

# NVDA Earnings Trade

## SMH as a proxy

### 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.**)

We've been down this road before, call it Powell Buffoonery Lane:



The calendar, once again is a demon awakened:



Remember QT on autopilot? He literally orchestrated the worst December of our lifetime:



**Jay P. the Autopilot will  
bring this in softly**



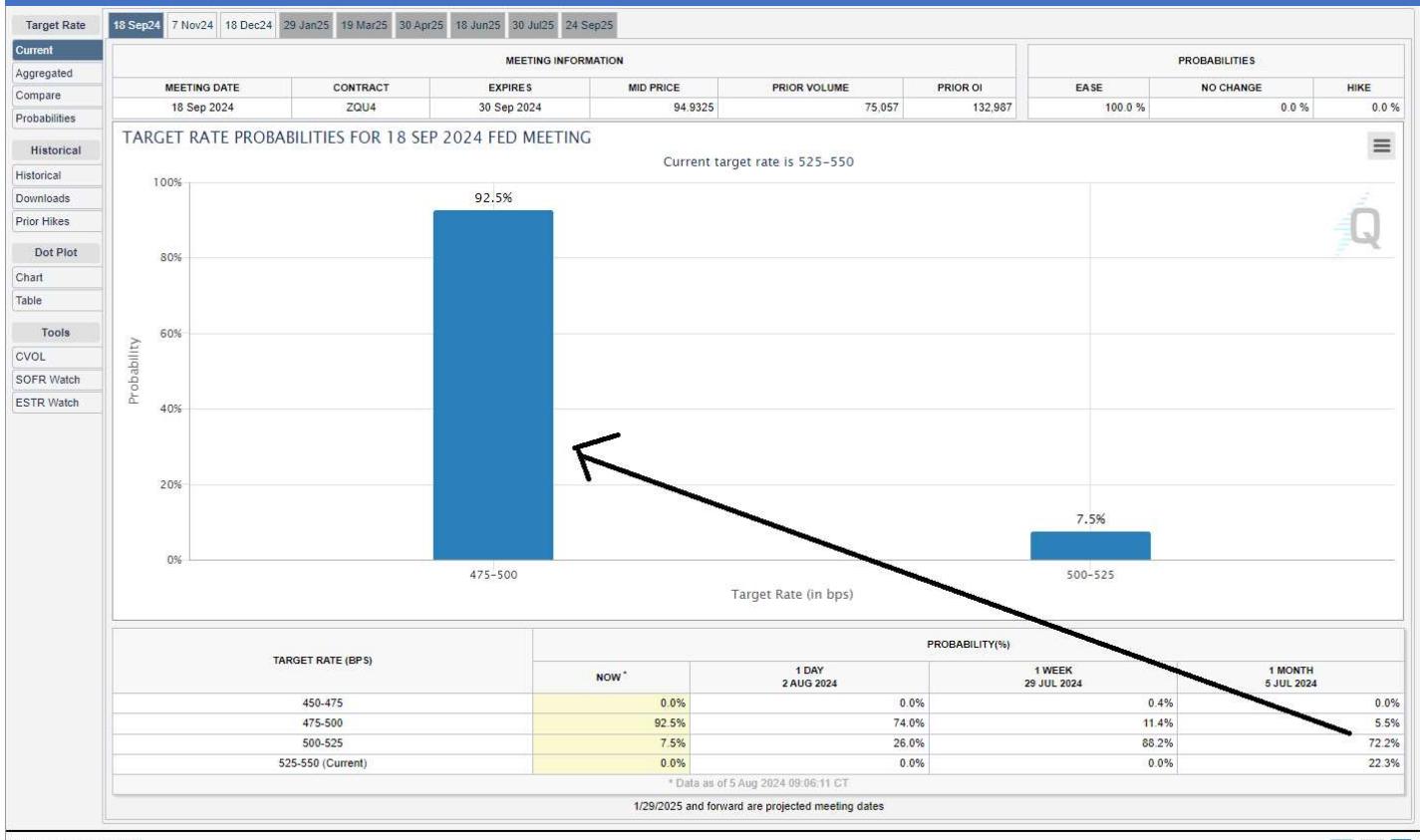
What comes next? Fed Chair Jerome Powell during the Federal Reserve's Division of Research and Statistics Centennial Conference on November 8. Photographer: Chip Somodevilla/Getty Images North America

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Now the speakers will be out in force, and the rate cut begging will be a cacophony:

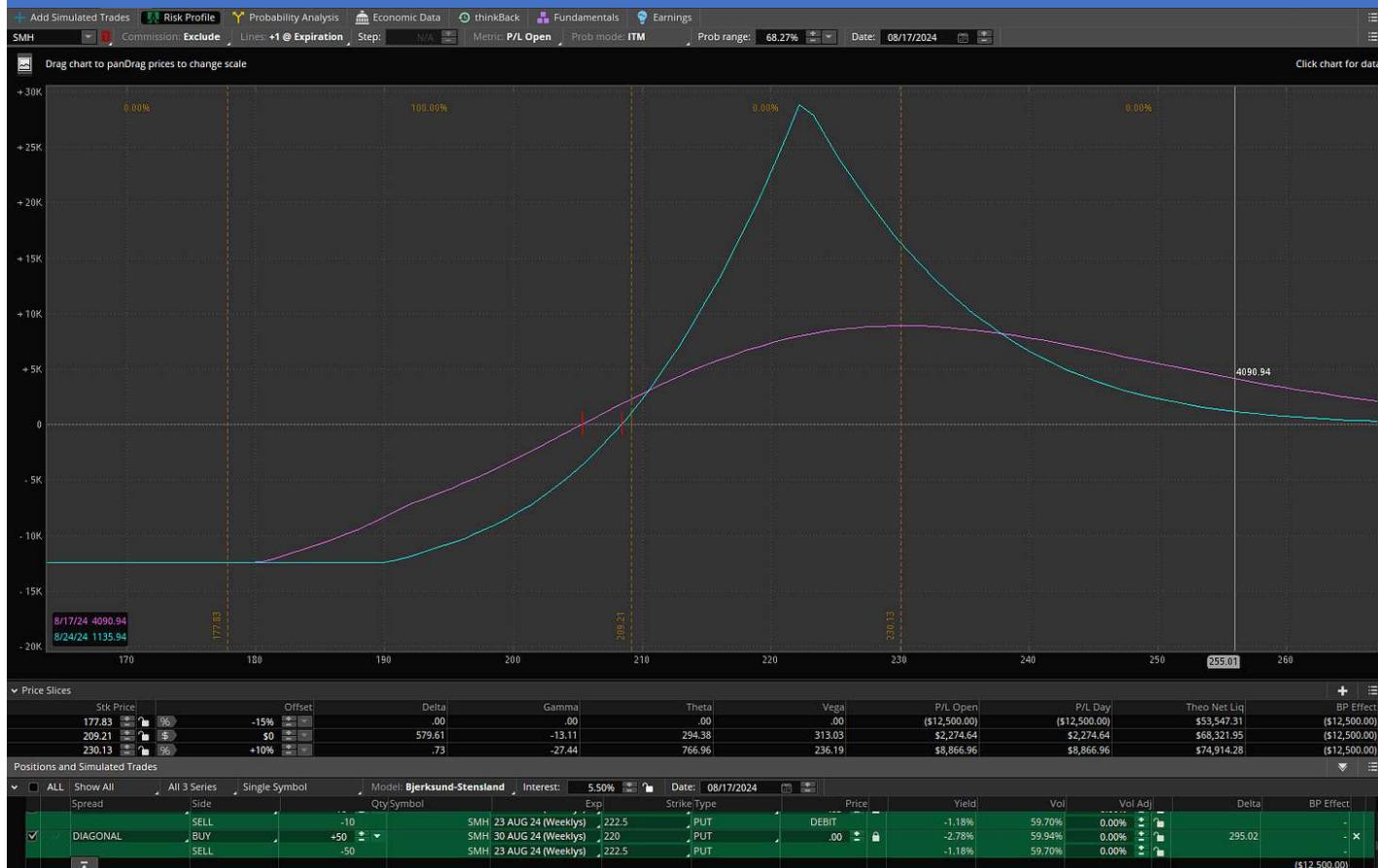
## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Keeping it simple this morning, using Friday's close as the baseline for NVDA earnings vol trade:

SMH put diagonal, \$225/222.5, net debit, 0-.10. Target \$1

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Weeks from now, folks will be looking forward to a shockingly large spike in revenue, that didn't change over the weekend, just because it's August.

# The Broadening Out Test Arrives

**Have to love those hedging trades**

## VOLATILITY SUMMARY



Sometimes it's this simple. The plan was to add more negative deltas at 5550ish and the Fed meeting induced some ludicrous spikes, especially in IWM and DIA. During which I promptly added puts and put verticals. They ran some stops at the recent high during the Fed meeting in IWM, which was an easy to smell juke, so I stole the puck from those skating to where they thought it was going to be:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



(If you don't know who that is, Mutombo was the 2nd greatest shot blocker ever, he would emphatically swat it down and then wag his finger at you, nobody dares do that today, the egos are far too soft to handle it)

Same with the Dow, ramp into the Fed and spike during the presser then:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



It won't get much easier from here for those that are bullish. Ah, the hopium, it's been everywhere. In forward earnings expectations, in rotation theories, in lots of rate cuts from here through next year, I guess that's what it takes to keep buying in a perma-bubble.

It wasn't only the herd flows into IWM, which have dried up this week:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

### Flow Charts

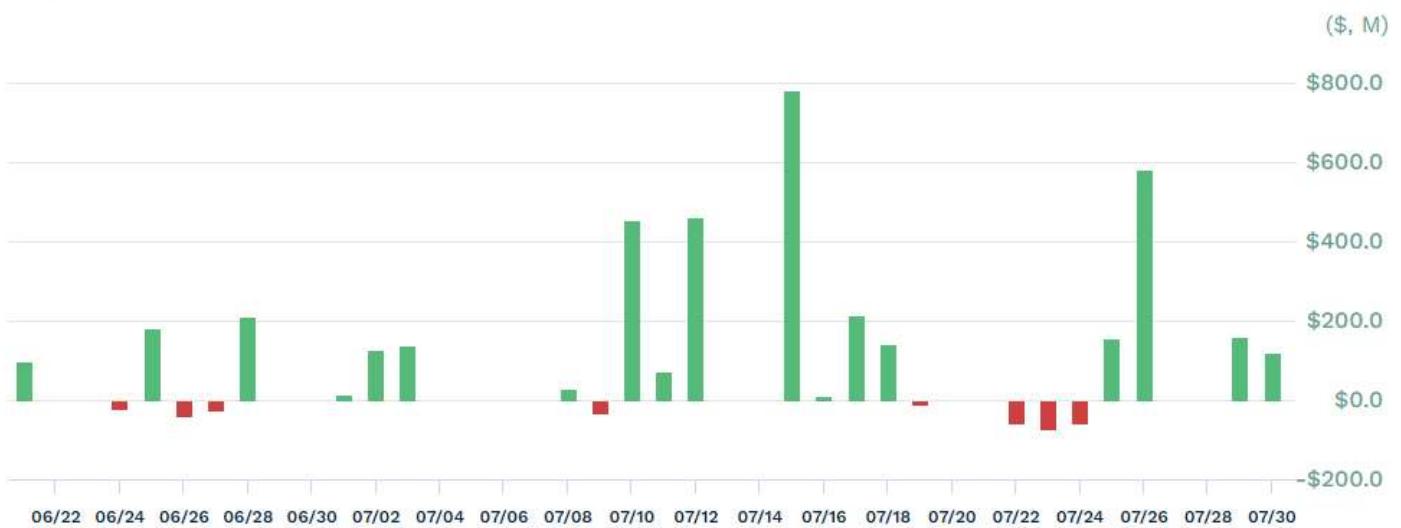
**IWM**



But they suddenly went rotation hopes grabby for RSP, the equal weight SPX ETF, that has been ignored for three years as it returned basically nothing from 2021-2023:

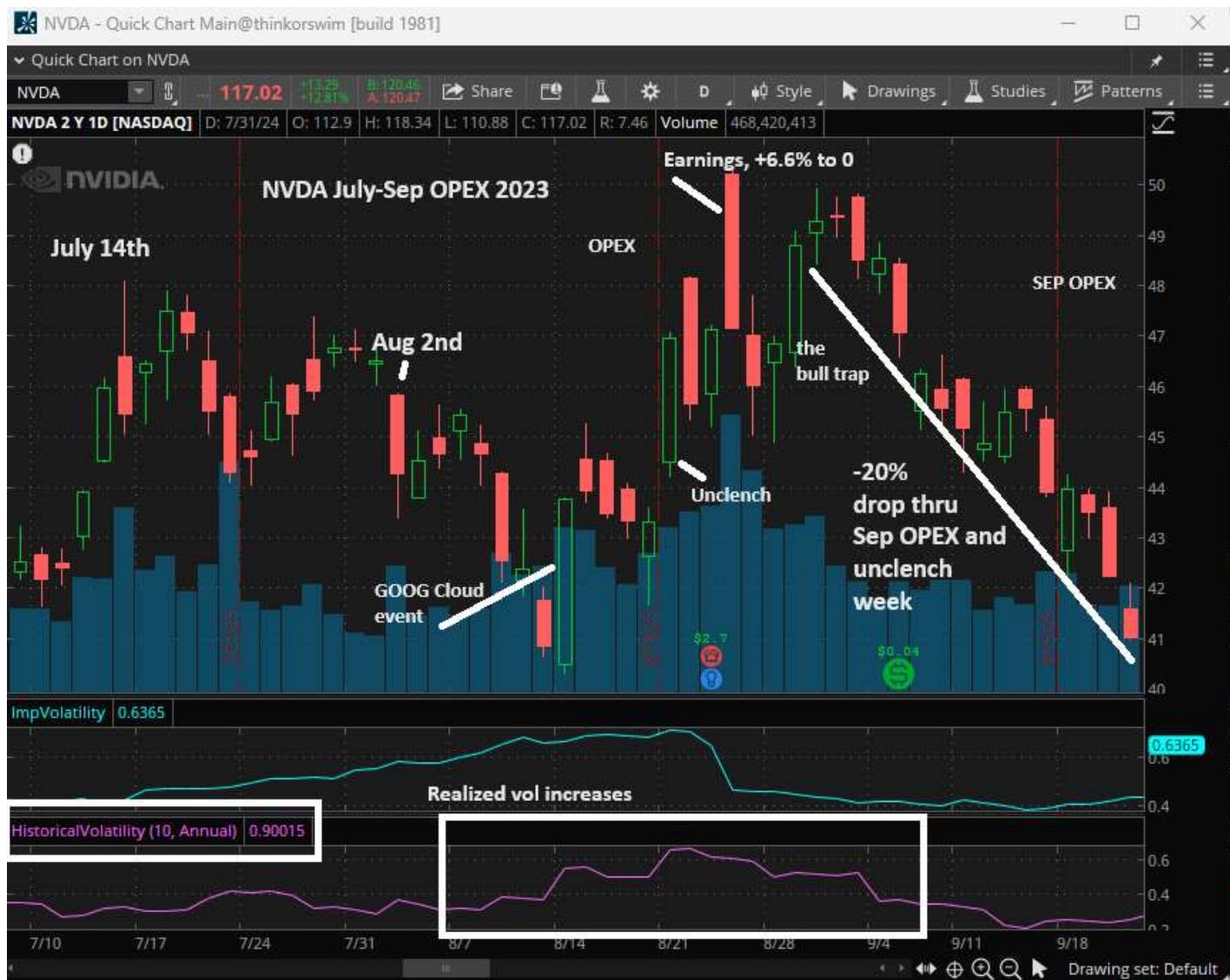
### Flow Charts

**RSP**



NVDA realized vol is obviously lit, and looking back to last year, it's probably not going to get any quieter. You will have to tack in rough seas, unless you swing trade or enjoy vol spreading, in which case, this is precisely the kind of summer you are looking for.

