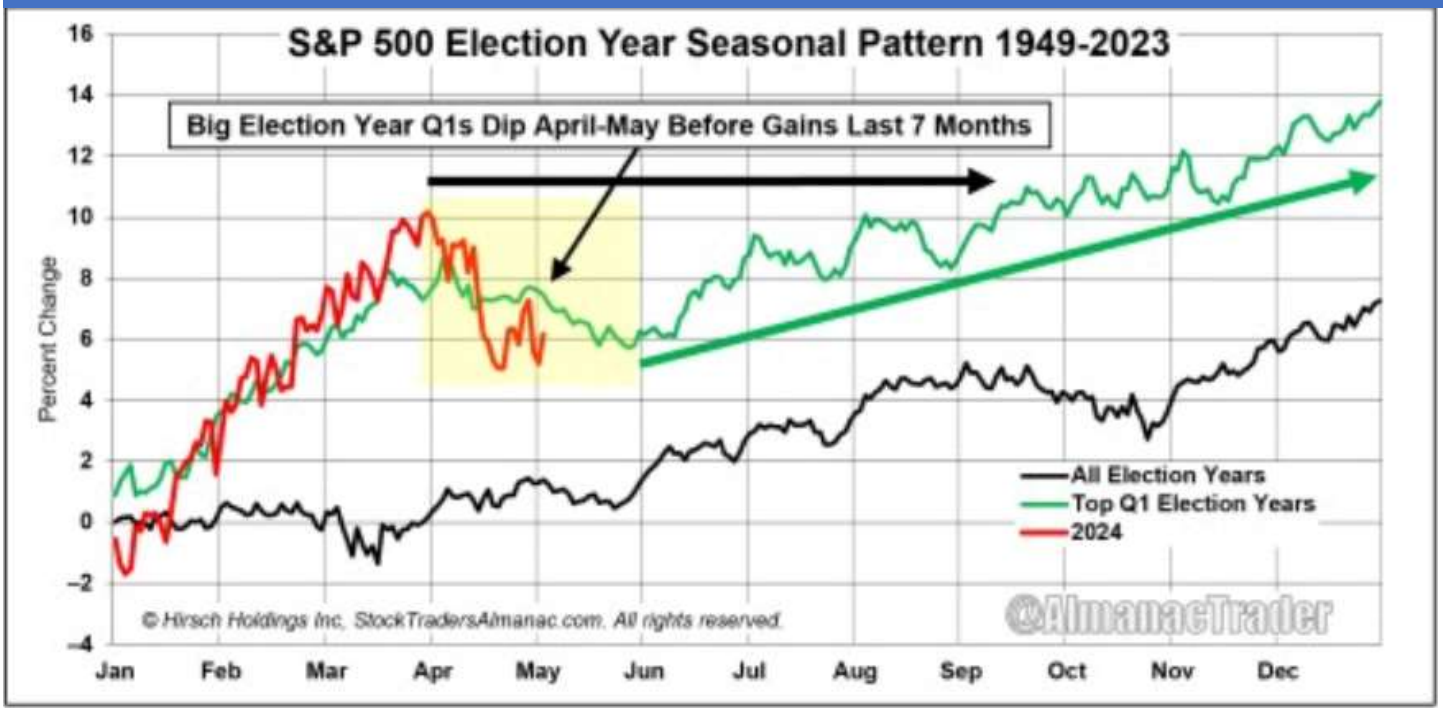
VOLATILITY SUMMARY

The answer to the subtitle: the summer election year summer ramp; via BofA research:



We are back to right tail fear mode, the burgeoning noise around the summer rampathon is blossoming before sell in May even begins. It's like the Santa rally chatter creep, earlier all the time (Expect September this year; twas October last year when the vociferous fin-media echo chamber got rolling).

BofA isn't alone in taking this on, the Almanac Trader was all over this pre-BofA:



https://jeffhirsch.tumblr.com/post/749406510864596993/sp-500-election-year-2024-vs-1968-2012

Here he takes on a derivative of the "If the 1st quarter is great, then the rest of the year is always up" ubiquitous theme, by demonstrating how the summer ramps take a break first before launching the first leg into July 4th. If you want to dig into how this weakness might materialize relative the OPEX cycle, you'll find his analysis here:

https://jeffhirsch.tumblr.com/post/749761199323922432/typical-may-up-early-weak-middle-strong-finish

And of course, the Market Ear and ZH trumpeting the summer theme along with CTAs are buyers in every scenario tripe. It's basically omnipresent already as sentiment and vol set a record time in reversing:

Summertime

Too soon to be talking about July seasonality? NASDAQ up 16 of the last 16 Julys...

Link

May 06 2024 at 08:00

Summer is hot for Apple

Seasonality is rather strong for Apple during the summer months.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
7 Yr Avg	1.29	1.28	3.23	.60	.80	3.06	4.07	5.59	-2.79	2.96	-1.90	.33
2024	-5.72	-6.80	-7.98	3.64	1.01							
2023	4.59	4.90	8.08	1.41	4.20	2.78	-1.78	-2.64	-4.20	1.98	2.12	-2.93
2022	3.89	-2.47	2.10	-1.01	-5.59	.27	8.94	1.03	-3.04	2.75	-8.39	-6.73
2021	.57	-10.45	-3.37	2.26	-5.73	7.52	4.13	1.16	-2.15	-.98	11.27	2.93
2020	5.57	-3.57	6.33	2.53	3.53	12.67	10.43	12.49	-6.59	-3.33	-1.26	7.47
2019	-2.18	1.03	7.77	1.65	-6.61	5.76	6.24	-.21	5.48	8.84	3.90	6.82
2018	-6.33	10.70	-3.20	-1.77	10.68	-1.42	-.78	16.11	-1.25	4.18	-19.84	-2.74
2017	2.93	8.84	4.91	-.91	5.12	-6.17	1.31	10.21	-7.80	7.30	-1.11	-2.48

-19.84 16.11

Source: Callahan/Bloomberg

Link

May 03 2024 at 13:00

Finally, ***don't 'Sell in May, and Go Away" this year,*** according to BofA's technical analysts... **because Presidential election years can see big summer rallies...**

June-August is the second strongest 3-month period of the year for all years going back to 1928 with the SPX up 65% of the time on an average return of 3.2%.

Table 1: S&P 500: 3-month seasonality for Presidential election years and all years back to 1928
Don't sell in May and go away: 3-month period SPX seasonality shows a summer rally.

Months	Year 4 average returns	Average returns for all years	Year 4 vs all years
Jan - Mar (1Q)	0.90%	1.71%	-0.80%
Feb - Apr	0.55%	1.57%	-1.02%
Mar - May	-0.03%	2.03%	-2.06%
Apr - Jun (2Q)	0.42%	2.28%	-1.86%
May - Jul	2.03%	2.27%	-0.24%
Jun - Aug	7.27%	3.20%	4.07%
Jul - Sep (3Q)	5.21%	1.28%	3.93%
Aug - Oct	2.07%	-0.14%	2.21%
Sep - Nov	0.57%	0.43%	0.14%
Oct - Dec (4Q)	2.31%	2.90%	-0.59%
Nov - Jan	3.43%	3.54%	-0.11%
Dec - Feb	0.62%	2.48%	-1.86%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Table 2: S&P 500: 3-month seasonality for Presidential election years and all years back to 1928
Don't sell in May and go away: Seasonality shows the SPX up 75% of the time from June-August.

Months	Year 4 % of time up	% of time up for all years	Year 4 vs all years
Jan - Mar (1Q)	60.00%	60.82%	-0.82%
Feb - Apr	68.00%	67.71%	0.29%
Mar - May	58.33%	61.46%	-3.13%
Apr - Jun (2Q)	58.33%	59.38%	-1.04%
May - Jul	62.50%	63.54%	-1.04%
Jun - Aug	75.00%	64.58%	10.42%
Jul - Sep (3Q)	62.50%	59.38%	3.13%
Aug - Oct	62.50%	54.17%	8.33%
Sep - Nov	66.67%	63.54%	3.13%
Oct - Dec (4Q)	75.00%	73.96%	1.04%
Nov - Jan	66.67%	66.67%	0.00%
Dec - Feb	58.33%	63.54%	-5.21%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

In Presidential election years, the SPX is up 75% of the time from June-August on an average return of 7.3%.

https://www.zerohedge.com/markets/bond-yields-black-gold-bounce-hawkish-fedspeak-hits-stocks

Folks won't wait for June to put more money to work, any CPI/OPEX/unclench dip from here is probably game, because outside of pandemic and rate hike years, lower left to upper right is to your manager a summer truism, not guesswork:

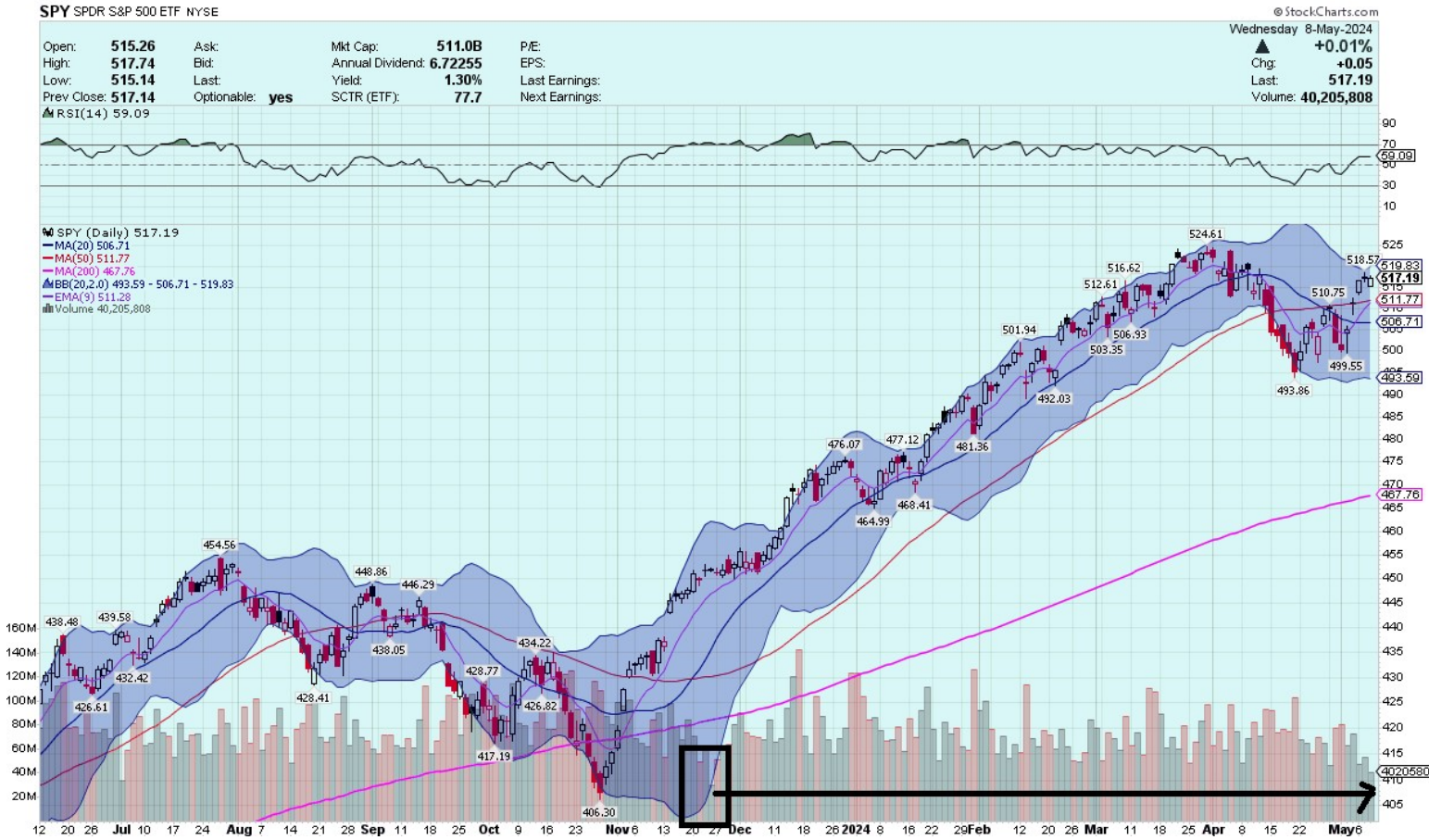
Inflation, Schminflation.

RVol Torture Chamber – More CPI Trades

CPI/SPX Adjusting trades- Try hard not to bleed

VOLATILITY SUMMARY

SPY today saw the lowest volume since the half day after Thanksgiving, as the Rvol torture chamber dished out more bleed and nothing to see. It was for the most part pointless to be stuck to your screen as markets basically acted like they weren't open by 10:30am on:



That short-lived morning dip is so typical of this part of the OPEX cycle, now you see it, now you don't. The main thing that will free markets up is to get closer to PPI/CPI/OPEX, meaning enough premium has been incinerated, unclenching price.

Back in April before CPI/PPI, things were stuck for a few days, hovering around 5200 on low volume April 8th, and then out of nowhere on April 9th, the Tuesday before CPI saw an

interesting reversal move just after the open, as vol had been decimated to a point where they made sense to own naked or via spreads (a 30pt wide butterfly like 5190/5160/5130 was only a little over $3):

April 9th puts on April 8th close

9 APR 24		5140	.45 C	.55 C	9.94%	1,835	931
9 APR 24		5145	.60 C	.70 C	9.77%	1,169	576
9 APR 24		5150	.80 C	.90 C	9.61%	1,089	3,105
9 APR 24		5155	1.10 C	1.15 C	9.48%	975	662
9 APR 24		5160	1.40 C	1.50 C	9.31%	1,812	586
9 APR 24		5165	1.85 C	1.95 C	9.18%	988	477
9 APR 24		5170	2.35 C	2.45 C	8.97%	2,212	318
9 APR 24		5175	3.00 C	3.10 C	8.78%	1,636	1,966
9 APR 24		5180	3.80 C	4.00 C	8.63%	1,678	788
9 APR 24		5185	4.80 C	4.90 C	8.39%	2,022	327
9 APR 24	only 9 points	5190	5.90 C	6.10 C	8.13%	1,344	387
9 APR 24		5195	7.30 C	7.50 C	7.87%	938	267
9 APR 24		5200	8.90 C	9.10 C	7.53%	2,142	2,091
9 APR 24		5205	10.70 C	11.00 C	7.13%	1,314	543
9 APR 24		5210	12.90 C	13.10 C	6.64%	2,367	700
9 APR 24		5215	15.40 C	15.70 C	6.06%	702	458
9 APR 24		5220	18.30 C	19.90 C	5.84%	402	677
9 APR 24		5225	21.40 C	23.50 C	--	300	372
9 APR 24		5230	24.80 C	27.20 C	--	106	238
9 APR 24		5235	28.10 C	30.60 C	--	49	158
9 APR 24		5240	33.00 C	34.80 C	--	137	1,154
9 APR 24		5245	36.80 C	39.30 C	--	26	142
9 APR 24		5250	41.40 C	43.90 C	--	282	906
9 APR 24		5255	46.10 C	48.70 C	--	125	221
9 APR 24		5260	50.90 C	53.60 C	--	14	222

Now, I harp on this repetitively; event vol now gets mercilessly crushed before the event, and the CPI straddles two days before had already fallen to less than a 1% implied move:

5202.53		-1.81	5153.34		5266.38	0 x 0	0	5211.37	

Option Chain | Filter: **Off** | Spread: **Straddle** | Layout: **Impl Vol, Volume, Open Interest**

