MONDAY 0DTE A RIPPER AGAIN –LEAPS RESURRECTED BUT UNCLENCH CHOP COULD GET QUITE HEAVY FROM HERE – RECORD CALL VOLUMES HIGHLIGHT THE 0DTE RISK REVERSAL MARKET

VOLATILITY SUMMARY

December 5th note:

And so, the chop zone, where the markets might actually have a down day, yet that will magically be recovered the next day (or during an overnight ramp), and when morning ramps fail in the afternoon but conversely morning dips recover in the afternoon.

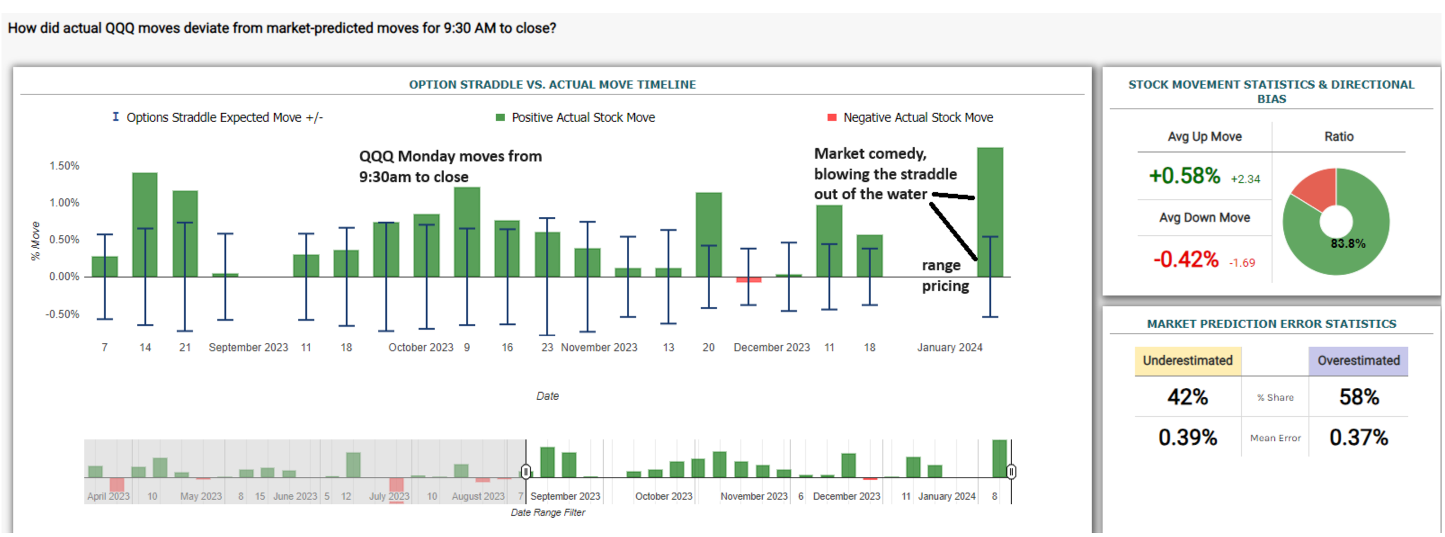
And we're back in the chop zone. When gamma is boss and the daily and intraday coasters are revving up. Where 0DTE risk reversals are the norm; quant/hedge funds sell some puts to buy some calls, then maybe buy the puts back or go long uber cheap puts in the afternoon.

And of course, you also have the consistent 0DTE short vol crowd (like for funds income; short vol is quite a diverse herd) that continues to grow, which by its very nature exacerbates intraday vol. Charlie the celebrity quant recently said that 0DTE has created 'its own daily market ecosystem' and that is exacerbated by monthly opex, even more so in January.

And so, the dealers are trading along, buying hedges when the puts are sold to them, buying more when they become short calls, selling when those calls are sold and selling more when puts are bought or bought back. Swings, day and night.

If we look back to a time before the ludicrous all-assets panic ramp on Cut-Topia hopes and rates crash, you can see how these times in the opex cycle often play out, heavy churn as the risk reversals and short vol are traded along with folks closing or rolling out of options, in this case the huge open interest in LEAPS:

The real story in 0DTE was yesterday of course, when the greatest market trend (ever?) continued to deliver. QQQ had it's largest open to close Monday move in basically forever, looking back through last year. This QE printing machine is on absolute fire:



I mean, if you simply bought QQQ/NQ futures/0DTE options on Monday mornings, and did nothing else, you would have a Sharpe ratio that would be illegal enough to trigger Madoff alarms. You would literally be an all-time great trader, months without a drawdown with large and consistent returns. You could work for a couple hours on Monday and take the rest of the week off and collect huge fees, it's that comical.

And knowing this all too well, I still ended the day yesterday quite aggravated if you can believe that. I was properly long NQ futures from Friday, sold out at noon considering the chop zone behavior of the afternoons during this time frame generally and with how large the move was up to that point, and still missed nearly half of it.

And, on top of that error in hindsight, what was I doing with just the futures anyway? I continue to try to reprogram the brain that in our new short vol mania environment premium is greatly underpriced and itself a catalyst for these moves, and so, missed the obvious trade:

Goodness gracious, and on a round strike target to boot, an obvious spot with open leaps hiding in plain sight. Which meant yesterday, constant and continual dealer re-hedging on the leap gamma, the synchronized tractor beam levitation on the deltas that eroded last week, the leap plague tax disaster I spoke of in the last note.

And, here is another error, in missing this trade, CES week. Everyone should have known that all these companies would be out touting new products, chips, lots of A.I. talk, right? What a catalyst for uber cheap calls. CES goes onto the trading calendar for next year’s call trades.

Well, there is no Monday trade next week with the holiday and the next one will be after the leaps are gone, post-opex. That Monday will be an unclench into the onset of giga tech and other major company earnings (70% of SPX is still stuff that’s not mag7, for now, who knows by next year), which means a couple things: first, the theme I’ve mentioned that earnings vol has been decimated due to a combination of dispersion trading (short individual name vol paired with cheaper long vol in the indices perhaps) and then these seemingly endless ramps in many stocks that have no significant put open interest or short interest to catch a fall on earnings that do not go well.

In the meantime, who cares, that is so, so far away in our 0DTE focused market, and those options saw record volume during the Friday chop, McElligott:

> Charlie drove it home. “Both [the] selloff and rally were blunted to then finish unchanged by EOD, and on a day where the 0DTE flow as a share of overall SPX options trading was 99%ile on a one-year lookback and 100%ile for outright 0DTE SPX options volumes.”

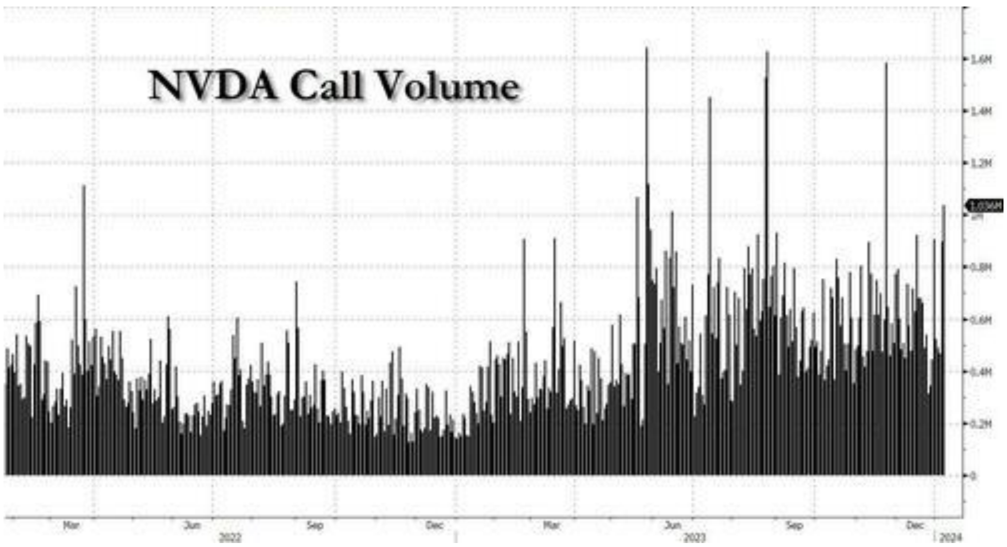
https://heisenbergreport.com/2024/01/08/how-market-makers-cashed-in-on-jobs-day-0dte-frenzy/

The SPX round strike 4700 gamma flip borderline was a swing traders paradise Friday, the 4700 put minted for those willing to continually ride this coaster:

And it sounds like a movie title, but Leaps Resurrected was the theme yesterday, Jan 19th NVDA $525 leap call for example:

These leaps are surging on the backs of the weeklies, of course, as they see crazy volume again:

“Five stocks accounted for ~40% of the move in the Nasdaq, with NVDA along contributing ~10%. Importantly, **960k NVDA calls traded today (20day average 600k), the 5th largest call buying day for the stock in the last 1.5 years.”**



https://www.zerohedge.com/markets/what-was-behind-todays-tech-eruption-goldmans-top-tech-trader-explains

Enjoy the chop and embrace the short vol craze. They are subsidizing your low risk/asymmetric return potential trades, and you don’t have to be right very often to do well.

Volatility Trades:

QQQ 10-yr auction Jan 10th put, $402 strike (will start this higher if QQQ ramp continues)

Net debit: .10-.15 (.22 at time of writing)

Simple, a cheap shot at a Wednesday afternoon dip, and if you recall, Wednesdays have the best record for poor price action. And….CPI is Thursday morning, and maybe a few folks want to lighten up using this bounce/leap re-hedge ramp before that number perhaps.

Further, CES news winding down and maybe a move in yields off the auction. Keep in mind that while folks are forgetting that Janet tossed nitrous onto call gamma in November, the next and most certainly greater supply reveal in treasuries is right around the corner. Would you want to buy the 10-yr now after that giant CTA buying spree or wait until February when yields have a decent chance of being higher post the refunding announcement? Maybe ye olde auction tail dip pre-CPI?

And, the leaps continue to re-inflate, the NVDA call is now $20 from $13 when I started the note. Which means, if these leaps deflate, so does QQQ and quickly. This I the kind of thing I will probably do a few times over the course of the next week.

MARKETS ARE READY FOR THE NFP SPIKE, BUT WILL IT HOLD – MORE SHORT VOL MONEY COMING – CPI LEADS EARNINGS SEASON DEBUT OF BIG DOW COMPONENTS – MORE CHEAP EARNINGS VOL TRADES

VOLATILITY SUMMARY

On Tuesday I referenced the LEAPS plague that swept over brokerage accounts worldwide, where the tax calendar flip unleashed clouds of murder hornets that stung folks holding dear tech January calls. Well, murder hornets have extra long stingers and can sting multiple times, and that is precisely what these people must be feeling right now.

People are wondering why AAPL keeps falling, yet folks were also wondering why bad news kept coming in December, yet AAPL didn't flinch. Look no further than the in the money leap calls where the stings will stop hurting soon, because the target is nearly dead:

And, I'm old enough to remember the post-Fed S&P 5000 or bust mania, when Santa Powell sat the markets on his knee and gave them exactly what they wanted for Christmas (for Christmas, not for New Year's mind you….) when folks were hedging upside FOMO by adding 5000 calls across SPX vol surface, the egg nog was as spiked as the calls:

Well, it was fun while it lasted, and I'm sure a lot folks printed sleighfuls of money and didn't let poor Uncle Sam go empty handed by depositing a few bucks in the Christmas tax kettle. The wise choice with the benefit of 20/5 hindsight was to let this stuff go and pay the toll, but FOMO and greed combined to foil the flock.

(If you've never read the autobiography of Chuck Yeager, I highly recommend it. He had ludicrous vision, he would have sold his AAPL LEAPS:)

The best vision ever recorded was allegedly 20/8 in recently deceased (December 2020 at age 97) test pilot Chuck Yeager. A very small number of people (about 3-5%) are capable of a best corrected or even uncorrected 20/10-those are super tiny letters. Most (about 65%) healthy young people are capable of 20/15 vision. 20/20 vision is just an average, with many reasons

Incredibly, the 5000 January SPX call became and remains the largest open strike interest at a whopping 138k calls. The second largest is 4800, and these are in the ICU, down 80% from last week:

So, you get the idea, there are a lot of folks with an array of these to sell across indices and individual tech names, which means what? Overhead resistance on spikes and that is precisely what we have seen this week:

The real test will be tomorrow of course, NFP is a notoriously bullish day in general, and usually more so if the equity markets come in with a limp. Will it drop the crutches tomorrow and anticipate the greatest trend of the last several years, the nearly always up Monday?

Or will this overhead cap it at a round strike like 4750 and fade from there? Hard to say. What I do know, is that the torrent of short vol money keeps coming, making it easier and easier to be long vol regardless of if you are bullish or bearish:

ProShares expects to launch an exchange-traded fund (ETF) Wednesday that uses the short-dated options commonly referred to as "zero days to expiry" on the Standard & Poor's 500 index.

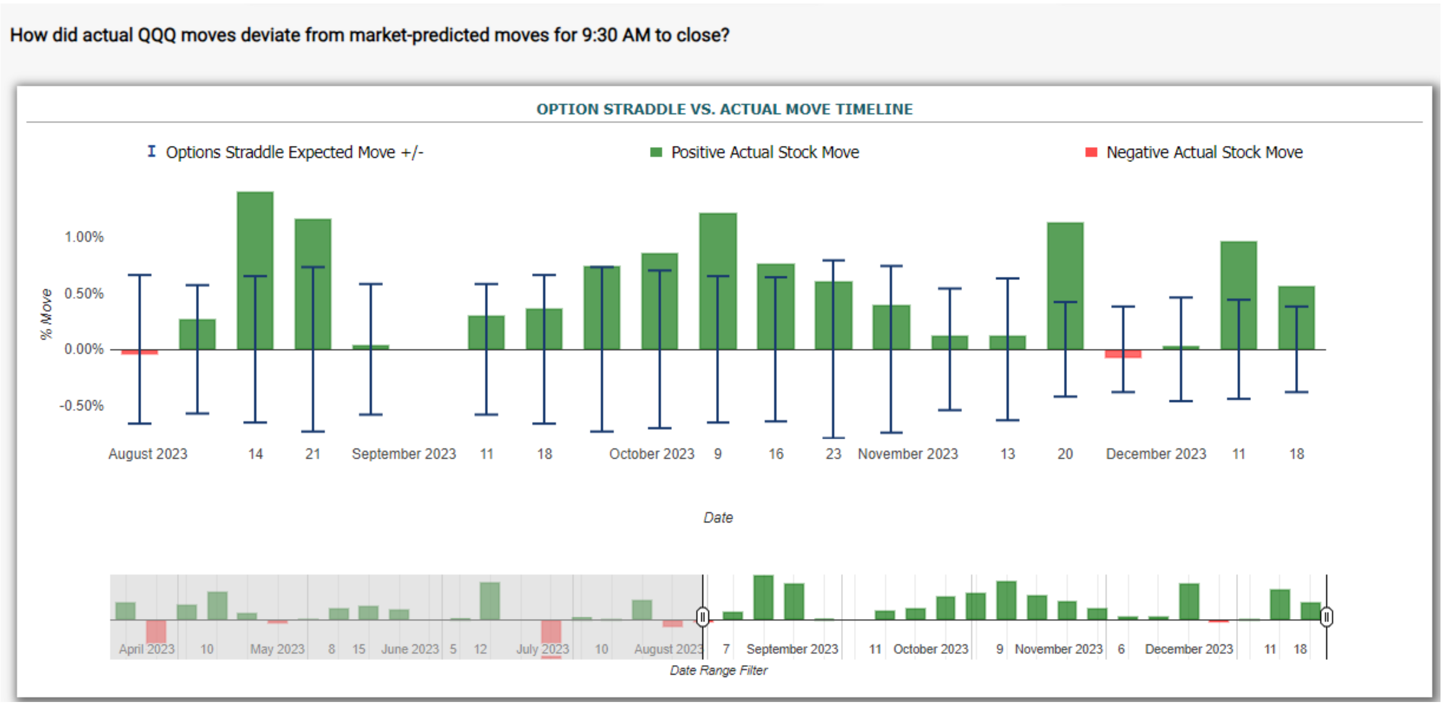
The fund's goal is to offer investors both the additional income that traditional options contracts may sacrifice, as well as upside potential should the stock market extend its rally.

The S&P 500 High Income ETF (ISPY.Z) seeks to replicate writing daily call options against the underlying index, generating additional income while giving investors exposure to the index's upside.

The new ETF will trade on the CBOE BZX Exchange and have a fee of 0.55%.

https://www.reuters.com/markets/us/proshares-launch-sp-500-etf-with-zero-day-call-options-2023-12-19/

It’s simply mind-bending, how QQQ has performed from the open to close on Mondays for months, this might hold a critical clue to when the market’s tenor begins to truly change, if this begins to fail…:

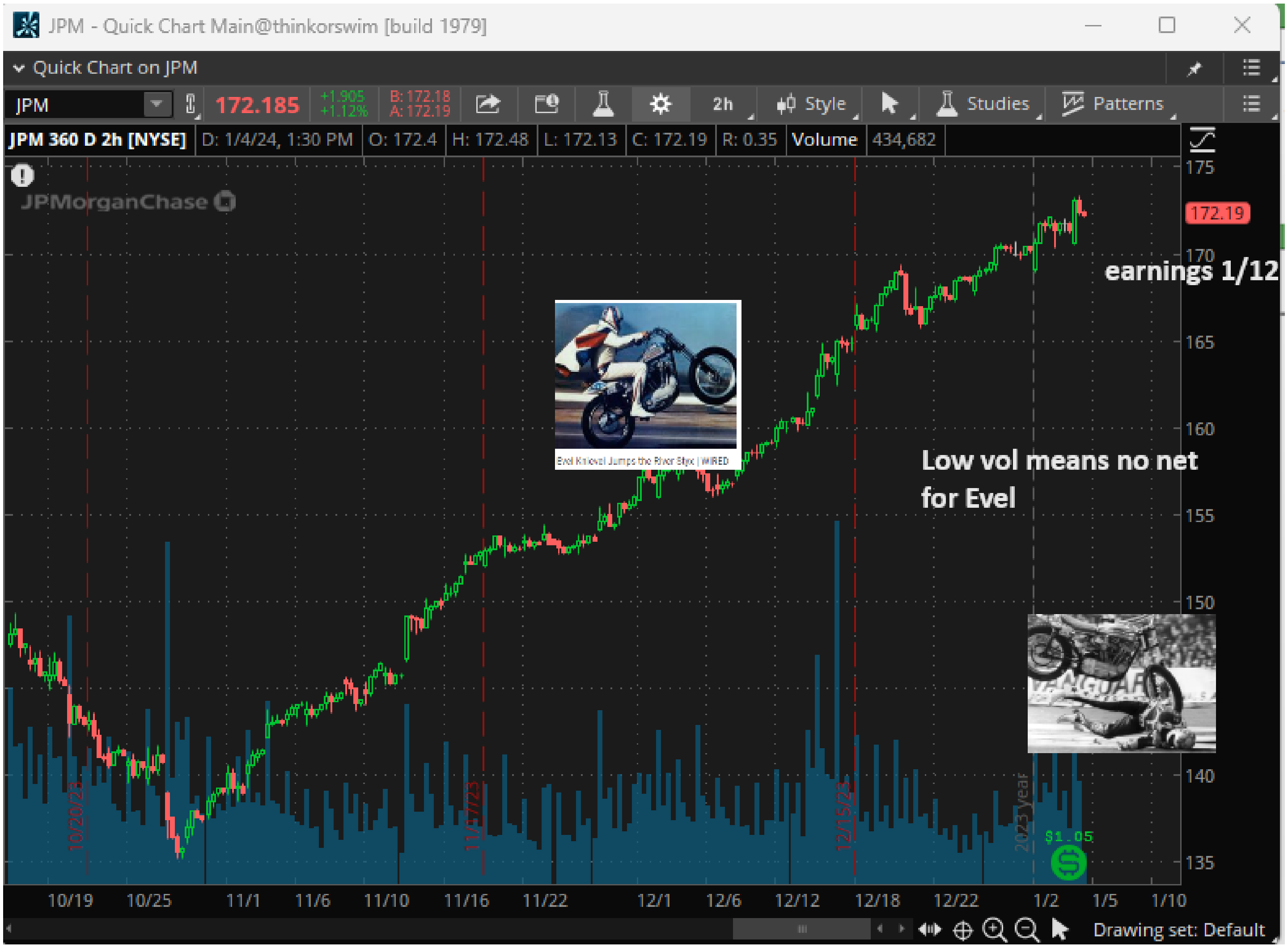


Volatility Trades:

JPM long Feb $170 put

Net debit: approximately $3

Have you noticed the trend here? It’s ridiculous. I recently highlighted similar ramps in NKE and FDX that did not end well, and implied vol here is so low for earnings, it’s like Evel Knievel is trying another ramp jump without a put vol net:



With earnings on a Friday, why bother paying that for one day when you can own 43 days for around the same price. The vol surface is so compressed so far out in time, you don't even need it to have a bad reaction on the release, you can wait weeks to see your premise work out.

But if it does react poorly, you can simply kill it then, or kill some then and leave a runner, lots of options when you're buying six-week puts for less 2% of spot near the money.

DFS long Feb $100 put

Net debit: approximately $1

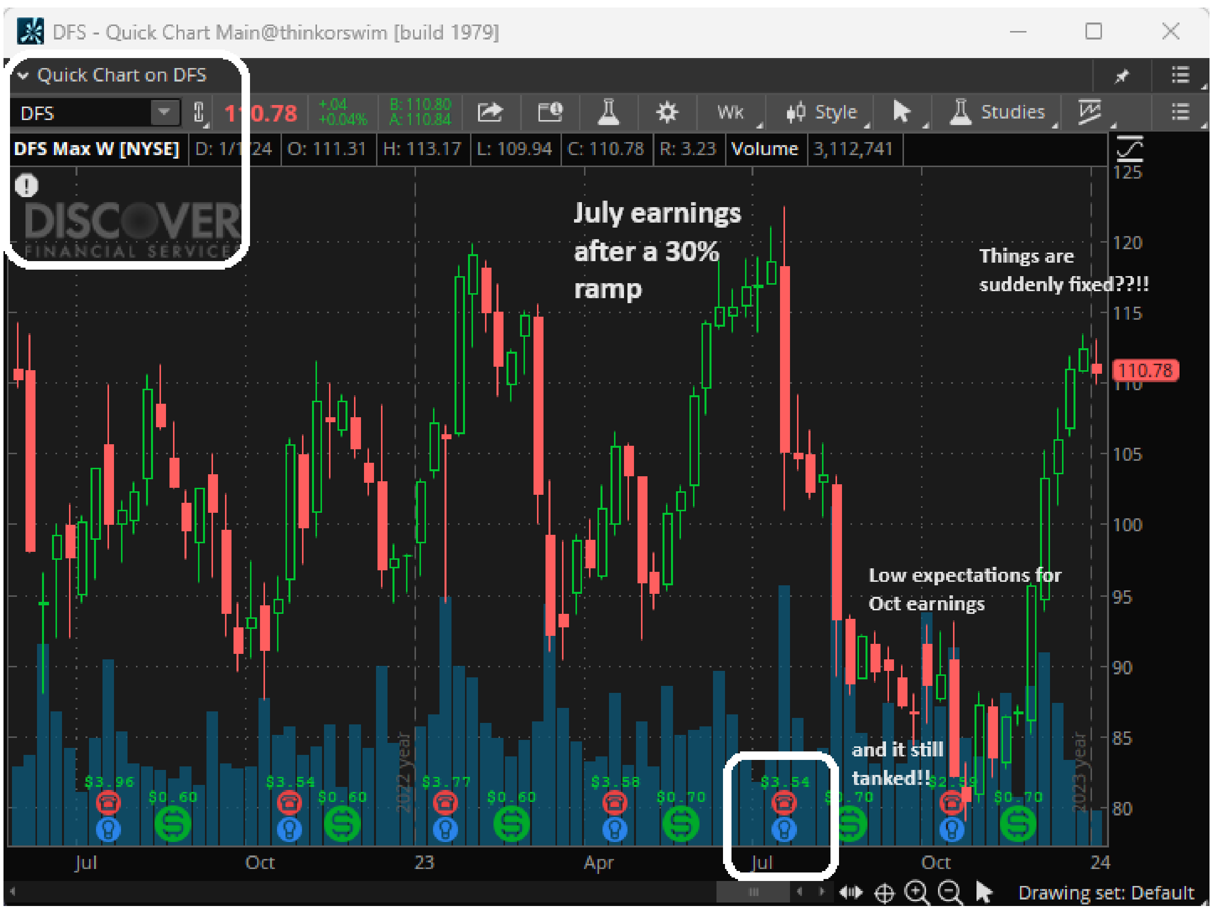
We looked at COF on Tuesday, this is another stock that has suddenly seen an amazing resurgence. On what, more debt at higher rates for stretched consumers? Makes perfect sense.