Take a gander at NVDA last summer, it was sort of ridiculous through September:

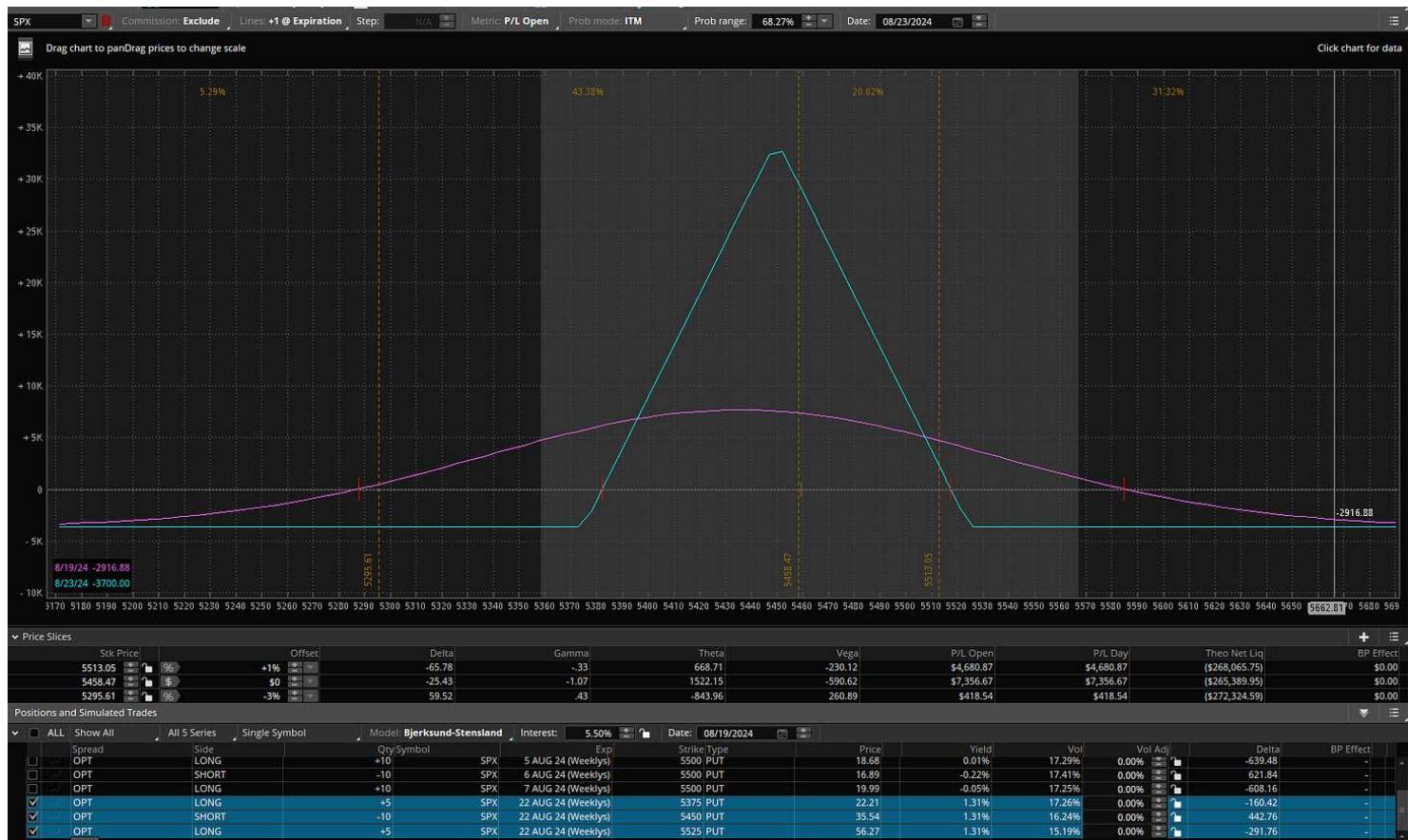


That GOOG cloud event, not happening late this August. But you know what is? Jackson Hole. And here's to hoping that is resuscitated as a vol event, and what would do the trick? A miss on CPI August 14th. So there is a lot to look forward to vol fans.

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

The recent trades, SPX July 31/2 Fed call calendar hit the \$15 target from \$8 (was close to \$20 yesterday morning), the IWM 220 Aug2/8 is at its \$1.20 target from .60, and the SPX Aug6/7 is on track. And all of the fall '[hedging trades](#)' put flies are doing wonderfully as well. So, let's continue with similar trades around CPI and Jackson Hole.

Jackson Hole SPX August 22nd put butterfly spread, 5525/5450/5375, net debit, \$7.40(filled) to \$9. Target, \$25.



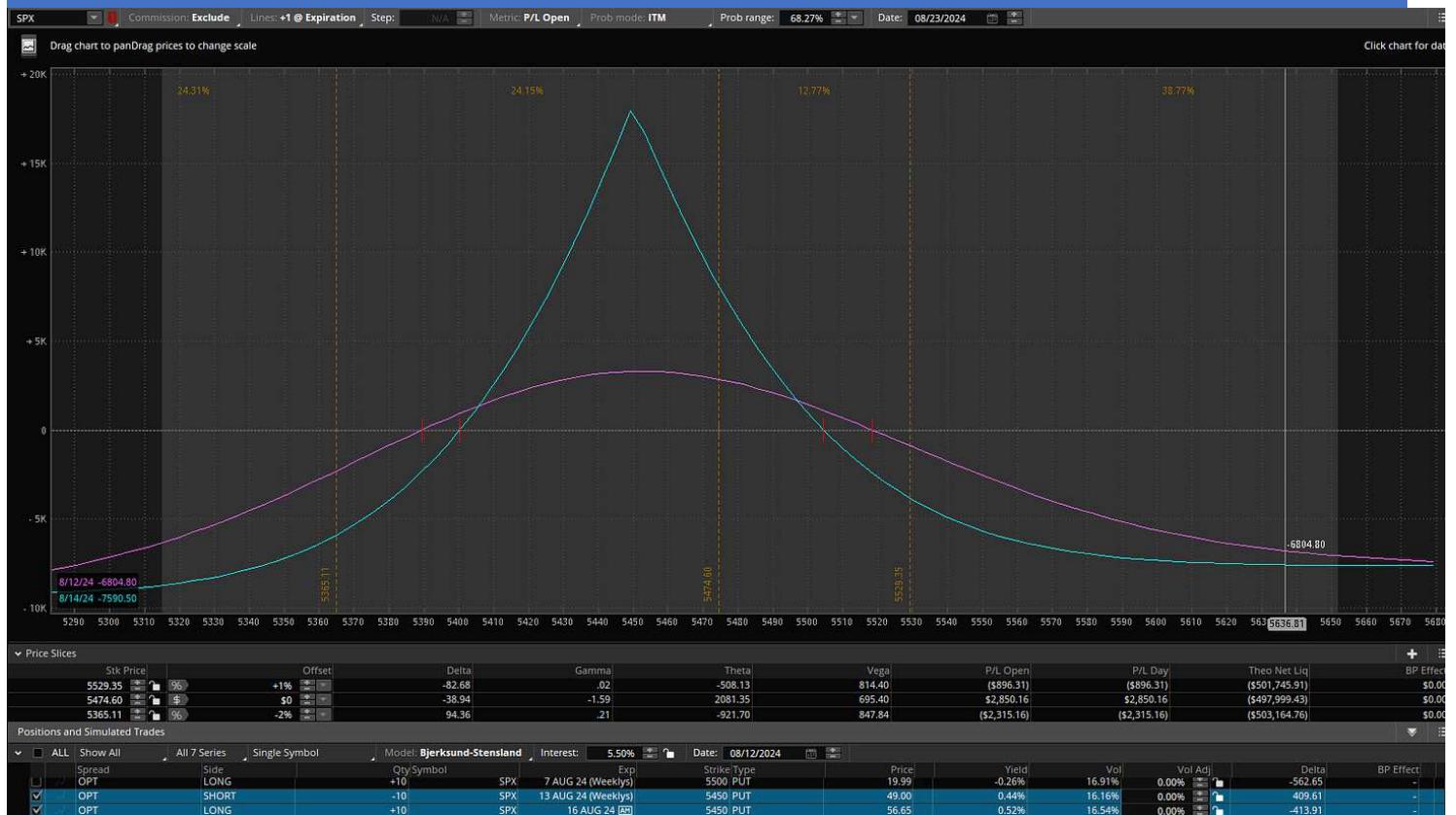
Well, I started this at the opening ramp today, so you should wait for a bounce, which often happens on the first day of the month in the afternoon. It's sort of typical. And we are having the post Fed day market doing the opposite of Fed day, again typical. It will have a pretty sizable profit zone and it will also occur just after August OPEX, the unclench week which as you know by now reading this blog, is usually quite volatile:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



SPX CPI/OPEX Aug13/16AM 5450 put calendar spread, net debit: \$7.50, target \$15:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Current 3-day wide put calendar spreads are as high as \$28 near the money:

Strike	Bid X	Ask X	Last X	Net Chng	Impl Vol	Volume	Open.Int	Mark
<b>August 1/6 put calendar spreads</b>								
5445 / 5445	26.00	26.60	28.60	11.46	24.13%	40	121	26.300
5450 / 5450	27.40	27.90	26.00	12.99	23.80%	193	832	27.650
5455 / 5455	28.00	28.60	31.45	15.15	23.79%	78	128	28.300
5460 / 5460	27.80	28.40	30.20	14.13	23.51%	31	79	28.100
5465 / 5465	27.40	28.00	28.40	11.30	24.05%	26	106	27.700
5470 / 5470	28.20	28.80	26.50	14.30	23.35%	61	51	28.500
5475 / 5475	28.20	28.80	25.90	6.70	23.33%	66	155	28.500
5480 / 5480	27.20	27.90	32.50	15.20	23.37%	59	1,776	27.550
5485 / 5485	27.20	27.90	26.53	13.72	23.07%	32	59	27.550
5490 / 5490	25.60	26.30	28.36	5.76	23.21%	82	186	25.950
5495 / 5495	25.10	26.00	25.90	12.22	22.67%	33	95	25.550
5500 / 5500	24.40	25.60	27.55	7.03	22.54%	147	730	25.000
5505 / 5505	21.70	22.80	31.53	18.35	23.53%	44	129	22.250
5510 / 5510	21.40	22.40	17.21	-5.91	21.76%	19	113	21.900

More trades soon, after we see the NFP market reaction.

# The One Foot Out The Door Market

## And a clear SPX pattern emerging

### VOLATILITY SUMMARY

I've been preaching from the volwiz pulpit that the QQQ into IWM rotation trade is pure fincom; at the end of the day, it was probably just a bunch of unwinds (factor and dispersion) and a surge of call buying which required delta hedging, that morphed into delusional sentiment that it was the next correct/skate to where the puck is going trade. (Remember, PMs are not investors anymore in perma-bubble land, they must intrepidly pivot with the herd when valuation scares hit their popular holdings, and a lot of them fire at will with calls now.)

### Small caps options mania in a pic

Everybody forced into chasing small cap exposure...urgently.



Now it will be faced with the test of August-October, when profitable company stocks have difficulty, let alone the profitless ones. And today was probably a glimpse of the fall price action. I think Paban Pandey of Hedgeopia just summed up the current fallacy pretty well:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

The Federal Open Market Committee meets this week, and no action is expected, but the policy-setting body will probably use this meeting as a setup for a cut in September. As things stand, futures traders expect three 25-basis-point cuts this year – one each in September, November and December. By September next year, they expect four more, ending that month at 375 basis points to 400 basis points.

The sell-side is beginning to model this in. In the week to July 2<sup>nd</sup>, next year's operating earnings estimates for S&P 600 companies were \$98.48. Three weeks later – as of the 23<sup>rd</sup> – this stood at \$98.42. These analysts are hoping for things to stabilize. Otherwise, 2025 estimates peaked at \$102.88 early May and have been under pressure since. This year's, however, continue lower, with \$77.83 as of last Tuesday the lowest since estimates began in March last year when they were \$105.68 (Chart 3).

At the current level of optimism, earnings are expected to shoot up 26.5 percent next year; this would have accelerated from this year's expected growth of 19.5 percent. These estimates are just that – estimates. In June 2022, last year's earnings were expected to surge 26.6 percent; when it was all said and done, 2023 earnings dropped 14.2 percent to \$65.14.

One primary reason the Russell 2000 surged this month is the expectation that lower interest rates are supposed to relieve leveraged small-cap companies of balance sheet pressure. This in and of itself does not mean this will meaningfully flow through to the income statement, which is what the sell-side is beginning to price in, hoping for aggressive rate cuts by the Fed. If the central bank does indeed enter an aggressive rate-cutting cycle, then this will only happen if the economy massively slows down/enters recession. In this scenario, the balance sheet will get a lift, but the income statement will take a hit, as earnings tumble.