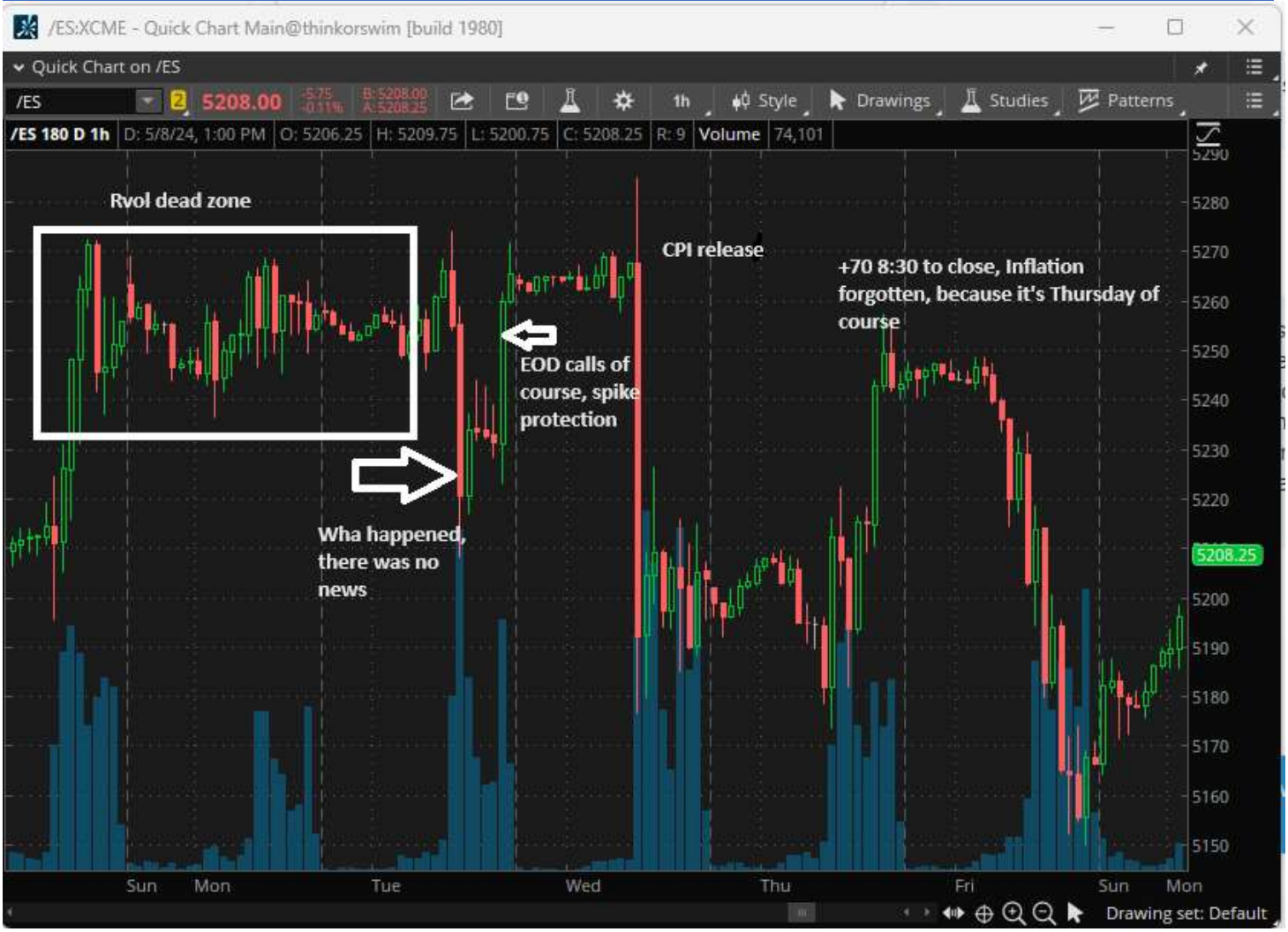
Strikes: 25

CALLS							
Impl Vol	Volume	Open.Int	Bid X	Ask X	Strike	Bid X	Ask X
8 APR 24 (0) 100 **(Weeklys)**							
9 APR 24 (1) 100 **(Weeklys)**							
10 APR 24 (2) 100 **(Weeklys)**							
15.02%	3	72	71.50	75.40	5145 / 5145	71.50	75.40
15.06%	9	1,543	68.60	72.50	5150 / 5150	68.60	72.50
15.00%	6	86	65.70	69.50	5155 / 5155	65.70	69.50
14.85%	8	155	63.20	66.00	5160 / 5160	63.20	66.00
14.90%	2	84	60.60	64.20	5165 / 5165	60.60	64.20
14.85%	3	290	58.40	61.90	5170 / 5170	58.40	61.90
14.50%	29	1,134	55.70	58.70	5175 / 5175	55.70	58.70
14.54%	226	428	55.40	56.10	5180 / 5180	55.40	56.10
14.46%	45	143	53.80	54.50	5185 / 5185	53.80	54.50
14.37%	37	936	52.50	53.20	5190 / 5190	52.50	53.20
14.27%	51	234	51.40	52.10	5195 / 5195	51.40	52.10
14.17%	161	2,097	50.70	51.30	5200 / 5200	50.70	51.30
14.06%	131	382	50.20	50.80	5205 / 5205	50.20	50.80
13.96%	160	623	50.00	50.70	5210 / 5210	50.00	50.70
13.87%	142	333	50.20	50.90	5215 / 5215	50.20	50.90
13.77%	58	237	50.70	51.40	5220 / 5220	50.70	51.40
13.64%	185	518	51.40	52.20	5225 / 5225	51.40	52.20
13.51%	59	139	52.50	53.20	5230 / 5230	52.50	53.20
13.38%	52	329	53.90	54.60	5235 / 5235	53.90	54.60
13.39%	10	97	54.40	58.40	5240 / 5240	54.40	58.40
13.13%	26	173	55.50	60.60	5245 / 5245	55.50	60.60
12.96%	86	555	57.60	63.00	5250 / 5250	57.60	63.00
13.00%	3	64	60.50	66.30	5255 / 5255	60.50	66.30
12.81%	1	193	63.20	69.20	5260 / 5260	63.20	69.20
12.70%	0	69	66.50	72.40	5265 / 5265	66.50	72.40
11 APR 24 (3) 100 **(Weeklys)**							

CPI straddle prices on Monday the 8th close, two days before the release

implying a less than 1% move

And it is this vol decimation that frees price up, which is precisely what it did on the 9th and 10th:



So, the question is, are vols yet crushed enough to unclench price? Probably not quite yet, we are a couple days from 50 point SPX straddles:

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

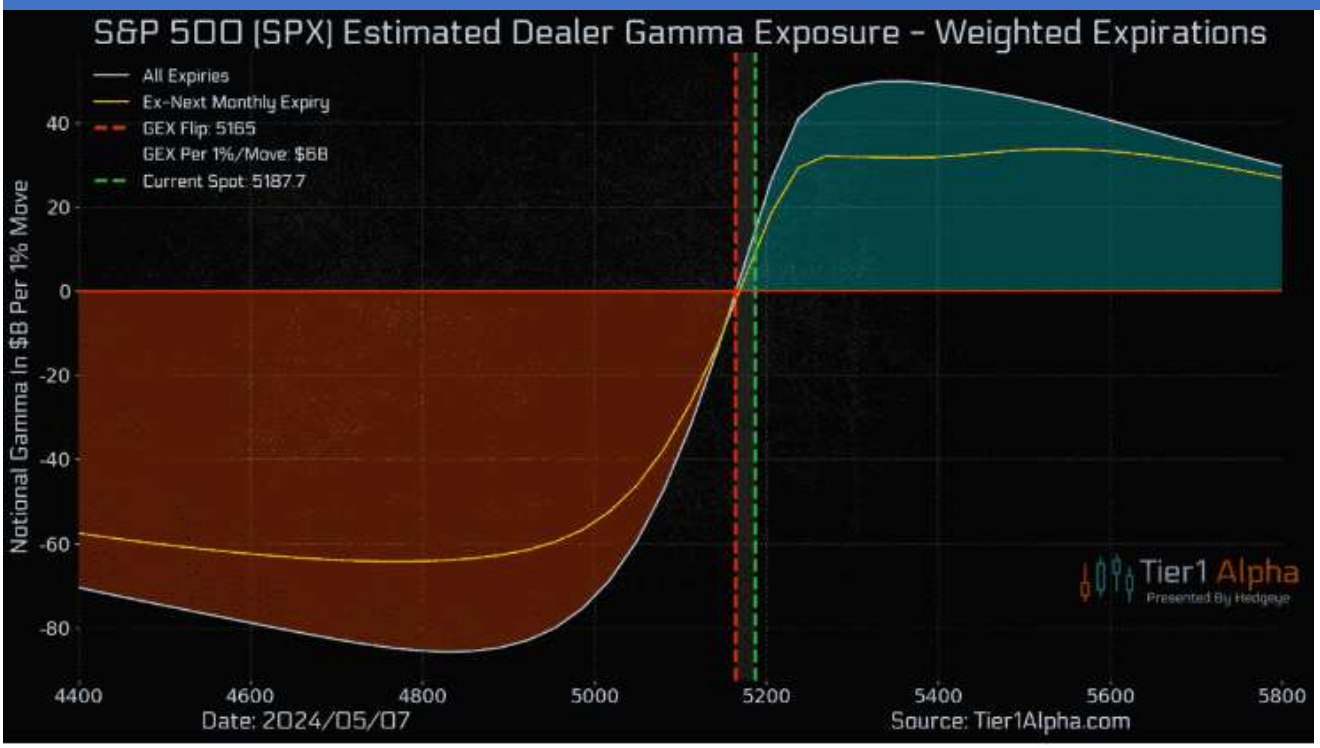
CALLS | Strikes: 8

Mark	Last X	Net ...	%Ch...	Impl...	Delta	Gam...	Volu...	Ope...	Bid X	Ask X	Strike	Bid X	Ask X	Mark	Last X	Net ...
9 MAY 24 (1) 100 (Weeklys) POS																
10 MAY 24 (2) 100 (Weeklys)																
35.450	34.80	-10.01	-22.34%	10.91%	.31	.02	894	783	35.00	35.90	5170 / 5170	35.00	35.90	35.450	34.80	-10.01
33.750	33.83	-8.98	-20.98%	10.77%	.22	.02	1,155	1,372	33.40	34.10	5175 / 5175	33.40	34.10	33.750	33.83	-8.98
32.500	32.60	-7.70	-19.11%	10.63%	.13	.02	1,288	684	32.10	32.90	5180 / 5180	32.10	32.90	32.500	32.60	-7.70
31.850	31.75	-8.68	-21.47%	10.53%	.03	.02	1,064	411	31.40	32.30	5185 / 5185	31.40	32.30	31.850	31.75	-8.68
31.550	31.75	-8.30	-20.72%	10.39%	-.07	.02	1,002	475	31.10	32.00	5190 / 5190	31.10	32.00	31.550	31.75	-8.30
31.800	31.60	-8.08	-20.36%	10.25%	-.17	.02	430	343	31.40	32.20	5195 / 5195	31.40	32.20	31.800	31.60	-8.08
32.600	33.02	-6.72	-16.91%	10.13%	-.28	.02	3,651	1,921	32.20	33.00	5200 / 5200	32.20	33.00	32.600	33.02	-6.72
33.800	34.40	-7.20	-17.31%	9.96%	-.38	.02	146	140	33.40	34.20	5205 / 5205	33.40	34.20	33.800	34.40	-7.20
13 MAY 24 (5) 100 (Weeklys) POS																
43.850	46.65	-4.86	-9.44%	8.66%	.26	.01	111	268	43.20	44.50	5170 / 5170	43.20	44.50	43.850	46.65	-4.86
42.400	44.30	-6.77	-13.26%	8.58%	.19	.01	627	253	41.70	43.10	5175 / 5175	41.70	43.10	42.400	44.30	-6.77
41.250	43.60	-5.77	-11.69%	8.49%	.11	.02	293	220	40.60	41.90	5180 / 5180	40.60	41.90	41.250	43.60	-5.77
40.600	41.30	-6.74	-14.03%	8.43%	.04	.02	272	129	40.00	41.20	5185 / 5185	40.00	41.20	40.600	41.30	-6.74
40.300	39.90	-7.88	-16.49%	8.35%	-.04	.02	191	101	39.70	40.90	5190 / 5190	39.70	40.90	40.300	39.90	-7.88
40.250	39.85	-7.10	-15.12%	8.25%	-.12	.02	82	102	39.50	41.00	5195 / 5195	39.50	41.00	40.250	39.85	-7.10
40.800	37.60	-10.20	-21.34%	8.19%	-.20	.02	192	758	40.20	41.40	5200 / 5200	40.20	41.40	40.800	37.60	-10.20
41.600	41.82	-3.68	-8.09%	8.09%	-.28	.02	191	60	40.80	42.40	5205 / 5205	40.80	42.40	41.600	41.82	-3.68
14 MAY 24 (6) 100 (Weeklys) POS																
53.050	53.70	-7.08	-11.65%	9.72%	.22	.01	100	132	52.20	53.90	5170 / 5170	52.20	53.90	53.050	53.70	-7.08
51.800	50.42	-7.93	-13.59%	9.65%	.16	.01	80	147	51.20	52.40	5175 / 5175	51.20	52.40	51.800	50.42	-7.93
50.850	53.91	-1.46	-2.64%	9.58%	.09	.01	122	92	50.20	51.50	5180 / 5180	50.20	51.50	50.850	53.91	-1.46
50.150	52.88	-4.02	-7.07%	9.50%	.03	.01	221	79	49.50	50.80	5185 / 5185	49.50	50.80	50.150	52.88	-4.02
49.850	47.98	-6.92	-12.60%	9.43%	-.03	.01	97	256	49.20	50.50	5190 / 5190	49.20	50.50	49.850	47.98	-6.92
49.850	49.05	-8.38	-14.59%	9.36%	-.10	.01	86	85	49.20	50.50	5195 / 5195	49.20	50.50	49.850	49.05	-8.38
50.150	50.89	-6.33	-11.06%	9.29%	-.16	.01	144	612	49.60	50.70	5200 / 5200	49.60	50.70	50.150	50.89	-6.33
50.750	48.67	-7.24	-12.95%	9.21%	-.23	.01	71	10	49.90	51.60	5205 / 5205	49.90	51.60	50.750	48.67	-7.24
15 MAY 24 (7) 100 (Weeklys) POS																
69.100	72.33	-2.88	-3.83%	11.90%	.16	.01	46	96	68.50	69.70	5170 / 5170	68.50	69.70	69.100	72.33	-2.88
68.150	70.45	-1.85	-2.56%	11.84%	.12	.01	412	84	67.50	68.80	5175 / 5175	67.50	68.80	68.150	70.45	-1.85
67.350	68.05	-3.14	-4.41%	11.78%	.07	.01	198	164	66.70	68.00	5180 / 5180	66.70	68.00	67.350	68.05	-3.14
66.800	67.20	-4.00	-5.62%	11.71%	.03	.01	134	80	66.20	67.40	5185 / 5185	66.20	67.40	66.800	67.20	-4.00
66.550	67.70	-3.95	-5.51%	11.66%	-.02	.01	462	289	66.00	67.10	5190 / 5190	66.00	67.10	66.550	67.70	-3.95
66.400	64.50	-6.50	-9.15%	11.58%	-.07	.01	62	42	65.80	67.00	5195 / 5195	65.80	67.00	66.400	64.50	-6.50
66.600	66.43	-8.07	-10.83%	11.52%	-.12	.01	643	76	66.00	67.20	5200 / 5200	66.00	67.20	66.600	66.43	-8.07
67.050	64.44	-5.31	-7.61%	11.46%	-.17	.01	129	39	66.40	67.70	5205 / 5205	66.40	67.70	67.050	64.44	-5.31

SPX Straddle surface

A bit more bleed to go to get to April prices

Anyone with May OPEX puts/spreads and watching them slowly die is downside resistance; when they are monetized on dips the corresponding dealer positioning (who was essentially short the index with you) is a buyer of futures. One thing to keep in mind though, is that the gamma flip point is not far away if, like on April 9th, things unclench:



So, while I don't expect any material vol (I'd love to be surprised Thursday or Friday and be wrong) in the next couple days, late Monday into Tuesday bears watching. PPI is making a rare appearance before CPI this month, which might get things moving.

In the meantime, still moving higher with spreads, along with the cheap diagonal yesterday, I added some more 14/15 calendar spreads:

PPI/CPI SPX call calendar spread

Sell 5150 Apr 14th call

Buy 5150 Apr 15th call

Net debit: 7-7.50 (7.05 and 7.20 filled) - Target $12-15

CPI/OPEX call calendar spread

Sell Apr 15th 5145 call

Buy Apr 16th 5145 call

Net debit: 3.15 (filled) 3.30- Target $5-6

The one day 14/15 spreads had a wide zone of $10-22 back before April CPI:

Option Chain | Filter: Off | Spread: Calendar | Layout: Impl Vol, Volume, Open Interest

9 APR 24/10 APR 24 (0/1) 100 (Weeklys)

Strikes: 30

CALLS					Strike	Bid X
Impl Vol	Volume	Open.Int	Bid X	Ask X		
--	2	66	3.70	7.00	5125 / 5125	4.05
--	15	80	4.50	7.70	5130 / 5130	4.75
--	15	53	5.30	8.40	5135 / 5135	5.55
--	20	91	6.70	9.30	5140 / 5140	6.55
--	16	70	7.70	10.30	5145 / 5145	7.55
--	84	1,132	8.90	11.40	5150 / 5150	8.65
--	53	92	10.70	12.30	5155 / 5155	9.85
--	136	158	11.60	13.10	5160 / 5160	11.15
--	131	78	13.10	14.70	5165 / 5165	12.65
--	204	150	15.20	16.20	5170 / 5170	14.20
--	252	803	16.90	17.90	5175 / 5175	15.90
--	347	514	18.70	19.60	5180 / 5180	17.60
--	445	158	20.40	21.30	5185 / 5185	19.30
11.09%	511	504	21.80	22.50	5190 / 5190	20.60
10.78%	495	258	22.60	22.90	5195 / 5195	21.10
10.56%	712	3,198	21.80	22.05	5200 / 5200	20.40
10.49%	808	532	20.00	20.30	5205 / 5205	18.20
10.50%	824	1,715	17.85	18.10	5210 / 5210	16.30
10.68%	236	962	15.60	15.95	5215 / 5215	13.90
10.65%	777	553	13.65	13.90	5220 / 5220	11.90
10.93%	1,629	1,773	11.75	12.00	5225 / 5225	10.00
11.22%	813	514	10.05	10.30	5230 / 5230	8.20
11.52%	626	815	8.55	8.80	5235 / 5235	6.10
11.78%	1,786	1,382	7.15	7.40	5240 / 5240	4.60
12.04%	582	848	5.95	6.10	5245 / 5245	3.80
12.32%	4,015	3,797	4.85	5.10	5250 / 5250	2.40
12.58%	441	665	3.95	4.10	5255 / 5255	1.40
12.84%	420	1,360	3.15	3.30	5260 / 5260	.60
13.12%	398	1,884	2.50	2.65	5265 / 5265	-.30
13.42%	1,007	923	1.95	2.15	5270 / 5270	-.80

CPI call calendar spreads on Apr 9th at the close

The 15/16 equivalent April spreads were over $6 in a wide swath before CPI day on April 9th:

Option Chain | Filter: Off | Spread: Calendar | Layout: Impl Vol, Volume, Open Interest

Strikes: 30

CALLS						
Impl Vol	Volume	Open.Int	Bid X	Ask X	Strike	Bid X
9 APR 24/10 APR 24 (0/1) 100 (Weeklys)						
10 APR 24/11 APR 24 (1/2) 100 (Weeklys)						
18.14%	0	75	4.50	8.30	5125 / 5125	3.20
18.07%	7	79	4.60	8.40	5130 / 5130	3.40
18.08%	1	54	4.80	8.50	5135 / 5135	3.50
18.11%	1	45	4.80	8.40	5140 / 5140	3.50
18.12%	7	37	5.00	8.30	5145 / 5145	3.60
17.89%	25	1,537	5.40	7.10	5150 / 5150	3.70
17.94%	53	34	5.20	6.80	5155 / 5155	3.80
17.93%	22	94	5.60	6.60	5160 / 5160	3.70
17.86%	32	27	5.60	6.50	5165 / 5165	3.70
17.74%	51	274	5.70	6.30	5170 / 5170	3.80
17.63%	45	71	5.80	6.30	5175 / 5175	3.80
17.52%	27	143	5.80	6.30	5180 / 5180	3.80
17.43%	17	49	5.70	6.40	5185 / 5185	3.70
17.30%	76	130	5.80	6.30	5190 / 5190	3.80
17.16%	36	93	5.70	6.20	5195 / 5195	3.70
17.01%	128	2,812	5.70	6.20	5200 / 5200	3.70
16.88%	19	221	5.70	6.10	5205 / 5205	3.60
16.72%	52	277	5.60	6.10	5210 / 5210	3.40
16.56%	55	241	5.50	5.90	5215 / 5215	3.30
16.39%	46	243	5.30	5.80	5220 / 5220	3.20
16.24%	34	528	5.10	5.60	5225 / 5225	3.00
16.07%	65	276	4.90	5.30	5230 / 5230	2.60
15.91%	70	164	4.80	5.20	5235 / 5235	2.20
15.71%	96	363	4.50	4.90	5240 / 5240	.80
15.56%	238	409	4.20	4.60	5245 / 5245	.60
15.39%	160	2,289	3.90	4.20	5250 / 5250	-.70
15.23%	50	251	3.60	4.00	5255 / 5255	-.40
15.08%	73	1,360	3.30	3.50	5260 / 5260	-1.60
14.96%	31	464	2.95	3.25	5265 / 5265	-1.90
14.81%	74	385	2.60	2.90	5270 / 5270	-2.30

CPI day call calendar spreads on Apr 9th at 4pm

May 8th note:

RVol Torture Chamber

Try hard not to bleed

I suggested last week, that markets had navigated some heavy chop and we were entering that part of the OPEX cycle where realized vol often withers. Last year, May was an utter snoozefest until closer to OPEX:

And if you look even closer at an hourly chart, it was simply a waste of time staring at your screen:

So 'What now?' as Butch Coolidge asked Marcellus Wallace in Pulp Fiction. I don't have a clear cut Marcellus "I'll tell you what now" answer sadly.