What really happened was probably that most of the short interest was purged into year end, as sentiment for the consumer is magically healed now:

https://www.marketbeat.com/instant-alerts/nyse-dfs-options-data-report-2023-12-31/

Folks were thinking about student loans in October and now, that's not a problem for some reason because consumers have just used their credit cards to fill the hole around the holidays.

In July, earnings were met with a crash in the stock, and when expectations were low for October earnings it tanked again, and then the magic rally, as if the Fed just decided to back this debt. Last time I checked, the Fed bails out the banks, not the credit card borrower:



And, this pattern of rallying/short covering into earnings with a poor result is pretty common with DFS:

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**
18-Oct-2023 AMC	+5.2%	+1.2%	+2.7%	+1.1%	-1.3%	-7.9%	-7.4%	+2.9%	-1.9%	-0.5%
19-Jul-2023 AMC	+4.8%	+2.3%	+2.8%	+1.2%	+0.1%	-15.9%	-12.6%	+0.4%	-5.1%	-3.8%
19-Apr-2023 AMC	+8.6%	+6.7%	+4.5%	+3.0%	+2.1%	-0.6%	-1.5%	+1.5%	-2.2%	+1.0%
18-Jan-2023 AMC	+1.1%	-4.4%	-3.5%	-4.5%	-2.9%	-0.4%	-5.8%	+5.9%	-2.1%	+5.7%
24-Oct-2022 AMC	+4.3%	+3.3%	+2.6%	+3.3%	+1.3%	+4.3%	-0.3%	+4.8%	-0.5%	+4.6%
20-Jul-2022 AMC	+12.4%	+10.2%	+5.6%	+4.3%	+0.9%	-8.9%	-8.0%	+2.2%	-2.6%	-1.0%
27-Apr-2022 AMC	-5.0%	-9.9%	-4.8%	-5.0%	-2.2%	+8.4%	+9.3%	+1.7%	-5.8%	-0.8%
19-Jan-2022 AMC	-1.8%	-7.3%	-8.4%	-7.1%	-4.2%	-1.4%	+0.9%	+1.2%	-3.0%	-2.3%
20-Oct-2021 AMC	+5.1%	+8.1%	+2.9%	+2.3%	+1.4%	-6.1%	-0.4%	+0.7%	-6.8%	-5.8%
21-Jul-2021 AMC	+6.1%	+2.1%	+4.3%	+7.6%	+3.5%	-1.3%	-0.4%	+0.6%	-3.9%	-0.8%
21-Apr-2021 AMC	-0.4%	-2.9%	-3.8%	-2.2%	+1.7%	+1.1%	+0.8%	+2.4%	-1.3%	+0.4%
20-Apr-2021 AMC	-2.1%	-3.0%	-5.1%	-5.4%	-3.8%	+1.7%	-0.8%	+2.5%	-1.2%	+2.5%
Simple Average Returns - Last 12 Earnings										
Avg Return	**+3.2%**	**+0.5%**	**0.0%**	**-0.1%**	**-0.3%**	**-2.3%**	**-2.2%**	**+2.2%**	**-3.0%**	**-0.1%**

So, $1 and 43 days with earnings in the window is a pretty cheap way of seeing how things might go this time around.

As for NFP and 0DTE, if there is a down open post the number, that would probably be a feast for short vol put sellers and 0DTE call buyers.

On Tuesday, I will examine CPI vol (nobody cares anymore, so markets vulnerable to a surprise/move) and DIA vol for UNH and JPM earnings, which are a big chunk of DIA, and of course, DIA vol is in the gutter while UNH has the largest influence in the index.

ROTATION HOPES MAY GET DASHED – EARNINGS IMPLIED VOL OFFERS SCREAMING BARGAINS

VOLATILITY SUMMARY

Portfolio managers got what they wanted for Christmas; stockings chock full of statements showing assets with inflated valuations. How quaint, December 31st mission accomplished and fees incoming. But, if there is one thing we've learned over the last several years, it's that the market doesn't care about valuations, that was a feature of old-timey markets, when assets didn't reside in differing neighborhoods of perma-bubble cul-de-sacs.

The tsunami of everything rising on soft-landing expectations (no need to call them hopes, that has been replaced with expectations at this point...) is going to make getting the typical 30-60% in QQQ a tad more challenging. And rotating into other things like 'value' (cough), it's not like that stillborn theme delivered in 2022.

Today the Dow/DIA is out of the gate much stronger than tech as QQQ/TQQQ/FNGU/SOXL, its components and associated leap calls see tax sellers. The market's irony/comedy here is in a scenario playing out all over the tech LEAP call universe today. Suppose you were really smart and bought January 400 QQQ calls in October and were just trying to get to the new year to avoid tax until 2025:

It's like the short-term tax rate was just taken out of that call as we flipped the calendar, how cruel. And you know that from here on out, a lot of folks will most certainly be looking for Friday's prices in this stuff in the hopes they get that back, which equals sellers above and that equals dealer hedges coming off.

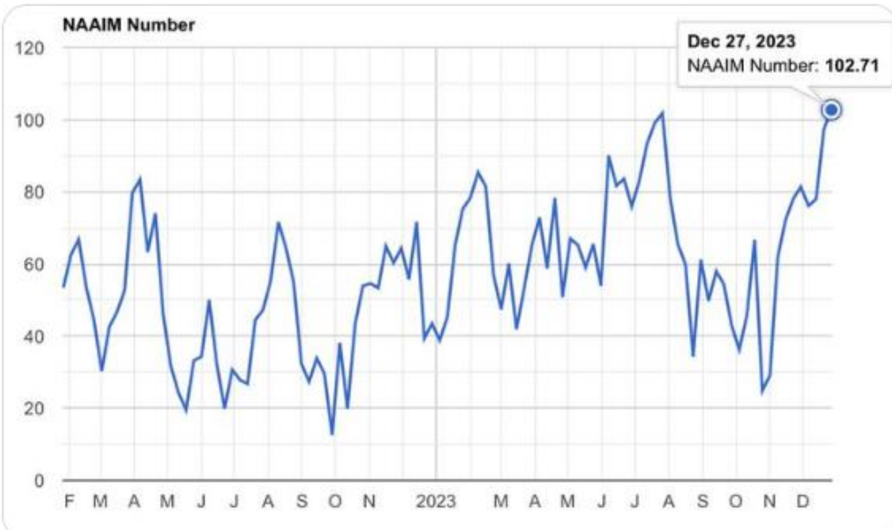
Beyond the tax situation, all types of sellers could come from a slew of places at this point if sentiment worsens, NAAIM sentiment is in rarified air:

tom
@tomthetrader1

Highest NAAIM reading for the year— in fact highest since November 2021.

Elevated exposure among active fund managers combined with a greed dominant environment has preceded all of the meaningful declines throughout the past 2+ years

Easy to get lost here in the euphoria



Regarding the Dow, this relative strength is the same thing that occurred at the outset of 2022 as folks mistakenly imagined the ‘value’ canard would work as an investment theme that year, oh the folly of that, they sold tech and bought value and got double burned as value stunk and tech subsequently did what tech almost always does; brush it off and go on to post another ridiculous year that was high even for its lofty standards of return history, regardless of its ‘valuation’.

Here is how the early 2022 Dow strength, rotation worked out:

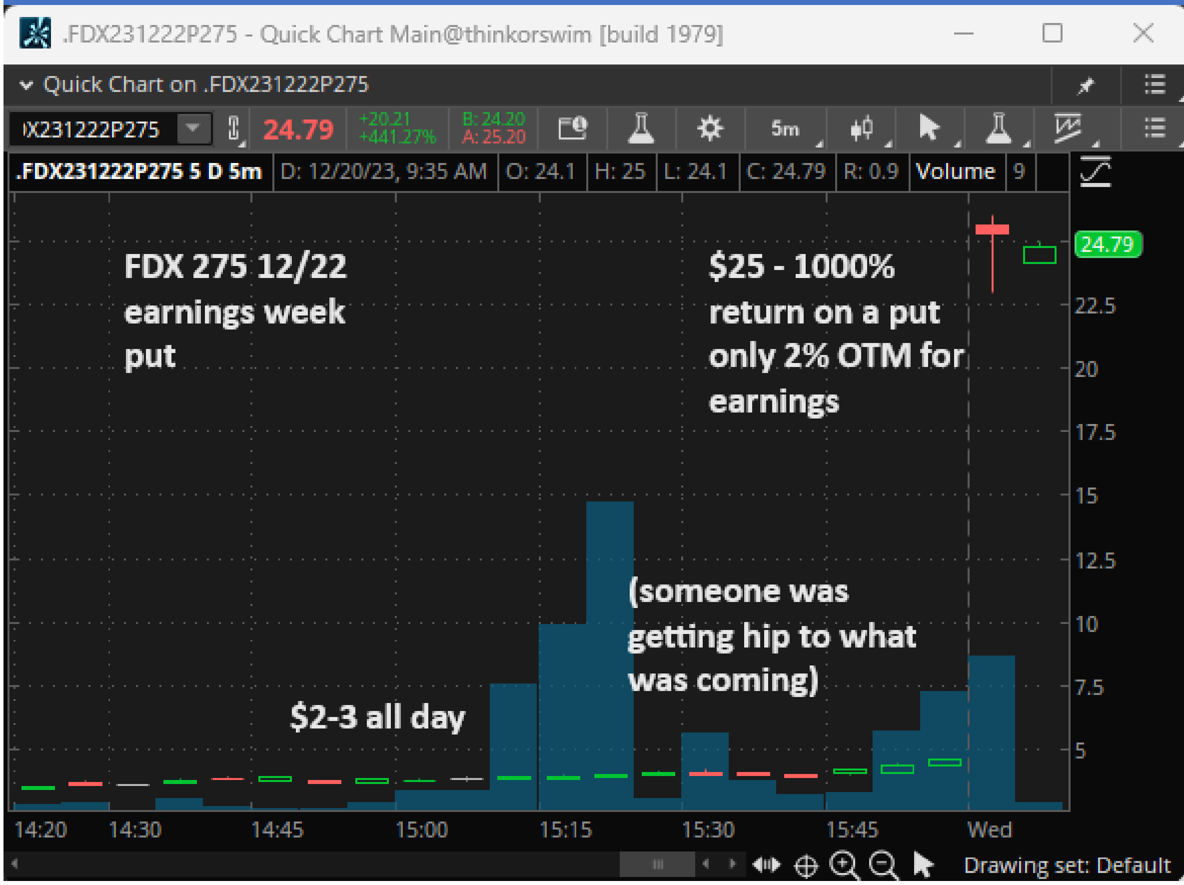
The year-end notes I perused over the weekend just made me shake my head, smelly garbage like CAPE ratios wafting as analyst takes. I've been hearing CAPE ratio warnings for a decade; it's a joke and it doesn't matter. People that are bearish on CAPE, valuations and other of your grandfather's CFA (church of finance) metrics (ERP) have been so burned for so long now, that they should at this point be ignoring that refuse and have other and better reasons to expect more challenged markets/stocks. Like, as a great example, the decimation of implied vol/herd crowding of short vol/lack of hedging perhaps?

And that is today's trading topic, as we look to earnings season. Vol has been annihilated not only in the indices, but in individual stocks. And just like these vol sellers act with little regard for event risk vol, they don't seem to have much respect for earnings vol either. If they are going to crush Fed meeting vol before the meeting (a regularity now which makes the event oodles more risky, and exacerbating the actual move on the event), these consistent and regular vol selling strats/dispersion trades are making earnings vol far too cheap.

Firstly, recall this excerpt from my December 21st note:

Another reason why I expect more vol next year (outside of this vol structure) was seen in FDX earnings yesterday. A lot of stocks have already priced in promises they won't be able to keep:

When will the markets remember that all-time highs/52-week highs in stocks then requires more good news? Another vol topic I will tackle as we get nearer is vol dispersion trading, where individual vol in the names are sold versus the indices vol or vice versa. One can easily make the case that implied vol in the stocks for earnings is already oversold, one we can look right to FDX puts as one example:



FDX was $280 before earnings and the $275 put was only 2.50 after a giant rally in the stock. Why? I can't imagine that stocks/indices will waltz into earnings with these opportunities available, but if so, January is going to be quite an interesting month. A lot of these every day up and buy the trend stocks at the open behavior is going to end up resulting in FDX situations.

Now consider what happened right after that when Nike reported earnings:

Coincidence? Or perhaps a how lot of the endless year-end ramps will meet the cold hard reality of earnings season?

Volatility Trades:

DIA Feb long put vol:

$375 put - net debit: $3.75-4.25

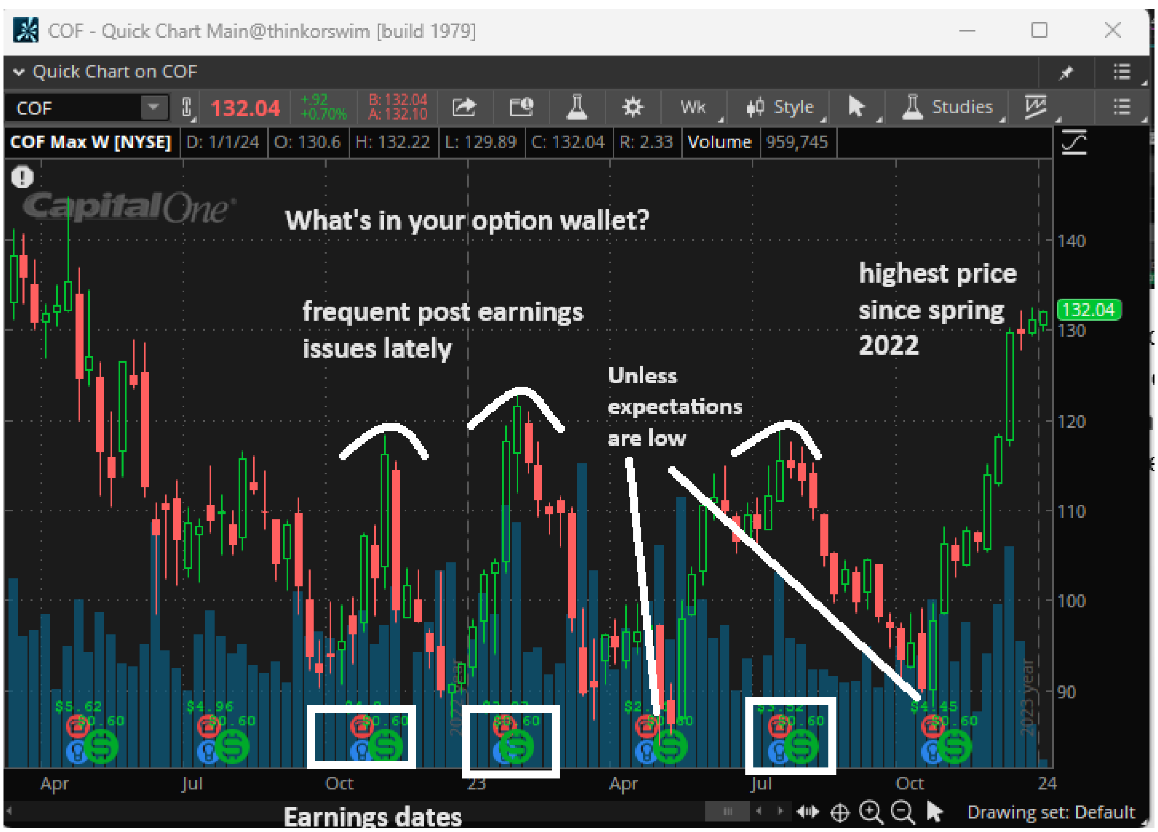
Vol is cheap, this is 45 days out, holds the vol of almost all Dow stocks earnings events in the window and the cost is a mere 1% of spot near the money. You can use dips to sell nearer term weekly options against it over and over again if you wanted to go that route as well. Would be surprising to end up with this longer dated put for free.

COF long post earnings put:

$130 Feb put – net debit : $4.50

45 days to expiration and earnings in the window for only 3.5% of spot at the money. Apparently, credit card stocks haven't heard of surging credit card/pay later debt and spiking delinquencies. Why would a credit card stock care about that, it's up 45% from the October lows, it's clearly not forecasting a soft landing, it's not even forecasting a no landing, it's forecasting a takeoff in the economy because it has rocketed higher:

But, it has a nasty habit of crushing high expectations after it has rewarded low earnings expectations; it has earnings schizophrenia:



And you can sell weekly puts on dips against this as well.

Keep an eye on the Fed minutes and on cheap options for Wednesday afternoon, possibly an excellent 0DTE opportunity.

VOLATILITY ANALYTICS NEWSLETTER – JANUARY 9TH

BUBBLE STOCKS AND BONDS BEAT DOWN BEARISHNESS – THE MARKET AS A GIANT RISK REVERSAL – FLOWS TO SHORT VOL AND 0DTE BALLOON – TRADES FOR THE RETURN OF VOLATILITY

VOLATILITY SUMMARY

VA Newsletter – Dec. 19th

And it's not like this market behavior is going to stop anytime soon. If you walk to the mailbox and there's $100 in it every morning, you'd be crazy to not go check the mail. So, strats that are selling puts every day, who's going to tell them to stop collecting premium? They are now selling the open, and then selling more when the markets go higher on the same day; they are doing rounds of rolling up short puts.

If you are leaving home for a couple weeks, can you leave ten pounds of steak in a bowl and expect your dog to portion control? Obviously, he's going to eat it all as fast as possible. Is this how the markets have behaved the last two months, gobbling up all the returns for 2024 in bonds, tech stocks, meme stocks, gold, crypto, etc?

Certainly seems like it. Everyone thought the tech bubble was over last year; giga tech decided to make a mockery of that idea having the best year since the last great tech bubble. Referring to which, things are different now. Who was the donkey that invented the tripe that it's not ok to say that things are different? The entire structure of markets is totally different today than it was then.

Speaking of which, market participants continue to have a dog-like voracious appetite for more 0DTE steak:

Wall Street Quants Warm Up to Zero-Day Options Amid Trading Boom

- Banks such as Citi, JPMorgan adding 0DTEs in systematic trades
- Adoption shows rising popularity of a controversial product

https://www.bloomberg.com/news/articles/2023-12-27/wall-street-quants-warm-up-to-zero-day-options-amid-trading-boom?srnd=null&sref=1zxv5xkq

There is a lot to chew on in this article, they begin again by laying out how much 'safer' it is to sell vol now than before:

> The flurry of new products are expanding the list of use cases while potentially diluting concerns that 0DTEs' proliferation threatens market stability and risks reprising past disasters such as the 2018 Volmageddon episode. As trading flows spread out, the peril of a one-sided market is lessened, has argued by Cboe Global Markets Inc., the exchange at the center of the trading boom.

They discuss how there is a host of differing genres of 'investors' gravitating to short vol strategies:

> The deep pool of liquidity has lured users of all kinds, from market makers that flock to zero-day options to balance books to exchange-traded funds that sell them for premium income. Now, evidence is building that model-driven shops are capitalizing on the craze, too.

They discuss how 0DTE is expanding into other countries and asset classes:

> The zero-day game has shown no signs of abating, entering Europe and spilling into other assets in recent months. For quants, the race to roll out 0DTE-linked trades is likely just starting, said Citi's Cancelli.
>
> "In any new markets, people want to see performance for a few months or a few years" before fully embracing them, he said. "We're still in an early stage of competition."

And so, the markets are becoming one giant carry trade, a big chunk of which is a huge daily risk reversal, short-term puts sold short and calls bought. What can go wrong with a structure that sees dealers hedge long when folks are short puts, and dealers hedge long when folks are long calls? In all kinds of assets in a global push to short more vol?

The article does hint at the issues; here is the head of quantitative investment strategies at BNP with a comment on what happens when the market experiences a rare down day:

The challenge, he says, is closely monitoring positions and being nimble when the tide turns.

"We need to manage the position intraday. So it's not only income generation with 0DTE by saying, 'in the morning I will sell puts and OK, it's my income.'" Folleas said. "You may have to buy back the position if the market reverses."

Oh, really now. So, what happens as we race to a time when everybody is short every kind of volatility in every kind of asset, and when that gets too cheap they then start selling (they already have, don't kid yourself, look at the vol surface) vol 2-5 days out and next week and next month's vol in all assets under the sun?

Well, there are probably going to be more days like last Wednesday, vol shocks out of nowhere in the afternoon, for a start. And, what if the trend changes? I know it's already hard to imagine a short-term downtrend, but if you recall, late September and October weren't in any way kind to markets in the afternoons; 1pm was the time when trend 0DTE strats were adding puts in the afternoon that kept pushing the market lower. Right now, the trend is up, so 0DTE is the force for good but it doesn't have to be that way. Here's a reminder of 0DTE gone bad, the dark side of the force:

And then there will be the day when news hits, and I don't mean the kind of news that causes a Groundhog Day spike almost every time it's released. I mean like, something unexpected, the unknown/unknown news type. There will be a lot of folks stuck in horrible short positions that juice an immediate spike implied vol, and you have the vol vortex situation where it rapidly feeds on itself. As this carry continues to grow, the risks will continue to grow regardless of what the biased CBOE says about how it's not that dangerous while they rake in more and more cash.

In the meantime, the great all assets crash-up is probably winding down and a bit of reality may be finally coming to markets as the year turns. Simply because all those profitable LEAP calls and giga tech/A.I./meme stocks and 3x long ETFs that have giant gains, well it's a new tax year.

It wasn't long ago, in late 2021, when we approached the end of the year after surging to all-time highs during a huge year in giga tech. (Cathie Wood is around making noise all the time now, if that isn't a clue that things are bordering on ludicrous..) Here is how that played out in early January 2022:

What got the ball rolling in early 2022, besides all the long positioning in tech and leap calls? It was the Fed minutes on Wednesday January 5th. Since the Fed is a running joke now, and markets know better that eight or more cuts are most certainly coming, might those minutes surprise the market? On a Wednesday no less, the only day of the week that markets are occasionally allowed to actually trade down in the new short-vol risk/reversal dominated market?