<https://hedgopia.com/nasdaq-100-russell-2000-ratio-approaching-crucial-retest-small-cap-bulls-should-hope-for-breach/>

THANK YOU! I could not have said it better myself, clear as glass. Goodness gracious, can we all stop with the nonsense now? (TV people amirite? My 12-yr son loves to make that joke all the time, as in, “gas prices, amirite”, or ‘JD Vance, amirite?’)

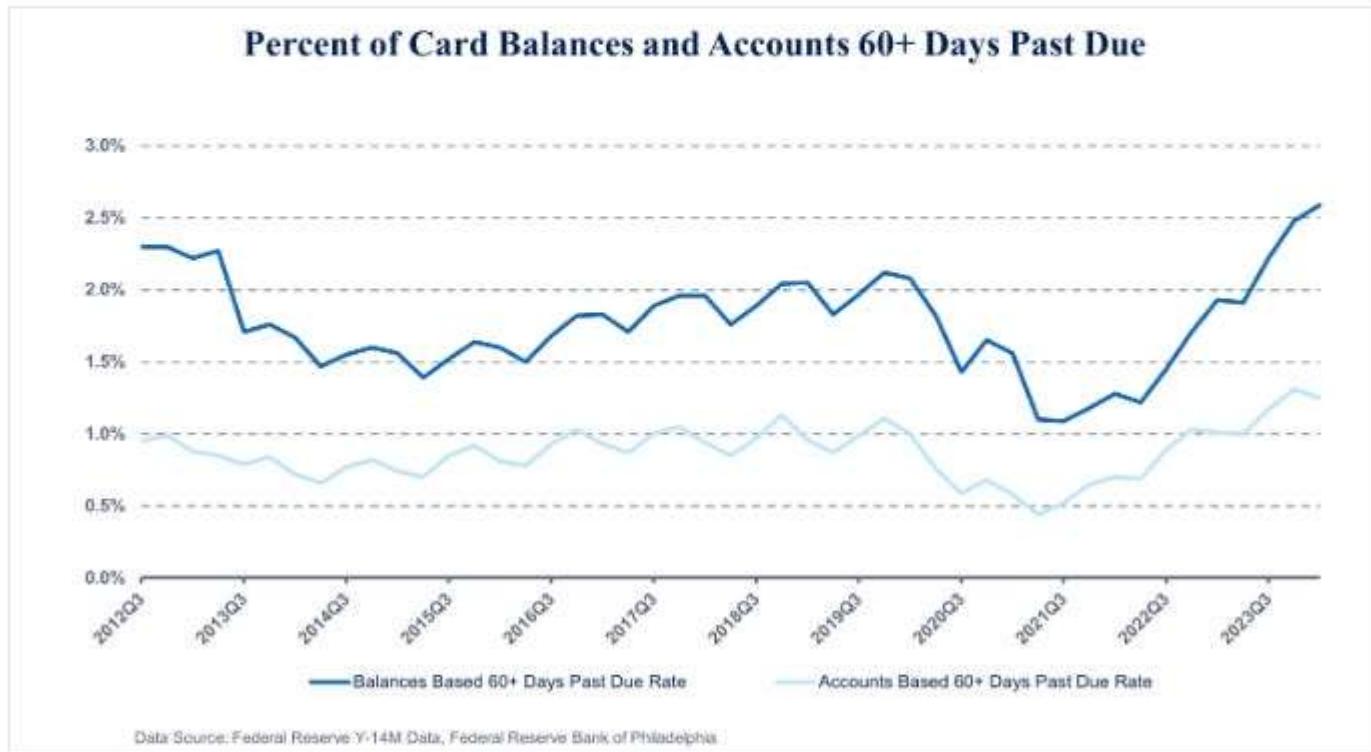
I mean, here are some metrics for IWM, see if you can find the ‘value’:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

Financial Ratios vs. Historical Averages						Valuation Multiples vs. 3-Year Average			
Ratio	Current	3-Year Avg	+/- Std Dev	5-Year Avg	+/- Std Dev	Ratio	Current	3-Year Avg	Current Premium/Discount
<b>Valuation</b>									
P/E	101.52	45.74	+3.4	105.78	0.0	P/E Ratio	101.52	45.74	+122%
P/Sales	1.30	1.35	-0.1	1.41	-0.3	P/Sales Ratio	1.30	1.35	-3%
P/Cash	7.42	7.29	+0.4	7.55	-0.1	P/Book Ratio	2.00	2.05	-3%
P/Book	2.00	2.05	-0.1	2.10	-0.3	P/Tangible Book Ratio	3.06	3.20	-4%
P/Tangible Book	3.06	3.20	-0.2	3.26	-0.4	P/Operating Income Ratio	20.63	17.65	+17%
P/EBIT	25.37	22.69	+0.4	44.58	-0.4	Average			+26%
P/EBITDA	11.75	11.38	+0.1	13.07	-0.3				
P/Operating Income	20.63	17.65	+0.6	21.31	-0.1				
<b>Profit Margin</b>									
Gross Margin %	27.5%	28.2%		27.8%					
Net Margin %	1.3%	3.2%		2.0%					
Operating Margin %	6.2%	7.6%		6.9%					
EBITDA Margin %	10.0%	10.9%		10.2%					
<b>Financials</b>									
Debt/Equity	1.17	1.15		1.20					
Debt/Cash	4.25	4.12		4.26					
Debt/EBITDA	5.68	5.31		6.13					
<b>Ratios</b>									
Return on Equity	2.0%	4.9%		3.1%					
Return on Assets	0.5%	1.1%		0.7%					
<b>Yields</b>									
Earnings Yield	0.8%	1.9%		1.2%					
EBIT Yield	3.1%	3.6%		2.9%					
EBITDA Yield	6.6%	7.1%		6.4%					
Operating Yield	3.8%	4.6%		4.0%					
Dividend Yield	1.4%	1.4%		1.4%					

And let's be honest, a rate cut or two isn't going to help them and it isn't going to help these folks:

Total revolving balances posted a series high at \$628.6 billion this quarter, bringing revolved balances as a share of total outstanding balances to its highest point since 2021, at 71.3 percent. Revolved balances as a share of total outstanding had fallen to a series low of 65 percent during the pandemic, when federal stimulus helped more borrowers pay in full.



<https://www.philadelphiahed.org/surveys-and-data/2024-q1-large-bank>

Now, SPX is exhibiting how much the algorithmic trading/vol smashing is affecting markets with low liquidity these days. You can literally set your watch (or your trades) to what they are doing:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



The last few days buying the Euro close at 11:30 and selling at 1pm have been pretty Sharpe-tastic.

This is not new, my letter readers may recall how the algo timing was more punctual than the Paris Metro last fall during that just horrible correction during a +24%+ year:

Volatility Analytics Newsletter, Oct 25th:

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

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



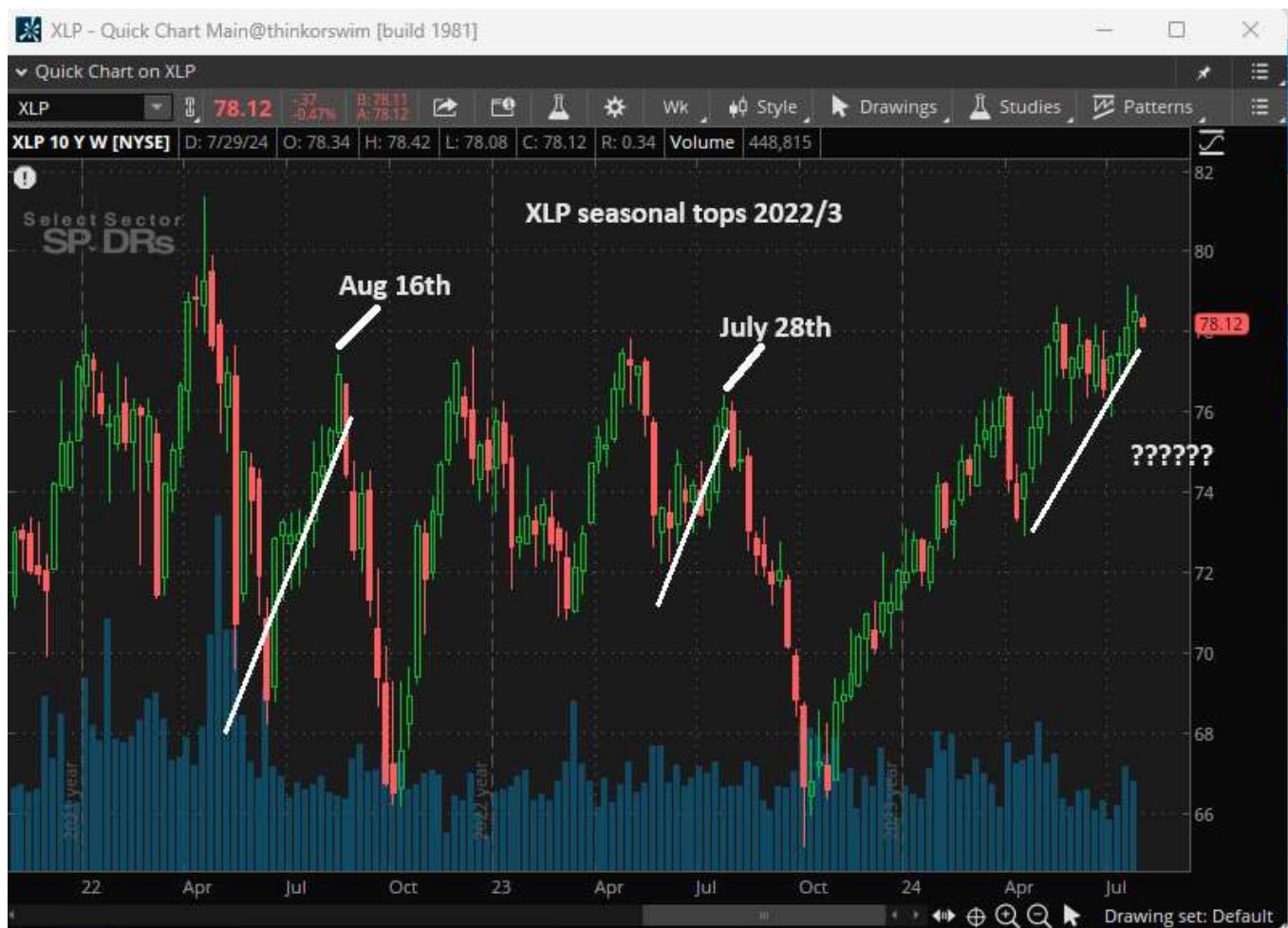
*But, things are changing, you can't keep a great trend quiet for very long; big hedge fund money has invested in awfully smart systems to ferret this stuff out and frontrun until it doesn't work, or it adapts/morphs:*

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

So, a couple trade ideas, looking out past what is probably going to be a volatile week, great for swing traders, as you can see above.

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

First, a simple XLP long September \$78 put, net debit, .92. It's this simple:



A little over 1% for 53 days at spot is beyond cheap, I'm sure you will agree.

SPX one-day Aug6/7 5450 put calendar, net debit: \$2.30.

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Current one-day spreads are 4-5x this debit:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

Strike	Bid X	Ask X	Last X	Net C...	%Cha...	Impl Vol	Delta	Mark	Volume	Open....	
<b>PUTS</b>											
<b>SPX July 29/30 put calendar spreads</b>											24.85% ( $\pm 8.622$ )
5450 / 5450	8.15	8.40	8.18	.38	+4.87%	23.43%	-.26	8.275	5,719	1,572	
5455 / 5455	9.50	9.75	9.60	2.20	+29.73%	21.60%	-.28	9.625	2,075	452	
5460 / 5460	10.85	11.15	10.74	2.43	+29.24%	20.95%	-.28	11.000	4,243	394	
5465 / 5465	12.15	12.35	11.69	5.69	+94.83%	20.38%	-.24	12.250	2,171	775	
5470 / 5470	13.00	13.30	13.09	.89	+7.30%	20.01%	-.15	13.150	3,739	416	
5475 / 5475	13.40	13.70	13.40	5.75	+75.16%	19.41%	-.01	13.550	2,190	777	
5480 / 5480	13.00	13.40	13.00	-1.60	-10.96%	18.72%	.15	13.200	1,772	620	
5485 / 5485	11.70	12.40	11.25	-5.05	-30.98%	18.24%	.27	12.050	815	183	
5490 / 5490	9.90	10.70	11.25	4.22	+60.03%	18.00%	.32	10.300	643	271	
5495 / 5495	8.00	8.90	9.20	3.32	+56.46%	18.12%	.32	8.450	542	271	
16.05% ( $\pm 37.123$ )											
19.57% ( $\pm 63.656$ )											
19.39% ( $\pm 77.101$ )											
20.06% ( $\pm 92.021$ )											
16.52% ( $\pm 100.13$ )											
16.52% ( $\pm 107.025$ )											
16.46% ( $\pm 113.089$ )											
5450 / 5450	1.90	2.60	4.10	.62	+17.82%	16.24%	.00	2.250	2	668	Pos
5455 / 5455	1.90	2.60	6.76	6.99	-3039.13%	16.19%	.00	2.250	6	10	
5460 / 5460	1.80	2.50	1.51	.29	+23.77%	16.13%	.00	2.150	11	41	
5465 / 5465	1.80	2.50	3.60	1.38	+62.16%	16.08%	.00	2.150	3	27	
5470 / 5470	1.80	2.50	11.10	9.75	+722.22%	16.00%	.00	2.150	6	71	
5475 / 5475	1.80	2.60	2.90	1.13	+63.84%	15.95%	.00	2.200	42	430	
5480 / 5480	1.70	2.50	2.20	5.90	-159.46%	15.90%	.00	2.100	17	77	
5485 / 5485	1.80	2.50	2.52	-4.85	-65.81%	15.83%	.00	2.150	5	26	
5490 / 5490	1.70	2.50	.15	-9.38	-98.43%	15.76%	.00	2.100	10	50	
5495 / 5495	1.60	2.40	-1.04	-3.54	-141.60%	15.70%	.00	2.000	3	8	

Target, \$6-8.