I'll tell you what doesn't work in times like this. Being endlessly bearish and bleeding to death every day waiting for the great awakening. (That was the old me; common sense and valuations don't matter in a double-barreled, government fueled everything bubble.)

Yet, I did one trade today:

SPX CPI put diagonal spread:

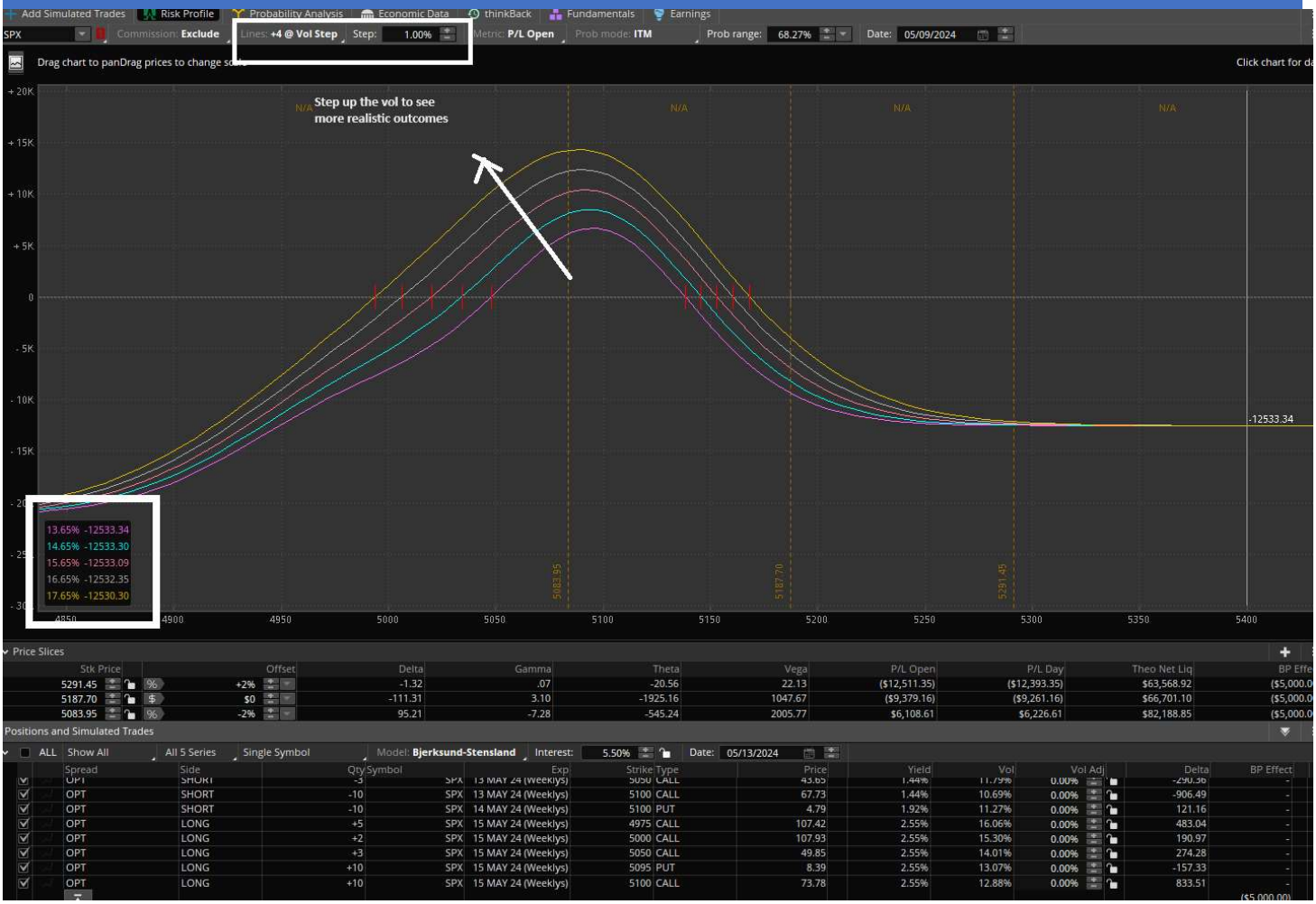
Sell 5100 March 14th put

Buy 5095 March 15th put

Net debit: 3.60 (filled) - 3.75.

This is what a vol suck looks like, a vol tent deflategate:

But these platforms can't capture events and implied vol. (If you manage mostly on greeks-based adjusting, you're probably in for frequent pain.) If you look at this from the perspective of vol tiers, it takes on a much different look:



But, don't be surprised if vol drains even more, the 15th CPI straddle is still 70pts:

Let's see how the 1pm treasury auction goes tomorrow. If the market is tip-toeing through the tulips on low implied, maybe we can see some put sweepers take the market down a few pegs. But, I won't be waiting with bated breath.

May 3rd note:
Embrace the Stupidity

All is clear again - Vol vacuum next week?

SCOTT MURRAY
MAY 03, 2024
6

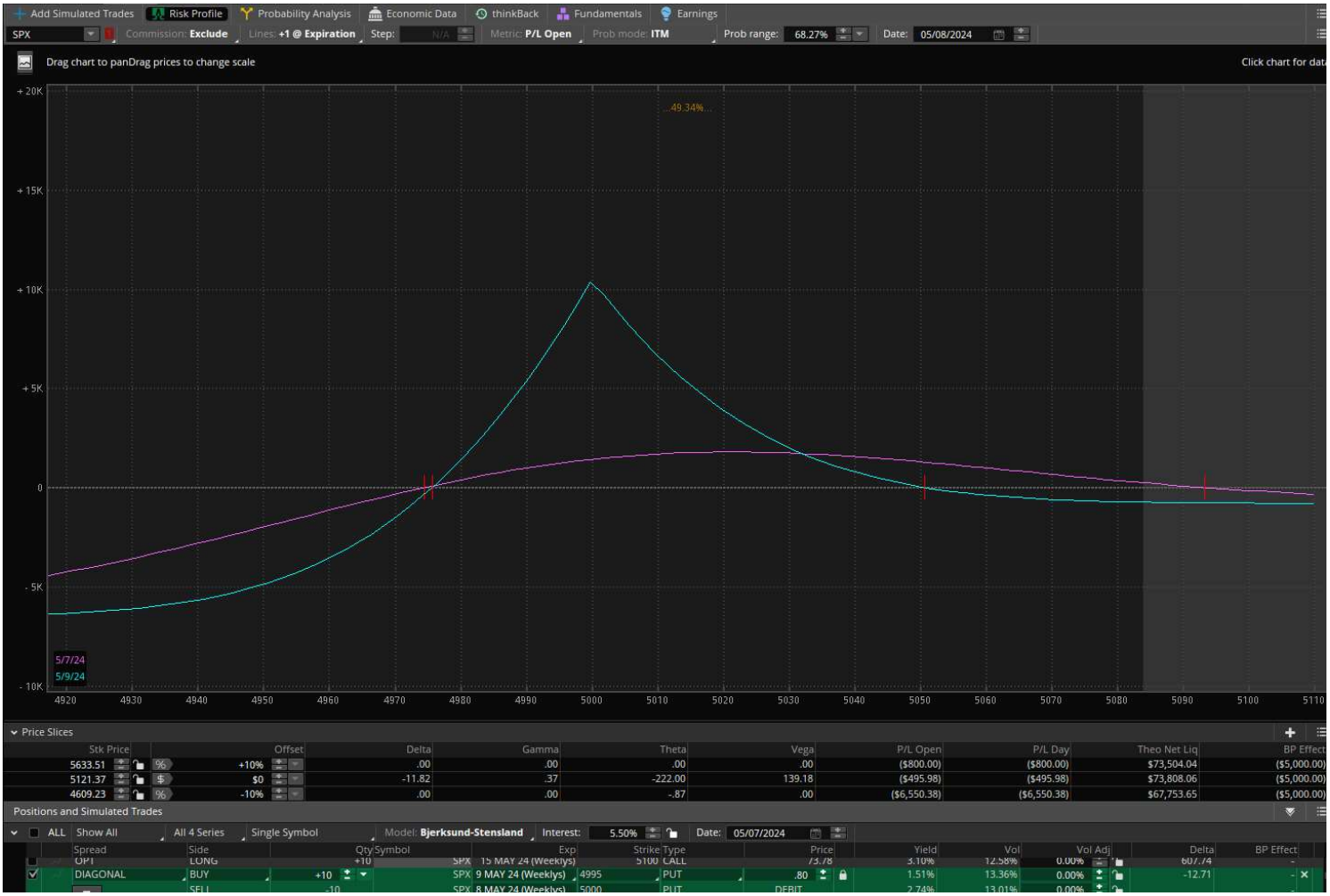
Share

It shouldn't annoy you, that you just heard folks talking about hikes yesterday (pure nonsense), after talking about Jay's dovishness (if you know me you know that is just the finmedia FCI pushback cycle of refuse), and now are talking about how comfy things are. This moronic flip-floppery is fuel for our long vol QE. (Make sure you include your neighbor, the lazy PM vol tourist on your Xmas card list along with the mail carrier, he's paying you after all with client money.)

But after a lot of heavy chop, markets like to take a break on low volume (less required gamma hedging) and thus we may be entering a few days where not a lot happens. The 10-yr auction next Wednesday might be something or it might be nothing. (I really think this year is going to be a flat year for lazy bond managers, so expect tee times to be hard to get and the 19th hole bar to be full all summer.)

So after all the homemade easing recently, a respite might be in order. Get ready for the Cem water vanna queen emojis.

It should be noted that the Wednesday vol surface pricing is still an odd phenomena on the short-term vol surface, and if Monday opens up or flat, I will look at trades like this SPX diagonal spread:



It's only .8 SPX points. The risk being a largish tank between now and then. Wednesday is now a real vixpiration every week (folks don't realize that vix weeklies do legit volume and it matters) and it injects a wrinkle into the vol surface, such that selling Wednesday and owning Thursday vol often comes in handy.

I wrote about that again recently:

What Is it About Wobbly Wednesdays?

SCOTT MURRAY

.

APR 4

Back in December, you may recall a sleepy Wednesday afternoon after quarterly opex… Twas vixpiration and the stockings were full of NVDA/AMD/META leap calls when out of nowhere while folks were already 3 nogs in, this happened: The 'wha happened' fincom, being a reference to the great

Read full story

So, enjoy your well earned DASH/Fed/NFP QE and try to wiggle into a recently vacated bar seat to listen to the lazy donkeys talk about inflation. (Which means you have your earbuds in and nod and smile. Just don't tap his bumper on the way out of the parking lot, auto insurance-flation is +22% YOY.)

Are You Not Entertained?

Welcome to the New Vol Regime -DASH Trashed

VOLATILITY SUMMARY

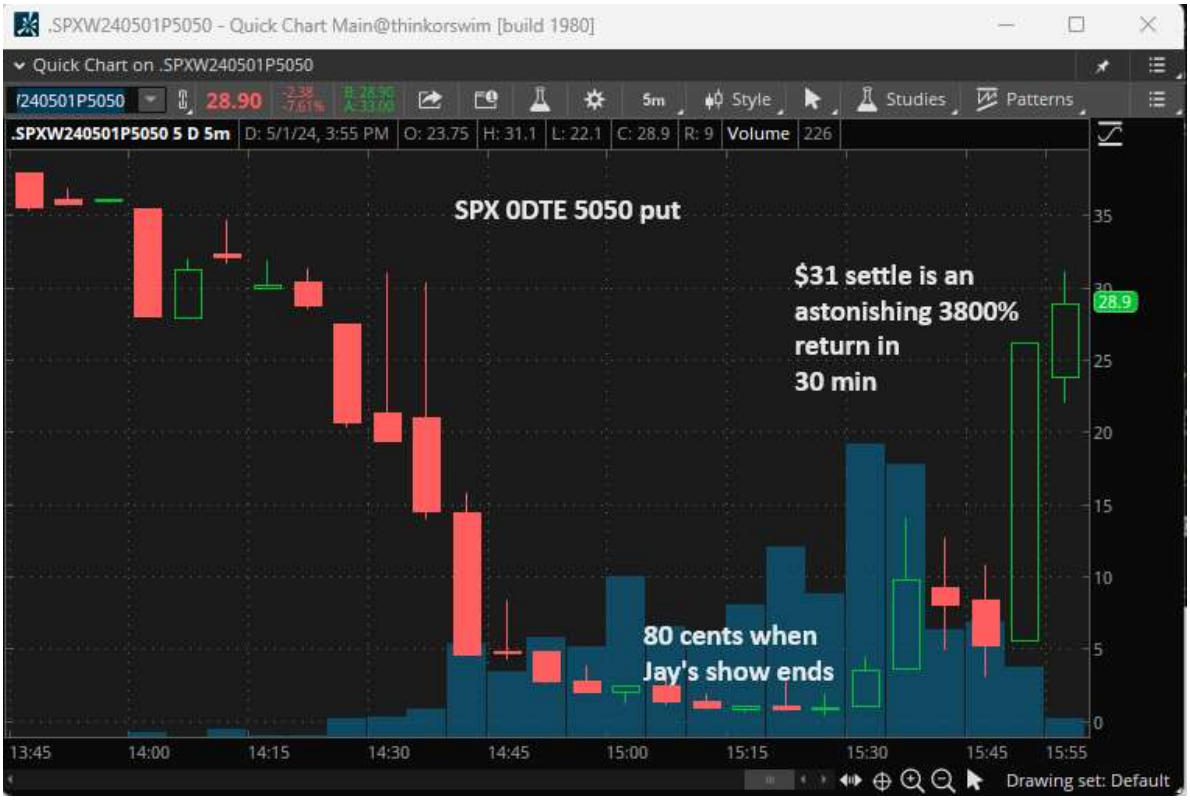
Welcome back old friend, two-sided price action. Sure, is it running on inflated 0DTE fuel (0QE as I now like to call it; if not from Jay, you print your own..), but does it matter?

This chart will continue to be cited now, you can bet on that. And, why not, literally everybody is a trend bot these days, mindless. And call smashers are sitting on SPX like:

If the trend is up, smash puts, when down smash calls, right? Vol smash agnosticism.

0DTE naked call and put buyers had an absolute blast today. Let's say you anticipated the usual dovish Jay, and the put burn fuel associated spike, your 0QE printer was cranking:

Then you could have expected Christie sitting on the trend line with smashed calls and tried 5050 0DTE puts with some of those gains:



Now that is simply ridiculous; sure you would have had to have traded perfectly, but it most certainly serves as an example of what is possible in our new realized vol regime.

And after hours DASH's earnings release is out and our thesis/trade is paying off:

An Earnings Vol Trade

Apr 16

Back in January, I submitted this trade idea for MCD earnings: Simple premise here. They have raised prices 20% in the last two years. Taking my son to MCD comes with a unique short of sticker shock, and for only one meal. You feel like you've just been had. It makes going to the grocery store and suffering that inflation considerably more appealing.

Read full story

Tomorrow will be quite interesting, a weak open should at some point see a bounce/short covering into NFP, and of course it's Thursday.....Stay tuned.

Inflationpalooza, a Noisy Concert – Pushback Jay Stories Making the Rounds Yet Again

SPX CPI/PPI Trades

VOLATILITY SUMMARY

Inflation is everything. Inflationpalooza is a long data concert that is awfully noisy and irritating to the locals. Folks are now turning over every rock on the macro trail for fresh clues to its direction, and a Bureau of Labor statistic that nearly no one heretofore paid attention to moved the SPX futures -20+ points on its release this morning, ECI.

There are other measures of labor inflation that are widely followed, and the non-farm payrolls data dump on Friday certainly contains one of the most popular. But suddenly this matters and even has the Vampire Squid's macro desk taking their pencil stabs (and being wrong of course):

Oops:

Tuesday, April 30

- **08:30 AM Employment cost index, Q1 (GS +0.9%, consensus +1.0%, last +0.9%):** We estimate the employment cost index rose by 0.9% in Q1 (qoq sa), which would lower the year-on-year rate by two tenths to 4.0% (nsa yoy). Our forecast reflects deceleration in the Atlanta Fed wage tracker and in average hourly earnings of production and nonsupervisory workers. We also expect a slower pace of ECI growth among unionized workers, following the 1.7% spike in Q4 (SA by GS, not annualized). On the positive side, we assume ECI benefit growth picks back up to 0.9% (vs. 0.7% in Q4), reflecting expanded benefit offerings at the start of the year.

The investing.com economic calendar which Bloomberg's website uses didn't even give this 3 star importance as a market moving event:

Yesterday | Today | Tomorrow | This Week | Next Week | Filters

Current Time:11:01 (GMT -4:00)

All data are streaming and updated automatically.

