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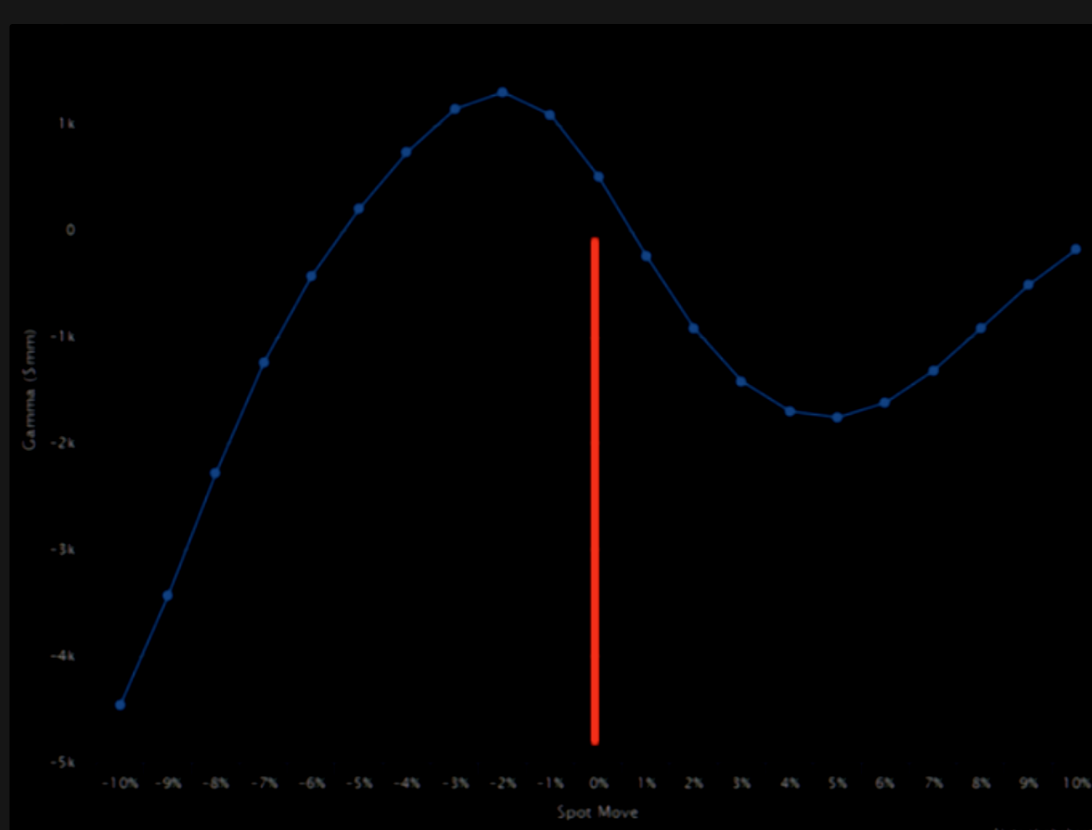
The bounce

So far, so good. SPX bounced well on that medium term trend line. Let's see how this plays out, but the 21 day is way higher (pink line). We continue to like the bounce logic we outlined late last week, but note that 50/100 day causing longer term "problems".

Refinitiv

Buy or buy

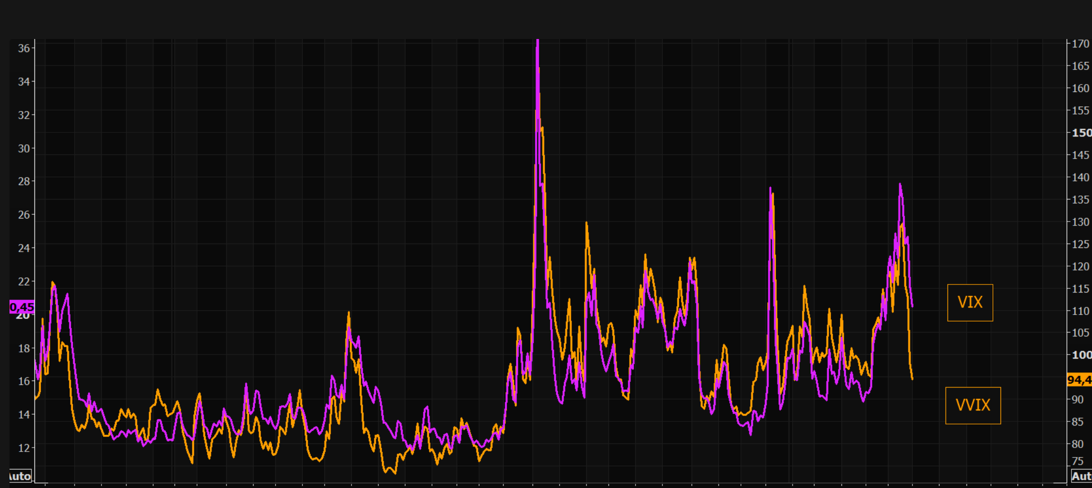
Dealers turn shorter gamma to the upside (the short increases up to 4-5% higher)...and they actually turn some long gamma to the downside (unless we crash). Upside convexity is the main risk here...as gamma makes dealers buy or buy basically.