Potentially. And, to make this vol idea even more interesting, vis a vis this Wednesday and the Wednesday only down day oddity, there is also something interesting going on in the vol surface regarding Wednesdays. You can pair up short Wednesday with long Thursday vol in calendar spreads for cheaper than any other one-day pairs of the week:

SPX put calendar spreads - one day wide

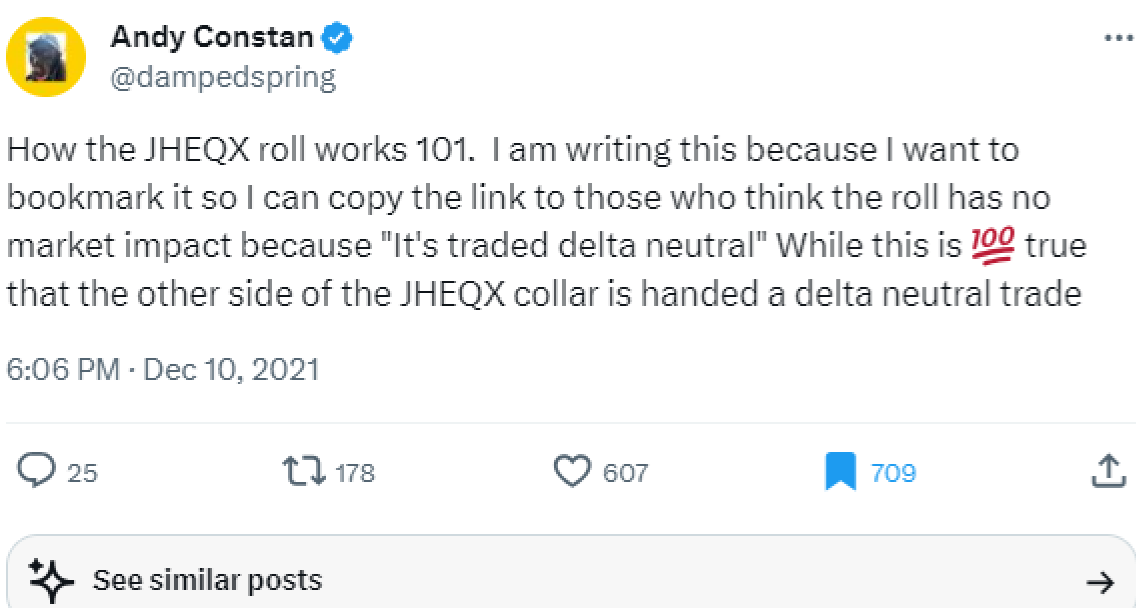
Fri/Mon											12.84% (±27.457)
4770 / 4770	3.60	4.00	3.800	3.90	.85	+27.87%	9.74%	-.05	.00	316	474
4775 / 4775	4.00	4.30	4.150	[illegible]	[illegible]	[illegible]	9.63%	-.04	.00	436	567
4780 / 4780	4.20	4.50	4.350	4.40	1.23	+38.80%	9.48%	-.02	.00	394	491
4785 / 4785	4.30	4.70	[illegible]	4.10	-5.17	-55.77%	9.40%	.00	.00	562	184
4790 / 4790	4.40	4.70	$\boxed{4.550}$	5.70	-4.94	-46.43%	9.30%	.02	.00	821	247
4795 / 4795	4.30	4.70	4.500	4.60	-6.89	-59.97%	9.25%	.04	.00	222	137
4800 / 4800	4.10	4.50	4.300	6.08	3.58	+143.2...	9.19%	.07	.00	471	2,259
4805 / 4805	3.80	4.40	4.100	3.20	-3.26	-50.46%	9.13%	.09	.00	150	264
Mon/Tue											8.49% (±38.522)
4770 / 4770	2.90	3.30	3.100	3.45	.90	+35.29%	8.33%	-.03	.00	74	385
4775 / 4775	3.00	3.40	3.200	4.00	1.65	+70.21%	8.30%	-.02	.00	50	267
4780 / 4780	3.10	3.50	3.300	5.50	2.27	+70.28%	8.23%	-.02	.00	17	422
4785 / 4785	3.20	3.60	[illegible]	3.90	6.37	-257.8...	8.20%	-.01	.00	63	184
4790 / 4790	3.20	3.60	$\boxed{3.400}$	2.93	7.13	-169.7...	8.16%	.00	.00	103	87
4795 / 4795	3.10	3.50	[illegible]	3.28	8.37	-164.4...	8.14%	.01	.00	139	78
4800 / 4800	3.10	3.50	3.300	1.72	-1.88	-52.22%	8.13%	.01	.00	471	2,259
4805 / 4805	2.90	3.40	3.150	5.10	-.04	-0.78%	8.13%	.02	.00	32	101
Wed/Thu											9.33% (±46.267)
4770 / 4770	2.00	2.50	2.250	2.55	-4.60	-64.34%	8.96%	-.01	.00	73	193
4775 / 4775	2.10	2.50	2.300	2.00	-.69	-25.65%	8.91%	-.01	.00	50	267
4780 / 4780	2.10	2.60	2.350	1.20	-5.80	-82.86%	8.85%	-.01	.00	17	348
4785 / 4785	2.00	2.50	[illegible]	[illegible]	-4.36	-58.84%	8.81%	.00	.00	47	198
4790 / 4790	2.00	2.50	$\boxed{2.250}$	[illegible]	???????	[illegible]	8.76%	.00	.00	103	87
4795 / 4795	2.00	2.50	[illegible]	[illegible]	-7.10	-77.01%	8.72%	.00	.00	63	61
4800 / 4800	1.80	2.30	2.050	3.10	-3.60	-53.73%	8.70%	.01	.00	56	609
4805 / 4805	1.70	2.20	1.950	1.33	-3.47	-72.29%	8.68%	.01	.00	32	48
Thu/Fri											10.16% (±54.331)
4770 / 4770	3.70	4.20	3.950	3.18	4.53	-335.5...	9.66%	-.02	.00	73	193
4775 / 4775	3.80	4.20	4.000	3.40	-.64	-15.84%	9.61%	-.02	.00	110	844
4780 / 4780	3.80	4.30	4.050	3.67	4.77	-433.6...	9.55%	-.01	.00	21	309
4785 / 4785	3.90	4.40	[illegible]	3.35	5.07	-294.7...	9.49%	-.01	.00	47	93
4790 / 4790	3.90	4.40	$\boxed{4.150}$	2.76	-5.76	-67.61%	9.44%	.00	.00	144	249
4795 / 4795	3.90	4.40	[illegible]	4.53	3.15	+228.2...	9.41%	.00	.00	63	61
4800 / 4800	3.90	4.40	4.150	3.15	3.85	-550.0...	9.36%	.01	.00	56	609
4805 / 4805	3.80	4.30	4.050	3.77	3.27	+654.0...	9.32%	.01	.00	40	47

Why is this? I'm not sure, but I noticed it a couple weeks ago and was able to get a Wednesday/Thursday calendar put spread a week ahead of Wednesday expiration for only $1 at the money and less than that out of the money; it's certainly something to keep an eye on (trades below). If you are near the money to close, they will be worth $3-6/3-6 SPX points. If implied vol rises, even more.

And you can grab them above spot if you expect a grind up or a bounce and get these for next to nothing, as in almost no debit. The risk being that closing them on a real drop in the market (what?) will be a $2-3 debit.

Also, in the windshield is the infamous JPM (JHEQX) collar, now a hilarious -$1.1 billion of short SPX calls that need to be rolled out to 5100 or something like that. For a great explanation on how they will wriggle out of this without disrupting/spiking an illiquid market with giant S&P futures orders, see Andy Constan's thread, written in December 2021, when markets as mentioned above were at all-time highs and this collar was similarly deep in the money:

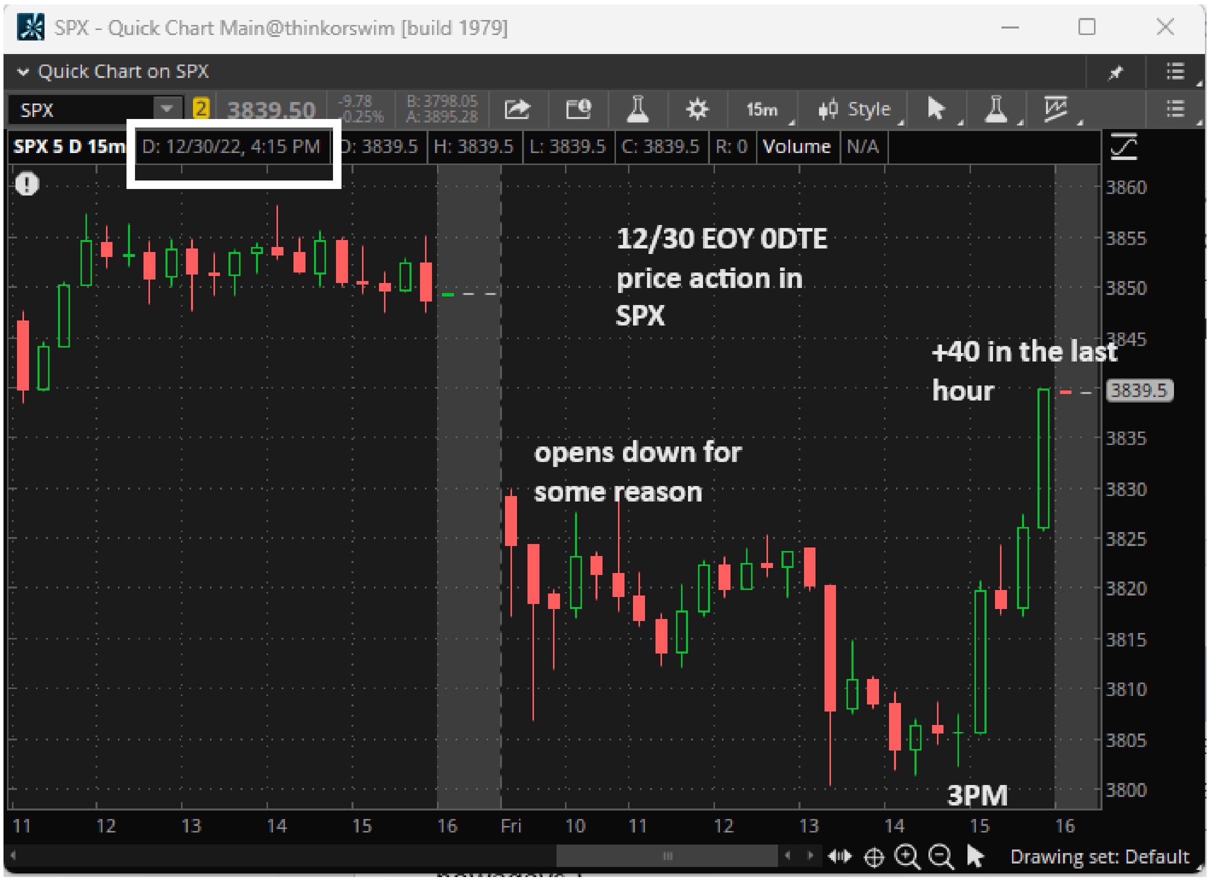
https://x.com/dampedspring/status/1469443456581918724?s=20



The gist of this is that dealers are short a lot of futures that are delta hedging the calls they are long from the JPM call sale to them, and they need to buy to close that hedge as this is rolled out. The ingenious solution is that JPM sells the dealers a one-day 0DTE call, so that the dealers can call away the futures they need to exit post-roll. How does JPM get those futures to hand over? Read this fascinating thread, quite educational. (Hint, JPM will be buying them during the day.)

And now, there's the topic of end of year/quarter shenanigans, and with 0DTE mechanics/quant strats/traders/yolos and more being such a factor, this could be downright comical tomorrow. (There is a lot of humor in markets these days, isn't there? Fincom is quite the thing nowadays.)

Last year, SPX was actually down over 1% on the last day of the year, but you can imagine what 0DTE + their window dressing cohort was going to do with this:



And if you are bored with 0DTE already, how about 0-5 minutes to expiration trading? I mean, there are lotto fortunes being made, like during yesterday's amazing end of day/last minute spike that printed more homemade QE:

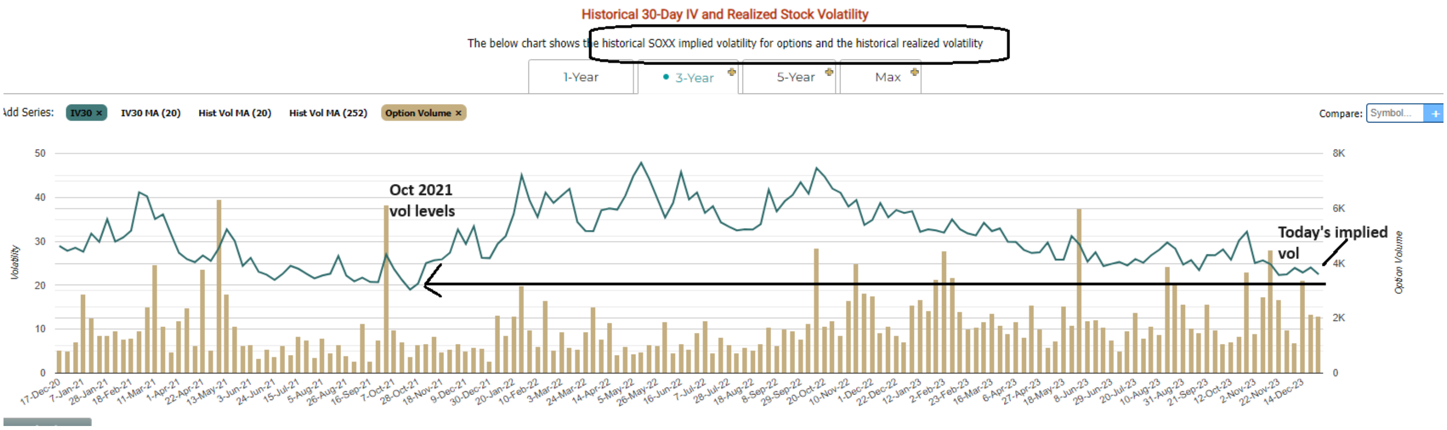
As they said in the article cited above regarding 0DTE, "This is only the beginning." Next year we might see the middle and the end, who knows? Things are changing quickly.

Volatility Trades:

Long SOXX Feb $550 put

Net debit: $8.

Do ya think vol is oversold? A 30% panic ramp meets implied volatility at levels from 2021:



A few tax sellers breathe on these stocks in January and this doubles in value; it was quoting $15-20 last Wednesday. If that happens again, you can sell January for more than you are paying for this getting a free calendar spread. Maybe even a credit. This ETF has far more holdings of recently parabolic AVGO than SMH, making it potentially more vulnerable.

And the back leg is a whopping 50 days out, which means it has all of the earnings season in the back leg. All of that for 1.5% of the underlying at a strike that spot price saw last week.

SPX/QQQ Jan 3rd/4th put calendar spreads

Sell Jan 3rd $4750/$405.78 put

Buy Jan 4th $4750/$405.78 put

Net debits: $1.85-2.00/.20-.23

As per commentary above, JOLTS/Fed minutes/Wednesday/Post-1st day of the month/year/tax sellers etc.

With dispersion vol trading yet another vol supply situation causing extremely low implied vol, we will start digging into extremely low earnings trades next week. Have a great new year.

VIXPIRATION SERVES UP A SHARP REMINDER TO THE SHORT VOL CROWD – A TASTE OF JANUARY'S VOL? – EARNINGS SEASON PREVIEW WITH FDX

VOLATILITY SUMMARY

VA Newsletter Nov 14th:

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

VA Newsletter Oct 10th:

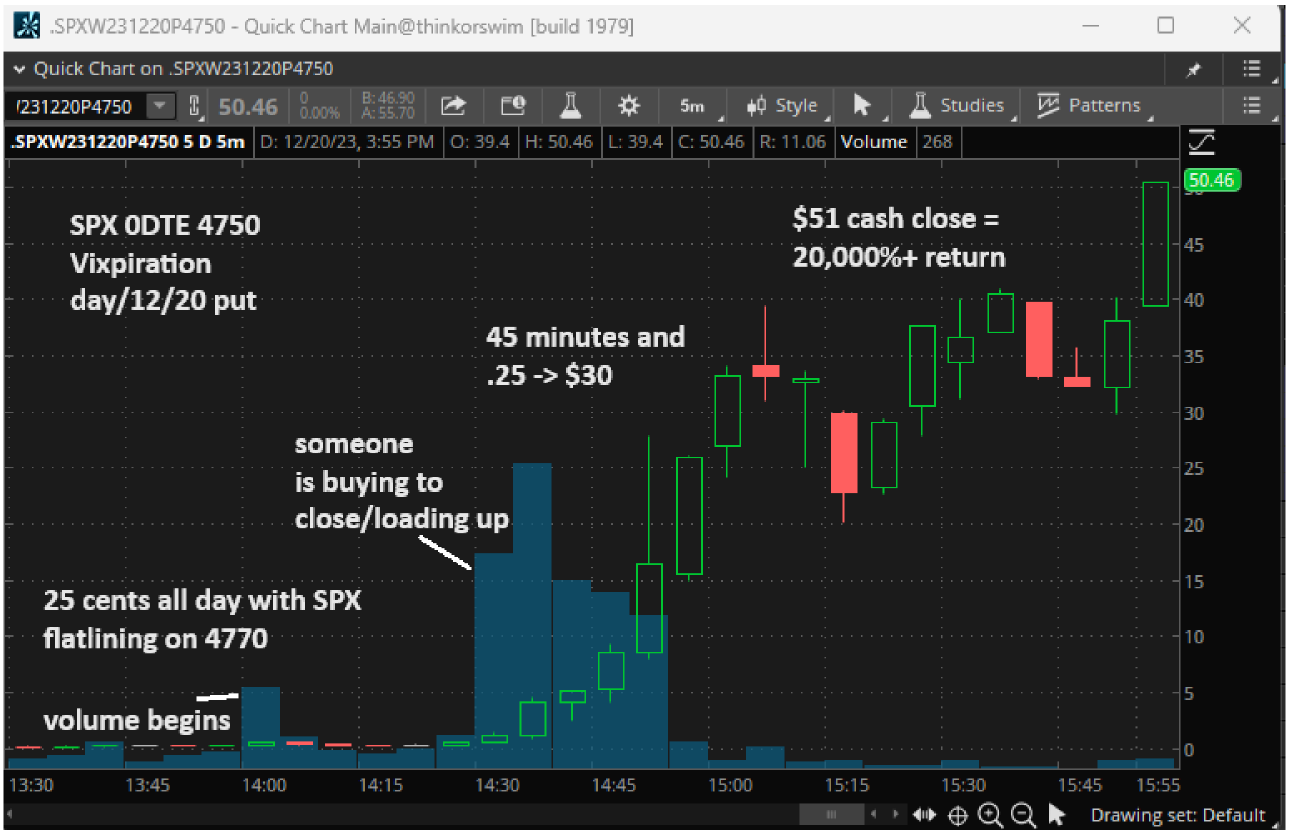
One consideration, the backbone to aiding 0-1DTE short vol/call gamma on dip strats currently, is that folks are looking toward earnings and seasonality at the moment, which starts with JPM Friday, but really starts with NFLX/TSLA next Wednesday afternoon, which also happens to be, yes, vixpiration day,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

(https://en.wikipedia.org/wiki/A_Mighty_Wind)

Yes, we are one day closer to the Senate hearings on 0DTE options. I can literally see these codgers trying to understand what is going on, while yelling about how it's gambling and dangerous to the average American's 401k, while some similarity to big bank leverage in 2007 is tossed in there for effect. (Clearly, the non-stop months long ramps we've repeatedly witnessed on the shoulders of these devices won't be considered.)

The magic of vixpiration strikes again. And, consider this, if you have vix calls as a hedge, they are useless during this timeframe, they didn't budge, because they are based on January vix futures which opened the day at 14.6 already. That this how short vol etfs work, the front month comes to spot vix eventually and the ETF rolls every day in to the back leg, which why SVIX works most of the time. It keeps selling more expensive longer dated vol.

And that circles us right back to yesterday's 0DTE, because the best (I'm all ears to another if you know it) way to hedge a downdraft is with short-dated options:



I mean, 10 SPX contracts for 25 cents turned $250 into $50,000. As Yakov Smirnoff used to say, 'What a country!'. You can see in the SPX chart when the put volumes (and it wasn't just 4750, there were a lot of strikes in SPX/SPY/QQQ trading for next to nothing that the strats were short):

People clearly think of overly shorted stocks as being ripe for an attack and thus causing a spike, *why not overly shorted vol being subject to the same thing*? It's pretty cheap and easy to attempt as noted above.

Then the short gamma vortex machine turns on, a mini-volmageddon situation. And there's no escape, when folks are forced to buy back short puts, that equals more dealer selling since they are removed of the long puts sold to them, and then there are those new puts dealers are short for the day, requiring more immediate selling.

On top of that, you had to imagine with the ludicrous markets' behavior of the last two months that folks had raised stops as well.

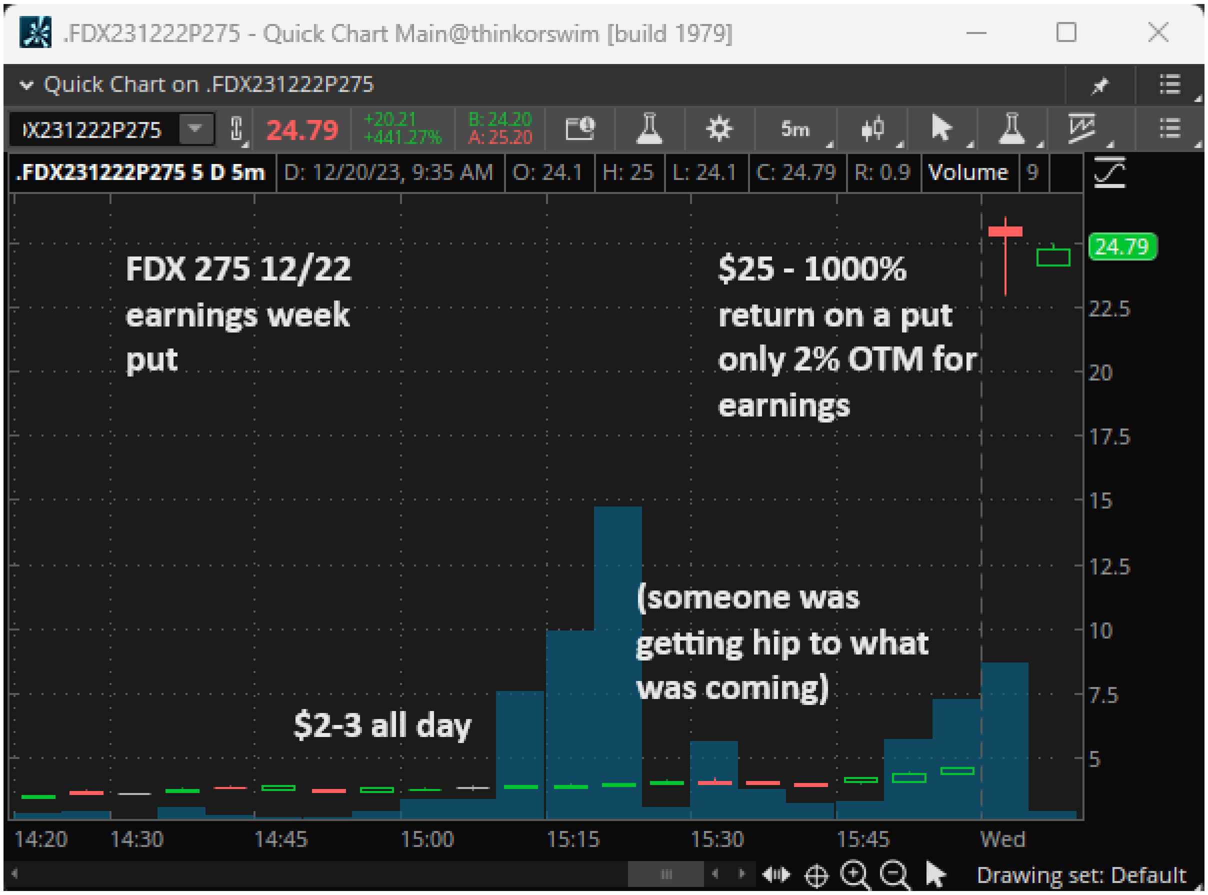
Why 1:30pm as I've highlighted many times or 2pm yesterday? The answer is simple, that is when 0DTE puts are cheapest, but with enough time to cause market damage. Heck, we've seen SPX spike 20 points in the last half hour around the end of the month and quarter (stay-tuned for next week's end of quarter 0DTE comedy, JHEQX/JPM's collar roll is going to be quite the thing..).

So, starting next week I'm going to start a 0DTE segment in this note on where/when to look for these 0DTE situations. Clearly, most of them won't pan out, but it is like panning for gold, you only need to hit one occasionally to pay for six months of continual attempts like yesterday and they are occurring way more often than that; too cheap calls have been the beneficiary for two months now on almost every data release, and puts will begin to offer these opportunities.

It's not like the short-term volatility surface is going to change in the immediate future, short-vol has far too many wins under its belt to stop now, so puts should remain quite cheap. Things have changed, the vol surface is perpetually under attack by a growing short vol contingent.

Another reason why I expect more vol next year (outside of this vol structure) was seen in FDX earnings yesterday. A lot of stocks have already priced in promises they won't be able to keep:

When will the markets remember that all-time highs/52-week highs in stocks then requires more good news? Another vol topic I will tackle as we get nearer is vol dispersion trading, where individual vol in the names are sold versus the indices vol or vice versa. One can easily make the case that implied vol in the stocks for earnings is already oversold, one we can look right to FDX puts as one example:



FDX was $280 before earnings and the $275 put was only 2.50 after a giant rally in the stock. Why? I can't imagine that stocks/indices will waltz into earnings with these opportunities available, but if so, January is going to be quite an interesting month. A lot of these every day up and buy the trend stocks at the open behavior is going to end up resulting in FDX situations.

Enjoy the holiday, I will have a long note next Wednesday, there is a lot to discuss/trade ideas vis a vis end of quarter and how the first week of the year will trade.