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
			Tuesday, April 30, 2024			
08:30	USD	★☆☆	Employment Benefits (QoQ) (Q1)	1.10%		0.70%
08:30	USD	★★☆	Employment Cost Index (QoQ) (Q1)	1.2%	1.0%	0.9%
08:30	USD	★☆☆	Employment Wages (QoQ) (Q1)	1.10%		1.10%
08:55	USD	★☆☆	Redbook (YoY)	5.5%		5.3%
09:00	USD	★☆☆	House Price Index (YoY) (Feb)	7.0%		6.5%
09:00	USD	★☆☆	House Price Index (MoM) (Feb)	1.2%	0.1%	-0.1%
09:00	USD	★☆☆	House Price Index (Feb)	423.0		417.8
09:00	USD	★☆☆	S&P/CS HPI Composite - 20 s.a. (MoM) (Feb)	0.6%	0.1%	0.2%
09:00	USD	★★☆	S&P/CS HPI Composite - 20 n.s.a. (MoM) (Feb)	0.9%		-0.1%
09:00	USD	★★☆	S&P/CS HPI Composite - 20 n.s.a. (YoY) (Feb)	7.3%	6.7%	6.6%
09:45	USD	★★★	Chicago PMI (Apr)	37.9	44.9	41.4
10:00	USD	★★★	CB Consumer Confidence (Apr)	97.0	104.0	103.1

https://www.investing.com/economic-calendar/

https://www.bloomberg.com/markets/economic-calendar?sref=1zxv5xkq

Now, just to prove my point that ECI is one of those things that tends to become popular when inflationpalooza is happening, look at this search I concocted on Zerohedge. The last time ECI was getting mentions in ZH article flow was when inflation concerns were still very high in early 2023:

Search ZeroHedge

Date Range: 04/01/2023 - 04/30/2024

Category: Any Category

"employment cost index"

Searched Fields: Title Only

SEARCH

RESULTS

Showing results 1 to 11 of 11 total results.

Markets

Key Events This Extremely Busy Week: "One For The Record Books"

by Tyler Durden - Monday, Jan 30, 2023 - 9:35

... ECB); and key data releases (US ISM, payrolls, and the **employment cost index**, as well as Euro Area inflation, GDP, and confidence ...

Personal Finance

US Employment Cost Index Surges To Record 5.07% YoY In Q4

by Tyler Durden - Tuesday, Jan 31, 2023 - 8:35

... that means 'peak Fed tightness'), this morning's Q4 US **employment** costs **index** rose 1.0% QoQ (slightly cooler than the +1.1% expected ... sure this is what The Fed wants to see... ... US **Employment Cost Index** Surges To Record 5.07% YoY In Q4 ...

Markets

"Disneyland Is Over" For 'Mickey Mouse' Investors: The Fed Still Has 'The Mother Of All Bombs' To Drop

by Tyler Durden - Wednesday, Feb 01, 2023 - 9:50

... mood shift. In macro terms, markets loved that the US **employment cost index** (ECI) was 1.0% q-o-q, not 1.1% as expected, and down ...

Markets

Fed's Favorite Inflation Indicator Slows Only Marginally, Americans' Savings Rate Rises To 15-Mo Highs

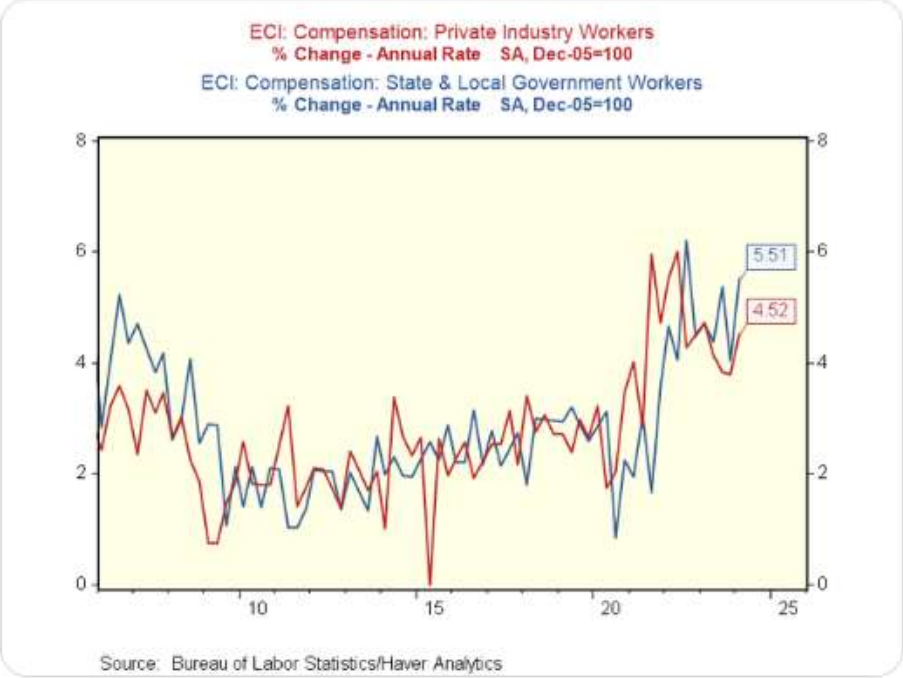
by Tyler Durden - Friday, Apr 28, 2023 - 9:35

... in Feb Spoiling that party, quite frankly, is that the **Employment Cost Index** rose 1.2% QoQ in Q1 , hotter than the 1.1% expected... ...

Why do I love today's development? It is another vol event to mark on the calendar and trade around. You won't see me look the ECI gift horse in the mouth:

RenMac: Renaissance Macro Research @RenMacLLC · 2h

Plenty of indicators out there that show cooling labor costs. Unfortunately, the best one, the Employment Cost Index is not one of them. In Q1, the ECI Compensation Index unexpectedly accelerated to 1.2% SAAR from 0.9% in Q4 2023. This was the fastest quarterly pace since Q3 2022



14 42 7.7K

So then at 10am, the consumer confidence release reiterated that consumers expect 5.3% inflation over the next twelve months which probably means that they are more keyed in than economists that spend a large chunk of their career being wrong.

Peterson added: "According to April's write-in responses, elevated price levels, especially for food and gas, dominated consumer's concerns, with politics and global conflicts as distant runners-up. **Average 12-month inflation expectations** remained stable at 5.3 percent despite concerns about food and energy prices. Consumers' *Perceived Likelihood of a US Recession over the Next 12 Months* rose slightly in April but is still well below the May 2023 peak."

https://www.conference-board.org/topics/consumer-confidence

But in all the gloomflation lately I came across this interesting commentary from Walmart's CEO, and if you had to ask one person about inflation, this guy is very high up the list. He sees future costs now; tightly connected to a plethora food and labor prices obviously and they are always placing orders for merchandise to be sold in 6-12 months, so this was enlightening:

abc NEWS LOG IN

00:12 00:36

"Deflation" is showing up at Walmart

On the inflation front, Furner says he continues to see improvement: "At Walmart, we are now seeing prices that are in line with where they were 12 months ago. I haven't been able to say that for a few years now."

Furner also sees deflation in big categories like general merchandise, where some prices are below where they were a year ago. "The last few weeks, we've taken even more prices down in areas like produce and meat and fresh food," Furner said.

Yet despite a recent rise in overall inflation in the past three months, Furner says he remains optimistic.

"What I've learned in the last few years is, it's really hard to predict," Furner said. "I'm feeling much better about inflation in terms of pricing versus a year ago, but we're not finished."

Related Topics

Walmart

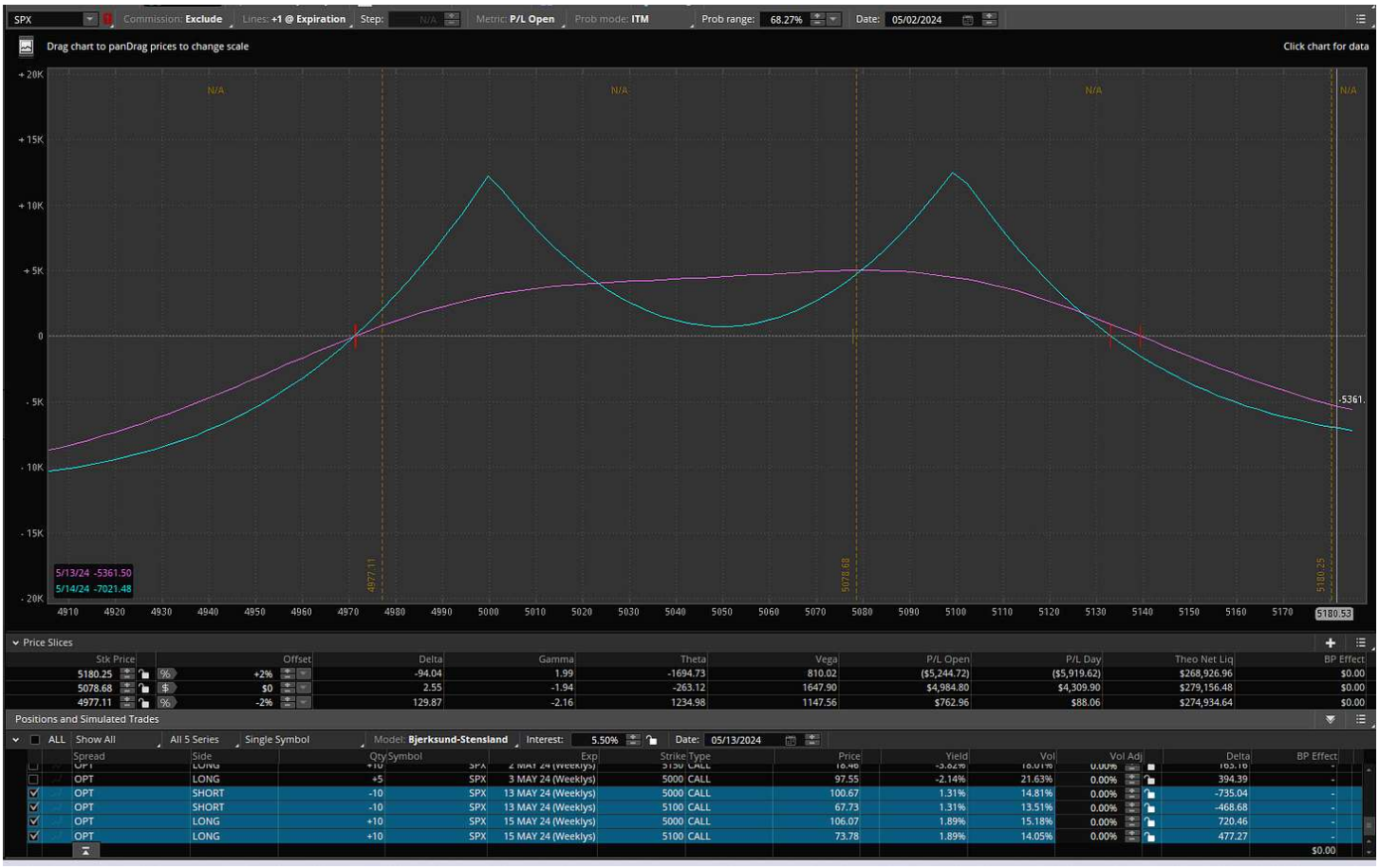
abc NEWS

Inflationpalooza is only in the early set lists, and CPI is going to be a vol event doozy, so I've added to the SPX 13/15 5000 call calendars opening more at 5100 and the CPI vol circus tent is going up:

Sell 5100 SPX May 13th call

Buy 5100 SPX May 15th call

Net debit: 6.00-6.20 (6.05 filled)



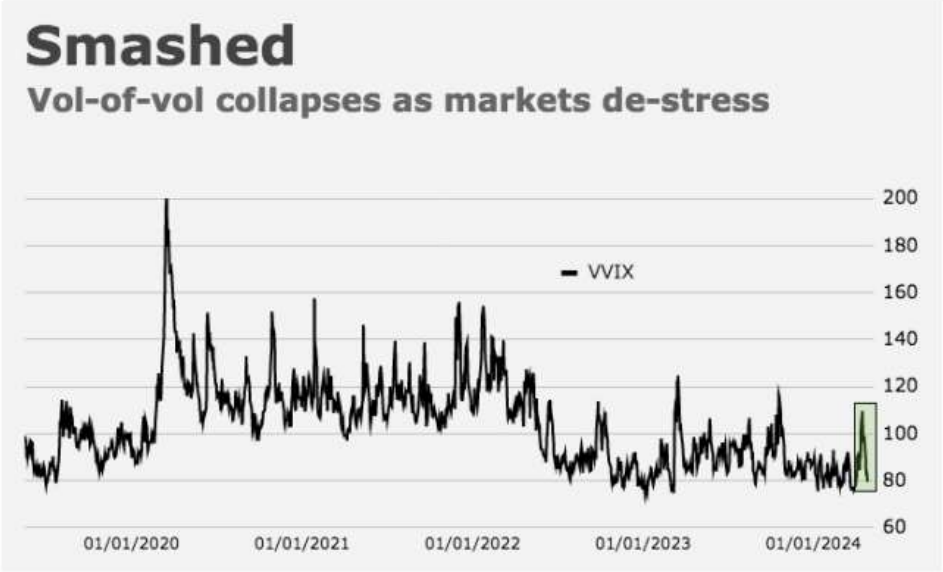
Don't sleep on the fact that PPI is before CPI this month, so more vol deserves to be in the CPI leg than usual.

Regarding today's ECI surprise in realized vol, the timing is pretty comical. Folks just dumped hedges as they bled to death on the bounce and short vol came in perpetrating their usual pavlovian smash routine. This is not November-March, times have changed and realized

vol/implied vol surface should remain in a higher state during inflationpalooza/weakening economic cross-currents:

McElligott cited "overwhelming" vol supply flows as well as the vol-dampening effect (through the correlation channel) of earnings-related dispersion.

Meanwhile, vol-of-vol just saw one of its largest nine-session declines in nearly a decade.

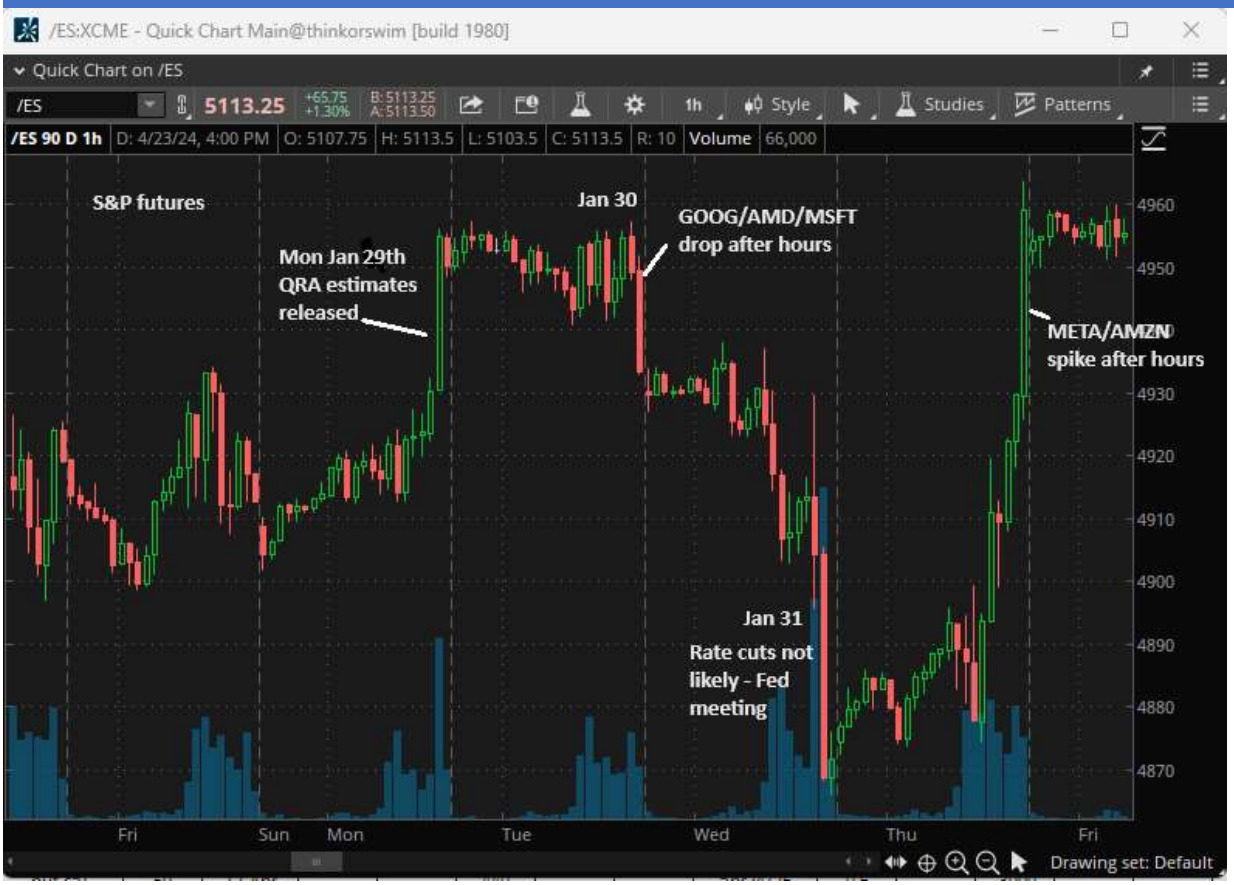


"Demand for convexity has collapsed, as both the call- and put- wings were smashed," Charlie went on.

I stuck my neck out disagreeing with Charlie the celebrity quant recently and so far, I've been proven correct, realized is remaining high and correlations are increasing:

Well, at the risk of disagreeing with a vol analyst that has no peer, I will stick my neck out and say 'not so fast my friend'.

I'm not sure if you recall how January earnings season went, but, let's just say the combination of the quarterly refunding announcement, Fed meeting, and giga tech earnings poured cold water on that frequent earnings season trend to lower correlations:



Clearly a lot of volatility was seen, and correlations assumed lower into this timeframe but got reset higher:

Regarding the Fed meeting, once again, Jay is being seen in the financial media as ready to come out tomorrow and push back on ebullient markets and easing financial conditions but being more hawkish. How many times does this end up happening? Not very often:

March 13th and Dec 8th notes:

I've been over this many times. I don't understand why this cognitive dissonance continues meeting after meeting, people thinking he's not happy with surging speculation:

He has proven over and over again that he doesn't really care if giga stonks continue to bubble up, or financial conditions are easier; he won't come out and scold or try to talk it down, he doesn't do that. Last December before the Fed meeting when this FCI nonsense was percolating again as usual I talked about the fallacy:

Dec 8th letter:

But consider this: how often does Jay don his Mr. Pushback mask, and will the market even care, considering that his last 'premature' was blown off faster than puts are smashed on a red tick. Even Bloomberg hosts are consistently making jokes that markets are 'laughing' at the Fed. And the headlines are in the same boat poking fun:

Markets

Bonds Up as Powell Pushback Lasts 'A Few Seconds': Markets Wrap

updated 22 minutes ago

It would be out of character for him to take this on, he tip-toes around this stuff and when the questions are difficult, he reads prepared answers. We've been through this a million times now, and he was way behind starting the rate hikes and helped stoke inflation in the first place if you recall.