GS

Exuberant VVIX

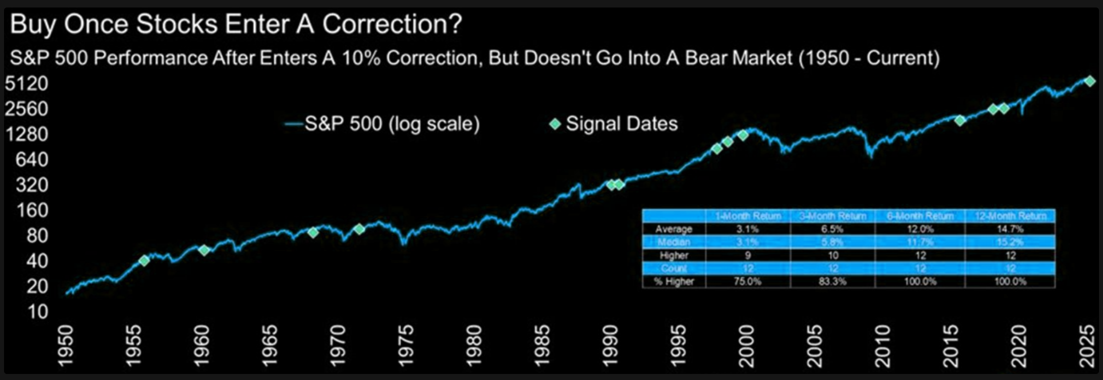
On Thursday we pointed out that VVIX was not buying the bear. Note that the VVIX has collapsed further, trading at pre SPX sell off levels, "outperforming" the VIX big time.



Refinitiv

If we don't go into a bear

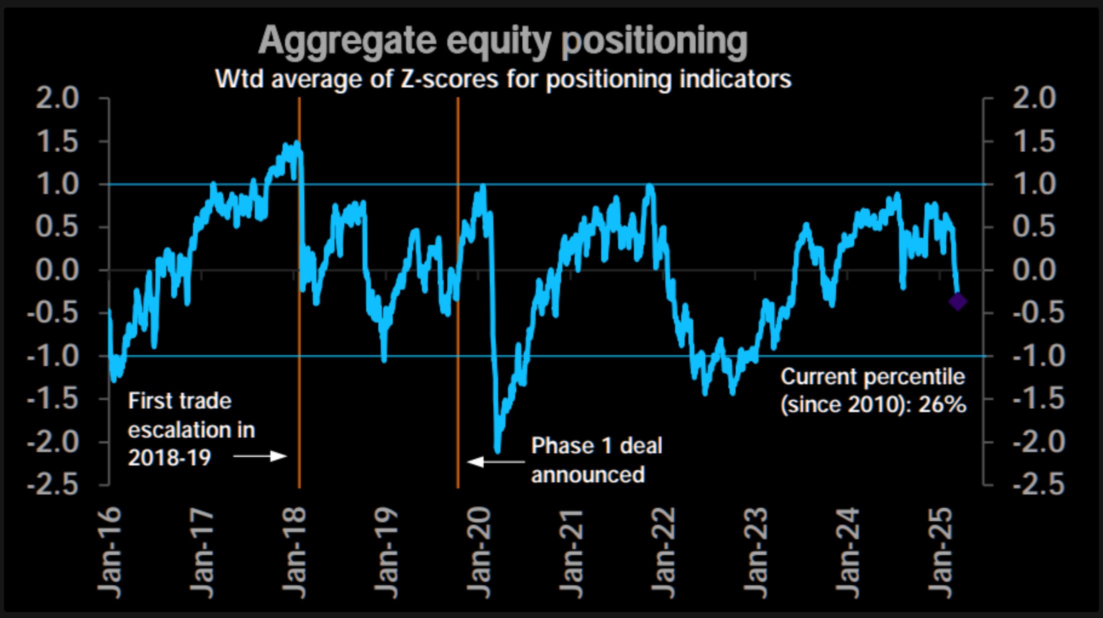
Since 1950, I found 12 other times stocks corrected 10% from an all-time high and didn't go into a bear market. 6 and 12 months later? Never lower.



Carson

Did they puke lows?

Consolidated equity positioning has continued to drop off dramatically...