DOWN DAYS ARE JUST MEMORIES NOW AS ASSET MARKETS EXHIBIT RISK-FREE BEHAVIOR – WITH DOWNSIDE VOL ON HIATUS, HOW TO LOOK FOR THE END OF ITS HIBERNATION – ANOTHER GRIND UP TRADE

VOLATILITY SUMMARY

Dec 14th letter:

But now, since we've priced everything on the moon and beyond already, a lot of the price targets for next year already look stale, and the 'analysts' might start coming out with upgrades for these next month:

I mean, a typical first quarter and almost all of those are underwater. Last January was a 6% month, so that right there is SPX 5000.

Well, that didn't take long to materialize, price target leapfrog has already begun:

Wall Street firm	2024 S&P 500 target
Yardeni Research	5400
Oppenheimer Asset Management	5200
Fundstrat Global Advisors	5200
Citi	5100
Deutsche Bank	5100
BMO Capital Markets	5100
RBC Capital Markets	5000
Bank of America	5000
Barclays	4800
Goldman Sachs	~~4700~~ **5100**
UBS Global Wealth Management	4700
Wells Fargo Securities	4625
Morgan Stanley	4500
JPMorgan	4200
Average	4902
Median	5000

Source: MarketWatch

When upside buying panic hits markets, it then triggers analysts' panic and thus the jump the price target line behavior to look less out of touch. There's no magic to how this analysis works; essentially, they backfit the spreadsheets to get to the new index 'target', which is as simple as raising the expected multiples on earnings. Quite a model, just put a new multiple into the cell and poof, the price target is now more aligned with current equities euphoria.

Not only does the market refuse to consider a down day, but it is also allergic to going down from the open.

It can't get much easier I suppose, you wake up, you buy anything, calls, stocks, 3x ETFs and before lunch you've won and come back and do it again tomorrow, Groundhog Day style.

Yesterday morning, I was marveling at how SPY could be outperforming QQQ, IWM, DIA and even, this is where it got simply amazing, its own equal weighted version of itself RSP. It is finding seemingly unused large cap fuel in untapped places at this point. Like large cap banks, biotech, energy, mining. Have you looked at a chart of JPM lately? It goes up every day from the open:

And it's not like this market behavior is going to stop anytime soon. If you walk to the mailbox and there's $100 in it every morning, you'd be crazy to not go check the mail. So, strats that are selling puts every day, who's going to tell them to stop collecting premium? They are now selling the open, and then selling more when the markets go higher on the same day; they are doing rounds of rolling up short puts.

With no real sellers, markets just continue floating higher all day long until the end of the day, when the dealer 0DTE hedges come off. You saw the closing dip yesterday, all that seems to do is provide a nice entry point for the overnight helium dealer hedging (remember July?) and tomorrow's calls/short puts. They are selling tomorrow today as well, I mean, why wait?

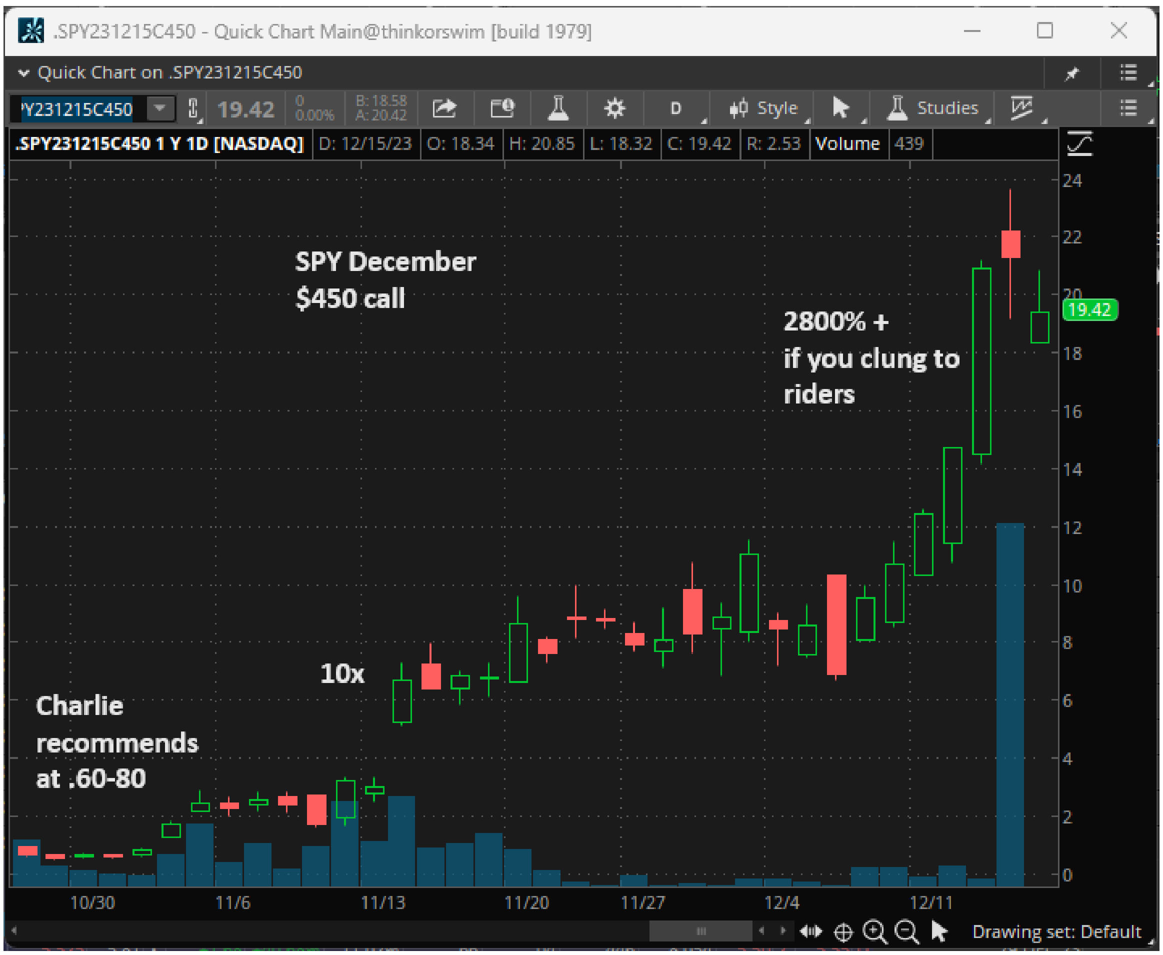
And who is going to tell the call buyers to stop, they are having the best Christmas possible. They can most certainly afford to lose for a few days, and it wouldn't be a deterrent.

It's gotten to the point that when several Fed officials came out warning that the *six* rate cuts expected are getting way ahead of things and it's premature to consider cutting at all, the markets laughed and went even higher. Their pushback blather is having the opposite of its intended effect, now fuel for even higher prices.

Everyone must be wondering, this record weekly and daily phenomenon, when does it stop and how; I suppose *how* is the bigger question, right?

Today, I'm not even going to get into the extreme systematic strat positioning in vol control, CTAs, even more recent huge inflows, herding into short vol ETFs, record call option volumes, increasing hedge fund leverage and euphoric sentiment/overbought extremes; it should be obvious by now that it's all aboard Starship Cut-Topia to explore strange new worlds in the uncharted parts of, well charts.

All of those extremes in positioning simply aren't going to matter in the near-term. Best to check in with celebrity quant, Charlie McElligott, who by the way, suggested buying a December SPY 450 call back in late October, and this is how that idea went:



He is fully tapped into the pulse of what drives markets now, which is primarily derivatives and carry, this market paradigm is not even up for debate. Here is how he envisions the conditions required for all this positioning unraveling, from his note a few days ago:

> In order to get crash *down* conditions, you also need excess positioning / leverage, because when investors are back running 'extreme long' exposures, they are also forced back into buying actual downside hedges. This would mean index options skew ultimately then steepens out again. You can't crash down with flat equities index option skew. [You] need steep skew which, again, requires [a] 'force-in' to extreme equities positioning. When investors need to hedge big long exposures, they take dealers on downside, which means dealer hedging then risks turning into 'accelerant flows' which feed moves / overshoots instead of insulating [markets]. On a spot selloff catalyst [under those conditions], dealers who are short index downside are then getting short vega / short gamma into a move lower, as vols then squeeze higher.

Skew, you can just think of that as demand for out of the money puts versus out of the money calls or demand for out of the money puts versus at the money puts. Both mean the same thing, which is demand for downside protection.

Ironically, when folks are protected, or need protection against market drops, that destabilizes the index. Currently, vol is supplied, which is to say, short vol strats are selling puts constantly every day and the short vol ETFs are structured to sell puts every day, which suppresses implied vol and forces long puts into the dealers' hands.

So, dealers don't need to hedge downside by selling futures as much when the market drops. Remember, a dealer that is long puts, is a buyer of futures on dips as their long puts gain value. It's a stabilizing force.

On the other hand, if demand for puts grows, if folks suddenly buy back their January short puts, then implied vol rises and dealers are sellers. And, if people open new put positions, and dealers are short puts, when the market drops they need to sell more futures to hedge the puts they are short.

Then you get the downward pressure, implied vol rises, more dealer selling equals more downside, then more folks need to sell as vol rises, trends start to break, more folks need to sell, etc, it feeds on itself when it gets rolling. Derivatives just repeatedly demonstrated how they can crash up markets on open interest around round strikes combined with news releases and events and create grind up markets on shorting vol and long call open interest.

They can also cause reflexive downside problems for markets, but without a catalyst/unforeseen event, it requires, *ironically, folks to own downside protection. That is how ludicrous markets have become; for markets to destabilize people need to be essentially more prepared for instability out of necessity of having been forced to be longer stocks*.

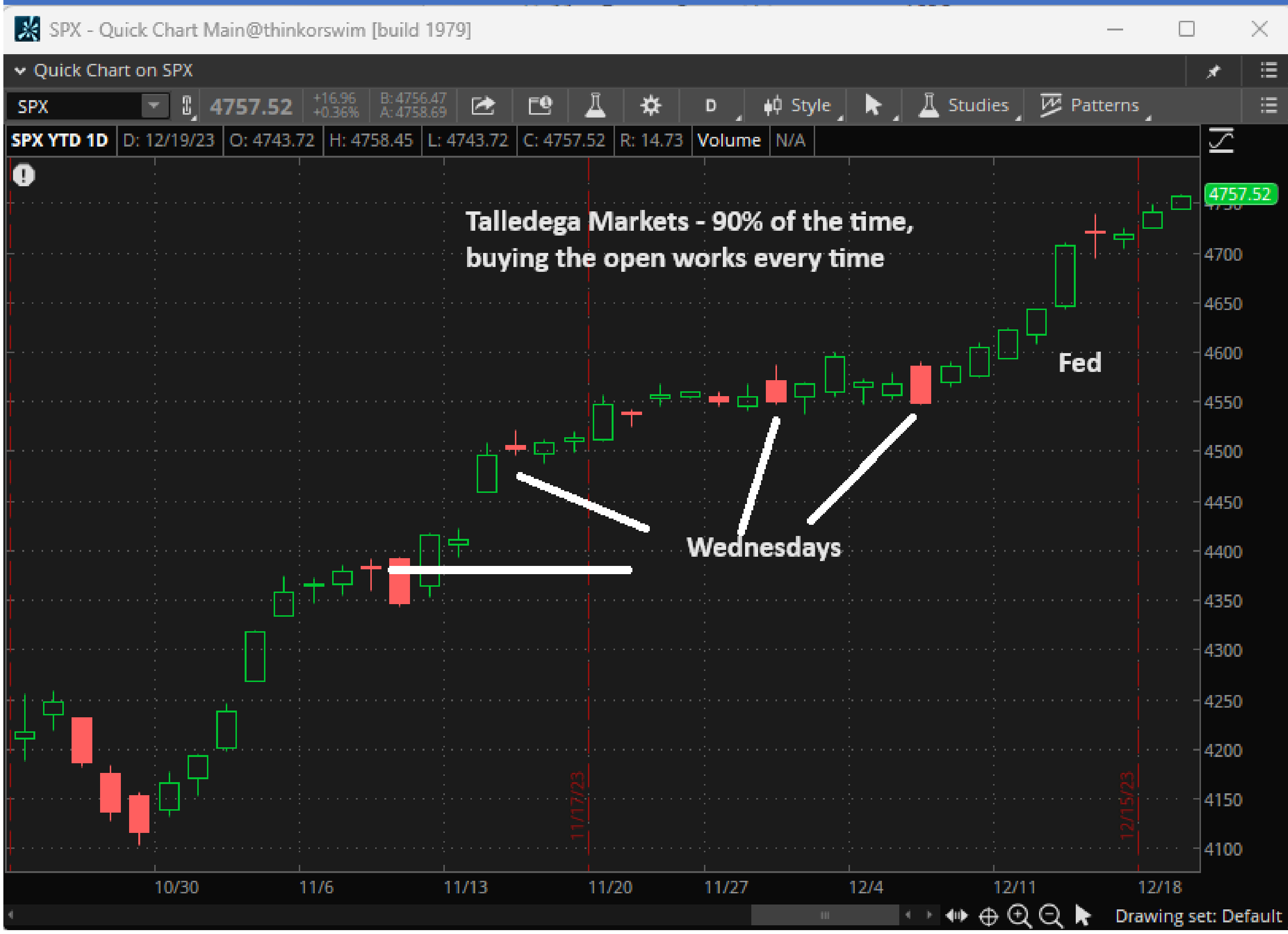
So, considering all of the above, the continual shorting of vol, the continual flows into the market, the huge January open interest in calls that need upside dealer hedging, the timing of a down move of any significance is probably pushed out to mid-January.

Or, consider the last short vol event in 2018; AAPL earnings was the end of the vol smashing free ride for a while:

The clues will be, prices up with implied volatility up. Spot up/vol up. Which is exactly what happened in 2018:

You can see that the VIX rising from 11-15 was the spark that lit the kerosene soaked short vol kindling back then.

In the meantime, tomorrow is vixpiration, and while that is often a watershed for some increased volatility, it's difficult to expect anything of significance. I suppose though, annotating the SPX chart above a bit further, it has to be noted that the only red candles lately have occurred on Wednesdays for what it's worth:



Volatility Trade:

IWM Jan 5th butterfly spread

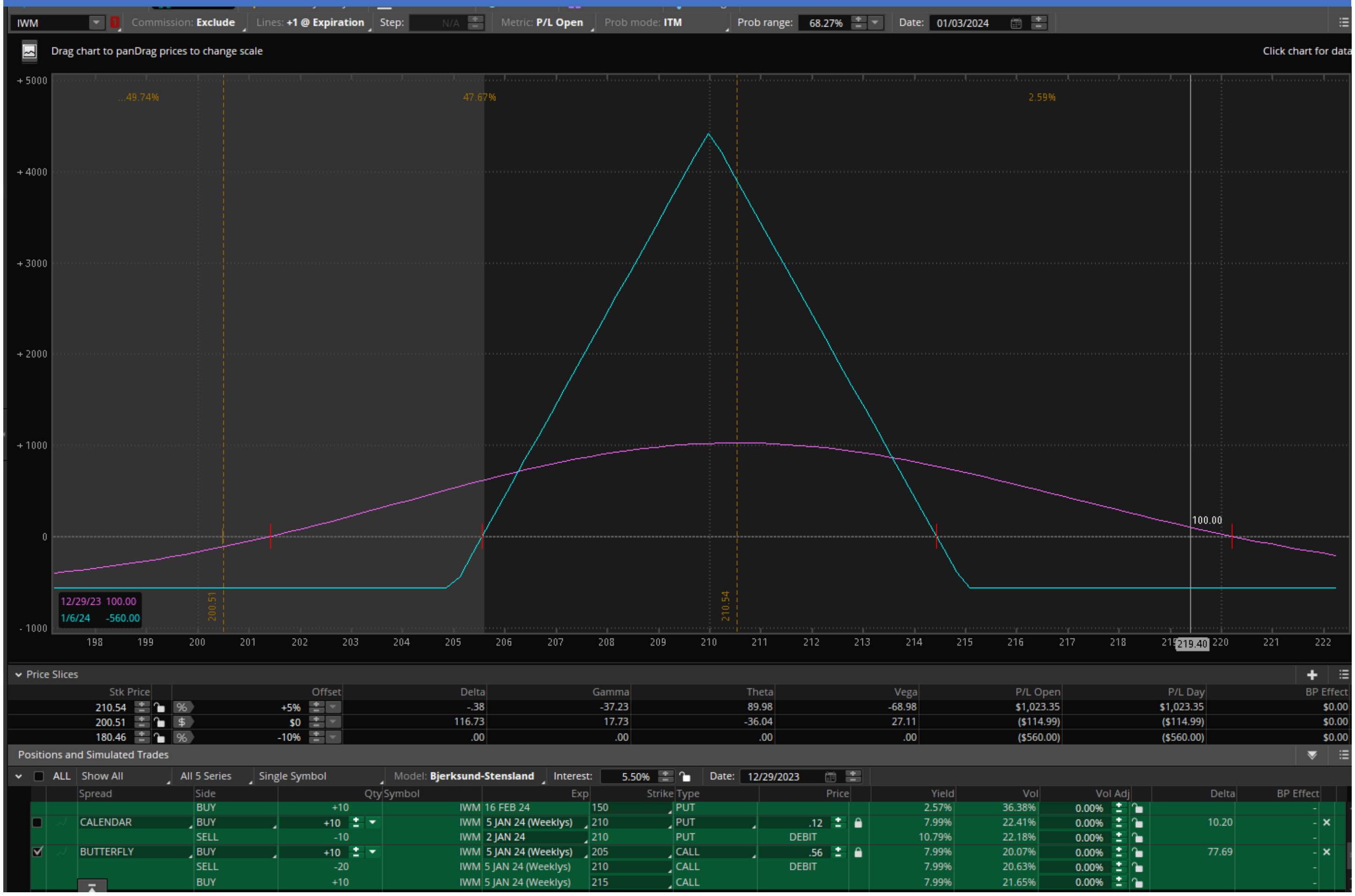
Buy $205 IWM Jan 5th call

Sell 2x $210 Jan 5th call

Buy $215 Jan 5th call

Net debit: .40-.55

VOLATILITY ANALYTICS NEWSLETTER – JANUARY 9TH



The Santa rally (Dec 24-Jan 4th) and January both love small caps, the chart is on the verge of a breakout, everyone sees it. Probably a rotation favorite as well. Folks are long a lot of calls for Dec 29th and January opex. 50 cents or so which is 10% of the width of the spread.

VOLATILITY ANALYTICS NEWSLETTER – JANUARY 9TH

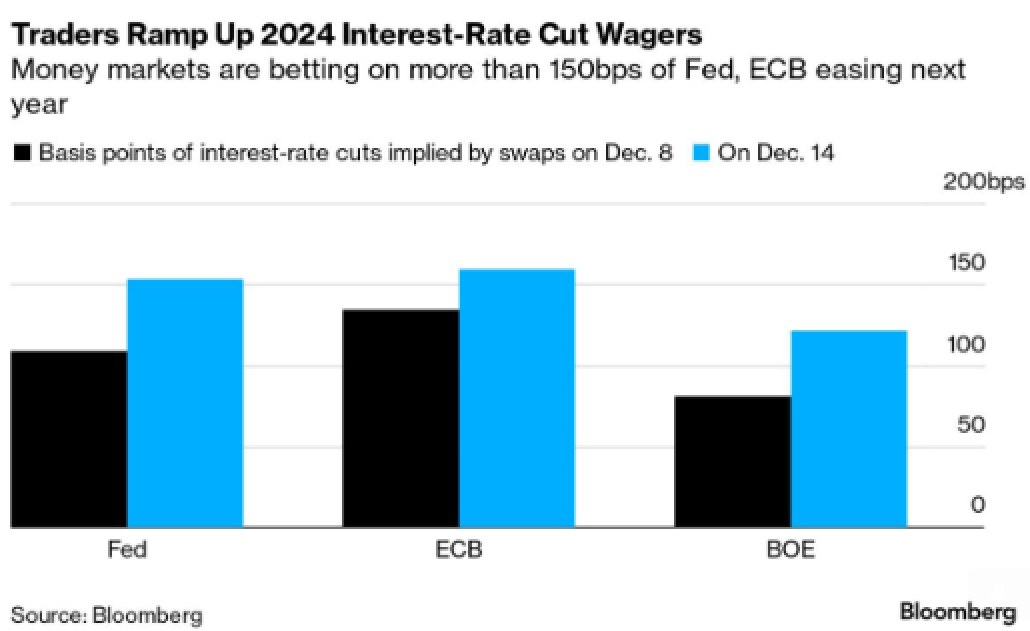
FED SPARKS MORE UPSIDE VOLATILITY – MARKET CUT-TOPIA FANTASY REACHES SIX CUTS – FUNDS FORCED TO BUY STOCKS – DOW HITS VOLMAGEDDON ERA OVERBOUGHT MEASURE

VOLATILITY SUMMARY

From December 7th note:

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.

He's done the unthinkable. With conditions having seen record easing the last three months, he doubled down on the easing. And now, if you can believe it, Cut-Topia 2024 is expecting a whopping six cuts:

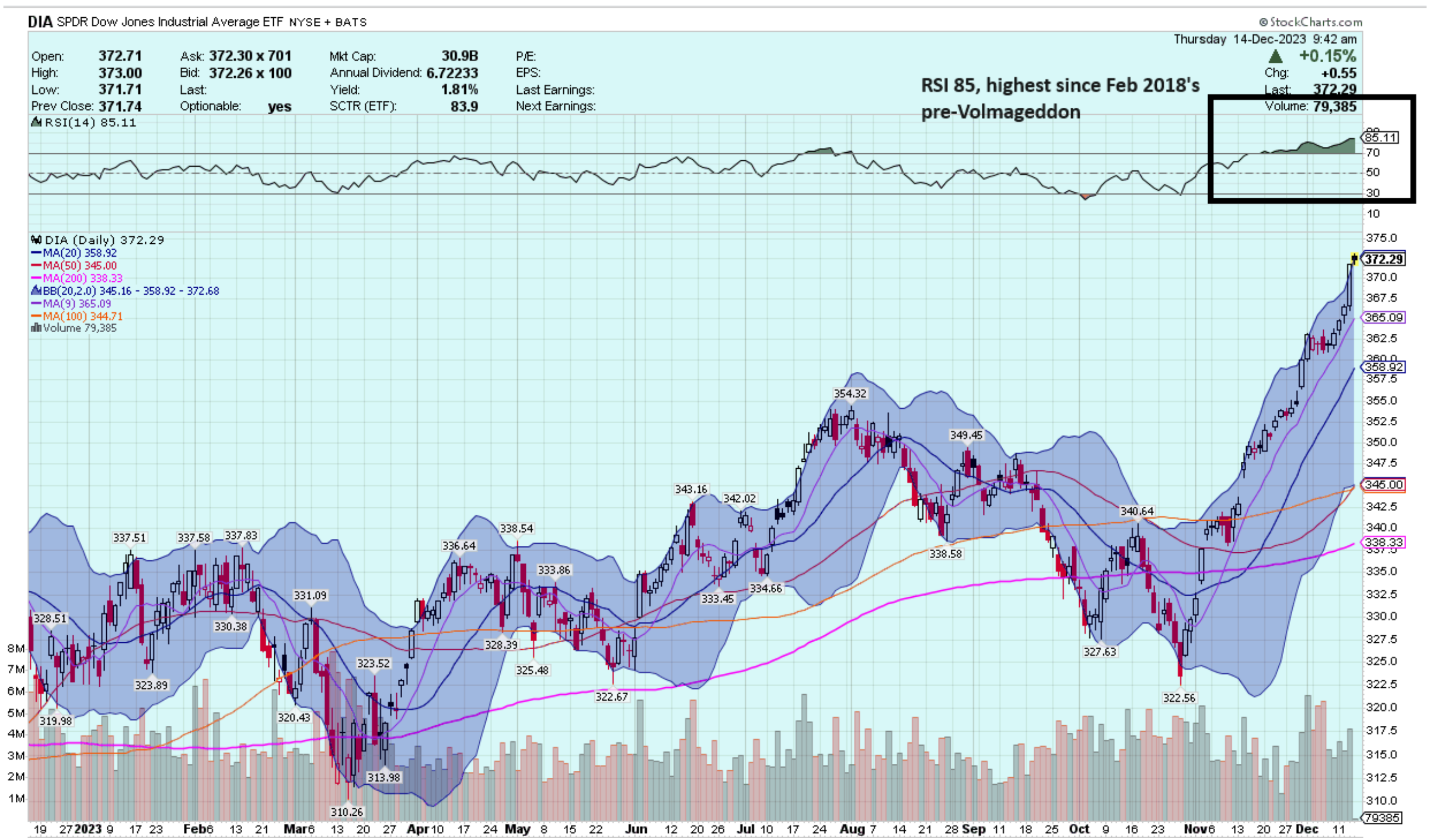


This leopard doesn't change his spots, does he? He hates being hawkish. Heck, he helped fuel the inflation problem in the first place by being so easy at a time home prices were going parabolic, if you recall. So, if the markets expect six when he says three, who's to say it doesn't happen?