So, before you start thinking for the millionth time that Jay is going to don his Mr. Pushback on parabolas persona, (which only comes out but once or twice a decade), maybe it's the exact opposite. Not only are they not worried, they are in fact encouraging this.

Here we are reading the same stuff yet again. There is lots of it going around, 60,000 headlines apparently, of folks expecting Pushback Jay:

Economics | The Big Take

What 60,000 Headlines Say About the Fed's Next Move

Fed Chair Jerome Powell's dovish December pivot saved the US from recession. Now, getting inflation back under control requires a hawkish reversal.

By Anna Wong, Ana Galvao and Nick Hallmark, Bloomberg Economics

April 28, 2024 at 5:00 PM EDT

Save

Our Fed index picked up the change in tone, edging hawkishly higher and signaling that a first rate cut had retreated further into the distance. At the same time, it showed that Powell's April shower had only doused a fraction of the dovish impulse unleashed by his December pivot.

That raises the question, will the Fed have to deliver more hawkish surprises in order to tighten financial market conditions, and bring disinflation back on track? In our view, the answer is yes. And that process could start as soon as this Wednesday's press conference.

That would repeat the pattern from early 2023, when a dovish pivot following the collapse of Silicon Valley Bank was followed by a hawkish reversal after the shock faded. FOMC meetings in June and July, and the annual symposium at Jackson Hole in August are additional opportunities to deliver a hawkish surprise.

Markets came into the March meeting apprehensively inclined and subsequently ripped 70 points from 2pm into the European open:

Because Santa Jay showed up as usual:

WED, MAR 20 2024 • 3:00 PM EDT

Strong hiring wouldn't push Fed to delay rate cuts, Powell says

Continued strength in the labor market wouldn't be a reason to hold off lowering interest rates, said Federal Reserve Chair Jerome Powell.

"Strong hiring in and of itself would not be a reason to hold off on rate cuts," he said, adding that the job market by itself is not cause for concern around inflation. Earlier, Powell said "an unexpected weakening in the labor market could also warrant a policy response."

— *Alex Harring*

WED, MAR 20 2024 • 2:56 PM EDT

Higher inflationary data hasn't changed its overall trend downward, Powell says

Major inflationary data points — the consumer price index and personal consumption expenditure — rose for both January and February. Fed Chair Jerome Powell thinks this data is just further proof of inflation's nonlinear path downwards.

"I think they haven't really changed the overall story, which is that of inflation moving down gradually on a sometimes bumpy road toward 2%," he said during a press conference on Wednesday afternoon. "We're not going to overreact to these two months of data, nor are we going to ignore them."

— *Lisa Kailai Han*

Here's the rub. If folks are expecting him to be more hawkish, ***he's already said what he needs to say, he's already reverse pivoted*** and stocks have fallen and rates have risen:

"The recent data have clearly not given us greater confidence and instead indicate that it's likely to take longer than expected to achieve that confidence," Powell told a forum in Washington, in what is likely to be his last public appearance before the April 30-May 1 policy meeting.

"Right now, given the strength of the labor market and progress on inflation so far, it's appropriate to allow restrictive policy further time to work and let the data and the evolving outlook guide us," he said.

https://www.reuters.com/markets/us/feds-powell-jefferson-square-restrictive-policy-with-strong-data-2024-04-16/

What else does he have to say, that is as clear as it can be, no cutting anytime soon.

Here is my guess on how things may go. If we go into 2pm and the markets are acting horribly, could see a 0DTE fueled bounce that could easily be sold the next day. Yet if it tanks during the meeting the reverse could easily happen into NFP, since, you know it's a Thursday. Last Thursday's early weakness on GDP comically reversed to a whopping 100 SPX futures points higher.

This is obviously what the technical analyst crowd is looking at, or at least I am, there's a nascent trend line developing:

The bottom line. Be reactive to what happens instead of guessing on all these macro events and don't be surprised if we get heavy chop/realized vol for a while. It's not like this is even that volatile, folks just aren't used to two-sided markets. Enjoy it, great conditions for homemade QE even if Jay won't give you any.

And the slew of Fed calendar spreads from these notes are working perfectly, will be looking to shut those down between now and noon tomorrow.

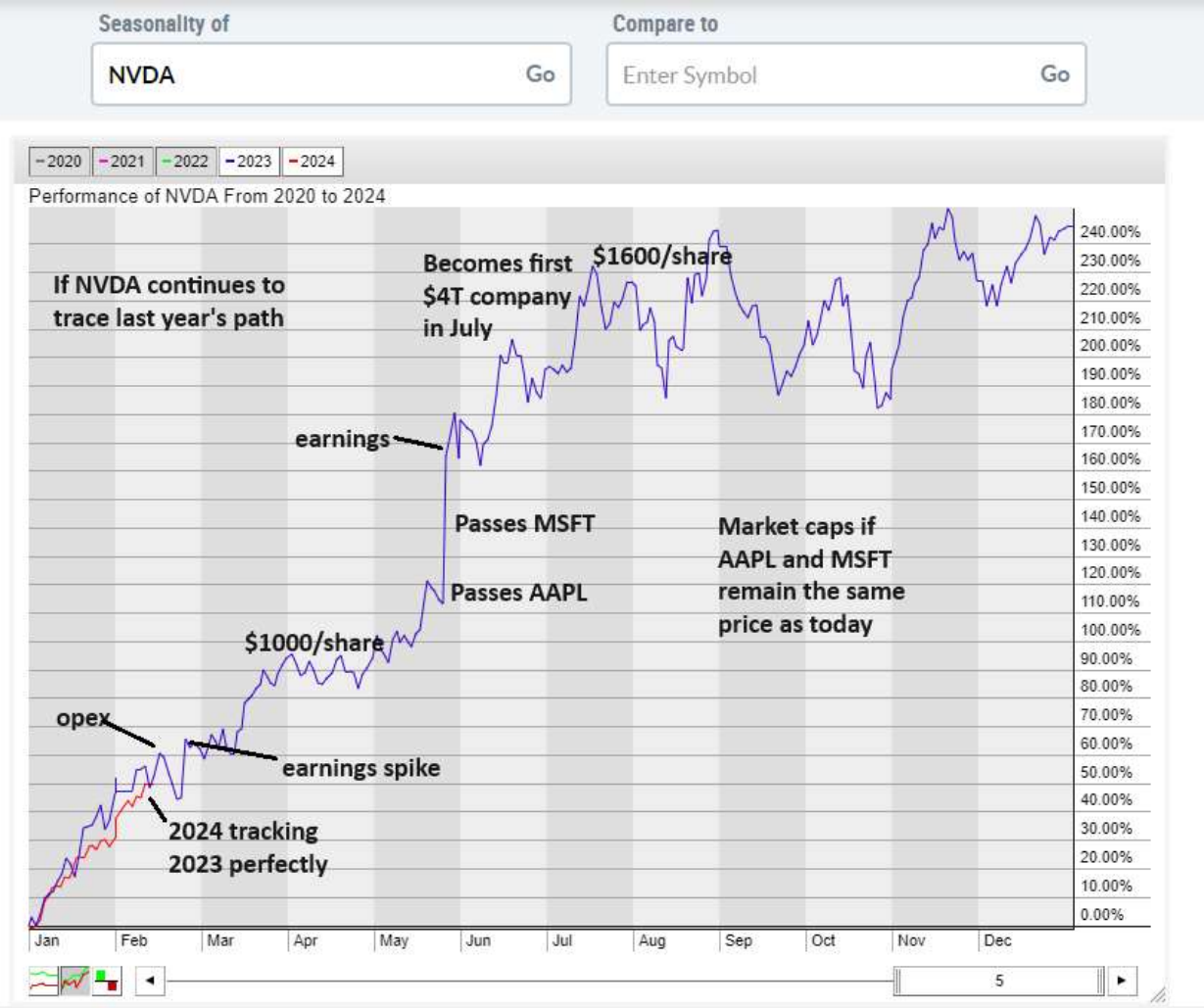
You Thought It Was Over

NVDA/SMCI still on script

VOLATILITY SUMMARY

I have been wondering myself if NVDA was going to finally decamp from a pretty amazing trend of repeating last year's journey.

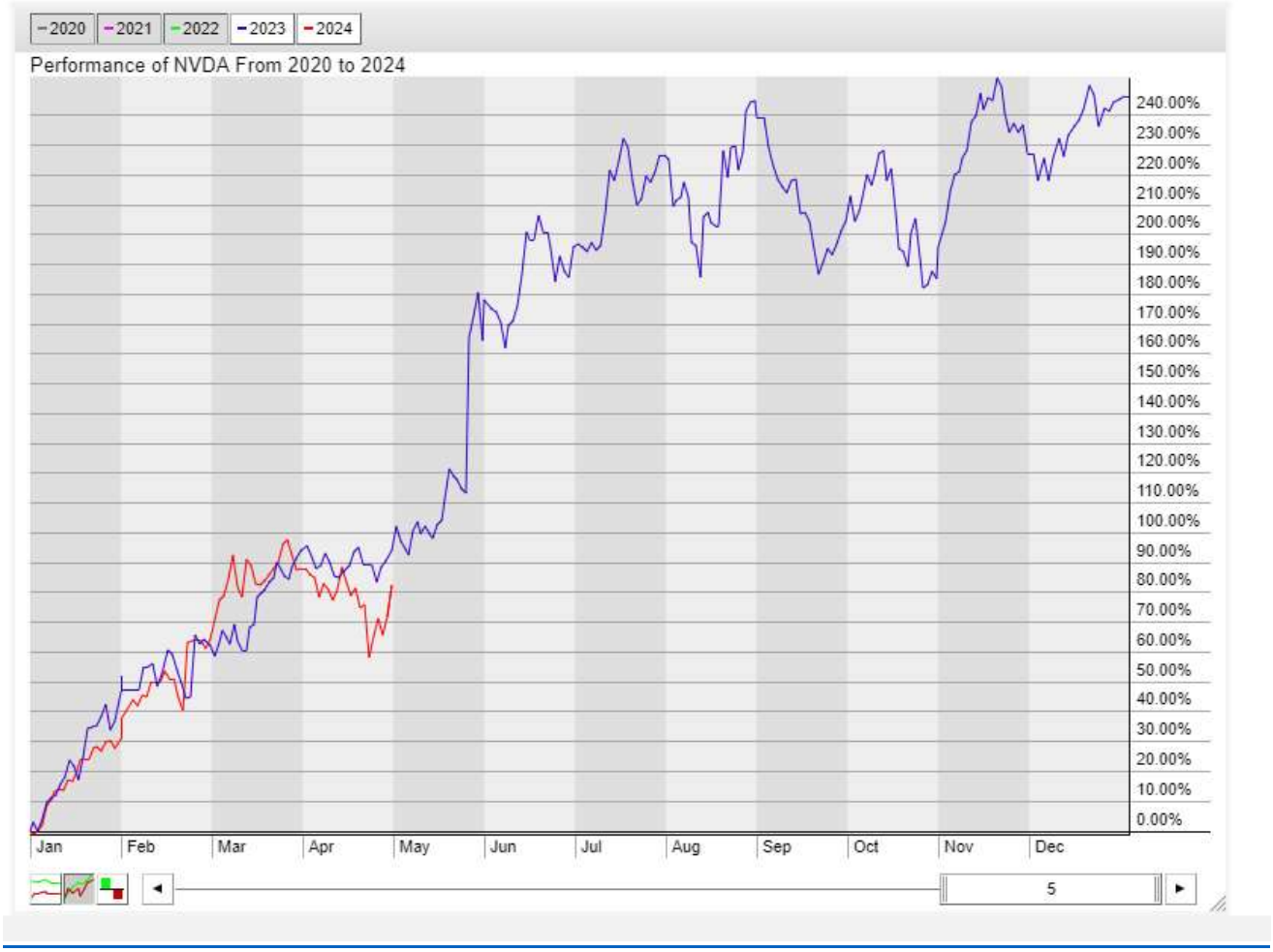
Recall my chart from earlier this year, when I marveled at this analog and kept an open mind toward the useless statistic of market capitalization:



(Market capitalization is a joke. It is almost meaningless. If 10% of META shareholders sell in size, the stock loses 50% of its value in rapid fashion. (You just saw that) So, it has no bearing on anything really, outside of something for them to gawk about in the media, i.e. "META lost 200B today", stoopid and pointless.)

Now surely, my readers are quite familiar with the fincom I provide, because making a joke of markets is fairly easy. The best jokes have truth embedded, and the Janet twists, QRA, Powell pivots, memes and asscoin (that is tame if you really dig in) and spacs (I will not capitalize ponzi fraud), there really should be a financial comedian. Maybe someday I will endeavor to do financial standup.

In the meantime, you probably had in the back of your mind the idea of NVDA realizing 'a more proper valuation', and yet':



It's still quite easy to make money in markets today. True volatility has NOT shown up. Multiple major forces like short vol and Janet and Jay and Congress want to ensure that. Meanwhile, major currencies, in the face of all this, can't even keep their currencies from crashing like PTON.

It's so easy to overthink things sometimes. Here's one Bloomberg rote talking point bouncing around, 'The real rate is positive, so now we are truly constrictive and thus the equity market goes down'.

Here is how I approach this echo chamber refuse. You remain aware of it, since it could easily be a sentiment excuse for how you are underperforming as a lazy PM when the market starts falling, but it won't matter until it matters.

Einhorn was out again this week whining about broken markets. He hasn't hit the point where his *beliefs* in market functioning being dead wrong have forced him to rethink the fallacy in a different way. Lots of stuff in markets work on pure belief, I call it the church of finance.

QRA comedy is now in full focus, literally everyone is out blathering about how it's going to be Janet taking the baton from Jay again to twist and smash some index market puts. Here are a couple excerpts, which means, every HF out there is fully expecting a ramp late Monday and at 3pm if the market isn't up a lot will buy the $1 round strike calls.

Charlie the celebrity quant is doing his LOLWUT (he really does that in his notes):

Here is McElligott paraphrasing (rather verbosely) what we managed to condense in our April 16 tweet:

> With term premium pushing back towards the levels that made Janet Yellen the first to voice discomfort in start October last year before then shocking the market with the "issuance twist" announcement end Oct / start Nov… **the administration is now armed with $800B of fresh money in the TGA account, and I feel confident that they are going to drain the account hard in the months ahead with spending to try and offset the "de facto tightening" that is likely occurring as Fed cuts are delayed / removed from the market…**

In short, the Nomura strategist believes - as do we - that with the Treasury's next QRA announcement(s) again imminent on April 29 and May 1, *"it is absolutely possible that due to Tax receipts coming-in so strong (wage growth and huge capital gains from this past year), that* ***Yellen could AGAIN surprise the market with another "low" financing estimate thanks to said TGA build,*** *which would allow her to communicate a lower expected total bond issuance number for the next 3 month period ahead versus Street's prior estimates of financing needs,* ***which could help drive a Bond short-squeeze AGAIN and boost risk-sentiment (albeit admittedly nowhere close to the magnitudes of the prior two "QRA surprises")*** *"*

Source: https://www.zerohedge.com/markets/how-janet-yellen-will-unleash-another-market-meltup-next-monday

And then you get the put smash element, from the great Heisenberg Report:

It'd be nice (read: helpful for equities which recently woke up to 2024's progressively more onerous rates reality) if the next quarterly refunding served as a palliative for rates, given that the underlying cause of the hawkish re-pricing is unlikely to resolve anytime soon.

With that in mind, consider this: The combination of robust pay gains and buoyant asset prices in 2023 likely drove up tax revenue, which should reduce Treasury's near-term borrowing needs. That, in turn, could open the door to another backdoor Janet Yellen equity "put."

"I think it is absolutely possible that due to tax receipts coming in strong, Yellen could again surprise the market with another 'low' financing estimate thanks to [the] TGA build… which could help drive a bond short squeeze again and boost risk sentiment, albeit nowhere close to the magnitude of the prior two QRA surprises," Nomura's Charlie McElligott said, referencing the April 29 financing estimate.

Source: https://heisenbergreport.com/2024/04/24/another-backdoor-yellen-equity-put-may-be-just-a-week-away/

One more, from Shrub, his QRA take:

And this is how a Plaza Accord 2.0 is born, with the QRA being part of the Toolkit.

If this theory holds, then Yellen will be issuing a heavy % of Bills in the upcoming QRA.

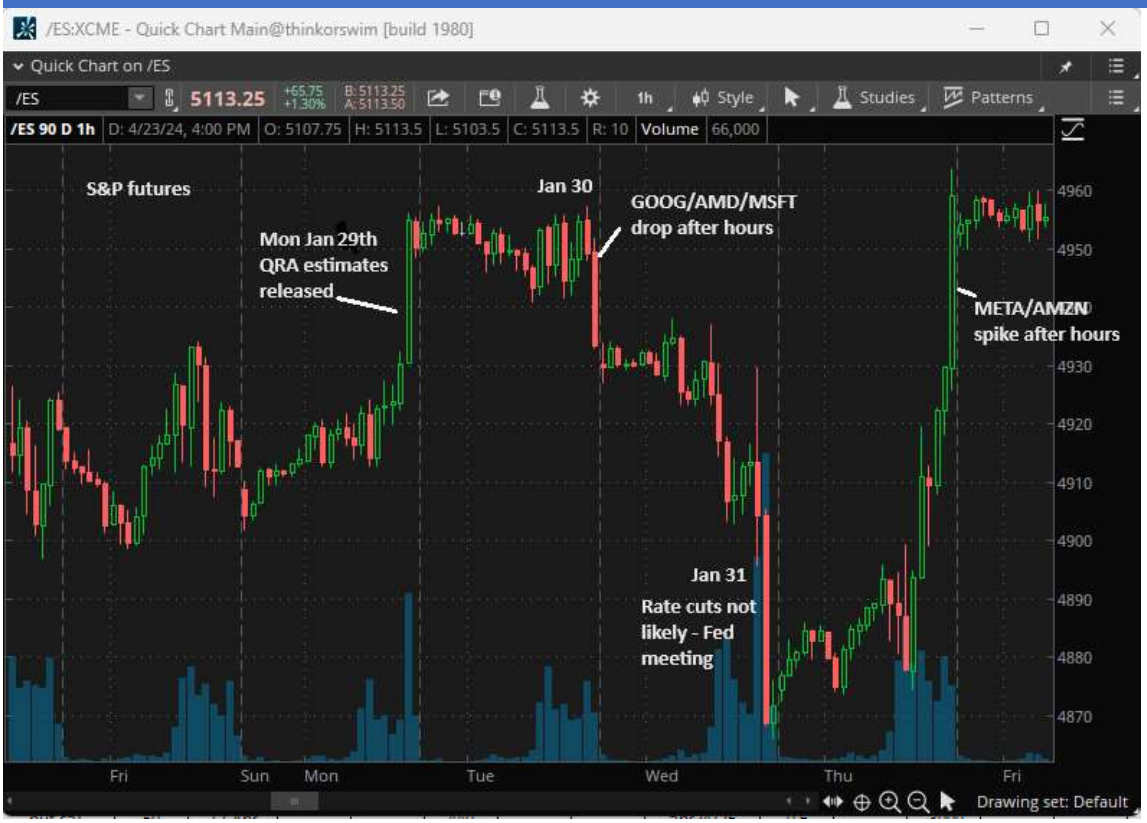
BONUS ROUND

There are 2 more ways that Yellen & the Fed can add liquidity to the system and help Plaza Accord 2.0 achieve its goals:

A) **QT Tapering:** The Fed meets on May 1st, and QT tapering could be on the agenda. QT Tapering would improve liquidity.