# Fed/NFP/Giga Tech Earnings Vol Trades

## VIX April spike similarities

### VOLATILITY SUMMARY

Yesterday I wrote about the dispersion unwind and vol spike in April. Well, look at where VIX9D (the vol metric most important; it is where the vast majority of SPX options are traded in our new ODTTE regime) peaked this morning:



Right to the exact number. 21.3. If this plays out similarly, you'll see vol being sold regularly as markets bounce off the low of the day, but implied not exactly in any rush to return to the 11-14 range.

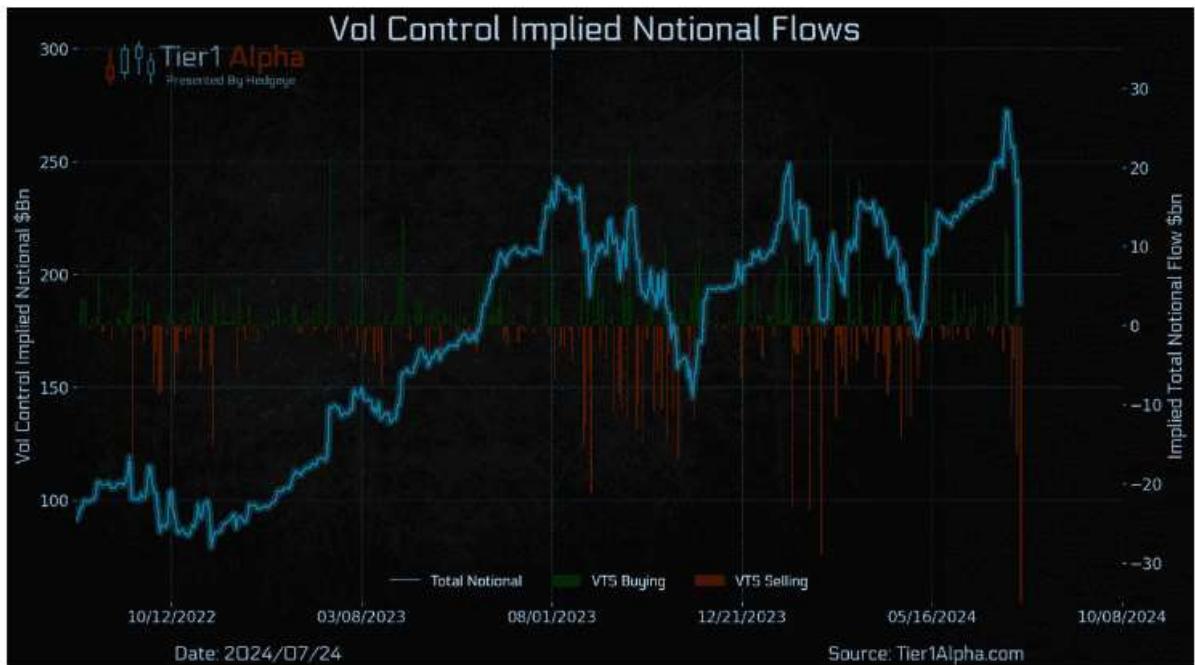
VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

It's kind of difficult for that to happen frankly, when we see 100 point bounces followed by 100pt afternoon drops, like today.

Which makes sense. August should be choppy, earnings will be in the rearview and the market may be subject to the daily Jekyll and Hyde whims of worsening/not so bad/decent economic news, waiting for that elusive rate cut that, let's be honest, really won't mean a whole lot.

Interestingly enough, as of yesterday, vol control has basically bailed but CTAs still had some selling to do and that was probably a factor in today's reversal:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Source: [https://app.hedgeye.com/feed\\_items/all?page=1&with\\_category=88-market-situation-report](https://app.hedgeye.com/feed_items/all?page=1&with_category=88-market-situation-report)

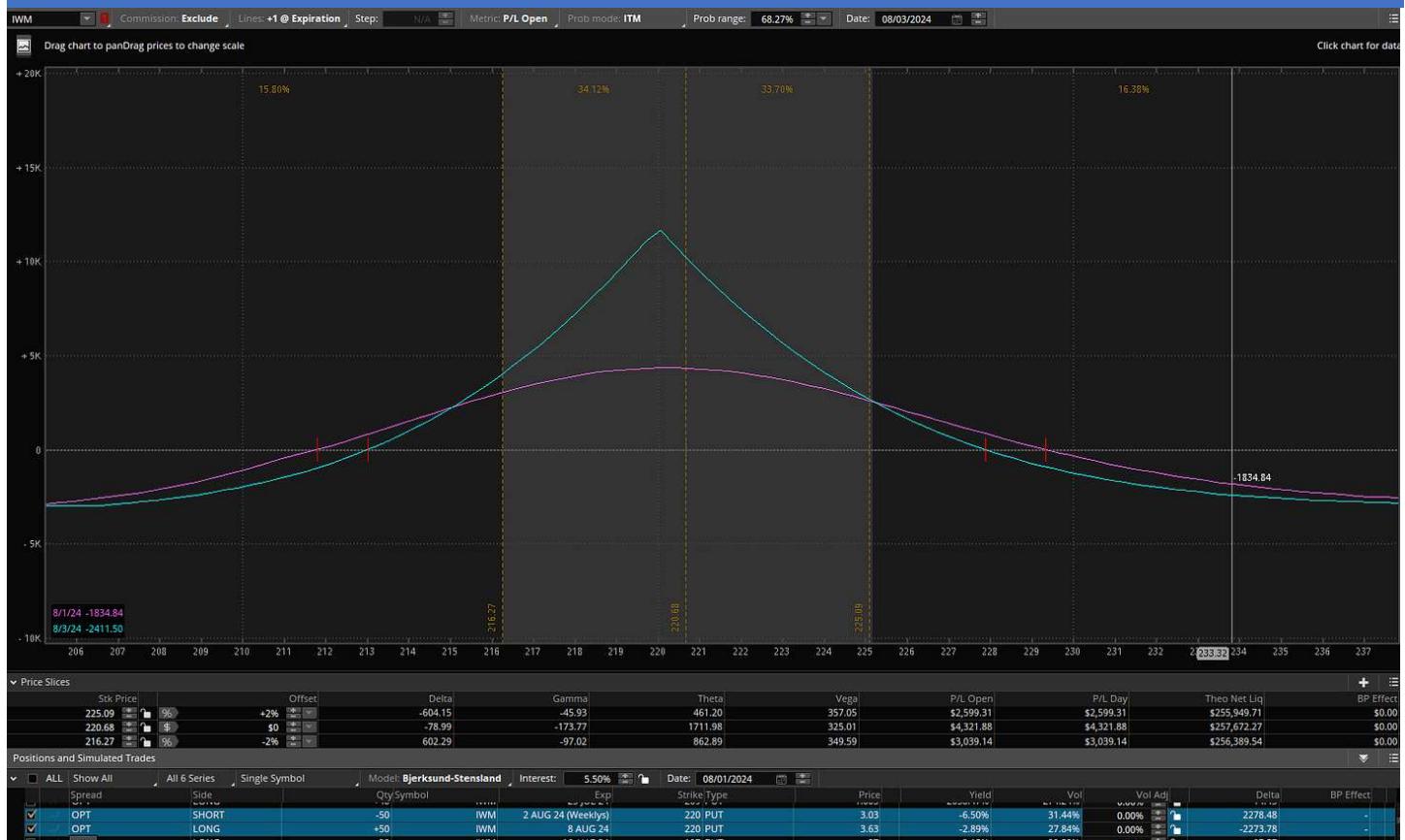
## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

Like a lot of charts I've shown here this year, IWM is oddly playing out quite similarly to last year, it's almost uncanny how it has tracked since March save for a June divergence:



IWM Aug2/8 \$220 put calendar spread, net debit: .60(filled), target 1.20

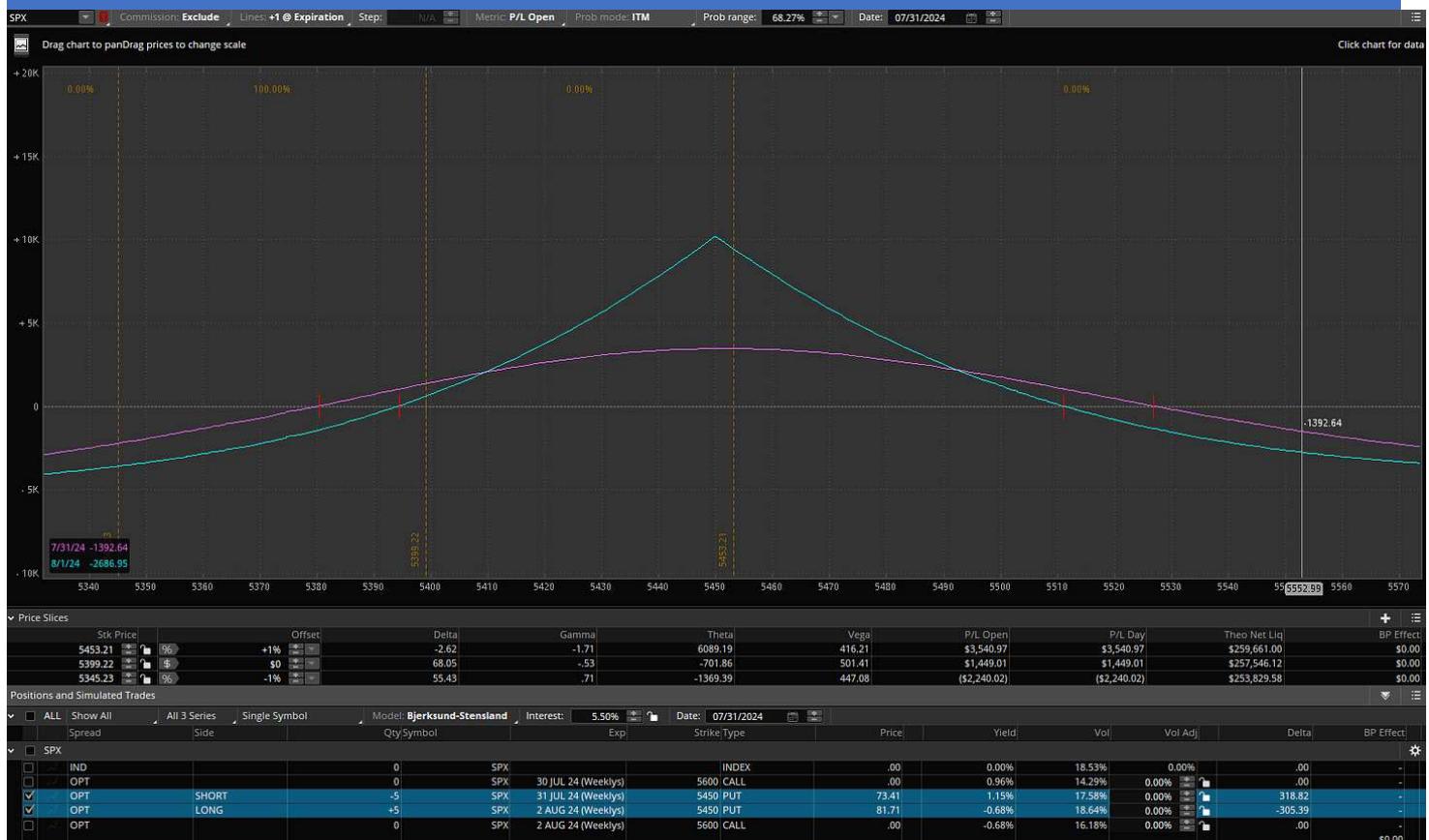
## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



This pairs well with the IWM put flies from last week, in case it decides to leave the station early.

SPX July 31/Aug 2nd 5450 Fed/NFP/AMZN/AAPL/META put calendar spreads, net debit, 8.30(filled)-8.70, target \$15.

VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



With a myriad of vol events in the back leg, you would expect it will capture at least the vol priced into current two day put calendars, that have no vol events in the back leg to speak of (short of current environment vol):

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

Strike	Bid X	Ask X	Last X	Net C...	%Cha...	Impl Vol	Delta	Mark	Vo
<b>PUTS</b>									
5360 / 5360	16.05	16.40	16.45	8.78	+114.47%	26.23%	-.30	16.225	
5365 / 5365	17.55	17.90	18.33	9.82	+115.39%	24.01%	-.32	17.725	
5370 / 5370	19.15	19.50	19.53	10.58	+118.21%	21.82%	-.34	19.325	
5375 / 5375	20.75	21.20	21.63	11.35	+110.41%	19.58%	-.36	20.975	
5380 / 5380	22.55	22.90	23.55	12.68	+116.65%	17.31%	-.38	22.725	
5385 / 5385	24.35	24.80	25.45	15.17	+147.57%	14.94%	-.40	24.575	
5390 / 5390	26.35	26.80	28.22	15.24	+117.41%	12.49%	-.42	26.575	
5395 / 5395	28.45	28.90	29.13	17.99	+161.49%	9.91%	-.43	28.675	
5400 / 5400	29.65	30.20	31.10	18.90	+154.92%	8.67%	.24	29.925	
5405 / 5405	26.60	28.20	28.85	16.32	+130.25%	12.03%	.41	27.400	
5410 / 5410	22.10	25.80	27.30	12.42	+83.47%	20.68%	.30	23.950	
5415 / 5415	19.70	25.70	26.70	11.05	+70.61%	--	.44	22.700	
5420 / 5420	17.10	24.80	22.10	6.75	+43.97%	--	.41	20.950	
5425 / 5425	14.90	21.00	22.80	7.07	+44.95%	--	.39	17.950	
5430 / 5430	15.40	21.70	21.75	5.71	+35.60%	--	.36	18.550	
5435 / 5435	10.90	18.60	16.06	-1.72	-9.67%	--	.34	14.750	
5440 / 5440	9.00	16.90	12.61	-1.72	-12.00%	--	.31	12.950	
<b>Today/Monday put calendar spreads</b>									
<b>July 31/Aug2 put calendar spreads</b>									
5360 / 5360	9.20	10.20	19.24	10.21	+113.07%	18.22%	-.02	9.700	
5365 / 5365	9.30	10.30	7.20	-1.24	-14.69%	18.15%	-.02	9.800	
5370 / 5370	9.30	10.30	8.62	-2.80	-24.52%	18.07%	-.01	9.800	
5375 / 5375	9.30	10.30	8.46	.29	+3.55%	17.98%	-.01	9.800	
5380 / 5380	9.30	10.30	7.15	-5.01	-41.20%	17.93%	-.01	9.800	
5385 / 5385	9.30	10.40	7.97	-.72	-8.29%	17.84%	-.01	9.850	
5390 / 5390	9.20	10.30	10.79	4.62	+74.88%	17.78%	.00	9.750	
5395 / 5395	9.30	10.30	7.34	-1.15	-13.55%	17.68%	.00	9.800	
5400 / 5400	9.10	10.20	9.71	-1.80	-15.64%	17.62%	.00	9.650	
5405 / 5405	9.00	10.10	8.87	6.27	+241.15%	17.54%	.01	9.550	
5410 / 5410	8.90	10.10	8.04	-7.26	-47.45%	17.46%	.01	9.500	
5415 / 5415	8.70	9.80	9.50	.79	+9.07%	17.35%	.01	9.250	
5420 / 5420	8.80	10.00	7.08	-1.57	-18.15%	17.25%	.02	9.400	
5425 / 5425	8.60	9.80	6.69	-1.11	-14.23%	17.15%	.02	9.200	
5430 / 5430	8.40	9.70	10.70	1.26	+13.35%	17.10%	.02	9.050	
5435 / 5435	8.30	9.50	8.44	-2.56	-23.27%	17.01%	.02	8.900	
5440 / 5440	8.20	9.40	10.07	-.81	-7.44%	16.89%	.03	8.800	

Now, obviously, if the SPX wants to continue to tank into all of these major events, which I clearly think is unlikely, this is not going to do well, so avoid this is if you see SPX heading to 5300 in the next few days.