Everything *appears* to be pricing in the best-case scenario for next year before it even begins. The 10-yr treasury is sub 4%, the Russell 2000/IWM is going to close at the highest level since April 2022, all the while QQQ is in space groping around in prices it has never seen. This quote from Kathy Jones sums up how fast markets went all in on everything:

> "We're having a party," said Kathy Jones, Charles Schwab's chief fixed-income strategist. "In my 2024 outlook I was pretty positive on fixed income for next year. I was thinking we'd get to 4% on the 10-year, three cuts from the Fed, maybe 3.5 with a recession, and here we sit and we haven't started the year."

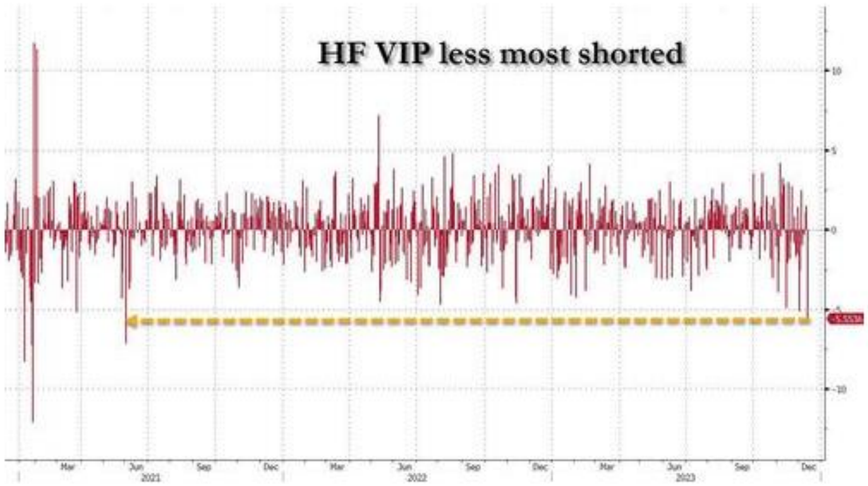
The Dow index, well, that blew through the upper bollinger and now its RSI is the at the highest level since right before volmageddon in 2018:



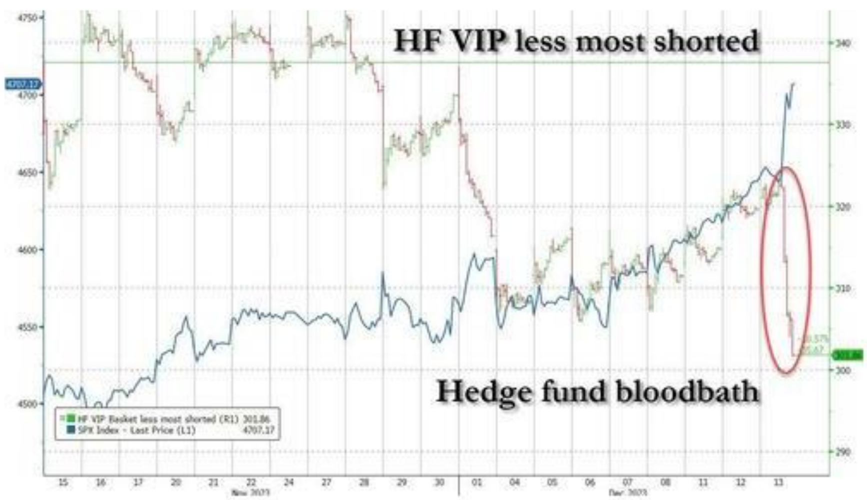
While folks (Bloomberg/GS) were wondering if there were any remaining bears, or capitulating buyers left to be found out there somewhere, well, the markets hunted them down swiftly. Modern markets have BPS, bear positioning systems; they will be found and hunted down.

Leveraged hedge funds that are herded into big tech but short the stocks they *perceived* to soon end up with macroeconomic/business leverage/earnings trouble from here on out were being forced to purchase them to close in a massive squeeze, causing hedge fund carnage:

That means that the popular hedge fund proxy tracker, Goldman's HF VIP less Most Shorted basket was brutalized, losing almost 6% today, and its biggest one-day loss since June 2001!



As a result while the S&P surged, the HF VIP less most shorted was a mirror image as shown below.



Translation: degrossing... pardon ***forced degrossing,*** lots and lots of it, which meant PBs were furiously issuing margin calls to their clients into the close, and the result was a puke of the widely held Mag 7 stocks into the close, and right after it.

It’s hard to imagine margin calls on a day like yesterday, but apparently that was occuring.

And, to sort of demonstrate the pain in leveraged shorts in this area, here is a chart of TNA, the 3x ETF the Russell 2000 small cap index, essentially IWM x 3:

This is an area of leverage that has been aiding/sparking the upside volatility spikes, outside of the usual call convexity I've discussed here many times. If you recall, I was thinking that vol was oversold before the event, that upside vol is vol, and to keep an eye on the straddle prices, because they were far too cheap at around 30 for Jay's last couple podium shows, and at a mere 25 yesterday, that proved true once again:

What now? Reminds me of Pulp Fiction, "What now? I'll tell you what now…" Except I'm not Marcellus Wallace, so the trade ideas below will do more like what these new sell side market outlook notes do, let you pick your own scenario. You know, the stuff like, 'Our base case is 5000 but our bull case is 5600'.

But now, since we've priced everything on the moon and beyond already, a lot of the price targets for next year *already look stale*, and the 'analysts' might start coming out with upgrades for these next month:

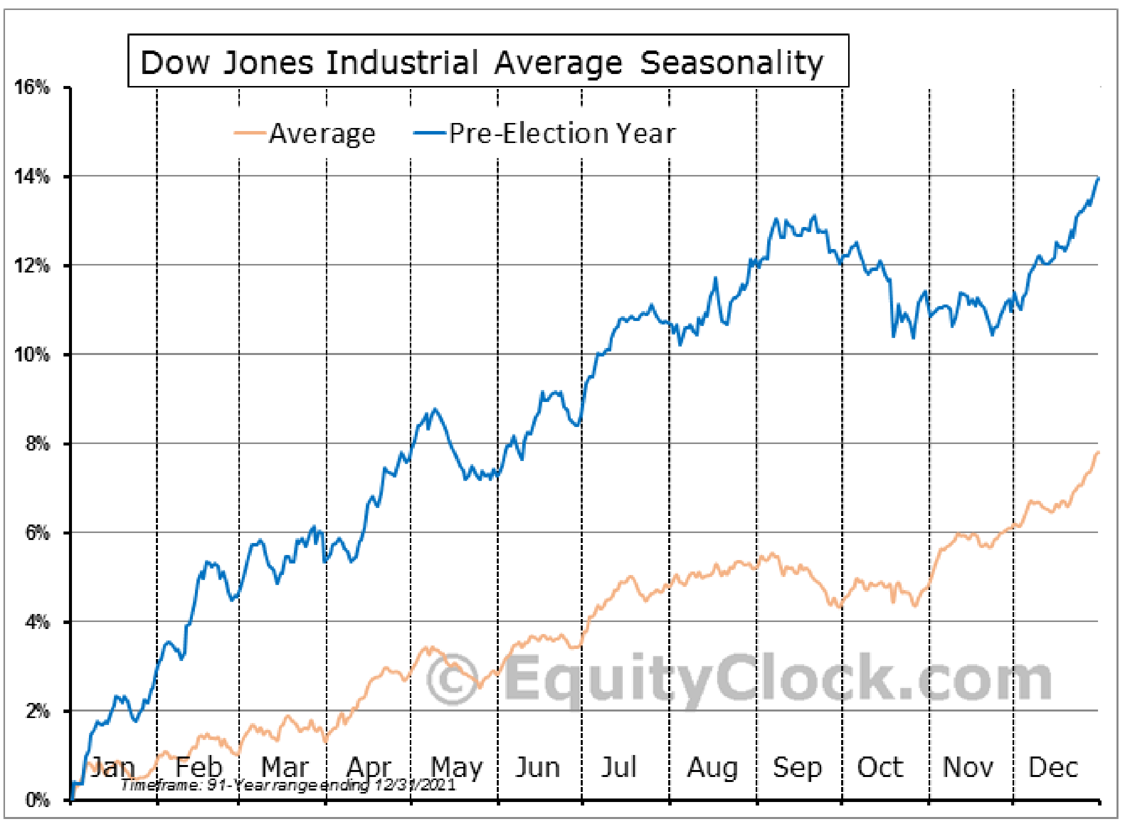
Wall Street firm	2024 S&P 500 target
Yardeni Research	5400
Oppenheimer Asset Management	5200
Fundstrat Global Advisors	5200
Citi	5100
Deutsche Bank	5100
BMO Capital Markets	5100
RBC Capital Markets	5000
Bank of America	5000
Barclays	4800
Goldman Sachs	4700
UBS Global Wealth Management	4700
Wells Fargo Securities	4625
Morgan Stanley	4500
JPMorgan	4200
Average	4902
Median	5000

Source: MarketWatch

I mean, a typical first quarter and almost all of those are underwater. Last January was a 6% month, so that right there is SPX 5000.

And this year pretty much played out like a typical pre-election year. This will amaze you, how close of a match this year ended up being to an historical chart of the Dow and the 3rd year of a presidential cycle:

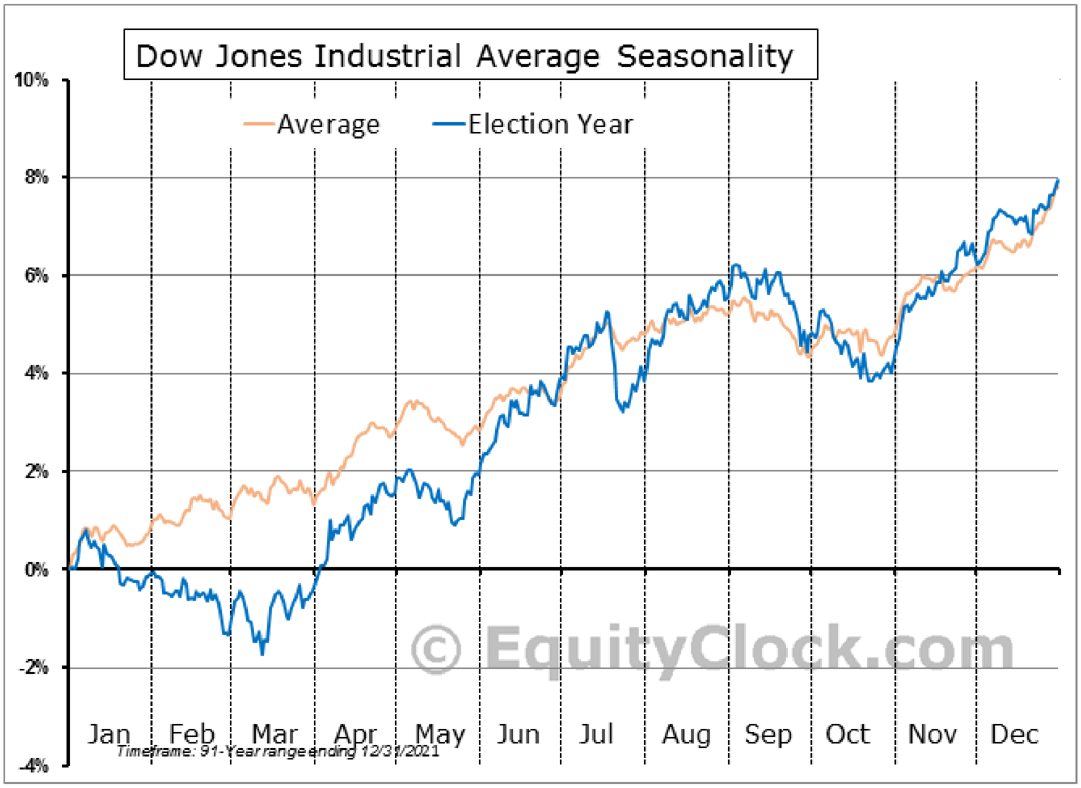
Dow Jones Industrial Average Pre-Election Year Seasonal Chart



Dow Jones Industrial Average Pre-Election Year Seasonal Chart

So, if this was so spot on, what might it divine for next year then, you ask:

Dow Jones Industrial Average Election Year Seasonal Chart



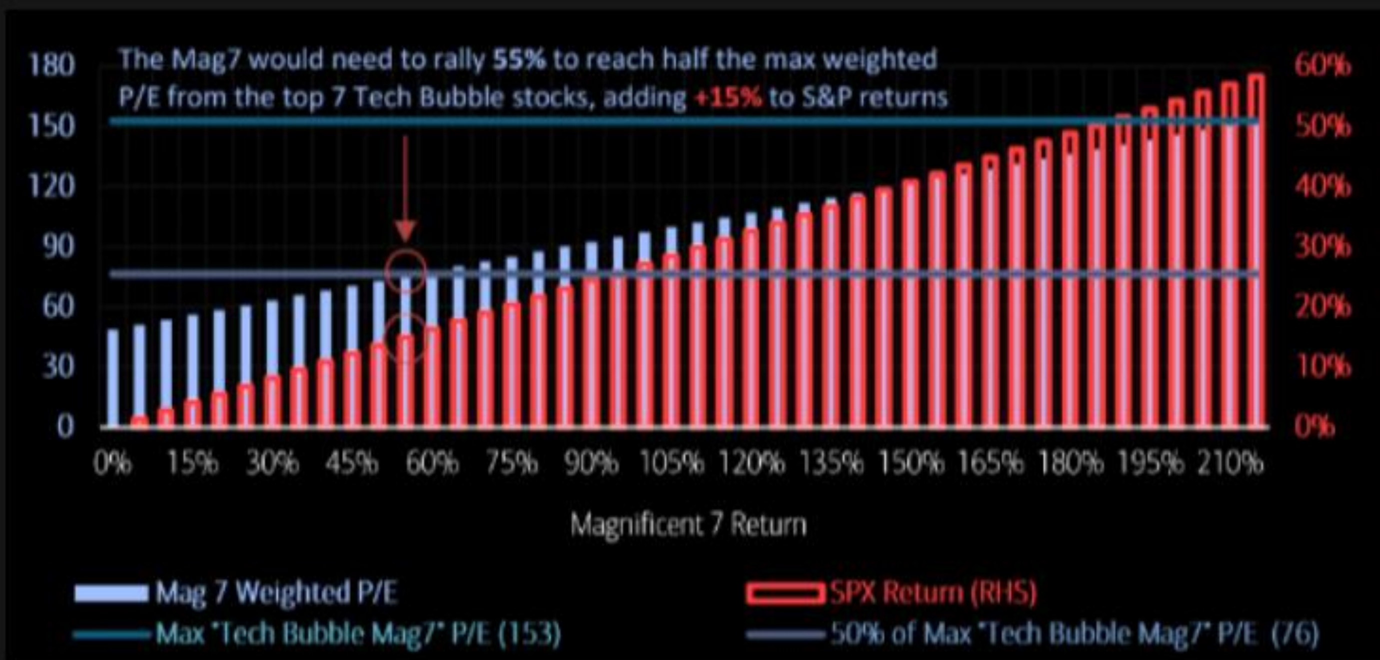
Dow Jones Industrial Average Election Year Seasonal Chart

It certainly appears now, considering the Fed has officially taken a knee for the win, that expecting volatility next year is contrarian. Implied vol is decimated out well into next year.

If all this bullishness and skyrocketing everything isn't enough, folks are starting to think that bubble p/e's are going into further expansion, with one bank suggesting that we aren't even halfway to the tech bubble p/e of the largest stocks and getting to that halfway point would imply that carries the S&P 500 up 15% without any other contribution from the other 493 stocks:

Not impossible

BofA points out that Magnificent Seven "only" needs to reach half of the tech bubble peak valuations for SPX to go up 15% next year.



BofA Derivatives

For his part, celebrity quant Charlie McElligott weighed in on when realized downside vol might materialize. I have to say 'realized downside', because the markets have been extremely volatile; they most certainly had not priced for 600+ SPX points in 7 weeks, all sorts of records and all-time highs. So, structurally/mechanically, his take on when downside vol might materialize:

However, McElligott believes that **in-light of the ongoing "underpositioning" dynamic discussed in broad Assets coming out of Q3 into Q4, I still believe then that the market then will again cling to this dovishness** on cooling -inflation and –labor, into a new year with new PNL

Conversely and moving-forward, and as recently messaged:

> **the "Long-er" the market gets as they're "stopped-into" further Equities rally** - acting as "synthetic short Gamma" needing to "buy higher highs" - **we are finally then rebuilding conditions which would eventually allow for a *crashier Equities ecosystem thereafter*** - one where funds having been capitulated back-into extremely long Exposures / Nets then means you actually *need to Hedge*...

And then at this future point, McElligott warns, we can do "The Minsky"...

*...where this current "**Stability**" - with SPX 5d realized Vol at 4.5 and 10d realized at 5.8 - ultimately then lays the groundwork for "High Nets / High Gross / Low Cash / Short Vol" positioning in the weeks ahead, which ironically is **then the point of future "Instability".***

We are in the process of this stability to breed instability build up, the forcing into longs, that's obvious. It would make sense that mid-January, when the huge open interest in leap options unclench the largest stocks and earnings begin with stocks so high to begin with, not to mention, folks that have been waiting for the new tax season to sell stock.

The market should give hints the last week of December, and I would keep my eye out. What I will be looking for is the rising of implied volatility at the end of the year in QQQ and the large tech names, which would imply that folks would actually be hedging these price levels in anticipation of folks selling lofty giga tech in the new year. Or, at the very least, be unwilling to sell rock bottom volatility prices as we make that turn.

As for what is in the windshield, keep a wary eye out for a potential unclench of some degree tomorrow after the SPX/CBOE perform the 9:30am 'special opening quotation', which cash settles SPX quarterly options, and after the SPY goes ex-dividend overnight tonight (which is often accompanied by some overnight magic to the downside out of nowhere) and on Monday after all the stock options expire.

After Monday, hard to expect anything but a glide into the end of year, when the Santa rally that folks have been talking about for two months actually/statistically begins late next week. But, Wednesday morning is vixpiration, another vol unclench event to keep one eye on.

Volatility Trades:

Flat/slow glide higher into year-end scenario

SPX end of year call condor spread

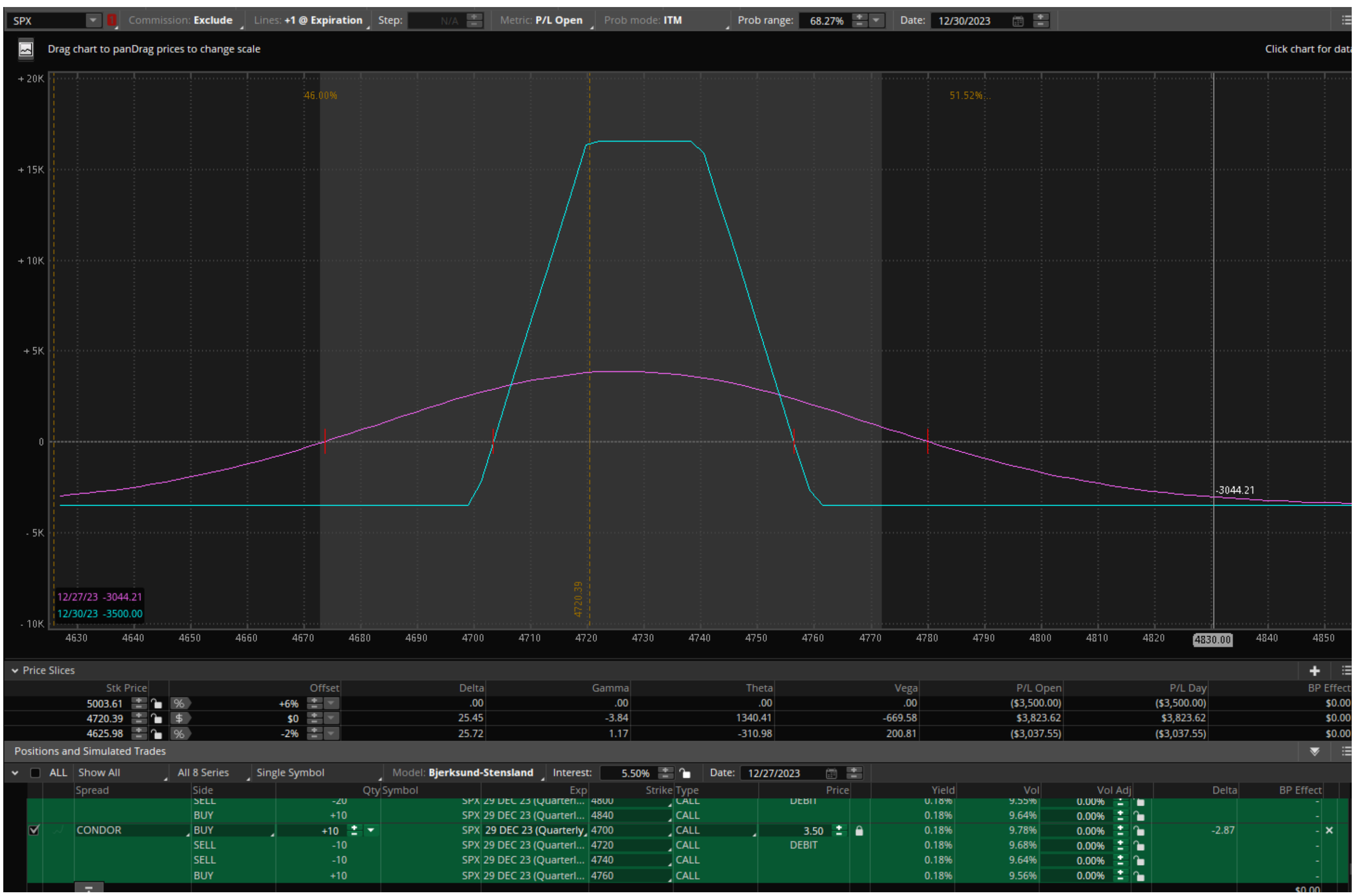
Buy Dec 29th 4700 call

Sell Dec 29th 4720 call

Sell Dec 29th 4740 call

Buy Dec 29th 4460 call

Net debit: 3.5 SPX points



If you expect the S&P to finally take a break but not retrace, this will do very well from 4705 to 4755 on December 29th. If it pins 4750 on the 29th, \$3.5 would cash at \$10.