B) **TGA:** The Treasury General Account is now back to $955bn, following the April tax receipts. This means that Yellen has a full piggy bank again, and she can start draining the TGA!

So, the spike at 3pm is a lock, right? I think that depends, on how the market enters that hour. For the Feb release, it was 25 points at 3pm….but it wasn't overly excited going in:



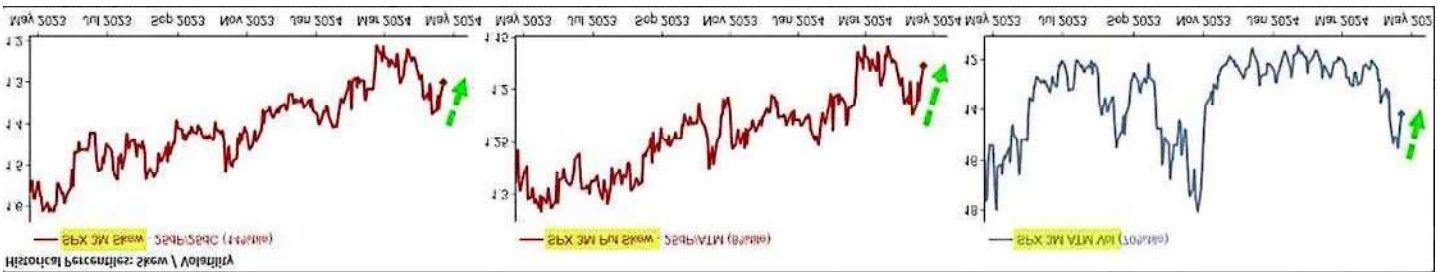
As usual, it will be how low 0DTE vol is the closer we get to QRA. And Fed implied vol has been early smashed as usual, even with long realized vol consistently being the winning formula. Go figure.

Are Correlations/Vol Already Oversold? - Fed and CPI Trades

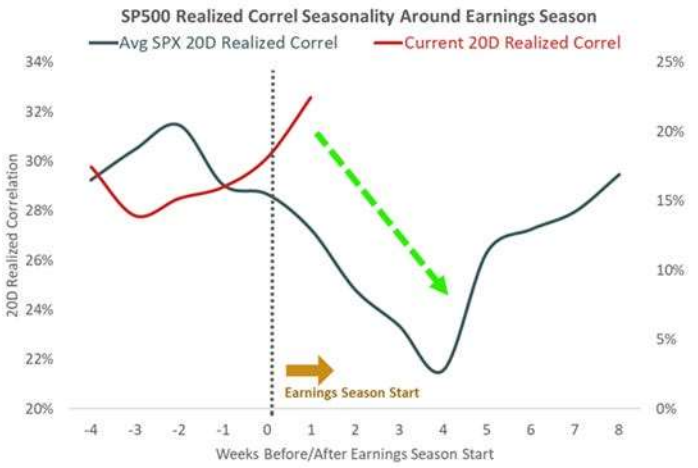
-More Trades for PCE/GOOG/MSFT/META

VOLATILITY SUMMARY

Charlie the celebrity quant was out yesterday talking about vol supply returning across markets:



And how correlations should head lower from here, on the premise that earnings will show disparate outcomes and thus reduce overall market volatility:



Source: McElligott/Nomura vol

Since yesterday was the onset of the real earnings season, the earnings that matter, that theory would seem to hold water. Earnings reactions across the board for companies that reported yesterday were very positive:

Earnings Details

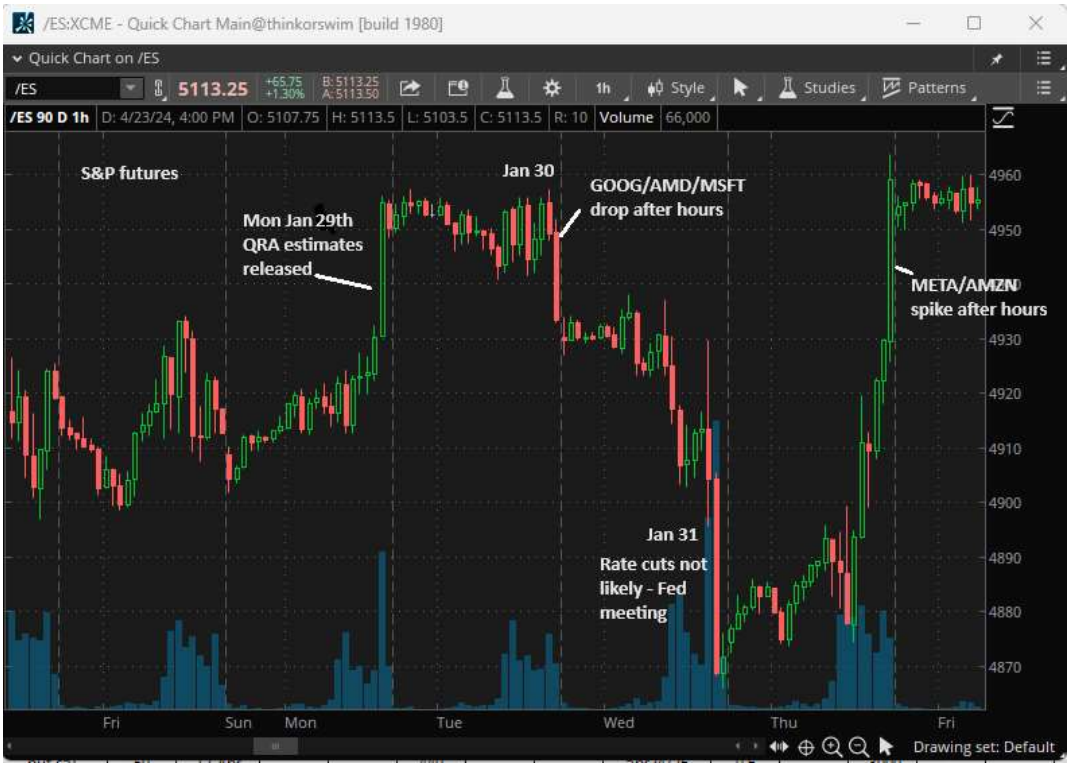
Symbol	Name	Date	Time	Press Release	Conference Call	Previous Move	Expected % Move	This Move	Options Volume	Market Cap
V	Visa	23-Apr	AMC	4:05 PM	Apr 23, 5:00 PM	-1.7%	3.4%	+2.5%	64,147	555.2 B
TSLA	Tesla	23-Apr	AMC	4:09 PM	Apr 23, 5:30 PM	-12.1%	9.3%	+13.3%	1,758,414	460.8 B
PEP	Pepsico	23-Apr	BMO		Apr 23, 6:30 AM	-3.6%	2.6%	-3.0%	39,688	235.4 B
NVS	Novartis Ag	23-Apr				-4.0%	5.3%	+2.3%	11,277	198.5 B
DHR	Danaher	23-Apr	BMO	6:00 AM	Apr 23, 8:00 AM	+4.7%	4.3%	+7.2%	22,477	187.4 B
GE	Ge Aerospace	23-Apr	BMO		Apr 23, 7:30 AM	-1.0%	5.6%	+8.3%	92,000	178.0 B
PM	Philip Morris Intl	23-Apr	BMO	6:59 AM	Apr 23, 9:00 AM	-2.7%	3.6%	+3.8%	29,656	151.6 B
TXN	Texas Instruments	23-Apr	AMC	4:01 PM	Apr 23, 4:30 PM	-2.5%	4.7%	+7.7%	49,724	150.4 B
NEE	Nextera Energy	23-Apr	BMO	7:30 AM	Apr 23, 9:00 AM	+1.7%	3.9%	+1.4%	33,094	135.9 B
RTX	RTX	23-Apr	BMO	6:55 AM	Apr 23, 8:30 AM	+5.3%	4.2%	-0.2%	45,363	134.8 B
UPS	United Parcel Service	23-Apr	BMO	6:00 AM	Apr 23, 9:30 AM	-8.2%	5.7%	+2.4%	80,098	126.9 B
LMT	Lockheed Martin	23-Apr	BMO	7:29 AM	Apr 23, 11:00 AM	-4.2%	3.4%	-0.3%	23,998	111.2 B
CB	Chubb Limited	23-Apr	AMC	4:20 PM	Apr 24, 8:30 AM	+0.8%	4.6%	-1.2%	5,093	101.4 B
FI	Fiserv	23-Apr	BMO	7:01 AM	Apr 23, 8:00 AM	-2.1%	4.3%	+4.4%	5,556	91.7 B
CNI	Canadian National Railway Company	23-Apr	AMC	4:06 PM	Apr 23, 4:30 PM	-2.2%	4.3%	-0.7%	309	82.9 B
SHW	Sherwin-Williams Company	23-Apr	BMO	7:00 AM	Apr 23, 11:00 AM	+1.0%	6.2%	-2.2%	2,444	76.9 B
FCX	Freeport-Mcmoran	23-Apr	BMO	8:00 AM	Apr 23, 10:00 AM	+4.1%	4.6%	-2.0%	144,359	69.1 B
SPOT	Spotify Technology S.A.	23-Apr	BMO	6:00 AM	Apr 23, 8:00 AM	+3.9%	9.8%	+11.4%	114,036	59.2 B
GM	General Motors Company	23-Apr	BMO	6:30 AM		+7.8%	5.3%	+4.4%	143,808	51.5 B
KMB	Kimberly-Clark	23-Apr	BMO	7:00 AM	Apr 23, 8:30 AM	-5.5%	3.1%	+5.5%	9,468	45.8 B
MSCI	MSCI	23-Apr	BMO	6:45 AM	Apr 23, 10:00 AM	+9.3%	6.9%	-13.4%	3,368	35.3 B
CSGP	Costar Group	23-Apr	AMC	4:11 PM	Apr 23, 5:00 PM	+3.4%	8.5%	+3.1%	3,242	34.6 B
HAL	Halliburton Company	23-Apr	BMO	6:45 AM	Apr 23, 9:00 AM	+2.5%	3.9%	-0.3%	36,586	34.5 B
BKR	Baker Hughes Company	23-Apr	AMC	5:00 PM	Apr 24, 9:30 AM	-4.7%	6.4%	-2.4%	3,482	32.9 B
NVR	NVR	23-Apr	BMO	9:00 AM		+0.2%		+0.4%		24.0 B

Show 25 entries

Previous 1 2 3 4 5 Next

Well, at the risk of disagreeing with a vol analyst that has no peer, I will stick my neck out and say 'not so fast my friend'.

I'm not sure if you recall how January earnings season went, but, let's just say the combination of the quarterly refunding announcement, Fed meeting, and giga tech earnings poured cold water on that frequent earnings season trend to lower correlations:



Clearly a lot of volatility was seen, and correlations assumed lower into this timeframe but got reset higher:

As soon as giga tech (non-TSLA) started reporting around the Fed meeting and the QRA (Treasury quarterly refunding announcement) correlations started rising and vol ticked up.

Granted, 9-day vix/30-day vix were lower back then, but if you recall 0DTE long vol traders were having a daily vol party, printing homemade QE on options that at the time were far too cheap.

Regarding QRA, expect a release and some vol late in the afternoon on Monday:

Most Recent Quarterly Refunding Documents

DOCUMENTS RELEASED AT 3:00 PM MONDAY, JANUARY 29, 2024

Financing Estimates: 2024 - 1st Quarter

Economic Policy Statements to TBAC: 2024 - 1st Quarter

(The next release is scheduled for April 29, 2024)

DOCUMENTS RELEASED AT 8:30 AM WEDNESDAY, JANUARY 31, 2024

Policy Statement: 2024 - 1st Quarter

TBAC Report to Secretary: 2024 - 1st Quarter

TBAC Minutes: 2024 - 1st Quarter

TBAC Recommended Financing Table by Refunding Quarter

So, with PCE on Friday along with the resulting earnings moves in GOOG/MSFT, pairing up the 25th/26th vols makes a lot of sense:

SPX PCE/MSFT/GOOG earnings vol call calendar:

Sell SPX Apr 25th 5050 call

Buy SPX Apr 26th 5050 call

Net debit: 6.90-7.10 (6.90 and 7.05 fills)

META lit the world on fire in January:

Symbol	Name	Date	Time	Press Release	Conference Call	Previous Move	Expected % Move	This Move	Opti Volum
AAPL	Apple	1-Feb	AMC	4:30 PM	Feb 1, 5:00 PM	+0.6%	3.5%	-0.5%	
AMZN	Amazon.com	1-Feb	AMC	4:01 PM	Feb 1, 5:30 PM	+6.8%	6.5%	+7.9%	
META	Meta Platforms - Class A	1-Feb	AMC	4:05 PM	Feb 1, 4:30 PM	-3.7%	6.1%	+20.3%	
MRK	Merck Common (New)	1-Feb	BMO	6:30 AM	Feb 1, 9:00 AM	+1.9%	2.5%	+4.6%	

But then again, anyone looking at a chart knows that it is on an island pretty much near where this report landed it. Yet we all can recall that it has had huge down days in the fairly recent past, so it's anyone's guess how tonight is going to go.

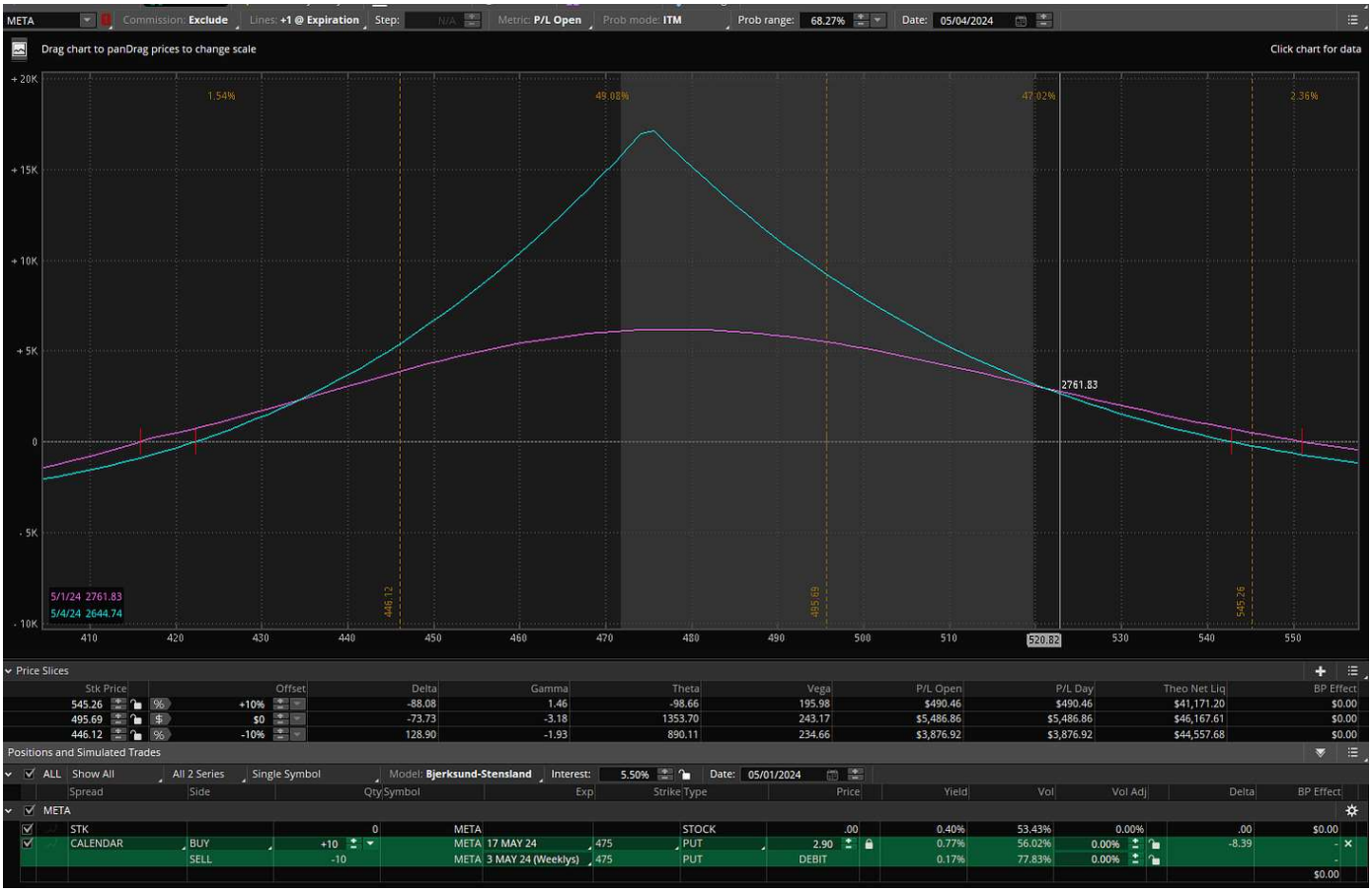
Although, I sort of like a going nowhere trade (which would be very unexpected) using elevated earnings vol, the premise being that Mark will put up a good number and talk things up but the stock is just so high at this point.

META 2-week put calendar using earnings and Fed vol:

Sell May 3rd $475 put

Buy May 17th $475 put

Net debit: $2.80-3



The risk here is if it soars or tanks through May 3rd. Those that are holding this up here are inclined to at least sell some calls on a spike, so there will be some pressure. And there will be buyers on dips you would imagine, the earnings power and A.I. themes aren't going anywhere.