# RIP For The Streak

**Vixpiration the watershed moment again**

## VOLATILITY SUMMARY

Time to start another one?

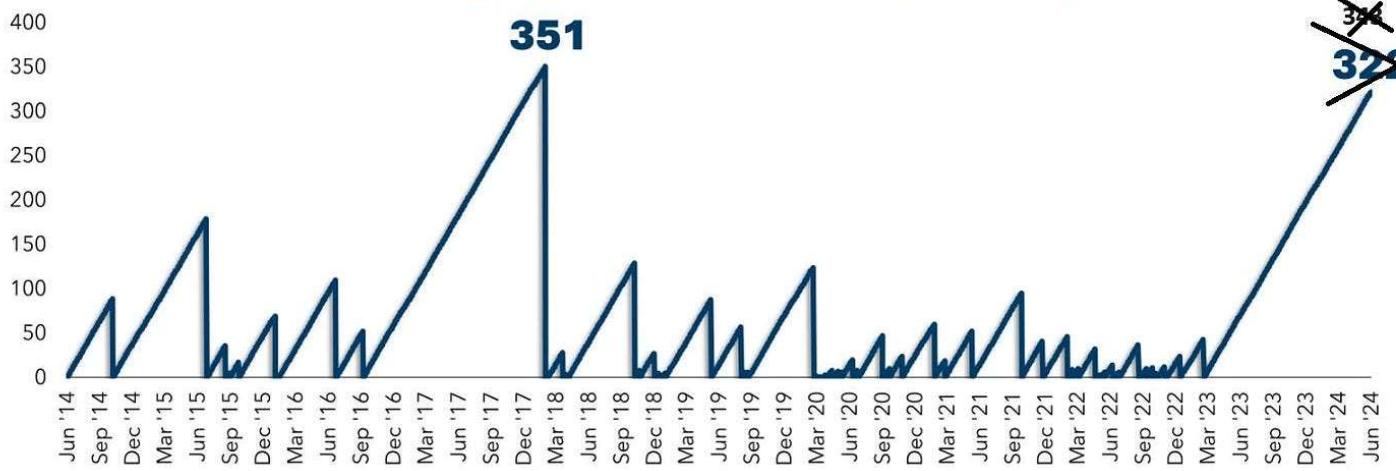
**It has been 322 Days Since a -2% Down Day**

# of Trading Days in a Row Without a -2% Down Day

Past 10 Years



—# Trading Days in a Row Without a -2% Down Day



The factor unwind finally found a floor of sorts today, for whatever reason, maybe the tech washout/implied vol spike was the final straw and you saw IWM simply give it up late in the day. The performance differential YTD now is only just over 4%. And where it stopped and wicked, entirely logical, a congestion area from earlier this year. In fact, this goes back to early February, where it ceased to fall today:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



If you listen to this excellent podcast from Le Shrub, he theorized that a big chunk of dispersion trades, short index vol/long names vol was blown out in April and taken over by large banks who were trying to get rid of it themselves. The speculation being that this was Citadel's position, they dumped it in December, and then the hedge funds that subsequently took it were extricated from it in April, and well, this is an excellent discussion of what things would look like when the dispersion trade was eventually unwound:



[Reminiscences of a Shrub Operator](#)

## Fly on the Wall with Shrub & Cloubear

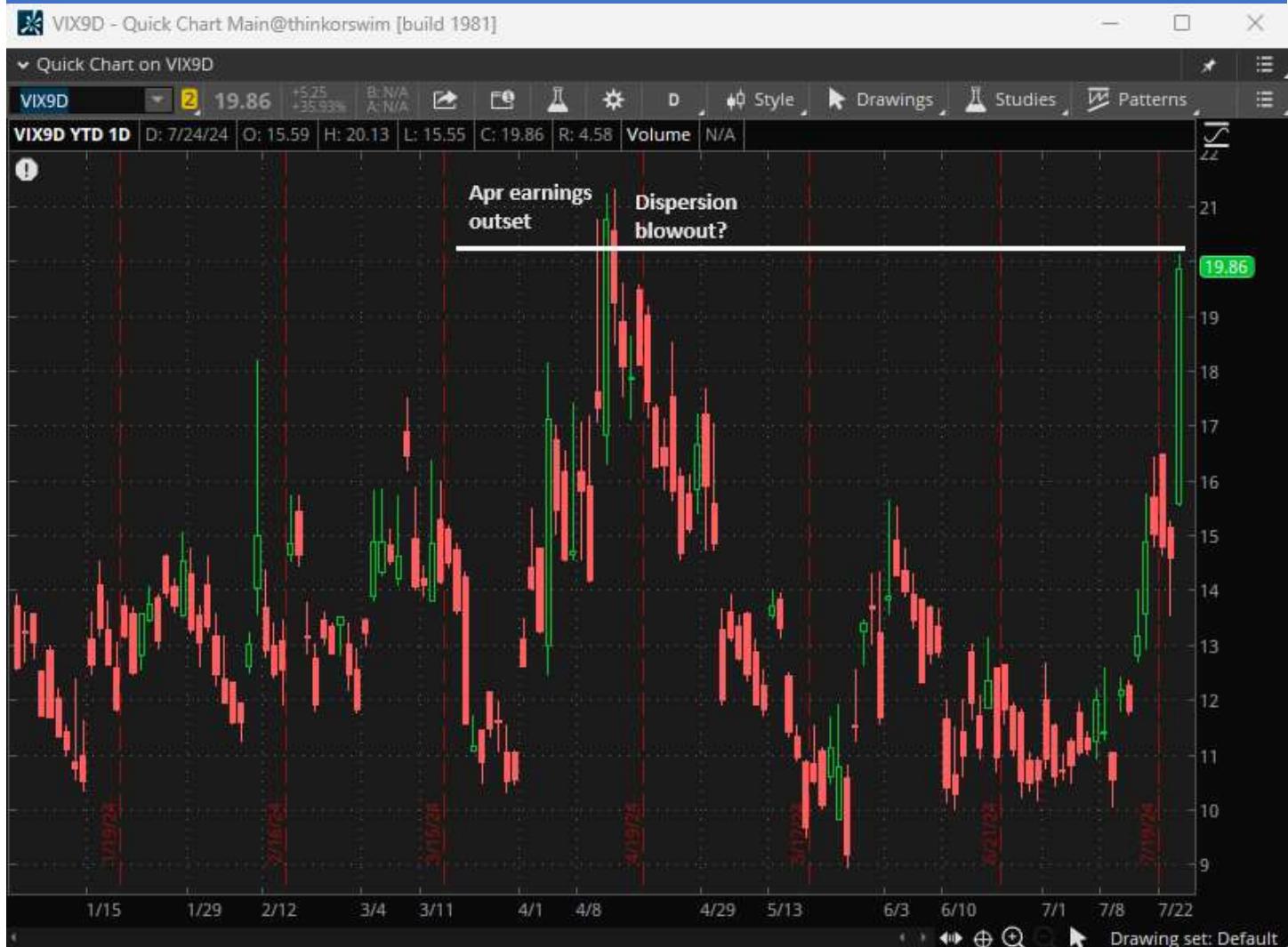
Just had an awesome chat with my buddy Paulo, shortly after the “cold” CPI that sent the Russell / Nasdaq spread at +5% (!). The meme below came to mind from today’s moves! We had lots to talk about and I hope you enjoy it as much as we did! 🎉 Disclaimer...

[Listen now](#)

13 days ago · 32 likes · 2 comments · Le Shrub and PauloMacro

And, interestingly, April's market OPEX trough, that is when the VIX9D and VIX peaked this year. Large pain for those short index vol, and thus the handoff. And then today being the highest close on those indices since then:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



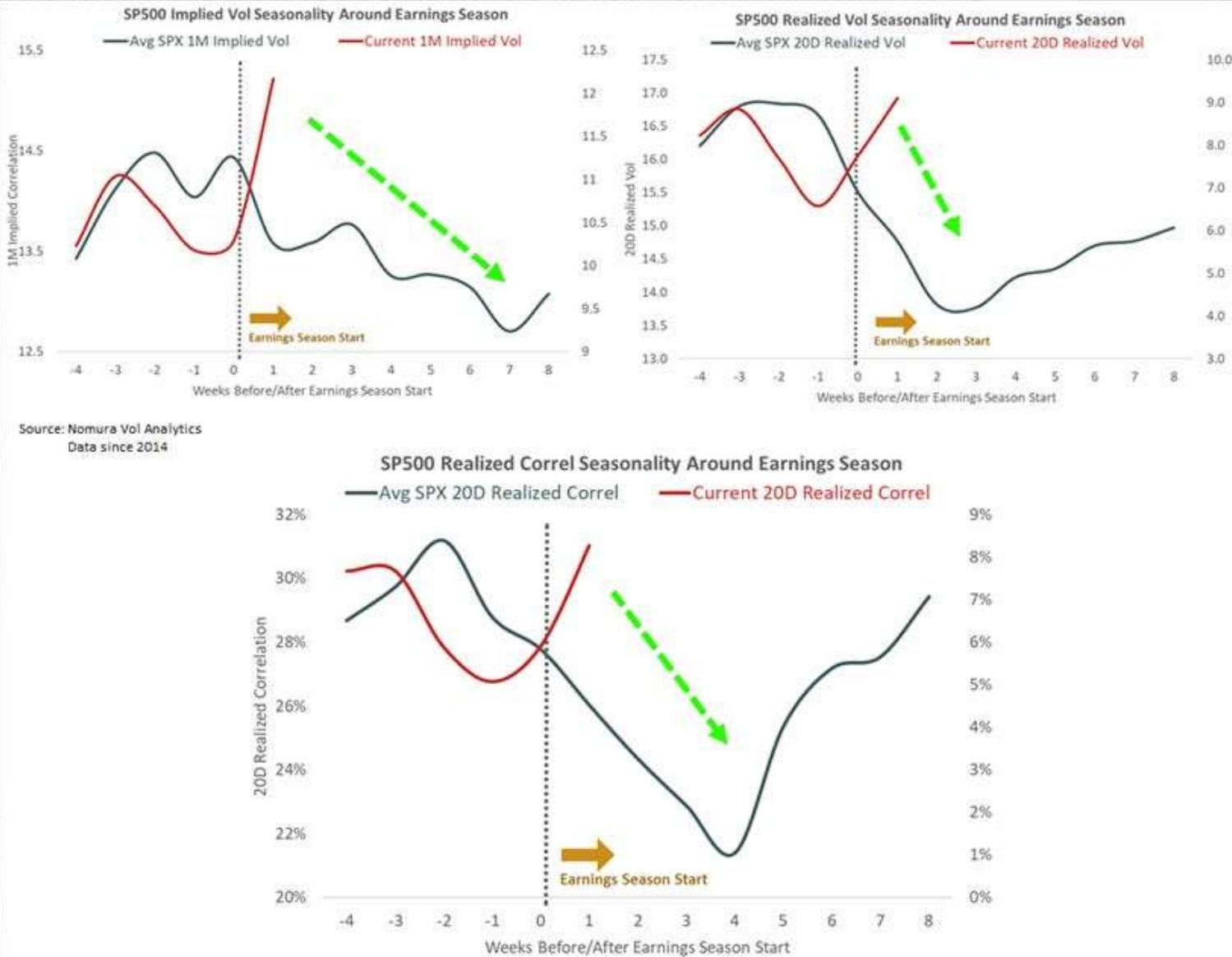
So, IWM outperforming QQQ and VIX up were symptoms of this unwind. And also correlations rising, which were impossibly low to maintain. Then a lot of folks mistakenly assumed, I imagine, that the heart of earnings season would prevent correlations from rising, since their reports would lead to, in general, differing stock movements/outcomes. But that's the 'theory', the reality is that this was simply too low to go lower:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Even Charlie the celebrity quant McElligott only two days ago expected exactly that, and well, clearly we got the opposite:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



**LAST WEEK'S "VOL RESET" GOING TO PROVIDE SUBSTANTIAL "SHORT iVOL / SHORT CORRELATION" OPPORTUNITIES, ESPECIALLY AS OPTIONS SELLING "VEGA SUPPLY" MECHANICALLY FILLS BACK IN POST OP-EX**

Even the best guy in the business doesn't get it right all of the time. So, what now?