Bullish Santa rally into year end

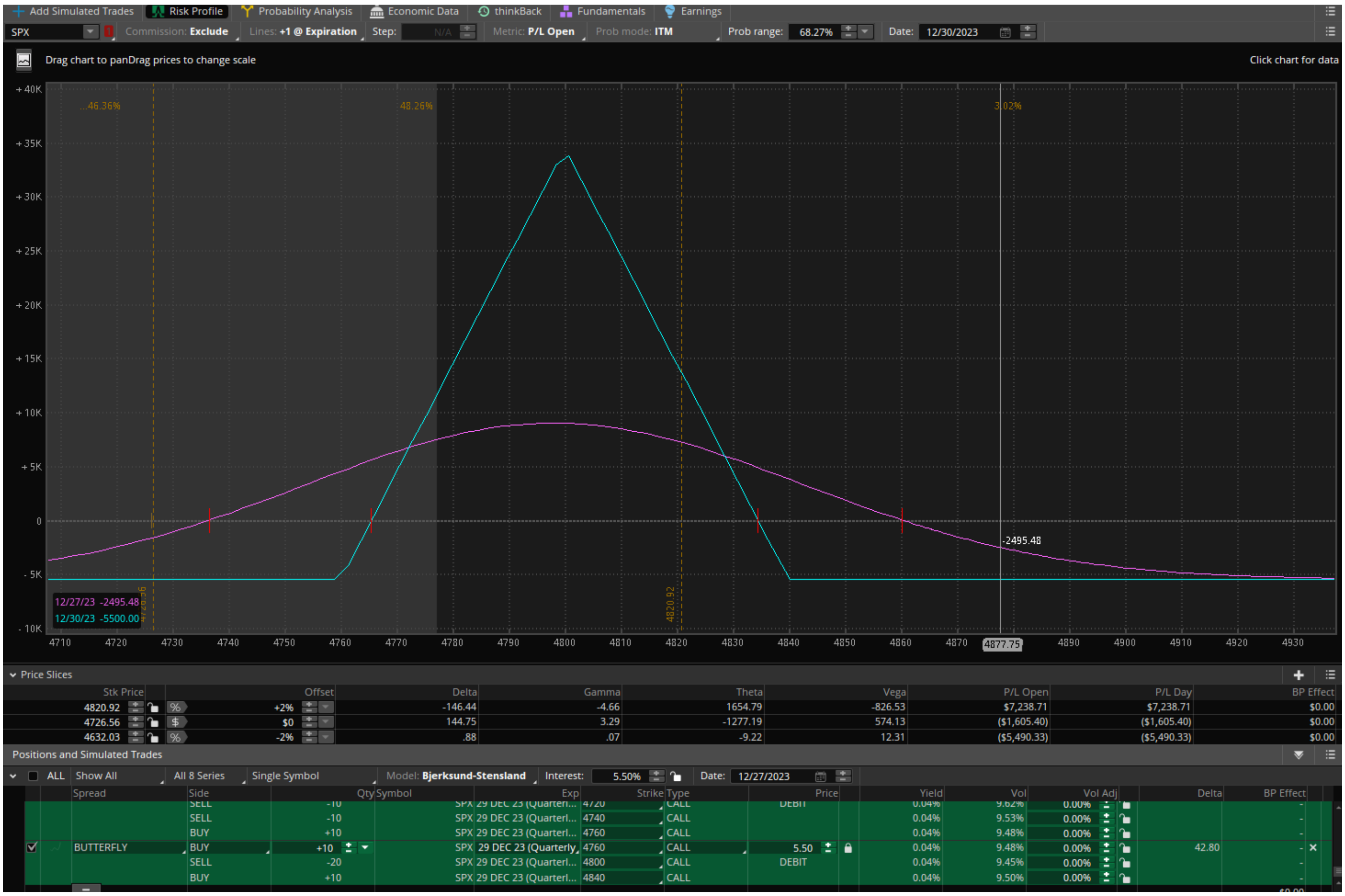
SPX end of year 4800 pin butterfly spread

Buy 4760 Dec 29th call

Sell 2x 4800 Dec 29th call

Buy 4840 Dec 29th call

Net debit: 5.5 SPX points



For the bullish trader, a 4800 end of year pin would be $40 from about $5.

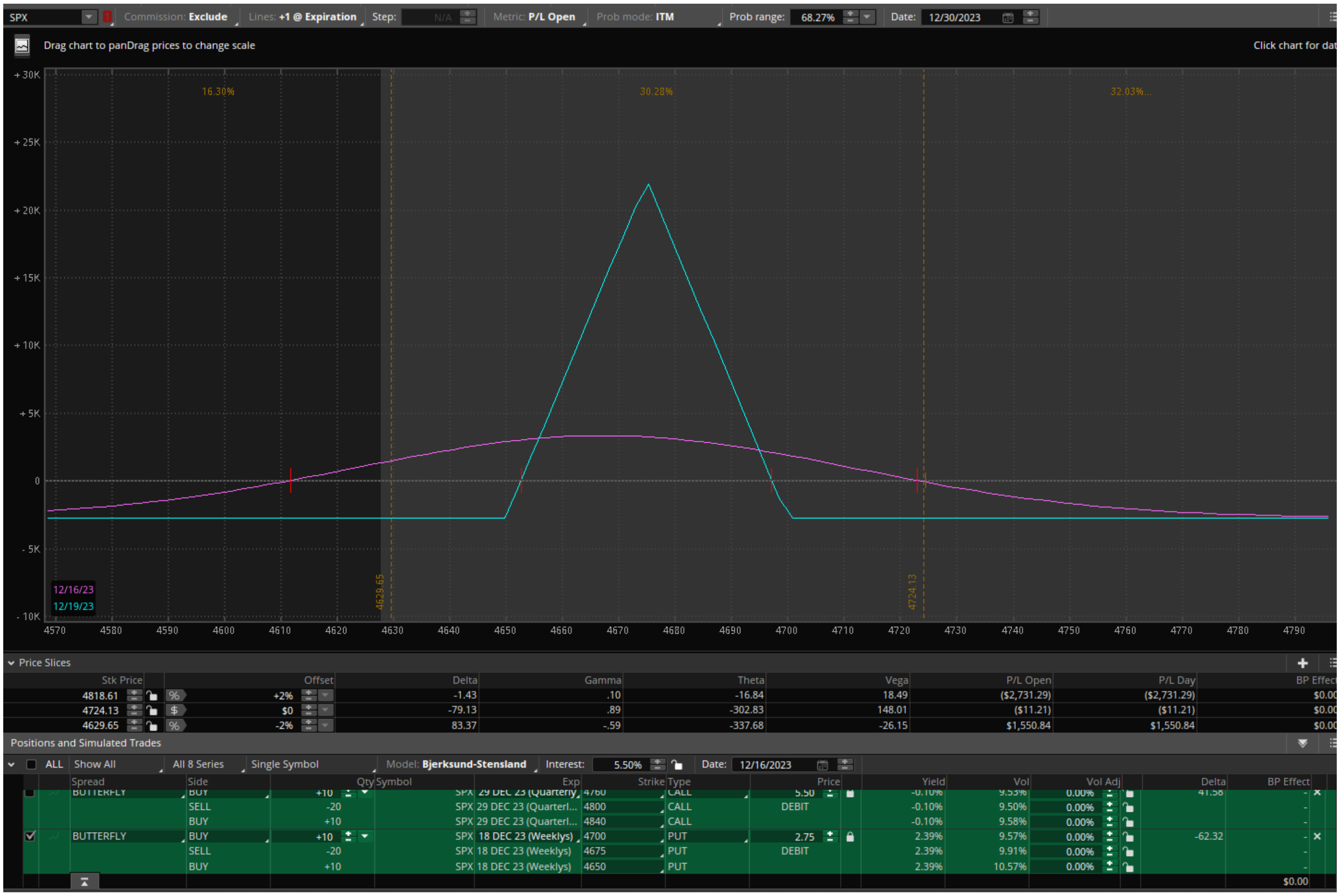
Unclench put butterfly spread

Buy 4700 Dec 18th put

Sell 2x 4675 Dec 18th put

Buy 4650 Dec 18th put

Net debit: 2.75-3



For 3 points it will work quite well if we pin 4700 tomorrow or go through that on Monday. Either way, it's a cheap idea in case markets miraculously have a down day.

EPIC VOL CRUSH GREETS FED MEETING – VOL FOR NEXT MONTH ALREADY IN RUINS – A FEW TRADE SCENARIOS FOR FED/POST-FED

VOLATILITY SUMMARY

I think this chart sums up how worried the market is about any 'push back' from the Fed chair tomorrow…:

The 9-day VIX, which I prefer as a measure of implied volatility since the vast majority of options volume is in the 0-2 day range now, suggests that nothing is going to occur this week in the form of a market move. Everyone is already snug in their beds awaiting the Santa rally to deliver more upside for Christmas.

And vol has been crushed so far out now, that even premium for the next Fed meeting is already nearly in tatters. A QQQ $390 put for January's opex, ***37 days away***, is only $3.80 or less than 1% of the underlying. Truly amazing. Either the market is wrong and short vol has taken things way too far or we are in for an extended period of nothing going on in the markets.

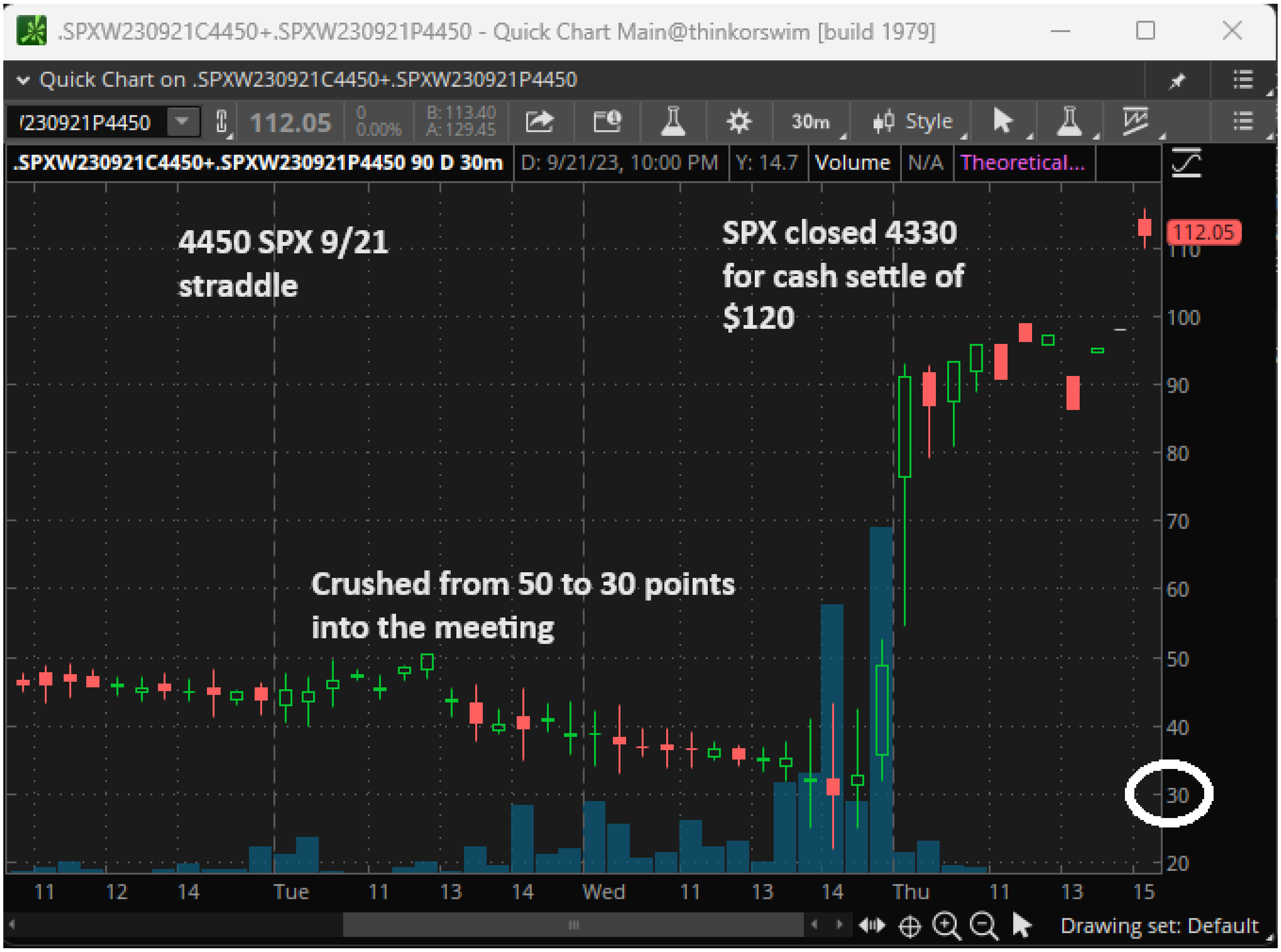
Speaking of QQQ, it performed quite the bullish magic trick yesterday, it was up when all the mag7 giga tech stocks were down:

QQQ	392.21	+0.01%	+.04	16.11%	1.039
AMZN	143.93	-2.37%	-3.49	20.86%	1.208
MSFT	367.22	-1.87%	-7.01	18.29%	0.512
AAPL	192.41	-1.69%	-3.30	15.71%	0.812
GOOGL	131.97	-2.24%	-3.02	20.59%	0.761
META	324.11	-2.60%	-8.64	20.18%	1.486
NVDA	466.8143	-1.74%	-8.2457	34.26%	0.654
TSLA	241.50	-0.96%	-2.34	45.87%	0.716
AMD	128.5214	-0.31%	-.3986	35.96%	0.481

Folks were rubbing their eyes in disbelief for a while, until it was discovered that the Nasdaq-100 is rebalancing the index next week to favor many of the other 93 stocks.

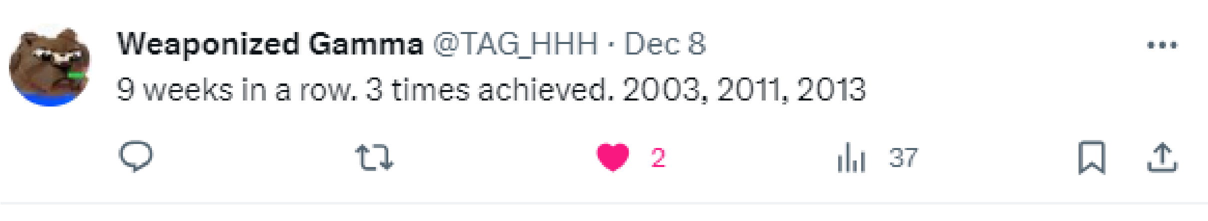
What it did though, was simply create what should have been an entirely predictable mag7 dip for folks to use buy quarterly opex call gamma, and as you can see, it most certainly worked out that way, using META as an example:

This vol crush is even more astounding when you consider that markets have dot plot shock amnesia, the likes of which sent the 9-day vix to 19 in September. A simple September 21st at the money straddle bought before the Fed meeting for 30 points turned into $120 the next day:



You know what the markets expect at this point. They have witnessed almost every data point on the economy that was released and every potential vol event result in an immediate spike higher. There hasn't been a -1% day since October obviously.

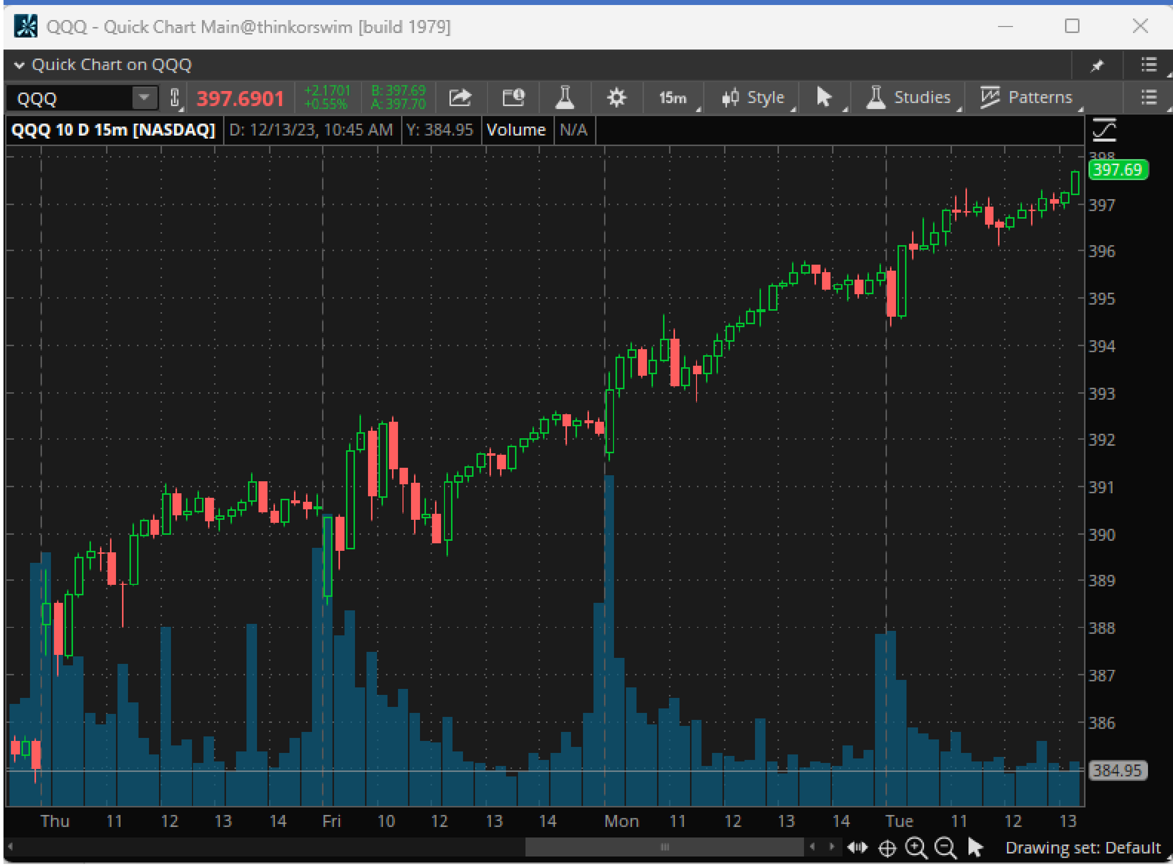
And folks continually think they are going to take the next dip and go long for the inevitable Santa rally even though we've been on a beeline higher for seven weeks now. The record for this decade was five, so we are in the process of destroying that. What is the all-time record for consecutive up weeks for the S&P 500? Since you were wondering:



So, ten weeks for the new all-time record of consecutive advancing weeks would put us on January 5th, the end of the defined Santa rally, how quaint.

If you look at how controlled stocks and the markets are by quarterly opex and this Fed event, look no further than a chart of MSFT this week. There is nothing, nothing but options at work on this, the pattern screams short vol/long call gamma:

And the crushing of event vol/quarterly vol, whatever scraps there is of it remaining has tethered QQQ into the ole 45-degree symmetrical tractor beam chart:



So, bluntly, here's the deal. Markets used to price in potential price movement due to an event/data release. ***Those days are over now with the proliferation of crowded short vol strategies***. ***Vol is now always oversold before the event***.

It's a whole new market paradigm, and why I think a volmageddon II is becoming inevitable. Short vol strats keep gaining funding, exploding in size over the last two years. Timing that is the difficult part. Until then, the asset bubbles will continue to grow.

Yet, for the here and now there is for the potential for volatility and an unclench between now and Monday. It's hard to imagine, especially seeing price action like the chart above. But it is the very excess helium balloon stability that breeds the potential for instability. It's my guess that any selling after the release tomorrow will be met with an up day into SPY ex-dividend Thursday, and then Friday might get very interesting. (see my charts from last week's letter).

Volatility Trades:

SPX opex/unclench put diagonal spread

Sell 4600 Friday SPX 4600 put

Buy 4595 Monday SPX 4595 put

Net debit: .40-.50

It's less than one half of one SPX point, set at where most of the open interest is for quarterly opex. Target, $3.

If markets rocket higher on Thursday, that would be a great opportunity to try extremely cheap Friday pm puts as well. Keep an eye on strangle/straddle prices, they might get so insanely low by noon tomorrow, that you get a great opportunity for long Thursday strangles for less than 15 points; the September straddle was far too low at 30 points. Upside vol is vol.

FED MEETING TO CLASH WITH CUT-TOPIA – LOW IMPLIED VOL MAKES LONG STRADDLE/STRANGLES ATTRACTIVE – TRADE FOR SPY EX-DIVIDEND/END OF QUARTER

VOLATILITY SUMMARY

December 5th note:

And so, the chop zone, where the markets might actually have a down day, yet that will magically be recovered the next day (or during an overnight ramp), and when morning ramps fail in the afternoon but conversely morning dips recover in the afternoon.

Exactly what we saw this week, false breakouts and magical recoveries.

Now, the main event, the Fed versus Cut-topia. (Trademark mine. Defined as the market Valhalla where assets live in their dream financial conditions even when rates in the real world are much harsher.)

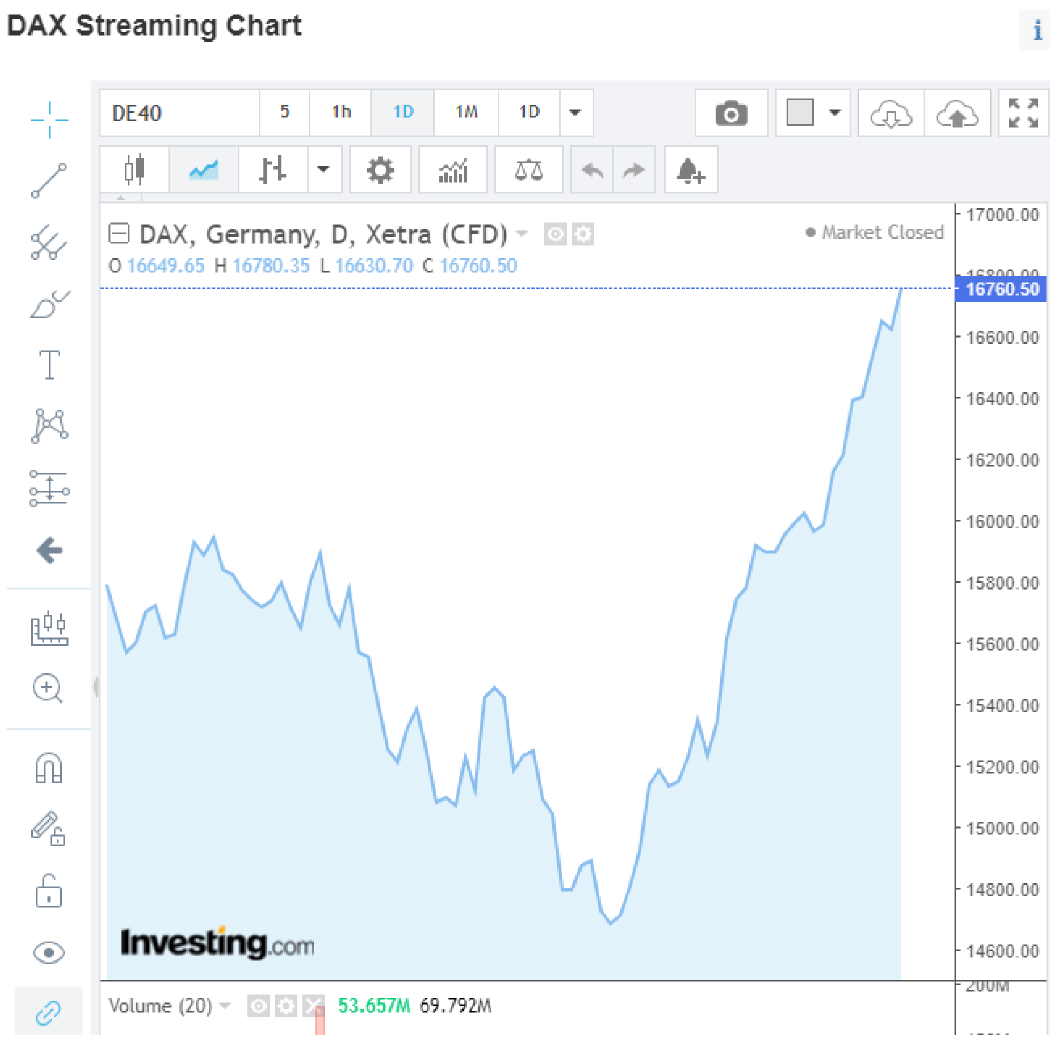
But consider this: how often does Jay don his Mr. Pushback mask, and will the market even care, considering that his last 'premature' was blown off faster than puts are smashed on a red tick. Even Bloomberg hosts are consistently making jokes that markets are 'laughing' at the Fed. And the headlines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

Markets

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

updated 22 minutes ago

Asset markets aren't just partying here, look at the German index, DAX. The chart looks like a meme stock going parabolic:



Global financial markets are embracing Cut-topia, and the ECB is now considered first to go since the economy there is worse off. Thus, the chart above, QE/rate cut FOMO-tastic.

https://www.reuters.com/markets/europe/goldman-sachs-sees-ecb-lowering-rates-by-25-bps-each-meeting-april-2023-12-07/

But, in lieu of more macro blather or sentiment/positioning charts that markets could care less about today, time to focus on the Fed meeting/quarterly opex/SPY ex-dividend implied vol, or rather the lack of it.

Even though this week was a chop zone to nowhere as expected, I still believe there will be significant volatility next week and there are plenty of ways to take advantage of it. (Friendly reminder; upside vol is vol, the long call crowd knows this all too well.)