Then again, the stock isn't much of a maker of dull moments on earnings dates, so not a high conviction trade:

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
1-Feb-2024 AMC	+5.0%	+0.4%	-1.6%	-1.3%	+1.2%	+20.3%	+16.4%	+5.7%	-1.5%	+3.3%
25-Oct-2023 AMC	-8.6%	-5.5%	-3.0%	-4.6%	-4.2%	-3.7%	-1.8%	+0.2%	-5.1%	-2.0%
26-Jul-2023 AMC	-3.5%	-5.5%	+1.5%	+2.4%	+1.4%	+4.4%	+8.9%	+0.1%	-4.7%	-4.1%
26-Apr-2023 AMC	-2.2%	-2.9%	-1.6%	-1.6%	+0.9%	+13.9%	+14.6%	+0.7%	-1.4%	-0.6%
1-Feb-2023 AMC	+15.1%	+8.2%	+0.9%	+4.1%	+2.8%	+23.3%	+19.8%	+7.5%	-1.8%	+3.0%
26-Oct-2022 AMC	+1.8%	-2.6%	-0.2%	+0.1%	-5.6%	-24.6%	-24.5%	+4.6%	-1.7%	-0.1%
27-Jul-2022 AMC	+3.7%	-7.4%	+0.2%	+1.8%	+6.6%	-5.2%	-5.3%	+0.6%	-3.6%	+0.1%
27-Apr-2022 AMC	-18.6%	-12.7%	-5.0%	-6.4%	-3.3%	+17.6%	+16.1%	+2.7%	-5.0%	+1.3%
2-Feb-2022 AMC	+1.1%	+9.6%	+7.1%	+3.1%	+1.3%	-26.4%	-24.2%	+1.2%	-3.8%	-3.0%
25-Oct-2021 AMC	+1.0%	-2.0%	-3.6%	-3.9%	+1.3%	-3.9%	0.0%	+0.5%	-5.8%	-3.9%
28-Jul-2021 AMC	+7.4%	+7.8%	+0.9%	+0.2%	+1.5%	-4.0%	-3.3%	+1.3%	-1.2%	-0.7%
28-Apr-2021 AMC	+1.4%	+1.9%	+2.0%	+1.3%	+1.2%	+7.3%	+7.5%	+0.5%	-2.6%	-0.2%
Simple Average Returns - Last 12 Earnings										
Avg Return	+0.3%	-0.9%	-0.2%	-0.4%	+0.4%	+1.6%	+2.0%	+2.1%	-3.2%	-0.6%
Pos Occurrences	67%	42%	50%	58%	75%	50%	50%			33%
Neg Occurrences	33%	58%	50%	42%	25%	50%	42%			67%
Absolute Average Returns - Last 12 Earnings										
Abs Avg Return	± 5.8%	± 5.5%	± 2.3%	± 2.6%	± 2.6%	± 12.9%	± 11.8%	± 2.1%	± 3.2%	± 1.9%
Max Abs Return	18.6%	12.7%	7.1%	6.4%	6.6%	26.4%	24.5%			4.1%
Min Abs Return	1.0%	0.4%	0.1%	0.1%	0.9%	3.7%	0.0%			0.1%
Median, Minimum, and Maximum Returns - Last 12 Earnings										

Fed Meeting and CPI Trades:

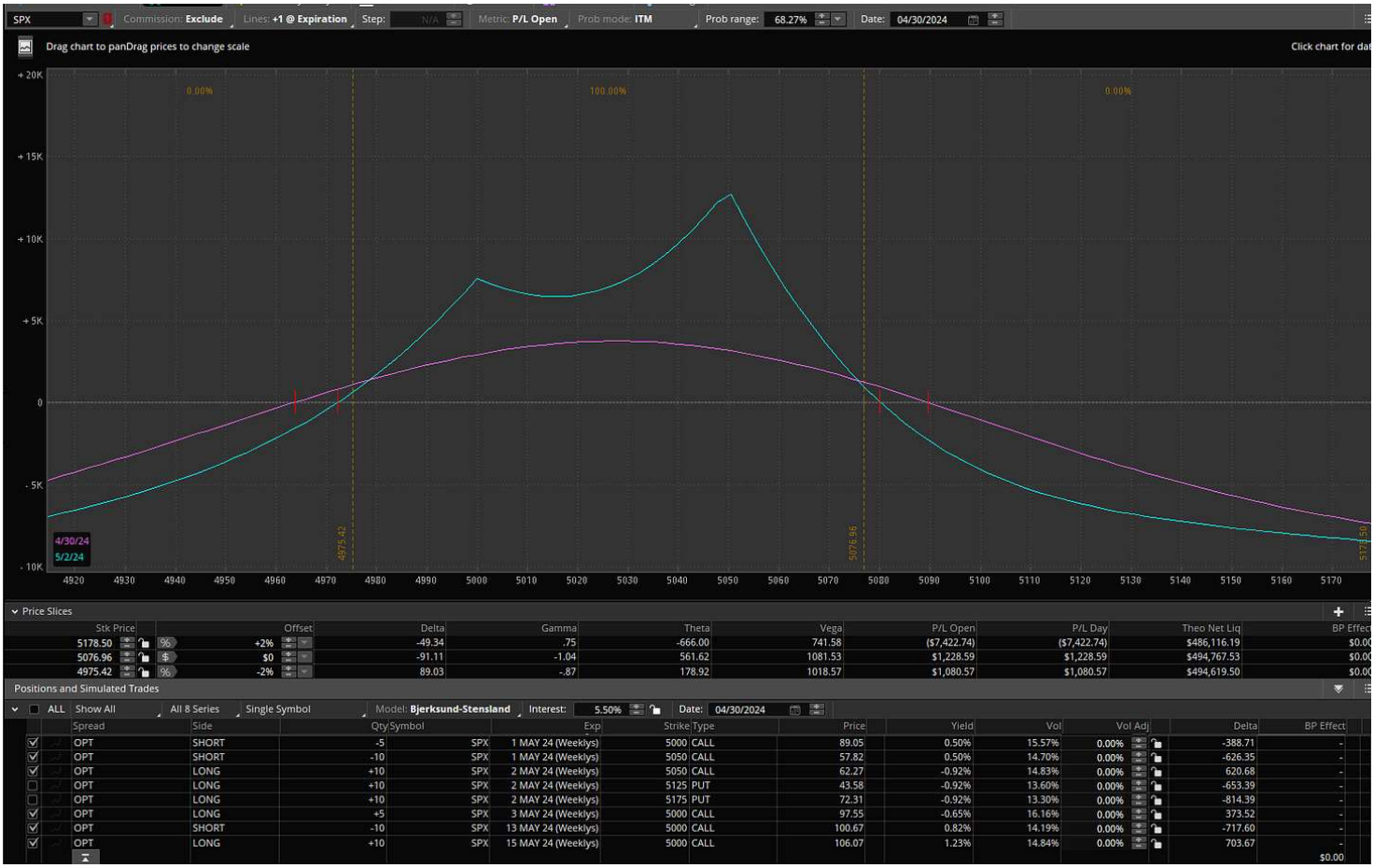
It's time to start CPI/PPI this early, because the prices are just so cheap when you are ahead of the vol surface. Three weeks in advance of the vol event is about when I open a vol tent, and thereafter will move with price:

SPX CPI/PPI call calendar spread

Sell 5000 May 13th call

Buy 5000 May 15th call

Net debit: $5.40 (filled)



Realized vol has been ludicrous lately for CPI, so these are far too cheap.

As far as Fed trade adjustments, I started some lower strikes:

SPX Fed call calendar spread:

Sell 5000 May 1st call

Buy 5000 Mar 3rd call

Net debit: 8.50 (filled), target $15

Sell 5050 May 1st call

Buy 5050 May 2nd call

Net debit: 4.45-4.55 (4.45-4.55 fills), target $9

With a lower vol surface for the Fed meeting in March (remember, daily all-time highs and raw speculation on meme stuff) These one day spreads were doubles in a 120+ SPX point range on Fed day *before the press release*:

Option Chain | Filter: Off | Spread: Calendar | Layout: Net Change, Delta, % Change, Impl Vol, ...

CALLS — Strikes: 30

20 MAR 24/21 MAR 24 (0/1) 100 (Weeklys)

Net Chng	Delta	%Change	Impl Vol	Volume	Open.Int	Last X	Bid X	Ask X	Strike
[illegible]	[illegible]	[illegible]	17.91%	3	218	4.78	3.90	7.00	5110 / 5110
1.03	-.11	+135.53%	18.08%	0	180	1.79	4.50	7.30	5115 / 5115
-2.34	-.10	-41.56%	18.12%	0	254	3.29	4.40	7.80	5120 / 5120
-4.07	-.10	-69.93%	18.01%	6	290	1.75	5.50	6.90	5125 / 5125
21.90	-.10	-136.45%	18.13%	10	218	5.85	6.10	7.20	5130 / 5130
6.93	-.09	+188.83%	18.08%	11	191	10.60	6.10	7.50	5135 / 5135
-3.38	-.09	-37.06%	18.08%	59	374	5.74	6.60	7.70	5140 / 5140
-.97	-.08	-11.63%	18.01%	4	289	7.37	7.00	7.90	5145 / 5145
-1.44	-.07	-17.50%	18.00%	120	1,071	6.79	7.20	8.00	5150 / 5150
6.52	-.06	+552.54%	17.94%	19	332	7.70	7.50	8.10	5155 / 5155
-.86	-.05	-10.45%	17.88%	249	613	7.37	7.70	8.10	5160 / 5160
1.12	-.04	+15.38%	17.77%	107	368	8.40	7.80	8.30	5165 / 5165
4.05	-.02	+92.05%	17.72%	279	678	8.45	7.80	8.30	5170 / 5170
1.43	-.01	+20.82%	17.62%	312	836	8.30	7.80	8.20	5175 / 5175
.84	.00	+12.17%	17.51%	530	1,173	7.74	7.70	8.10	5180 / 5180
.85	.01	+12.59%	17.44%	236	712	7.60	7.60	8.00	5185 / 5185
.19	.03	+2.92%	17.36%	341	552	6.69	7.50	7.80	5190 / 5190
1.49	.04	+24.23%	17.28%	184	473	7.64	7.20	7.50	5195 / 5195
1.15	.05	+19.33%	17.21%	1,424	2,609	7.10	6.90	7.30	5200 / 5200
.38	.06	+6.33%	17.12%	275	719	6.38	6.60	6.90	5205 / 5205
1.20	.07	+22.02%	16.97%	277	404	6.65	6.20	6.50	5210 / 5210
1.25	.08	+26.04%	16.91%	169	602	6.05	5.70	6.00	5215 / 5215
1.08	.08	+23.89%	16.79%	295	604	5.60	5.30	5.50	5220 / 5220
.98	.08	+23.22%	16.71%	240	1,044	5.20	4.80	5.10	5225 / 5225
.66	.09	+17.65%	16.59%	1,448	491	4.40	[illegible]	[illegible]	5230 / 5230

Fed day March 20th

1pm

one day call calendars at 5180 spot

One day call calendar pairs now, with no significant event in the back leg tomorrow are worth more than that, so you know Fed vol will be juiced. Times are changing in the vol space, folks are longer stocks at this point than they were when vols were lower, which makes a lot of sense for the vol bid:

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

CALLS | Strikes: 25

24 APR 24/25 APR 24 (0/1) 100 (Weeklys)

Mark	Last X	Net...	%Ch...	Impl...	Delta	Gam...	Volu...	Ope...	Bid X	Ask X	Strike
4.650	-1.56	-6.20	-133.6...	26.66%	-.09	.00	35	17[illegible]	3.80	5.50	5015 / 5015
5.250	6.02	-1.69	-21.92%	26.65%	-.10	.00	81	35[illegible]	4.50	6.00	5020 / 5020
6.000	-.70	-2.67	-135.5...	24.73%	-.13	.00	68	61[illegible]	5.20	6.80	5025 / 5025
6.700	7.79	2.17	+38.61%	23.86%	-.14	.00	197	51[illegible]	5.90	7.50	5030 / 5030
7.450	12.60	8.22	+187.6...	22.45%	-.16	.00	160	19[illegible]	6.60	8.30	5035 / 5035
8.350	13.90	8.48	+156.4...	22.23%	-.16	.00	309	25[illegible]	7.60	9.10	5040 / 5040
9.500	13.15	6.78	+106.4...	20.99%	-.18	.00	454	33[illegible]	8.90	10.10	5045 / 5045
10.250	13.44	6.82	+103.0...	20.76%	-.16	.00	876	2,26[illegible]	9.80	10.70	5050 / 5050
11.100	14.93	8.46	+130.7...	20.15%	-.14	-.01	641	24[illegible]	10.70	11.50	5055 / 5055
11.750	11.83	2.88	+32.18%	19.74%	-.10	-.01	2,769	62[illegible]	11.50	12.00	5060 / 5060
12.200	12.33	4.40	+55.49%	19.18%	-.05	-.01	1,197	58[illegible]	12.00	12.40	5065 / 5065
12.200	12.27	4.12	+50.55%	19.03%	.02	-.01	2,021	50[illegible]	12.00	12.40	5070 / 5070
11.850	11.92	3.32	+38.60%	18.73%	.10	-.01	1,685	66[illegible]	11.70	12.00	5075 / 5075
11.075	11.20	2.70	+31.76%	18.50%	.16	-.01	2,906	1,21[illegible]	10.95	11.20	5080 / 5080
10.050	10.77	2.77	+34.63%	18.40%	.20	-.01	1,497	50[illegible]	9.95	10.15	5085 / 5085
8.775	9.10	1.25	+15.92%	18.44%	.23	.00	2,256	47[illegible]	8.65	8.90	5090 / 5090
7.500	8.30	1.05	+14.48%	18.44%	.23	.00	1,563	29[illegible]	7.35	7.65	5095 / 5095
6.275	6.85	.15	+2.24%	18.61%	.22	.00	3,998	2,03[illegible]	6.20	6.35	5100 / 5100
5.125	5.30	-.70	-11.67%	19.09%	.19	.00	1,241	33[illegible]	5.00	5.25	5105 / 5105
4.075	4.10	-1.39	-25.32%	19.72%	.17	.00	1,815	1,58[illegible]	3.95	4.20	5110 / 5110
3.275	3.38	-1.32	-28.09%	20.07%	.14	.00	2,882	69[illegible]	3.20	3.35	5115 / 5115
2.575	2.65	-1.30	-32.91%	21.25%	.12	.00	2,419	79[illegible]	2.50	2.65	5120 / 5120
2.075	2.05	-1.45	-41.43%	20.69%	.10	.00	1,305	3,54[illegible]	2.00	2.15	5125 / 5125
1.625	1.60	-1.25	-43.86%	21.76%	.08	.00	1,848	689	1.55	1.70	5130 / 5130
1.275	1.35	-.96	-41.56%	22.84%	.07	.00	1,216	471	1.20	1.35	5135 / 5135

one day call calendar spreads

These one day spreads, which will hold the majority of the Fed reaction vol come 1pm on Wednesday, are very nicely priced for about 4.5 SPX points.

The 5000 pairs include NFP vol on the 3rd, so some coverage on a downside move before Fed without much bleed. So if the exodus post MSFT/GOOG occurs similar to January, these will hold their value down at least 125 points from current spot.

If we move significantly higher after earnings and PCE this week, I will move up with adjustments.

Unclench Up Is Its Own Trend – An Earnings Vol Trade

SPX/QQQ Trades for Giga Tech earnings/PCE

VOLATILITY SUMMARY

I mentioned last evening that unclench up was more likely than not, and as you can see above, that has been the norm thus far year to date.

I started a few spread trades today around giga tech earnings spike season timing and PCE, which suddenly matters again after taking March off for Good Friday.