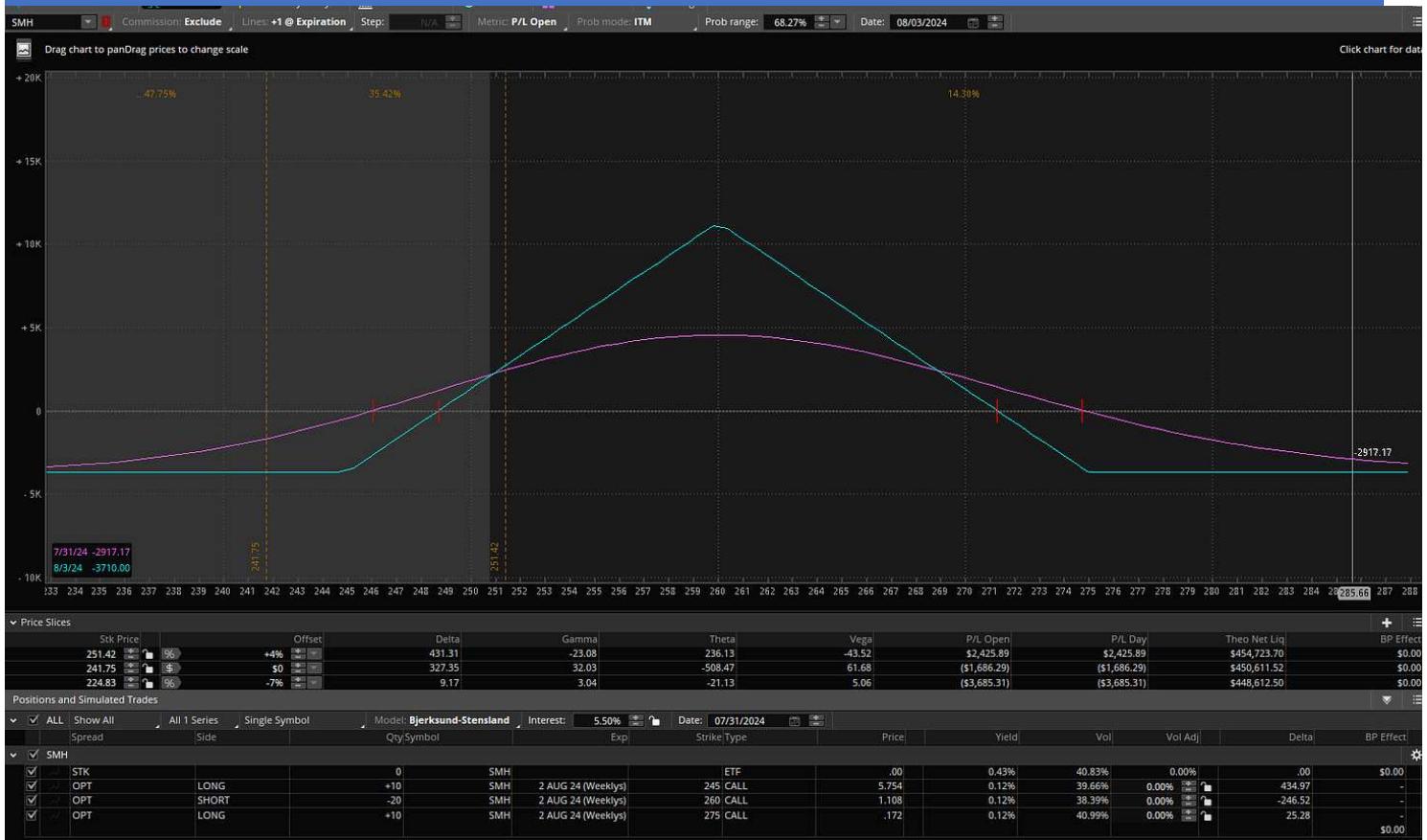
With a large caveat that with markets still hanging out closer to Endor than to Earth, there were enough symptoms that this unwind was potentially about to pause and so I nibbled on a few trades late this afternoon.

QQQ \$470 Monday call- net debit \$2.27. Target \$4. It broke the lower bollinger and it usually doesn't like to remain there:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



There are several SMH companies reporting before this expires, tonight in fact, KLAC the 12th largest holding in SMH reacted positively to their release. And, while the analog with last year breaking down, potentially, late July earnings season tends to show positively:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

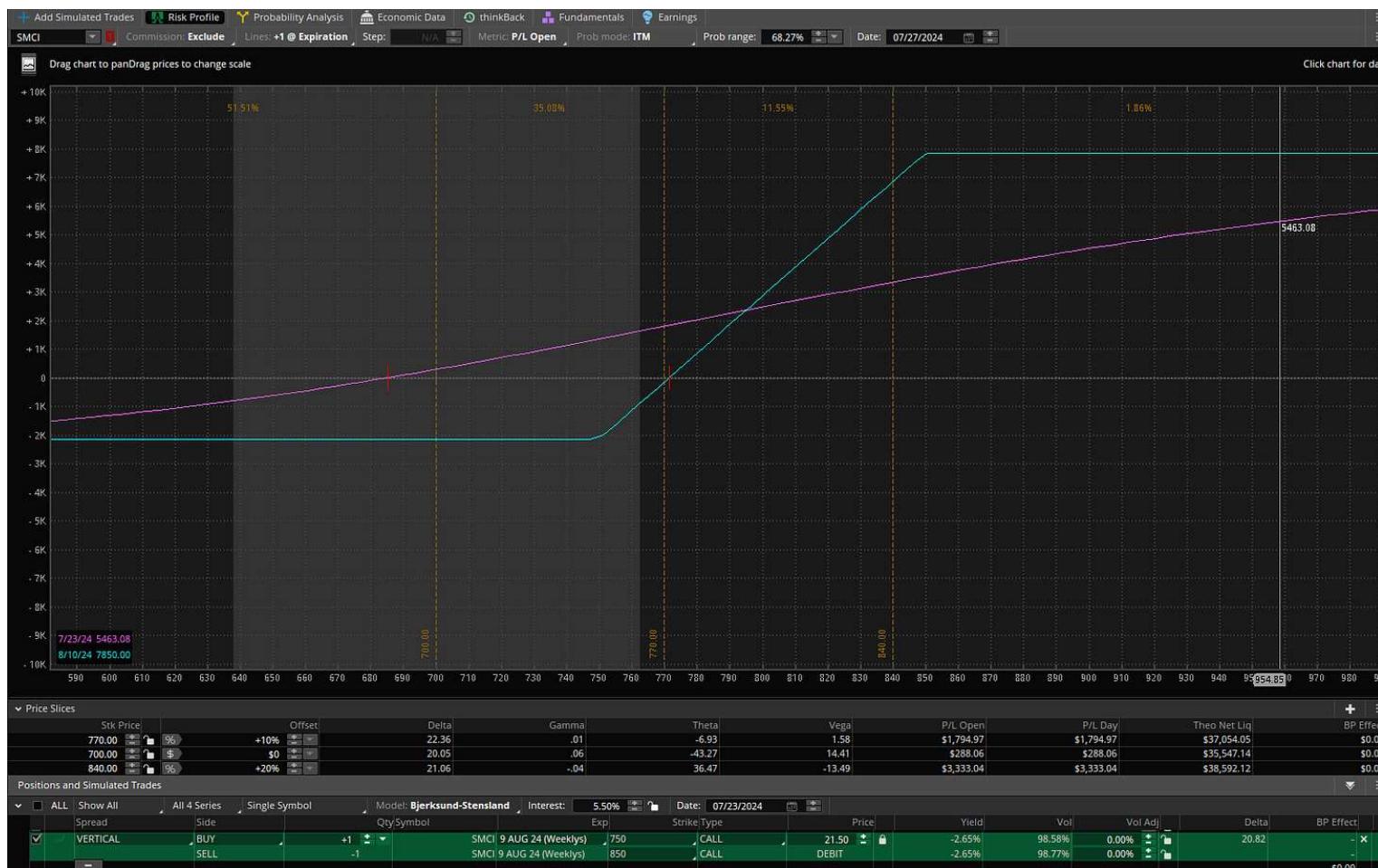


A list of SMH reporters before this trade expires:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

Symbol	Name	Market Cap	In S&P 500	Next Earnings								Actual Move	Expected Move
				Qtr	Projected	Announced	Date	Time of Day	Conf Call	Expected Move	Actual Move		
TER	Teradyne	22.1 B	✓	Q2		✓	24-Jul-2024	AMC	25-Jul-2024 8:30 am	10.1%	+8.2%	9.3%	
KLAC	Kla	102.6 B	✓	Q4		✓	24-Jul-2024	AMC	24-Jul-2024 5:00 pm	5.8%	+4.9%	4.2%	
STM	Stmicroelectronics N.V.	35.8 B		Q2		✓	25-Jul-2024	BMO	25-Jul-2024 10:30 am	8.8%	+1.1%	8.4%	
ON	On Semiconductor	30.4 B	✓	Q2		✓	29-Jul-2024	BMO	29-Jul-2024 9:00 am	10.0%	+4.1%	10.0%	
AMD	Advanced Micro Devices	235.2 B	✓	Q2		✓	30-Jul-2024	AMC	30-Jul-2024 5:00 pm	9.5%	-8.9%	8.3%	
SWKS	Skyworks Solutions	18.3 B	✓	Q3		✓	30-Jul-2024	AMC	30-Jul-2024 4:30 pm	7.0%	-15.3%	6.6%	
QRVO	Qorvo	11.6 B	✓	Q1		✓	30-Jul-2024	AMC	30-Jul-2024 5:00 pm	8.9%	-14.5%	7.6%	
QCOM	Qualcomm	203.0 B	✓	Q3		✓	31-Jul-2024	AMC	31-Jul-2024 4:45 pm	8.9%	+9.7%	6.6%	
LRCK	Lam Research	119.8 B	✓			✓	31-Jul-2024	AMC	31-Jul-2024 5:00 pm	7.3%	+1.9%	5.3%	
OLED	Universal Display	10.7 B		Q2		✓	1-Aug-2024	AMC	1-Aug-2024 5:00 pm	9.9%	+9.3%	9.1%	
MPWR	Monolithic Power Systems	38.5 B	✓	Q2		✓	1-Aug-2024	AMC	1-Aug-2024 5:00 pm	11.0%	+9.2%	10.2%	
INTC	Intel	135.5 B	✓	Q2		✓	1-Aug-2024	AMC	1-Aug-2024 5:00 pm	8.4%	-9.2%	7.5%	
MCHP	Microchip Technology	46.6 B	✓	Q1		✓	1-Aug-2024	AMC	1-Aug-2024 5:00 pm	8.3%	-1.8%	7.4%	
Total Avg. Move: 7.79%													

SMCI Aug 9th call vertical spread, 750-850, net debit: \$21, target, \$40-50:



Last April, it was hit when it didn't preannounce, a sort of growing pains reaction. But then, it ramped from exactly this price back to \$900 before earnings:



All of these trades obviously require a bounce, and if you believe that the long awaited correction is just getting underway, they should be avoided.

# Do You Need To Do Some Hedging Trades?

**Vixpiration might be the time to start**

VOLATILITY SUMMARY



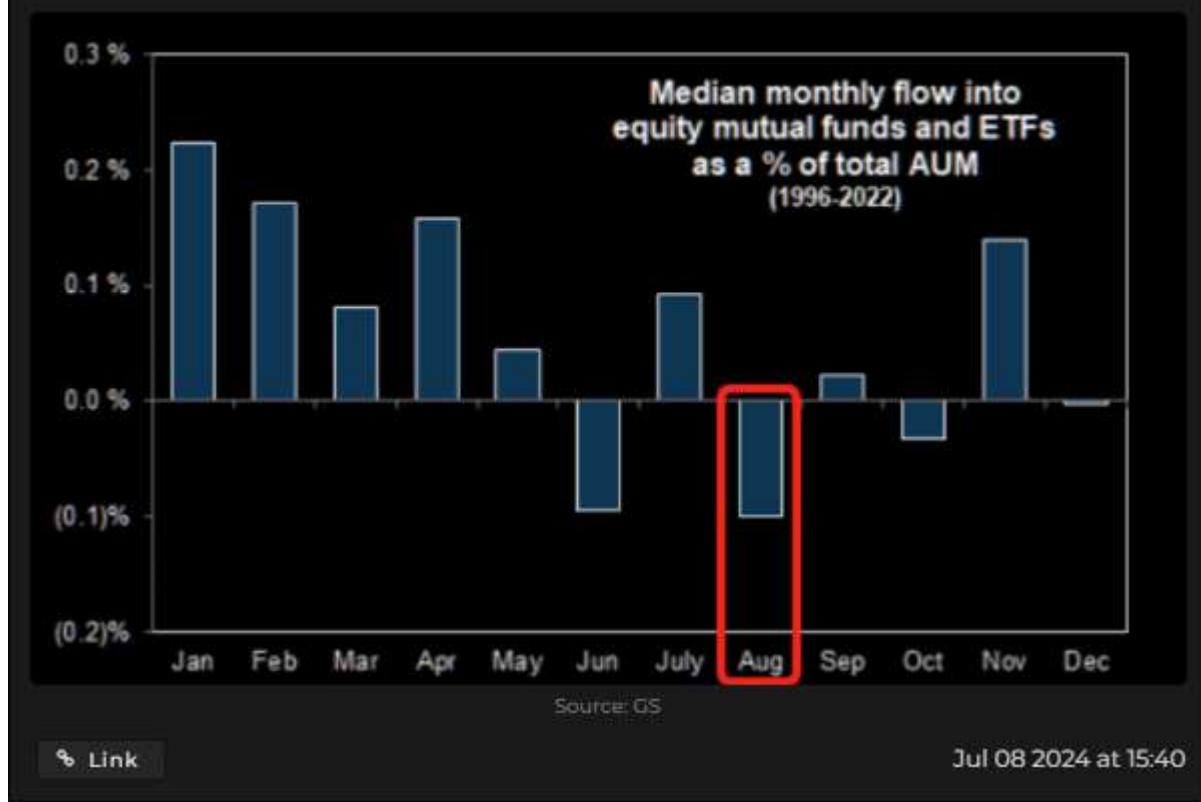
This commercial will never be forgotten, possibly the greatest financial commercial of all time, when you score it for financial comedy. Just like the Oscars (no award for comedy for some inane reason), the financial world isn't self-aware; it simply hasn't realized just how funny it is yet, that they are both self-caricatures. Someday there will be a financial comedian, maybe I should start a youtube channel.

As I intimated in a recent article, it's quite possible the lunacy of the incessant giga tech rampathon may be about to reach the end of the line.

So, it appears to me, as we exhibit heavy chop that looks like toppy price action and dispersion/factor unwind and without fresh catalysts in front of potential election vol/August outflows, that it's probably the time for some put flies.