Short term straddles/strangles

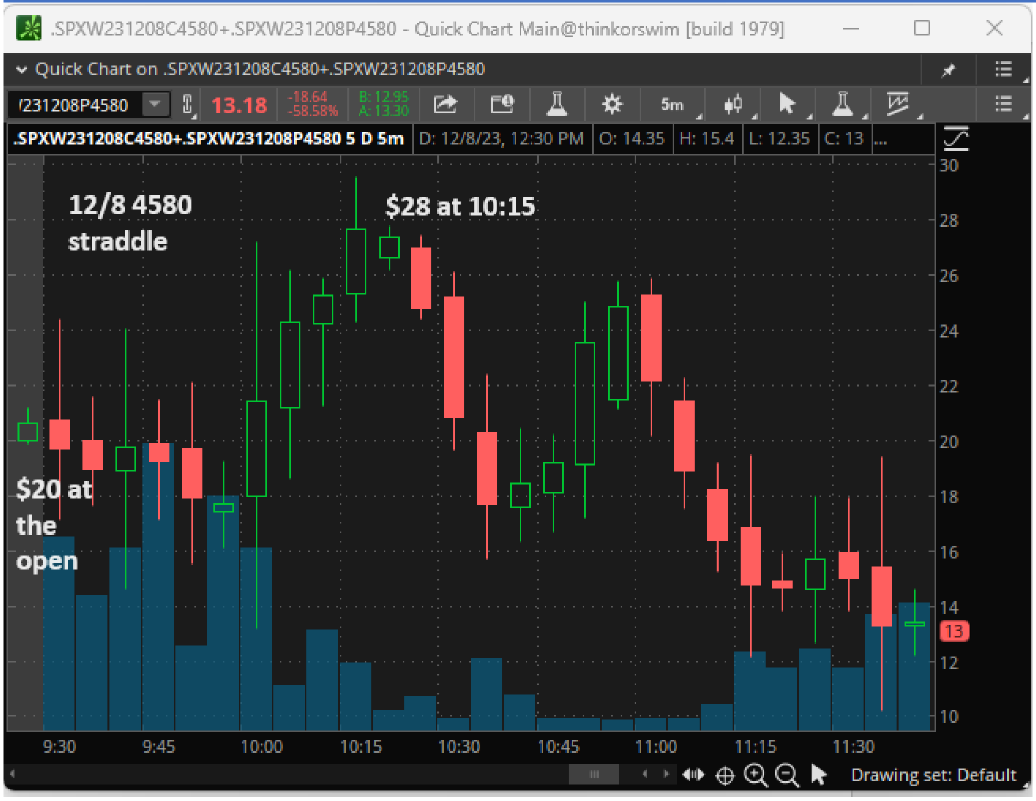
A theme here lately is that vol is often to be owned, instead of being sold as the proliferation of short-term short vol strats, extended positioning and herding concentration has made selling vol at very low prices incredibly risky.

In addition, intraday moves, implied vol and realized daily vol are not in agreement, and this is where the long strangle/straddle can really work especially in swings dictated by gamma and expiring options during a large quarterly expiration.

Here is a 30-minute chart of SPX lately, and notice the trend:

What is clear is that most days, from the open there is often going to be a 15-20 point move, and frequently when the short vol/call profit crowd shows up to fade that move a corresponding retracement. Today was a good example.

So, what if you bought a straddle today at the open? Let's examine how that performed:



You paid the equivalent of 20 points, and then in 45 minutes, the straddle is worth $28, which is a nice 40% return while you're having coffee, but what actually happened to each option? Here is the call chart:

Now, I know what you're thinking, should have just bought the call and taken the 150% return. Ok, that's fine, I'm sure folks are doing that under the auspices of Jay and his impending QE.

But, the benefit of this low implied vol strategy is that on a lot of days, you can sell the call and own a free put for a reversal or the forgotten concept of a down day from the open. And you don't have to choose which way it will go from 9:30 to 11am, you can just sell the side that works.

There will be a day when that free put turns into something big and you don't have to sweat when to close it, your funding for it is 'secured'.

Now consider an event like Fed day. The markets have been notorious lately for absolutely crushing vol before the event and in September it was a huge down day (as was Thursday) and vol came into the meeting at the same levels as now. Completely suppressed and was in progress of being crushed right into the meeting as usual:

So, my next note is going to be Tuesday afternoon, and I will explore looking at Fed meeting straddles/strangles. The above example is not to suggest that the market is going to sell off; it is merely to demonstrate that a big move either way can be harvested without caring if it's up or down due to suppressed vol.

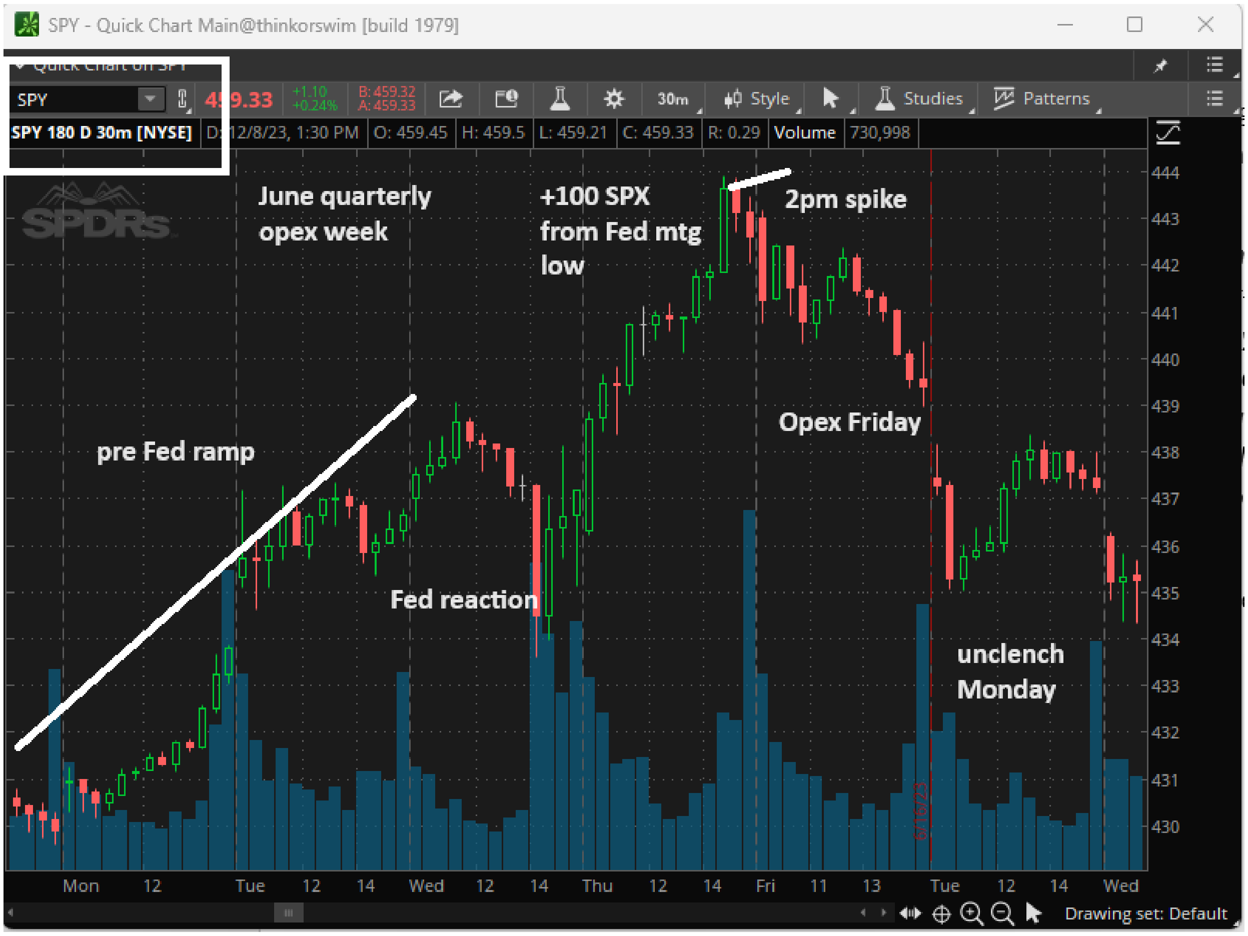
SPY Ex-dividend

This is a vol event in and of itself that no one seems to know about. What has been happening the last few quarters, is that the ex-dividend capture trade has spurred on huge call activity in SPY on the Thursday before SPY goes ex-div. Here are the comments I post on this every quarter about what transpires with div capture:

This is a unique situation and a trade I do every quarter. The premise is that the options in the back leg are priced low versus the Wednesday before because the ETF goes ex-dividend on Friday morning, and that is incorporated into prices in the back leg. But when you get there, there is demand for the Thursday and Friday calls due to folks attempting the dividend capture trade; people buy the calls, take SPY away from unsuspecting short call folks and collect the dividend, then dump the ETF on Friday morning. Quaint, eh? And if there is volatility during quarterly opex week, this trade could really balloon, and you're paying next to nothing for the opportunity.

The last few quarters this trade has been going bananas. Call volume has exploded and has been driving SPY/SPX through the roof on these Thursdays. Here is September, the Fed meeting wasn't during quarterly opex week:

And here was June, even more ridiculous post-Fed; it was a more benevolent seasonal time frame with the annual summer rally in motion:



So, if I know this pattern then the machines do and certainly a lot of folks as well. Now, last December was a different story, the market sold off post-Fed into quarterly opex, and I suppose that is possible, yet markets appear far too brazen to care a whit about what Jay is going to say, since his threats are empty at this point.

So, there is your set up for both a strangle/straddle play and a call calendar pair trade.

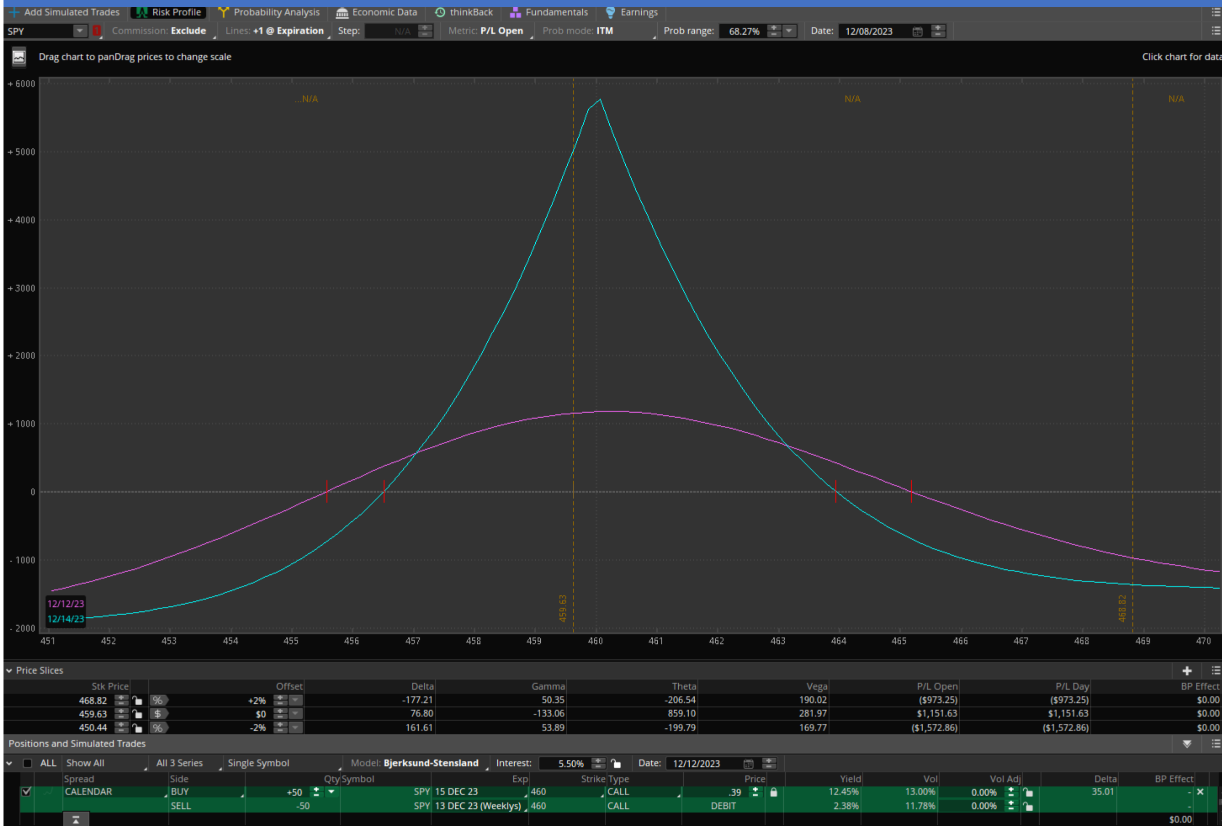
Volatility Trade:

SPY ex-div call calendar spread

Sell 460 Dec 13th call

Buy 460 Dec 15th call

Net debit: .37-.40



If you expect markets to spike higher off of CPI, and how can you not think that, every data point or vol event equals a spike nowadays, set it higher. 465s are .28. 470s are .13. Might be a good idea to do multiple strikes. Target, $1, and if it fails for some reason, heading into Wednesday, the calls might just magically come back to life on Thursday.

- MONDAY 0DTE SHORT VOL/LONG CALL WINS AGAIN
- IWM BREAKOUT ON 1ST OF THE MONTH – 0-3DTE TRADE FOR JAN
- BACK IN THE CHOP ZONE
- MARKET RECORDS EVERYWHERE
- TRADES FOR THE FED MEETING

VOLATILITY SUMMARY

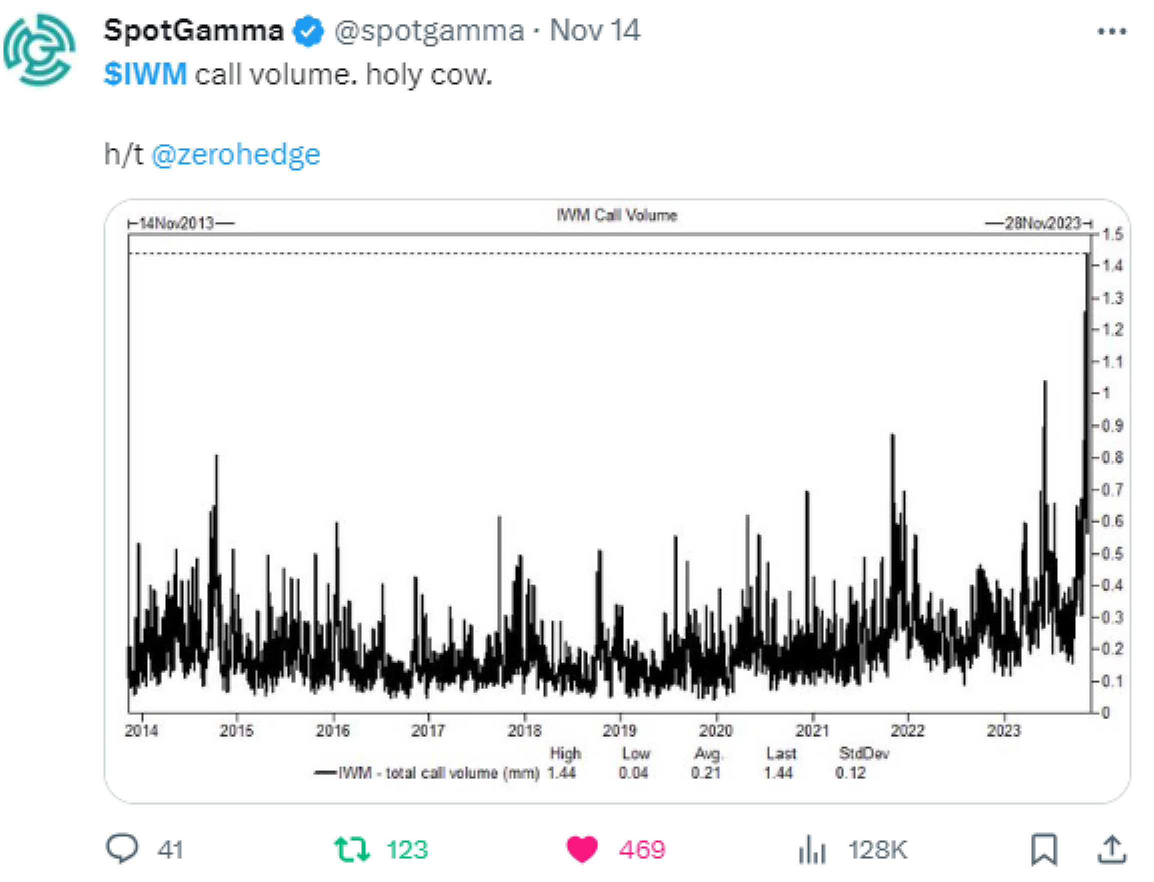
From last week's note:

It will be interesting to see if once we get into next week whether this pattern of every vol event equaling an immediate spike up. Jolts/NFP/CPI/PPI/Fed meeting, there are a lot of them coming up, so 0DTE put vol smashers and call/call vert buyers are going to be busy harvesting what appears to be regularly scheduled easy money trades.

Another 'event', another post release spike/ramp. These markets are certainly consistent, managers expressing what Mandy Xu and Charlie McElligott describe as folks 'hedging right tail crash up risk', which basically means they are long a lot of calls that dealers need to hedge by quickly buying futures/stocks when the market rises. (See the Nov 28th note; I went into a long diatribe about current short put vol/long calls dealer dynamics.)

Yet, it quickly evaporated, which means that huge amounts of quarterly opex options gamma are starting to whip things around, thus the chop zone part of the opex cycle. We know folks are long a lot of calls, so when the spikes occur there is call supply. I mean, if you were a brilliant enough manager (panic longed/FOMOed early enough to stick save your year is more likely the truth) to go long calls on Santa hopes/seasonality in late October/early November (and we all know there was record call volume), then you are a seller of said calls now or damn soon lest you see your upside trendvol profits evaporate.

From the November 16th note:

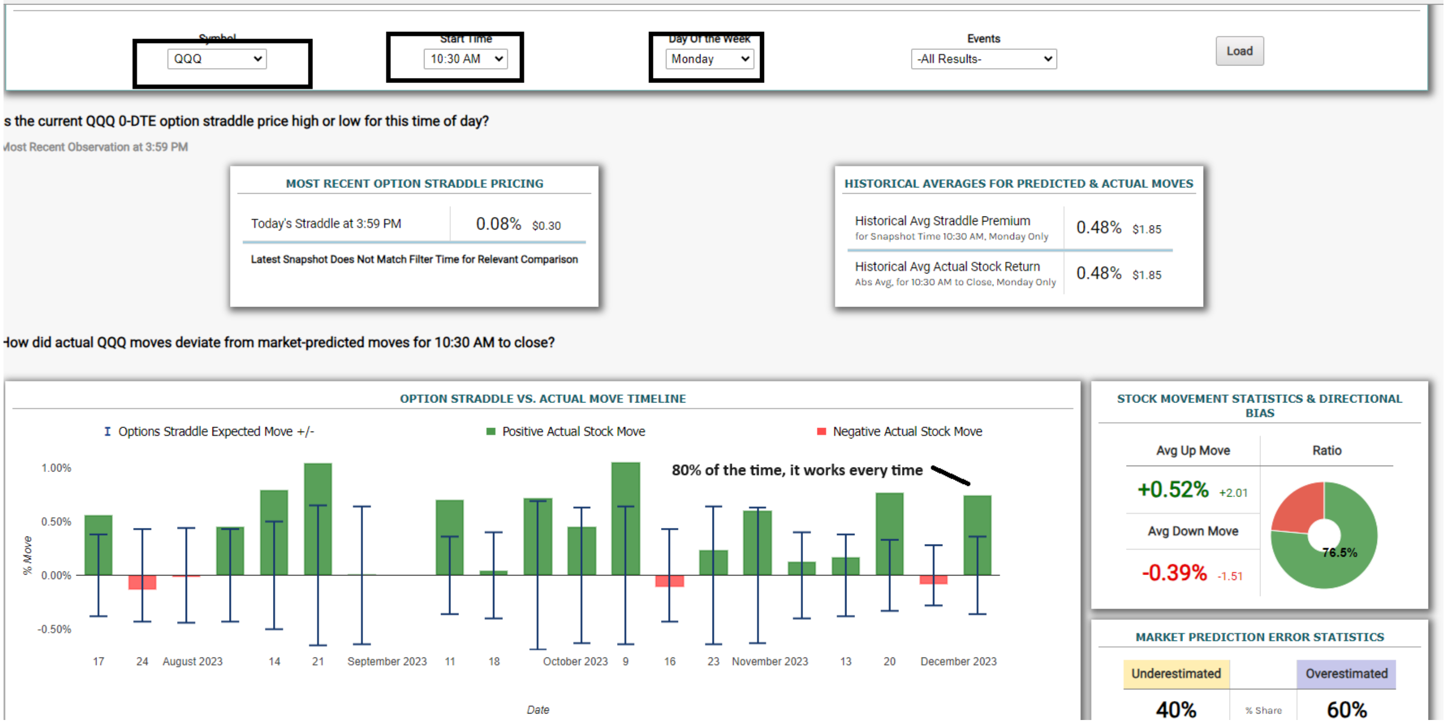


Goodness gracious, there is nothing to compare with that volume, ever. Now, here's the thing. Sentiment shifts faster than ever it seems and it's expressed with call buying. The options market has been democratized. Sentiment has gone from close to wondering where the Fed put was/recession is coming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

And it's obviously not just record volume of IWM calls that folks have hoarded; the giga tech herd stocks, which have started to exhibit a change in trend perhaps (MACD crosses lower for example), has a lot of the herdlings eyeing a slew of vol potholes in the windshield from now to the Fed meeting, like CPI/NFP/treasury auctions. That means, time to sell some calls.

And so, the chop zone, where the markets might actually have a down day, yet that will magically be recovered the next day (or during an overnight ramp), and when morning ramps fail in the afternoon but conversely morning dips recover in the afternoon.

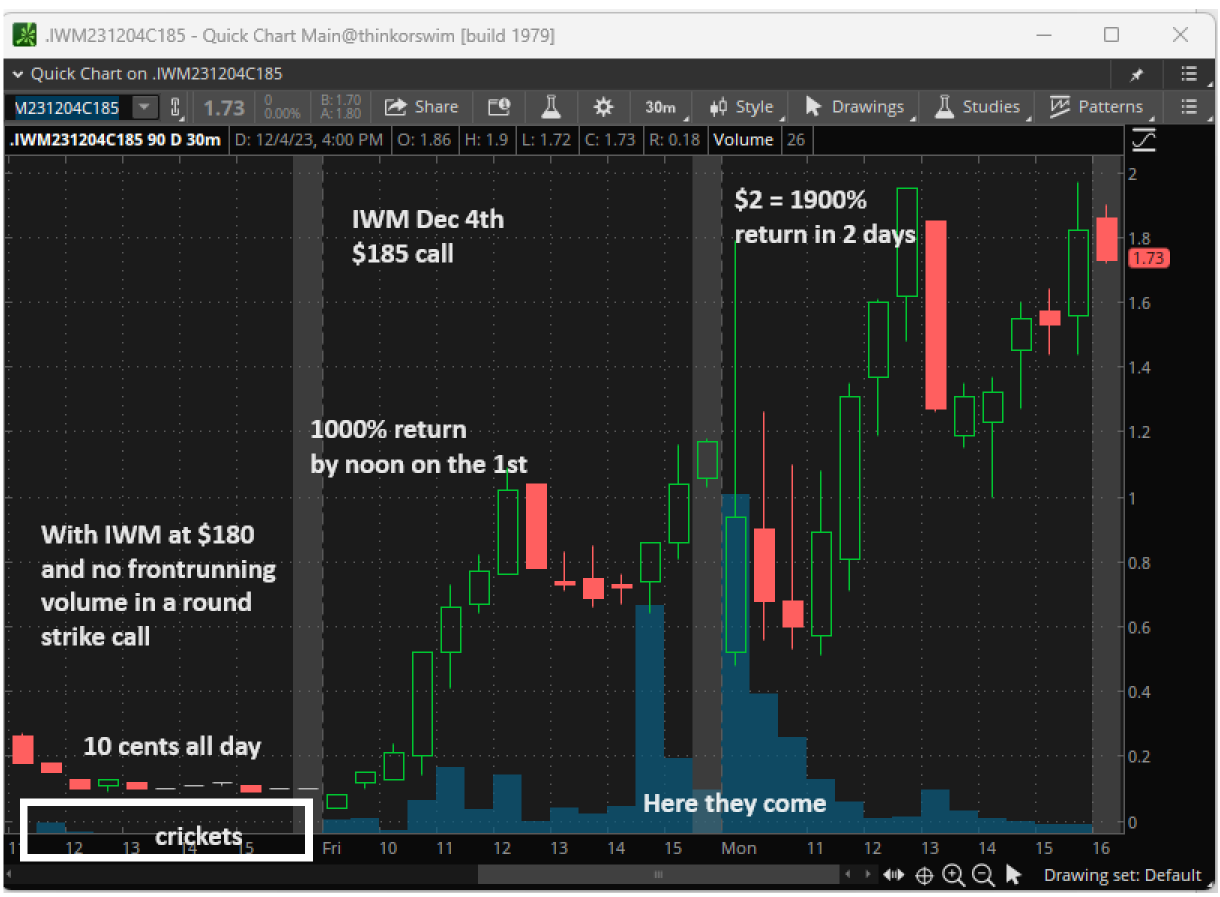
Speaking of market consistencies, Monday was another waltz through options Never-Never Land (as in never fails) for the 0DTE crowd:



This shows QQQ drift from 10:30 am on Mondays to the close, and it is comically consistent, to the point that not only did being long/buying calls do the trick it went so far as to often surpass the straddle price in the magnitude of the upside move. Yesterday was one of those days, as indices finished at the highs of the day at the close. I suppose if this begins to fail it will represent a significant change in market tone, it has been going on for months now.