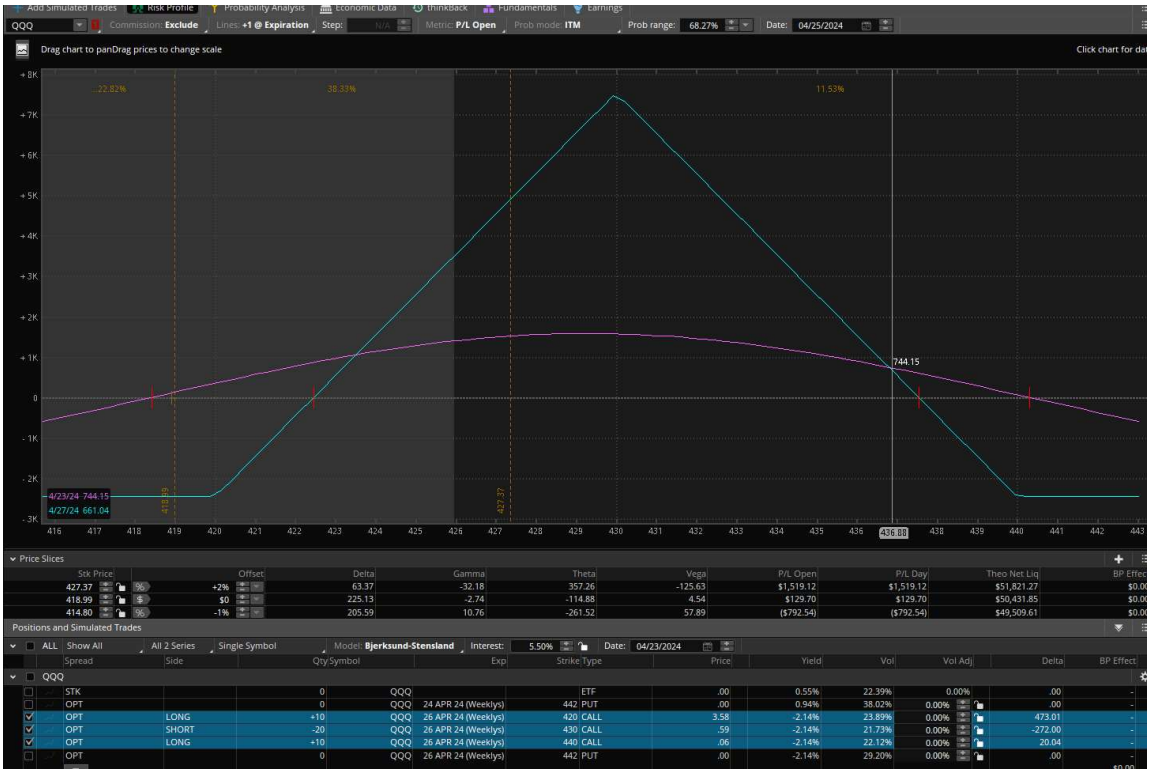
QQQ call butterfly spread

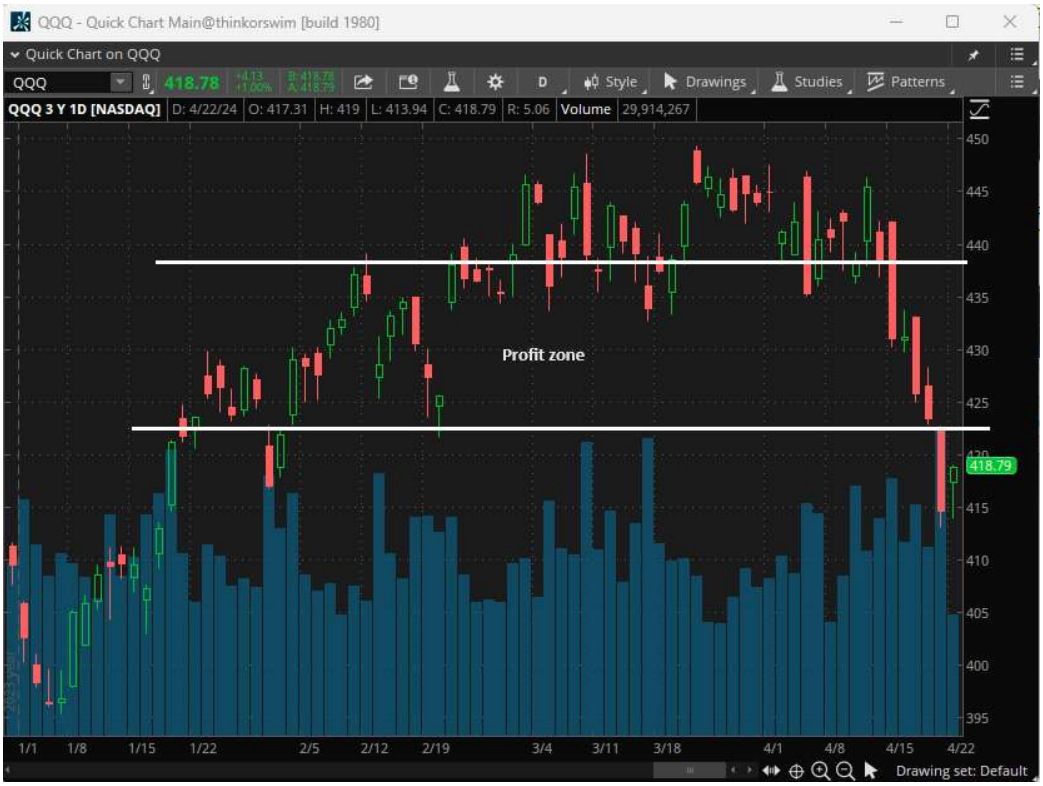
Long 420 Apr 26th call

Short 2x 430 Apr 26th call

Long 440 Apr 26th call

Net debit: 2.35-2.50 (2.36 and 2.46 fills) Target $5-6





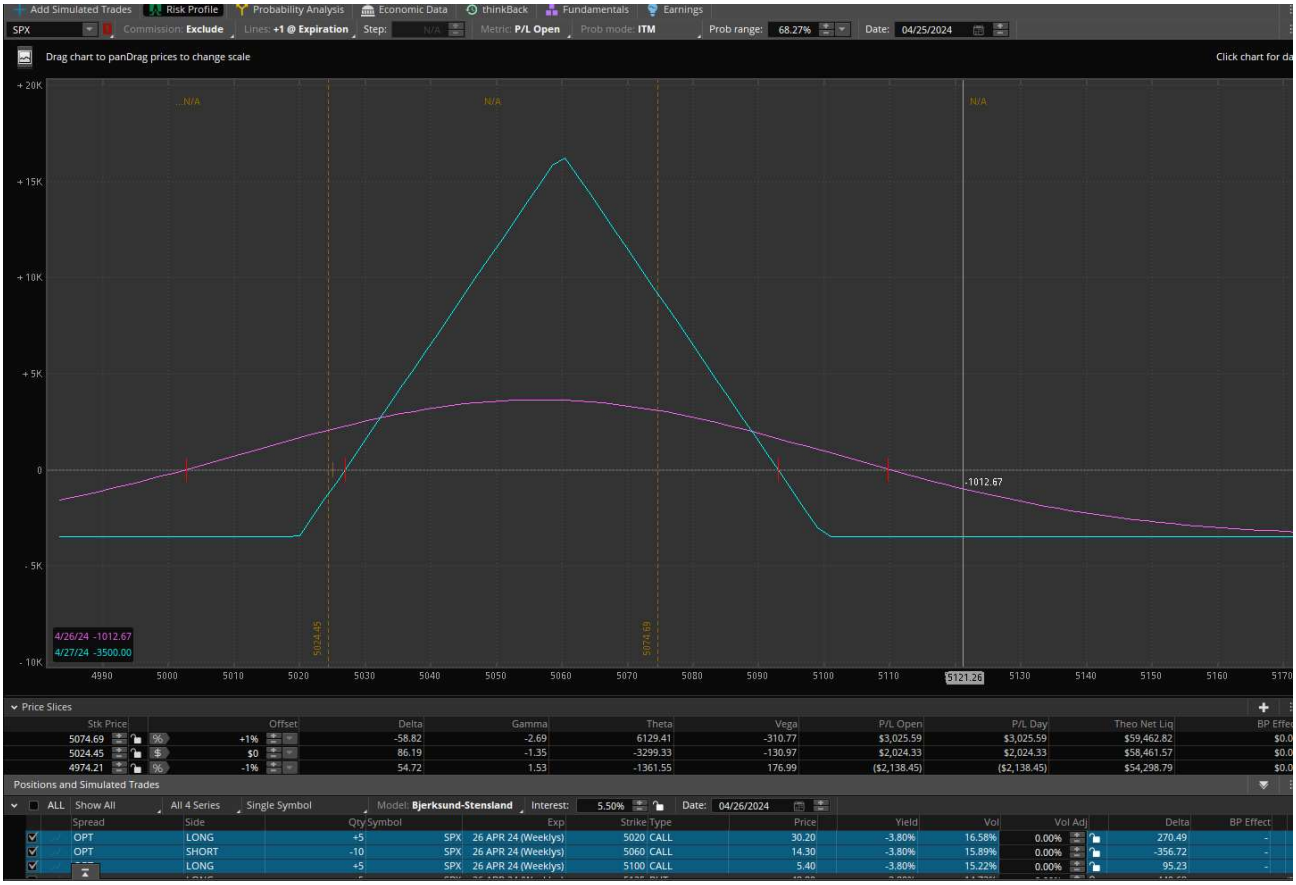
SPX Call butterfly spread

Buy 5020 Apr 26th call

Sell 2x 5060 Apr 26th calls

Buy 5100 Apr 26th call

Net debit: 7.00-7.50 (7.00 filled) Target $15-20



Looking at SMCI May 3rd call flies as well, will post those tomorrow.

An Earnings Vol Trade

Back in January, I submitted this trade idea for MCD earnings:

Simple premise here. They have raised prices 20% in the last two years. Taking my son to MCD comes with a unique short of sticker shock, and for only one meal. You feel like you've just been had. It makes going to the grocery store and suffering that inflation considerably more appealing.

Folks are obviously taking notice:

https://www.vox.com/politics/2024/1/9/24027094/fast-food-prices-wages-mcdonalds

MCD has admitted as much. They said they can't keep raising prices, lest the anger continues to grow:

https://www.reuters.com/business/retail-consumer/mcdonalds-beats-sales-estimates-cheaper-items-draw-consumers-2023-07-27/

And in the last conference call, they admitted losing some of the low income bracket traffic:

https://www.restaurantdive.com/news/McDonalds-Q3-inflation-pressures-diners-and-franchisees/698161/

So, if revenue growth is slowing and lower end customers are leaving and folks are getting angry enough to start griping in a burgeoning social media shaming mob, then what's up with this?

MCD long Mar puts

Buy $290 March put, net debit: $2.75

The March quarterly opex puts have 50 days, and for 1% of spot, they are a bargain considering where this stock has come from only a couple months ago. Target, $7-10

They reported on the 5th, the puts went to $9 and the stock perma ramp is over:

I have another idea with a parallel theme.

DASH has been in perma ramp mode since October earnings:

Aiding this is the perception of a billion per year in buybacks helping to reduce the share count, but this is patently untrue. They issue more that that in stock based compensation, wasting most of their free cash flow at ludicrous prices, since they have no 'earnings'

Estimate of Certain Components of Stock-Based Compensation Expense

(in millions)	2023 (Actuals)	2024	2025	2026
CEO performance award	$ 104	$ 67	$ 7	$ —
Wolt retention and revesting	150	145	139	53
Pre-IPO RSUs: amortization of stepped-up value	67	52	3	—
New hire, continuing employee, and other grants	767	836 - 936	NA	NA
Total stock-based compensation	$ 1,088	$1,100 - 1,200	NA	NA

(1) In November 2020, our board of directors granted restricted stock units ("RSUs") to our Chief Executive Officer, Tony Xu, covering 10,379,000 shares of our Class A common stock, which we refer to here as the 2020 CEO Performance Award. The award is intended to be the exclusive equity award to Mr. Xu over a seven year performance period, which ends November 23, 2027. The award has nine tranches that are eligible to vest based on the achievement of stock price goals ranging from $187.60 to $501.00, measured using an average of our stock price over a consecutive 180-day period during the performance period. For more information on the 2020 CEO Performance Award, please refer to our annual proxy statement.

(2) Certain RSUs awarded prior to or around the time of our initial public offering have grant-date fair values that significantly exceed the fair value of the awards ("409A value") prevailing at the time they were committed to employees. The amounts included here represent the stock-based compensation associated with the excess amount of the grant-date fair value over the 409A value.

Valuation Measures

Annual 🔒 Quarterly Monthly 🔒

	Current	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Market Cap	55.91B	39.38B	31.26B	30.01B	24.77B
Enterprise Value	52.35B	36.05B	28.30B	27.09B	21.76B
Trailing P/E	--	--	--	--	--
Forward P/E	--	243.90	91.74	76.34	111.11
PEG Ratio (5yr expected)	--	--	--	--	--
Price/Sales	6.30	4.73	4.01	4.07	3.59
Price/Book	8.21	6.08	4.95	4.60	3.67
Enterprise Value/Revenue	6.06	15.65	13.08	12.70	10.69
Enterprise Value/EBITDA	-769.85	879.29	1.41k	-326.42	-1.04k

But, as reader of this blog you probably already know how the stonk market works (and most financial 'assets' as well), this stuff doesn't really matter, it's a popularity contest and the stock is popular. If it wasn't, than it wouldn't have a $56B market cap. People have been sold on the story and they believe.

Well, how's business you ask? In MCD's case, I pointed out the pushback from lower income households to continual price hikes. The same situation is happening with DASH; folks are simply going to reject stuff like this, elevated food prices AND fee hikes in WA/CA/NY:

In September I was charged $44.90 for a gyro delivery, and an additional **$8.47** in service and delivery fees, before tip and tax.

The same order today is also $44.90 for the food — which, by the way, is about 20% more than what the restaurant charges in-store — but now has **$18.27** in fees. That's more than double from September.

Uber also told GeekWIre that it is shutting down its Uber Connect same-day packag delivery service in Seattle "in order to ensure compliance with the new law."

It's clear that Uber is sending a message to Seattle's labor policy staff.

"The City of Seattle did not pursue balanced legislation and we disagree with their approach," Uber told customers this week. "These rules will instead lead to higher prices for consumers, fewer orders to restaurants and fewer work opportunities for delivery drivers."

	Sept. 2023	Jan. 2024
Food cost	$44.90	$44.90
Delivery fees	$8.47	$18.27
Total	**$53.37**	**$63.17**

Comparing my gyro restaurant delivery order on Uber Eats from September to today.

Uber said the minimum wage policy will result in a loss of "hundreds of thousands" of orders for small businesses and "will price out Seattleites from access to this service."

Source: https://www.geekwire.com/2024/heres-why-the-cost-of-uber-eats-orders-in-seattle-just-skyrocketed/

So, you buy food and they charge more than picking it up and then you pay a giant fee. Are people lazy enough to continue throw away $25 on a simple food order *before* tip?

Well, in some areas it is hurting demand:

Seattle-area gig workers are making higher hourly wages while they're delivering food for platforms such as Uber Eats and DoorDash following the implementation of a new minimum wage law. But they're also getting fewer tips, and consumer demand has likely fallen.

Those are some takeaways from data provided to GeekWire from Solo, a Seattle-based software startup that helps more than 250,000 independent contractors manage their earnings.

The controversial law went into effect in January and set a minimum per-minute and per-mile amount for app-based workers delivering for tech platforms.

The companies responded by adding substantial new fees for consumers — $5 for each order — and say demand has fallen substantially in the subsequent weeks.

Data from Solo shows that the number of active workers on these platforms fell by around 15% in February, compared to the year-ago period, showing that consumer demand has likely indeed fallen in Seattle.

Hourly earnings are up 8%, Solo said, with base pay — calculated by time and distance — up substantially, by 38%. But tips are down 16%.

Source: https://www.geekwire.com/2024/heres-why-the-cost-of-uber-eats-orders-in-seattle-just-skyrocketed/

And this is happening in California as well and just went into effect in New York:

Calif. fast food minimum wage law's already a disaster — and NY wants some too

By Post Editorial Board

Published April 3, 2024, 11:06 a.m. ET

California's absurd fast food wage law has been in effect for less than a week and it's already made prices hotter than a fryolator.

The law mandates $20-an-hour minimum wages for fast food workers (with one corrupt carve-out made to order for a campaign donor and biz buddy of Gov. Gavin Newsom).

That's translated to price hikes like $4 on a Big Fish meal at Burger King, 53% higher than pre-law prices.

New York's lefties are hungry for what Cali's having.

A city minimum-pay mandate for food delivery drivers kicked into effect here April 1, to almost $20 per hour.

In response, as anyone capable of doing third-grade math foresaw, DoorDash and Uber Eats have hiked fees, and mom-and-pop places dependent on app deliveries are taking a hit.

Source: https://nypost.com/2024/04/03/opinion/calif-fast-food-minimum-wage-laws-already-a-disaster-and-ny-wants-some-too/

Earnings are scheduled for May 1st, and I think this perma ramp is in danger, so starting a put butterfly spread trade:

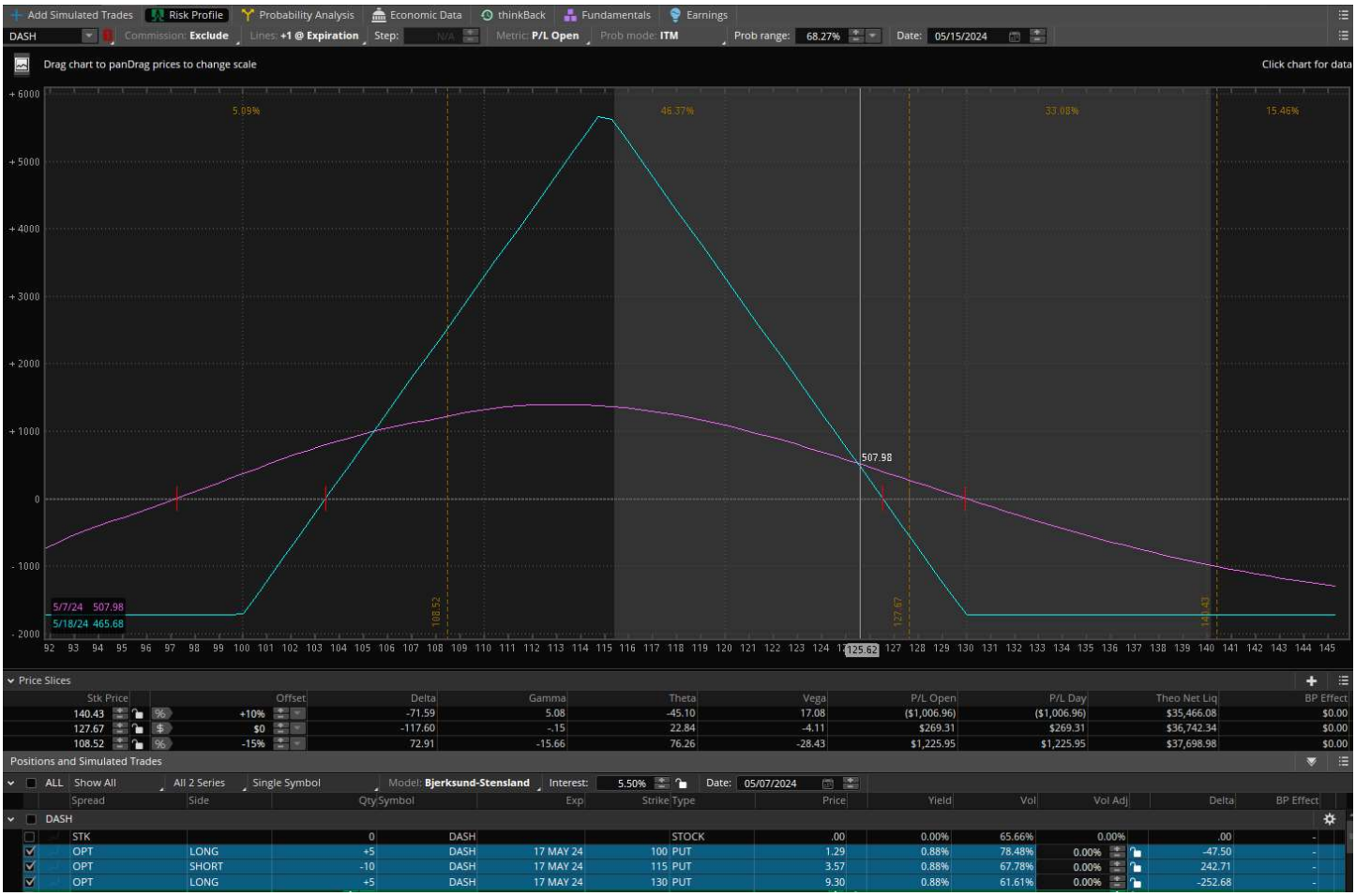
May 17th long put butterfly spread

Buy $130 May 17th put

Sell $115 May 17th put

Sell $100 May 17th put

Net debit: $3.30-3.50 (3.45 filled) Target $7-10



Of course, there is risk, they may pull a rabbit out their hat on ‘adjusted earnings’ or talk about higher free cash flow to throw out the driver side window on buybacks or something, but the premise of slowing demand due to multilayered price hikes is a pretty simple one that appears more realistic.