## August

August is the main outflows month...



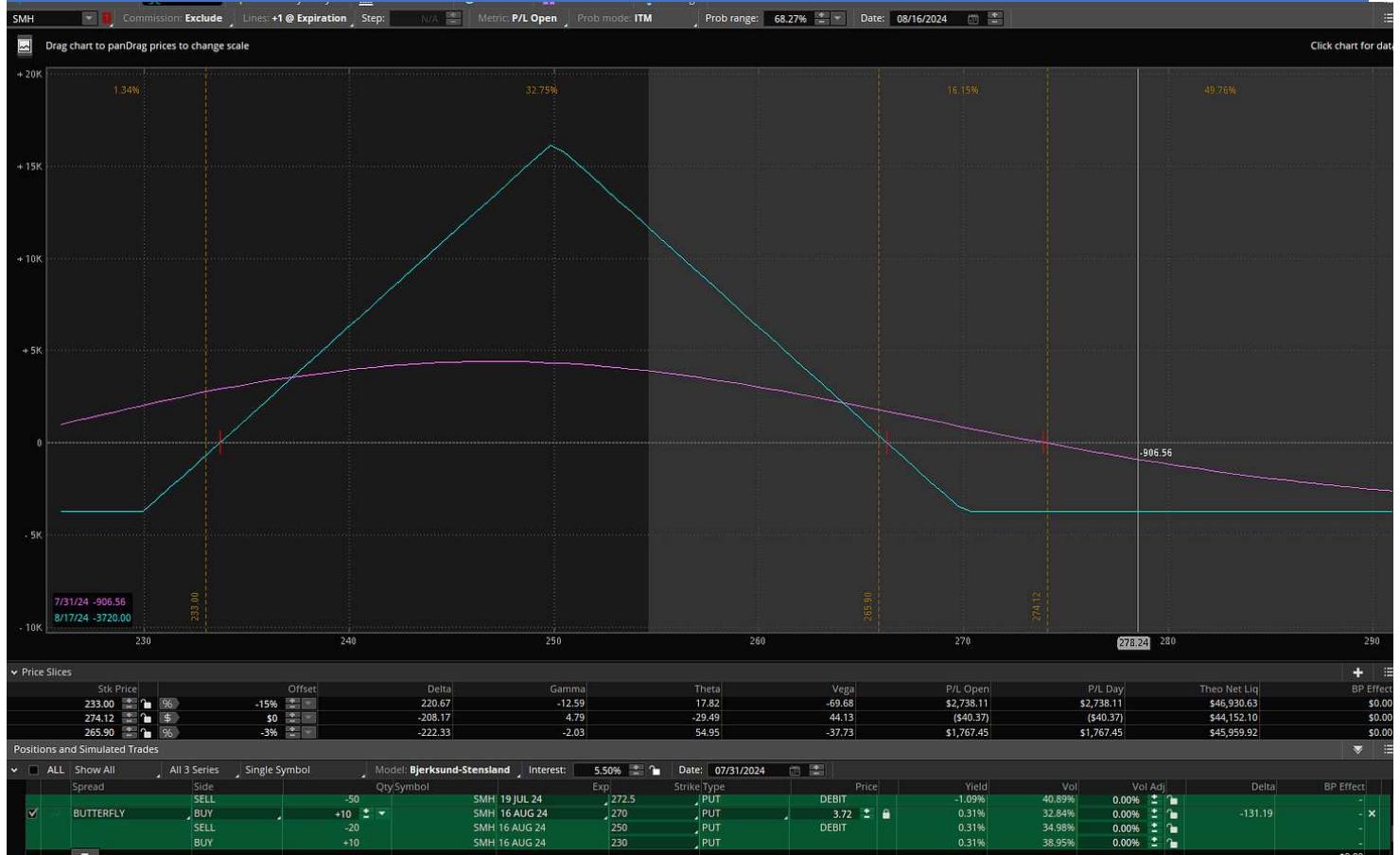
First, SMH, the pattern/analog is still dead on, an unclench dip imminent, an end of month bounce and then, probably rough sledding:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



SMH August put butterfly spread, 270/250/230, net debit: \$3-4:

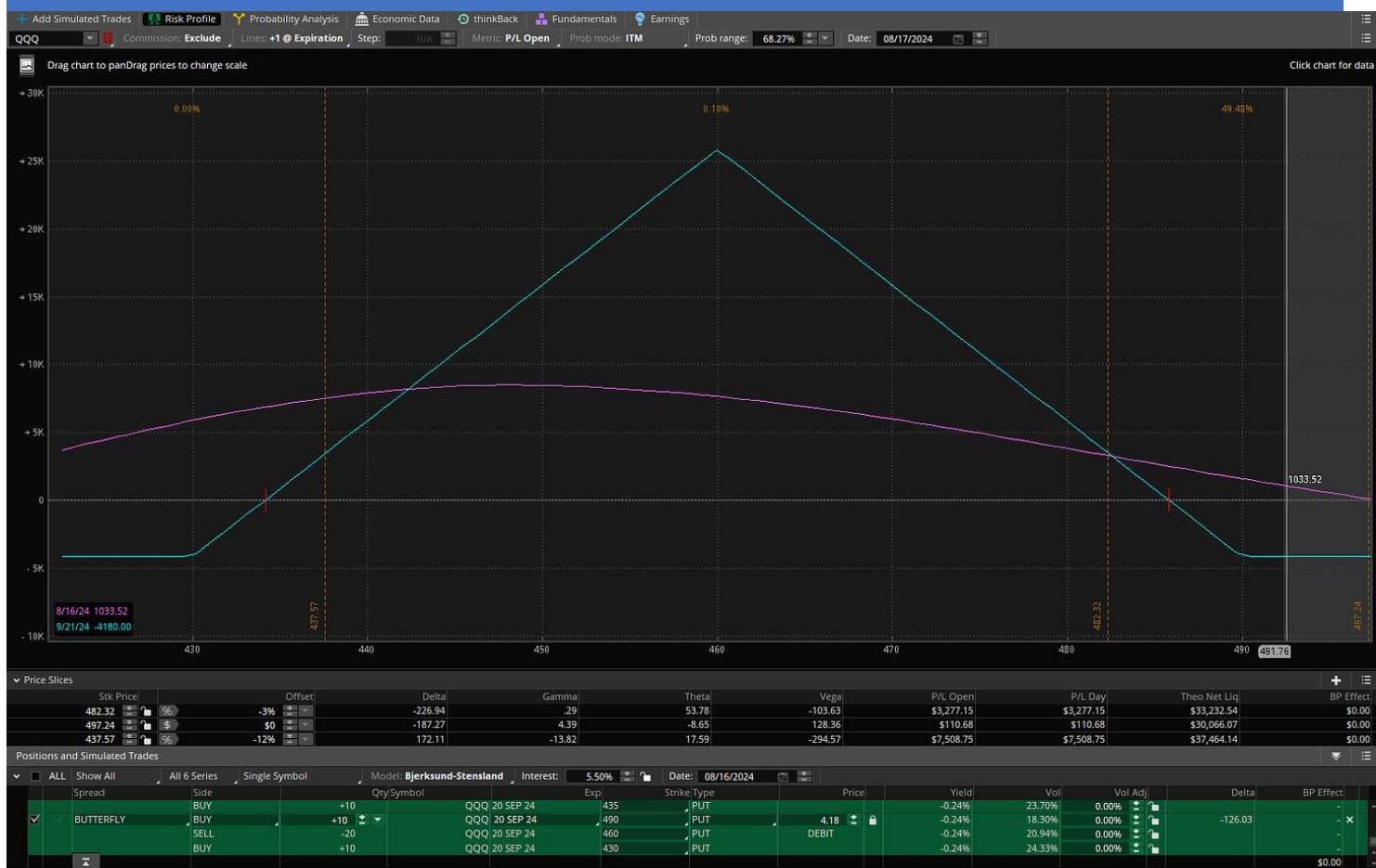
## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



It starts to work almost immediately, won't bleed much in the short term unless SMH spikes from here, and will be profitable more than 10% lower, now or later.

QQQ September quarterly opeX put butterfly, 490/460/430, net debit: 3.50-4:

VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

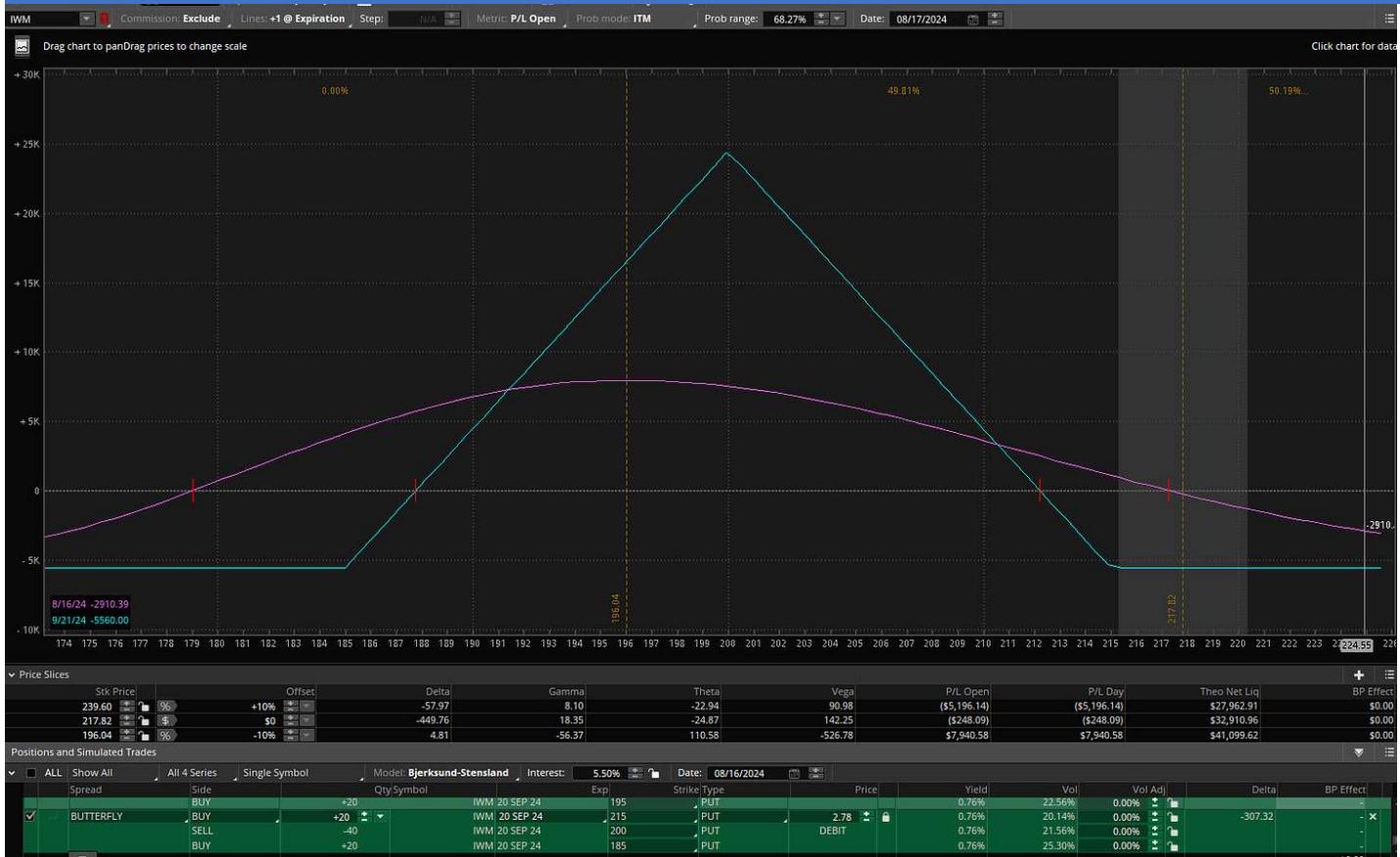


Obviously, this give you more time to see giga tech weaken, yet once again, it will work immediately should downside vol decide to rise from the grave the short vol mafia buried it in. (You know, like if in Casino, Pesci came out of the ground to cause more vol for DeNiro the put smash king.)

Now, if you believe Tom ‘QE’ Lee’s [belief that IWM is going to rally 50% this year](#), avoid this idea, because it will not work:

IWM September put butterfly spread, 215/200/185, net debit: \$2.30-2.60:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Look at this fincom:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



If it just returns to this planet, the trade will work. IWM is not a meme stonk, it is not TSLA, it is most certainly not deserving of giga tech performance behavior. If it decides to come back to earth's orbit when it runs out of short covering/dispersion/factor unwind fuel post earnings season, this will work immediately from here and has about 15% downside profitability. But then again, maybe it's already gone for good, like Tom Lee's sanity, since the economy doesn't matter to small caps, right:

↪ (((The Daily Shot))) reposted  
 (((The Daily Shot))) ✓ @SoberLook · Jul 11 ...  
 The equity market is overlooking signs of a softening US economy.

h/t [@BloombergTV](#)