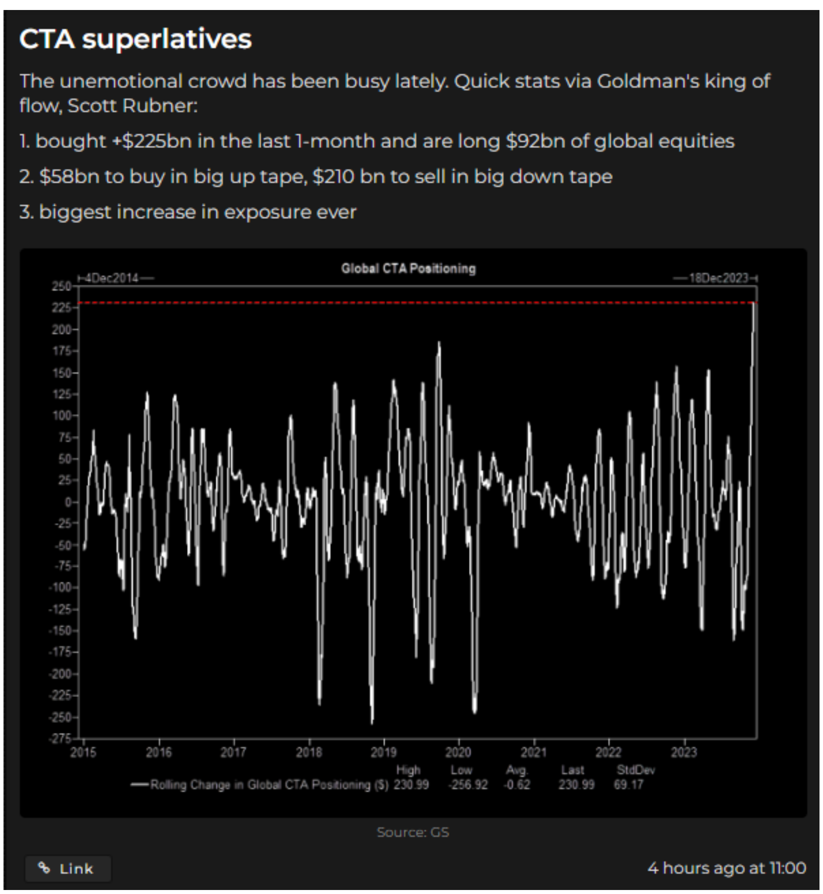
Another consistency that deserves watching or considering using short-term option strategies toward is IWM and the end of the month/beginning of month pattern. Like the end of month gamma ramp I discussed on Friday, it seems to have a following already, and in the options world, self-fulfilling strategies often work (we can call it dealer convexity wag perhaps) and are not generally front run it seems. I mean, you can't buy the 0-1DTE option until you are there right?

How do we use this pattern? Ideally, find a call that's 2-4% out of the money that will cost you 10 cents or less:



Now on to the inconsistencies, lots and lots of records this year. Divergences galore, crisis-like bond returns, large-cap tech fund herding/index concentration on a massive scale, they just keep coming. A few more, like CTA equities record buying. U.S. equities:

Global equities record buying:



And on a weekly basis, this would be the most consecutive weeks higher this decade in the S&P 500:

Urban Carmel
@ukarlewitz

If $SPX holds today's gains it will be up 5 weeks in a row. It has not been up 6 weeks in a row this decade

11:20 AM · Dec 1, 2023 · **82K** Views

18 93 412 55

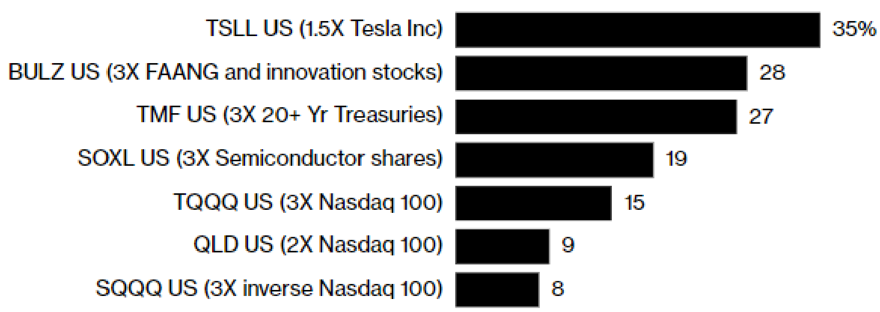
And, pole vaulting onto the derivatives fueled upside bandwagon is coming from some unlikely sources, like….Korea? This is just amazing:

Korea's Retail-Trading Army Is Going All-In on US Leveraged ETFs

- Individual Korea investors own over 20% of some US-listed ETFs
- 'Straight vanilla is boring,' they want leverage: BI's Sin

"So many people buy SOXL here that some buy it without even knowing that it's three-times leverage," said Park Eun-hye, a 35-year-old employee at a semiconductor firm in the city of Hwaesong near Seoul. It's hard to find people here who aren't buying the ETF, she said.

Korea Investor Holdings as Percent of Total Assets



Source: Bloomberg, Korea Securities Depository

Individual Korean investors have plowed $2.3 billion into the largest US-listed leveraged and inverse ETFs this year, almost triple the amount in a similar number of funds in 2022, according to data from Korea Securities Depository compiled by Bloomberg. Their willingness to take on such volatile positions has been put down to reasons such as an insufficient pension system, high living costs and a general penchant for risky investments.

Source: https://www.bloomberg.com/news/articles/2023-12-03/retail-traders-in-korea-are-sinking-billions-into-exotic-us-etfs?sref=1zxv5xkq

"It's hard to find people that aren't buying the ETF"….Well, they certainly have a lot of company over here.

Volatility Trades:

SPX Fed day put calendar spread

Sell 4525 Dec 13th SPX put

Buy 4525 Dec 15th am SPX put

Net debit: $2-2.30

It's time to do some cheap Fed pairs trades. For about 2 S&P points, you own the reaction to the Fed meeting. I will aim to close this by Tuesday's close or early Wednesday morning. Target $6. An example of how I did with these trades in September with about the same implied vol going in and at the same entry prices, closing them on Tuesday the 19th:

Ticker	Catalyst A	Catalyst B	catalyst	catalys	Strategy	# of Contracts	date	date	Holding period	Strike A	Strike B	Strike C	distance	Cost	or Closing	G/L $	G/L %
spx	fed				put cal	10	6-Sep	19-Sep	13	4460	4460		sep20/22	2.80	6.00	3200	114%
spx	fed				put cal	10	13-Sep	19-Sep	6	4425	4425		sep20/22	3.70	7.10	3400	92%

QQQ put calendar spread

Sell $383 Dec 13th put

Buy $383 Dec 15th put

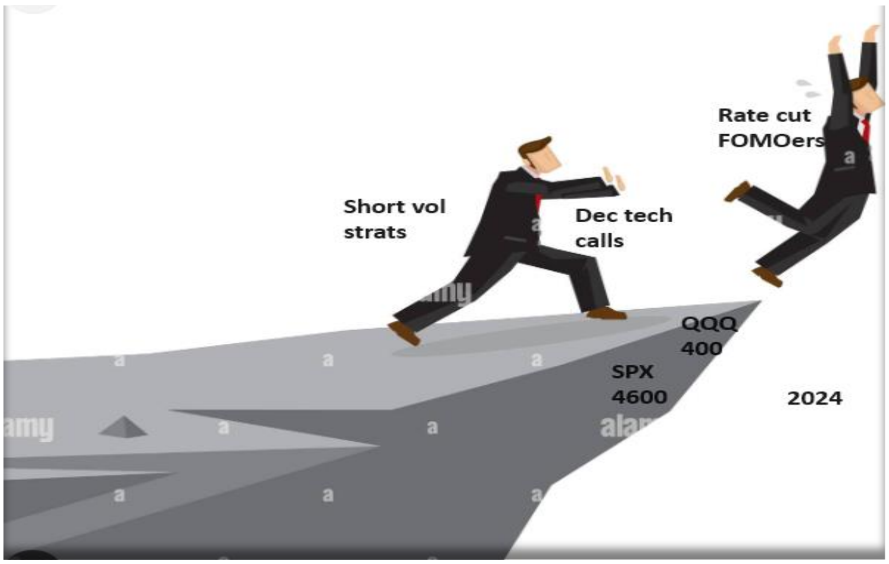
Net debit: .43 (filled) - .46

Target, .80-.90. Same story as above. How I did with these in September at similar vol/price, closing them on Tuesday:

Ticker	Catalyst A	Catalyst B	catalyst	catalys	Strategy	# of Contracts	date	date	Holding period	Strike A	Strike B	Strike C	distance	Cost	or Closing	G/L $	G/L %
qqq	fed				put cal	50	5-Sep	19-Sep	14	372	372		sep19/22	0.74	1.33	2950	80%
qqq	fed				put cal	100	11-Sep	19-Sep	8	371	371		sep20/22	0.42	0.92	5000	119%

FOMO REIGNS AS GIDDY MARKETS IGNORE FED HAWKISHNESS – BEARS NEAR EXTINCTION – END OF MONTH GAMMA RAMP RETURNS – TRADE FOR JAN VOL

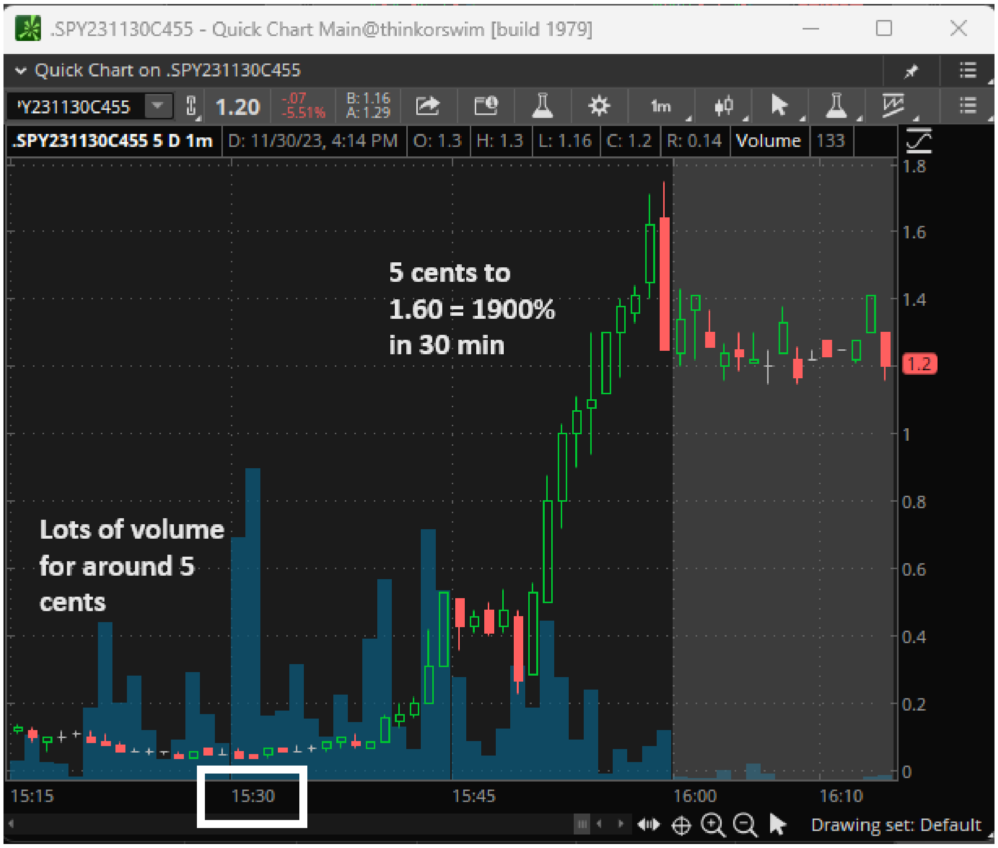
VOLATILITY SUMMARY



(What 0DTE put vol selling and giga tech calls are doing to sentiment and managers into end of year, causing rate cut delusion and massive FOMO)

Yesterday we saw the end of month/end of day gamma ramp, that again astonished onlookers with a last 30 minutes of the month spike:

And the usual 0DTE suspects were involved, loading up on calls at that time, for example the $455 SPY call saw big volume right around 3:30 pm and then:



I don't know how I missed this, but I did. And even when I recently wrote specifically about how I missed it prior time:

August 2nd note:

And, speaking of cheap options, I completely forgot the gamma gaming that occurs at the end of months and quarters. Kicking myself really, because I have a catalyst spreadsheet, with observations gleaned over the years and this is on there:

15	EOM/EOQ	last day	EOD gamma ramp
16			

Very clearly stating, to watch at end of quarters and months for the end of the day gamma ramp. I was asleep at the wheel and look what happened:

Have you ever made 1000% in 10 minutes? Well, you could have by simply buying an at the money call at 3:50pm:

So, I believe one of the keys to the end of month gamma ramp is how the month performed up to that point; if it's nicely positive, the gamma markup spikey price action is probably more likely.

IWM/small caps love the first couple days of the month and today it's in breakout mode. This is a trade many folks have been eyeing with tech valuations in absurd territory and crowded to the hilt. The next phase of the rally perhaps.

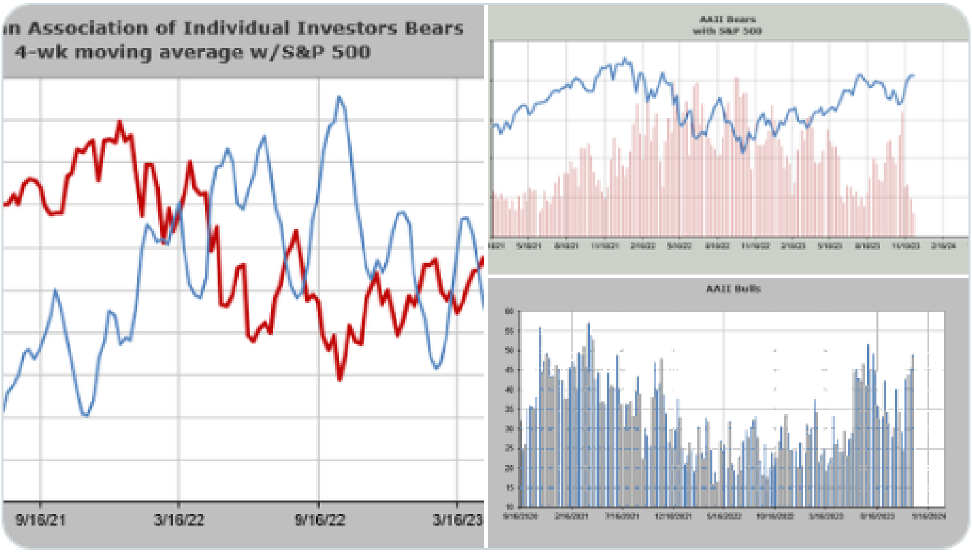
Further, people believe this is where the Santa trade works best, small caps have a great history from the 24th through the first week of January. But no one is going to wait for that; next year's Santa rally talk will probably creep into October, since folks spent the whole month of November talking about it this year:

On top of the massive tech herding flows lately, bearish sentiment is now officially dead and buried. We are looking at the lowest levels since June 2021:

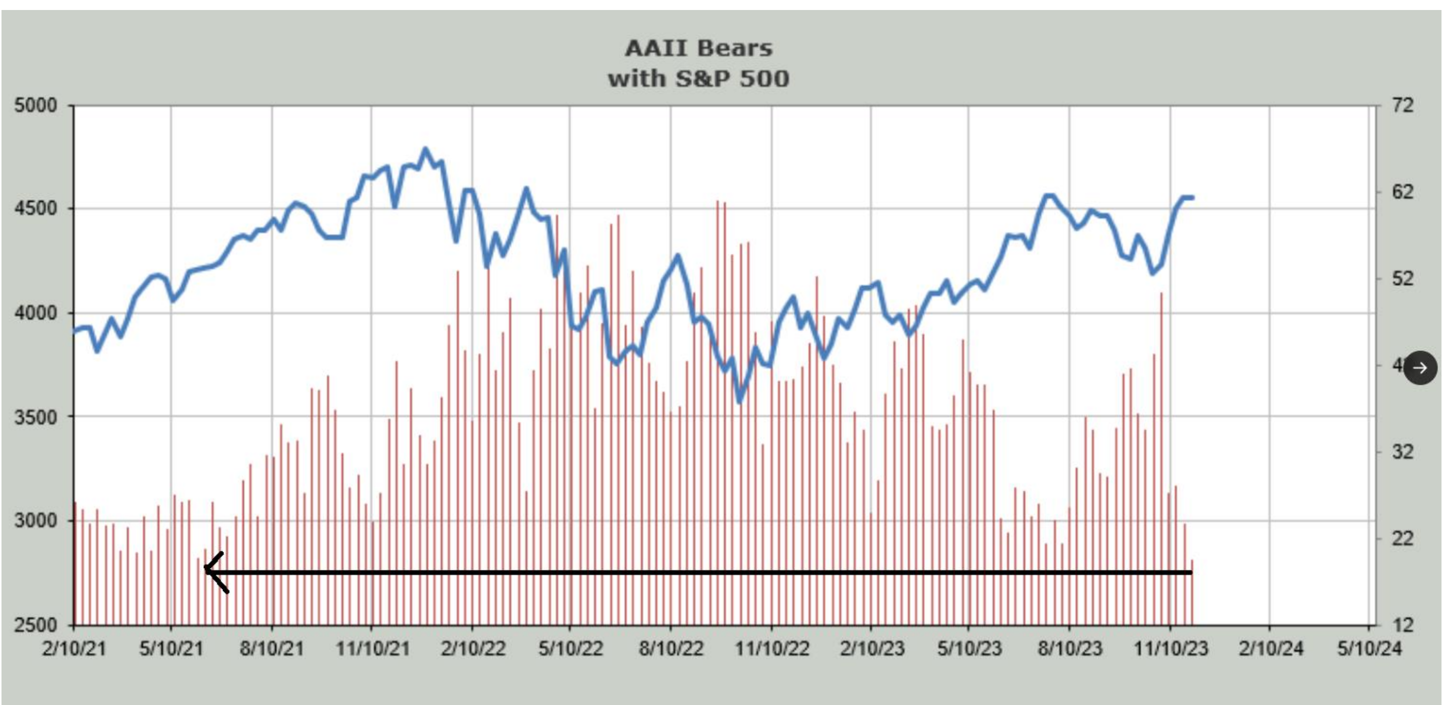
Helene Meisler @hmeisler · 3h

AAII Bulls 48.8, highest since summer when they were 51.
Bears are now teenagers at 19.6. The lowest since June 2021.

Folks have finally gotten in the pool.



18 51 209 58K

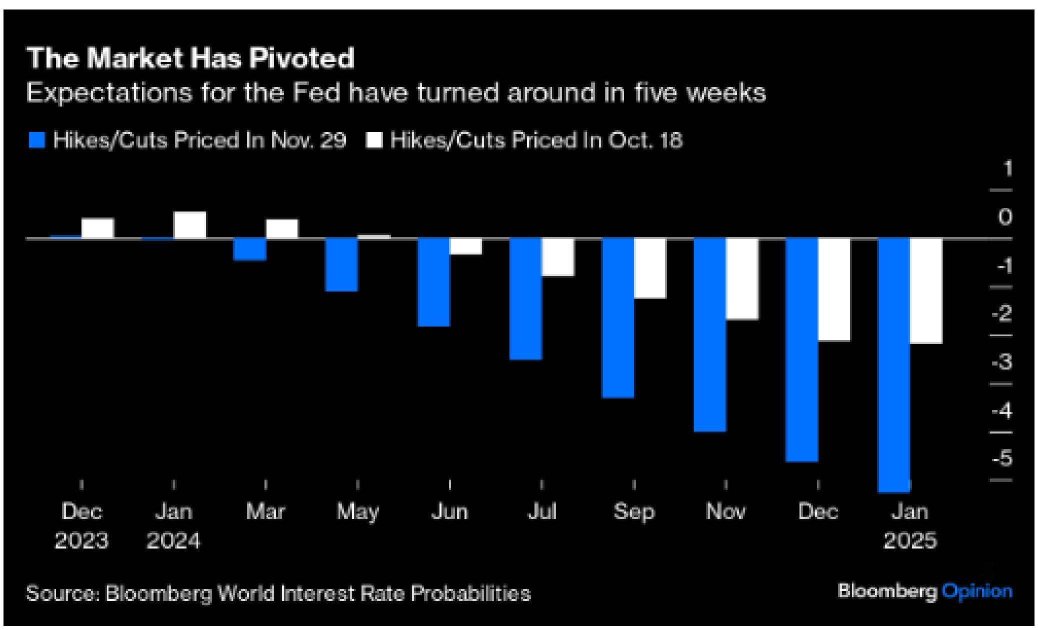


So we went from the highest bearish sentiment in a couple years to the lowest in three years in only a month.

And, on what? The 125bps of cuts that are suddenly priced in already? That is essentially the rub, folks expect cuts and bonds are having a ludicrous rally on that premise but so are stocks as if a recession won't matter to earnings. Can you have both? The markets certainly believe so at this point.

And it doesn't matter what the Fed says about being restrictive for longer or that it's too early to think about cuts. Williams and Powell reiterated it yesterday and today and the markets chuckled at their poor attempts at humor, bonds and stocks ramped. The easing ship has already left space dock and it's two galaxies over from Fed commentary:

It's also quite something that the market has converted the evidence into an unambiguous reason to predict that the central bank will cut rates. Since the notion that rates would be "higher for longer" peaked on Oct. 18, this is what has happened to future levels of the fed funds rate as predicted by the futures market. Only five weeks after the market was discounting two 25-basis point cuts by January 2025, it's now expecting five:



https://www.bloomberg.com/opinion/articles/2023-11-30/election-year-schizophrenia-for-us-economy-is-already-here?srnd=undefined&sref=1zxv5xkq

VOLATILITY ANALYTICS NEWSLETTER – JANUARY 9TH

Even Bloomberg is making jokes today:


Markets

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

updated 22 minutes ago

Even with the bond and stock markets schizophrenic euphoria, it is getting really difficult to anticipate volatility this month. But it is the first day of the month, almost always an up day and especially for small cap stocks. And Fridays have become much more supportive lately, as you can imagine nobody wants to be short into Mondays that have quite the record of printing money for 0DTE long call gamma trades.

It will be interesting to see if once we get into next week whether this pattern of every vol event equaling an immediate spike up. Jolts/NFP/CPI/PPI/Fed meeting, there are a lot of them coming up, so 0DTE put vol smashers and call/call vert buyers are going to be busy harvesting what appears to be regularly scheduled easy money trades.

Volatility Trades:

SPX January put butterfly spread

Buy 4530 Jan 19th put

Sell 4460 Jan 19th put

Buy 4390 Jan 19th put

Net debit: $5.25 (filled)

Continuing to look ahead to renewed volatility early in 2024 while vol is extremely cheap. For 5 SPX points, $70 wide and only 1% below spot. Target, $15.