12

79

221

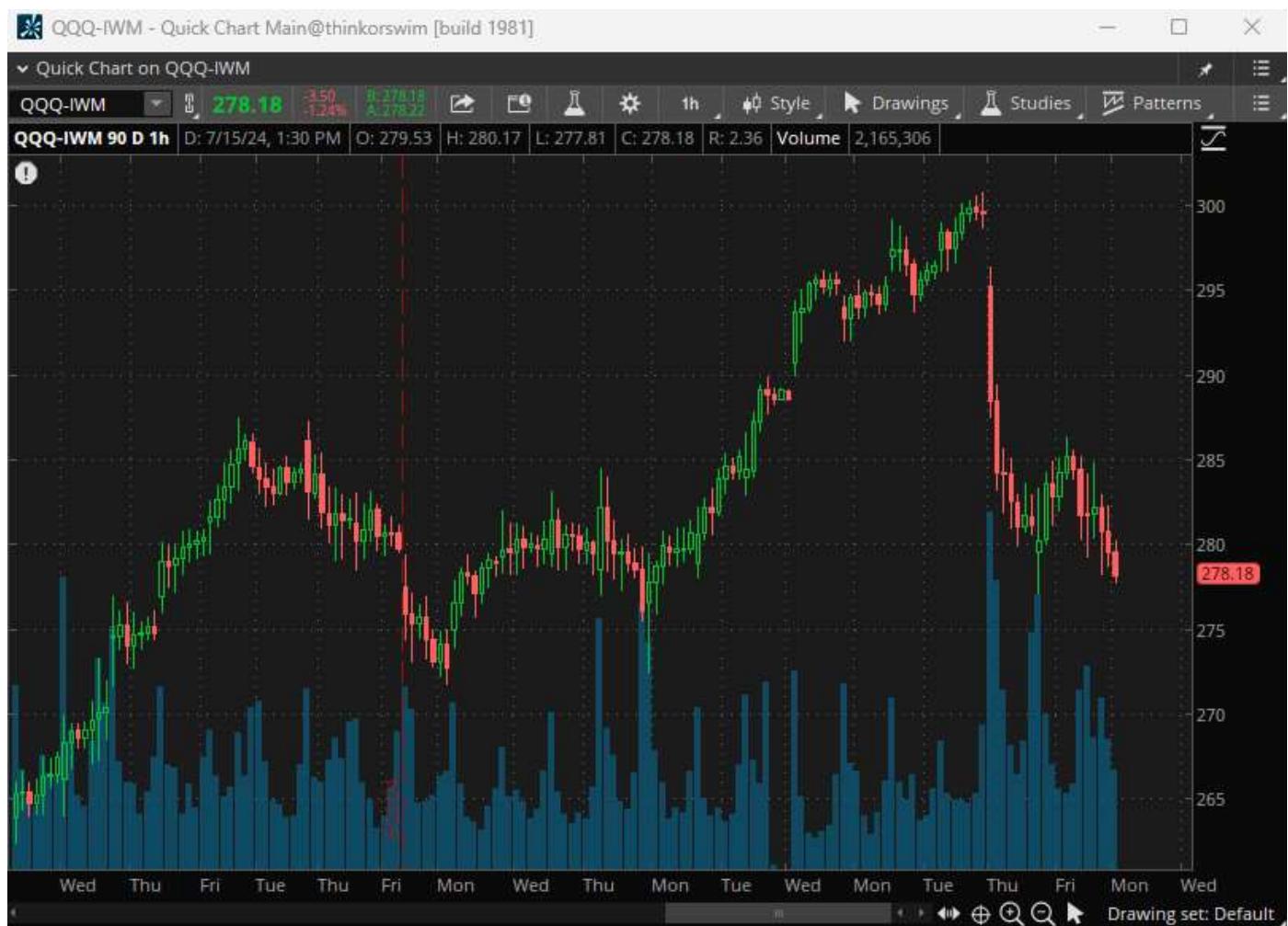
31K

↑

As usual, you know what the real drivers are, obviously not fundamentals or earnings or anything in your CFA investing text, more like short covering:

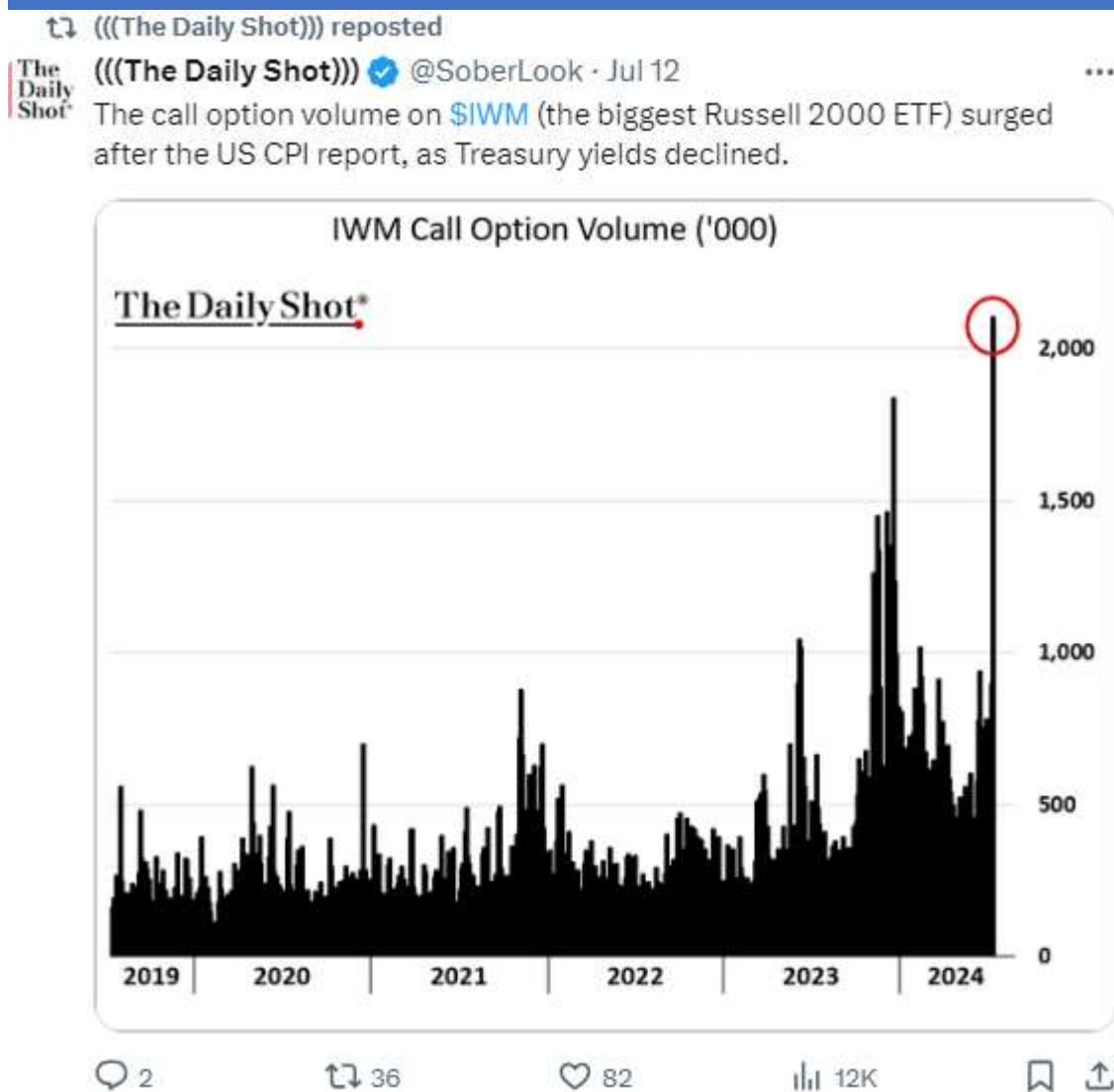
Citing data published weekly by the Commodity Futures Trading Commission, Bespoke showed that the net short position against Russell 2000 futures had widened by 9.5 percentage points to 16.8% over the past five weeks — the largest such move over a five-week period since March 2020.

Factor unwind:



And of course and probably most influential during opex week, record call option volumes thus dealers forced to continue to buy the underlying to delta hedge their short calls:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



Large open interest for Friday's opex requiring constant gamma hedging:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH

Option Chain | Filter: Off | Spread: Single | Layout: Last X, Net Change, % Change, Impl Vol,...

Strikes: 20 | Exp: | Strike:

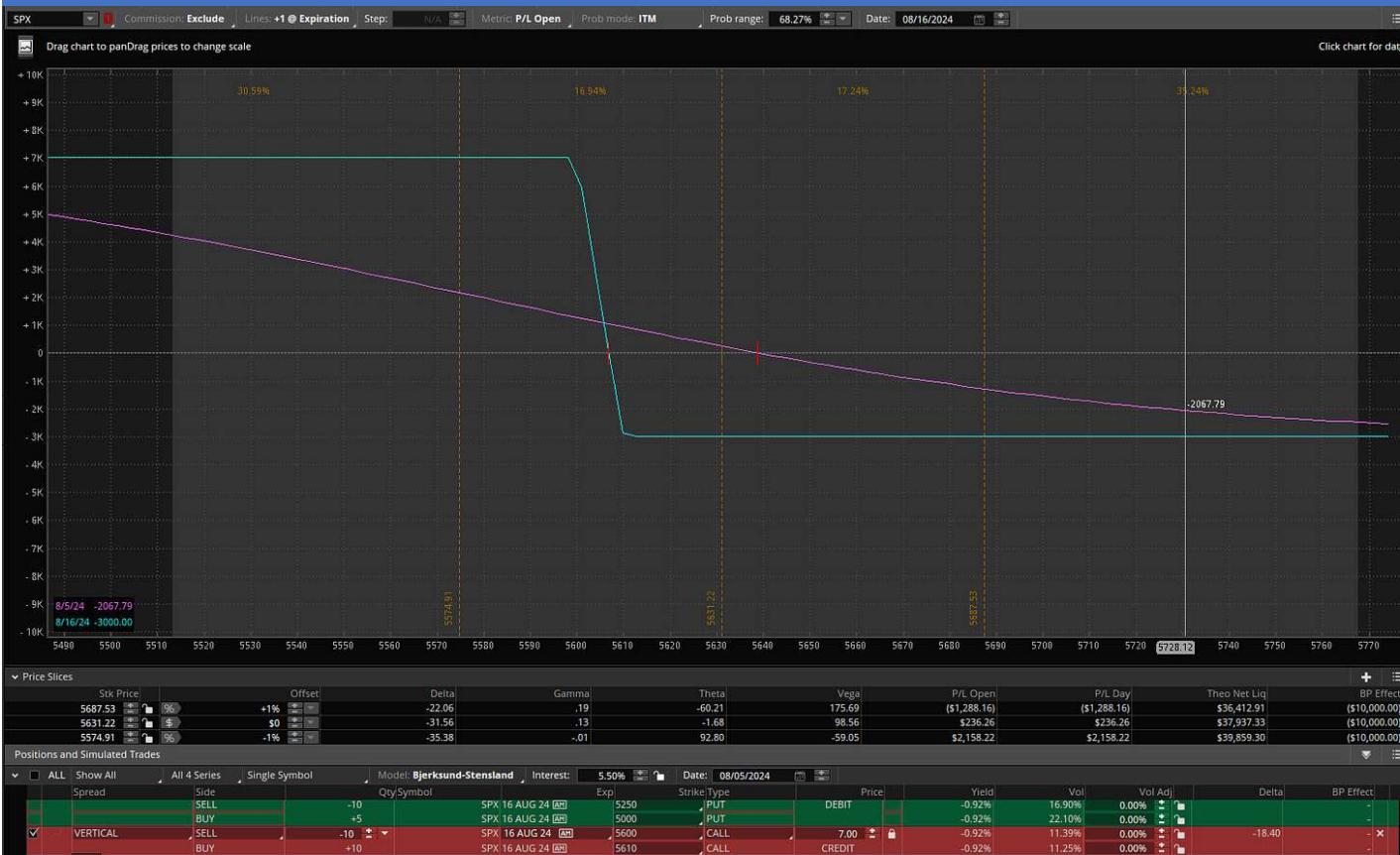
	Last X	Net C...	%Cha...	Impl Vol	Delta	Mark	Volume	Open....	Bid X	Ask X		
	CALLS											
> 15 JUL 24	(-1)	100										
> 16 JUL 24	(0)	100										
> 17 JUL 24	(1)	100										
> 18 JUL 24	(2)	100	Pos									
▼ 19 JUL 24	(3)	100										
	7.19 M	0	0.00%	--	1.00	7.450	N/A	46,482	.739	7.51	19 JUL 24	210
	7.03 B	0	0.00%	--	1.00	6.545	N/A	5,149	5.49	6.60	19 JUL 24	211
	5.61 I	0	0.00%	--	1.00	5.690	N/A	23,063	5.64	5.74	19 JUL 24	212
	4.95 I	0	0.00%	--	1.00	4.900	N/A	9,389	4.88	4.92	19 JUL 24	213
	4.20 D	0	0.00%	--	1.00	4.125	N/A	12,984	4.08	4.17	19 JUL 24	214
	3.40 N	0	0.00%	--	1.00	3.440	N/A	89,535	3.41	3.47	19 JUL 24	215
	2.80 Q	0	0.00%	--	1.00	2.825	N/A	15,855	2.80	2.85	19 JUL 24	216
	2.27 U	0	0.00%	--	1.00	2.290	N/A	28,873	2.28	2.30	19 JUL 24	217
	1.76 C	0	0.00%	11.32%	.73	1.810	N/A	21,746	1.79	1.83	19 JUL 24	218
	1.40 H	0	0.00%	14.54%	.56	1.425	N/A	14,936	1.40	1.45	19 JUL 24	219
	1.11 M	0	0.00%	16.64%	.44	1.110	N/A	60,546	1.10	1.12	19 JUL 24	220
	.84 Q	0	0.00%	18.02%	.34	.840	N/A	1,648	.83	.85	19 JUL 24	221
	.61 C	0	0.00%	19.18%	.26	.630	N/A	26,833	.62	.64	19 JUL 24	222
	.47 E	0	0.00%	20.22%	.20	.470	N/A	9,104	.46	.48	19 JUL 24	223
	.33 X	0	0.00%	21.08%	.15	.345	N/A	2,473	.34	.35	19 JUL 24	224
	.26 J	0	0.00%	21.95%	.12	.255	N/A	24,624	.25	.26	19 JUL 24	225
	.19 C	0	0.00%	22.83%	.09	.190	N/A	4,470	.18	.20	19 JUL 24	226
	.07 E	0	0.00%	26.42%	.03	.065	N/A	10,642	.06	.07	19 JUL 24	230
	.04 C	0	0.00%	33.02%	.01	.035	N/A	2,563	.03	.04	19 JUL 24	235
	.02 W	0	0.00%	37.37%	.01	.015	N/A	2,636	.01	.02	19 JUL 24	240

Who knows, maybe it just keeps going through August, but I doubt it, but you should avoid this if you are into the ‘great rotation’.

A less convex idea, for a small retracement:

SPX Short August call vertical spread 5600-5610, net credit: \$7+:

## VOLATILITY ANALYTICS NEWSLETTER – AUGUST 5TH



This is the kind of trade you can do over and over again. (Don't forget, SPX comes with special 60/40 tax treatment as an added bonus.) If you get a 1% pullback from spot you make 50-60% on your risk, cover, wait for a bounce and repeat. \$3 is the risk as the credit is \$7 on a \$10 spread, no assignment risk of course.