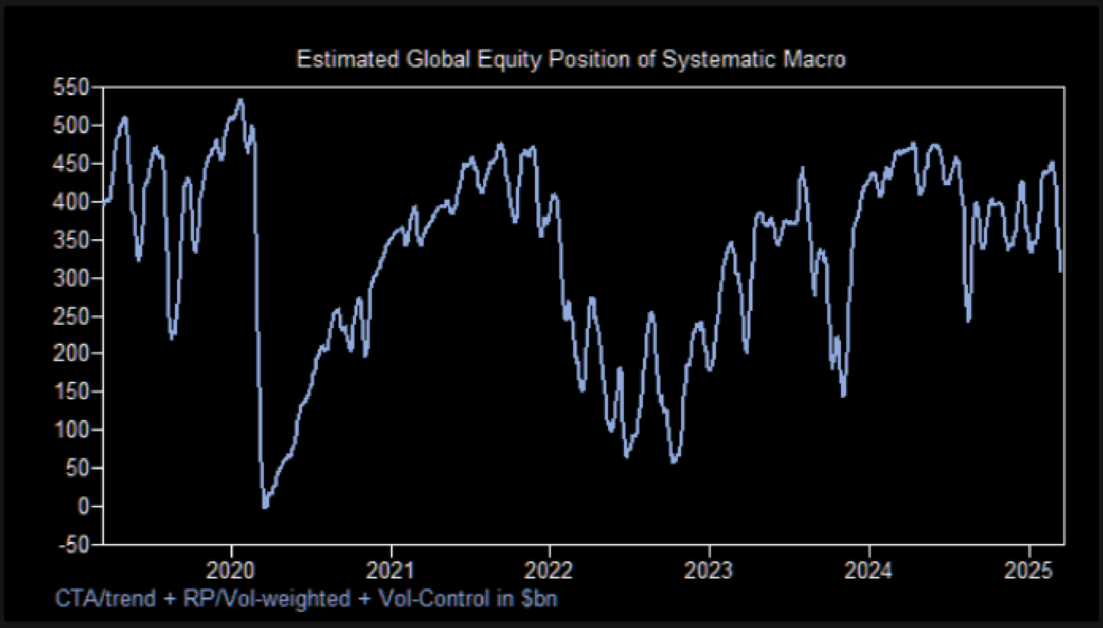
DB

Mechanical selling

Main bullets via GS:

1. Systematic global equity strategy stands just under $300bn, down from a peak of $450bn in February.
2. Expected sales for the next month are $25-30bn, mostly concentrated in the coming week.
3. CTA/trend followers are shifting from long to short in US equities, neutral in Japan, and long in Europe.
4. Volatility-based investors (RP and VA VC) have reduced exposure due to increased volatility.
5. In a negative scenario, total sell estimates could rise to $110-180bn for the next month, depending on market moves.

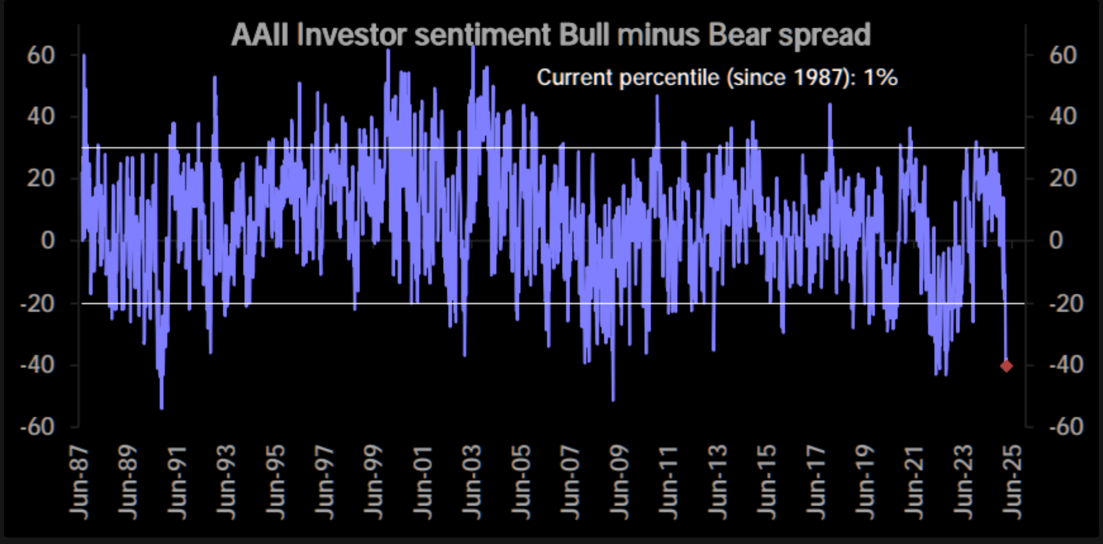
The aggregate CTA strategy is down over 4% YTD (not only equities).



GS

Can't go lower?

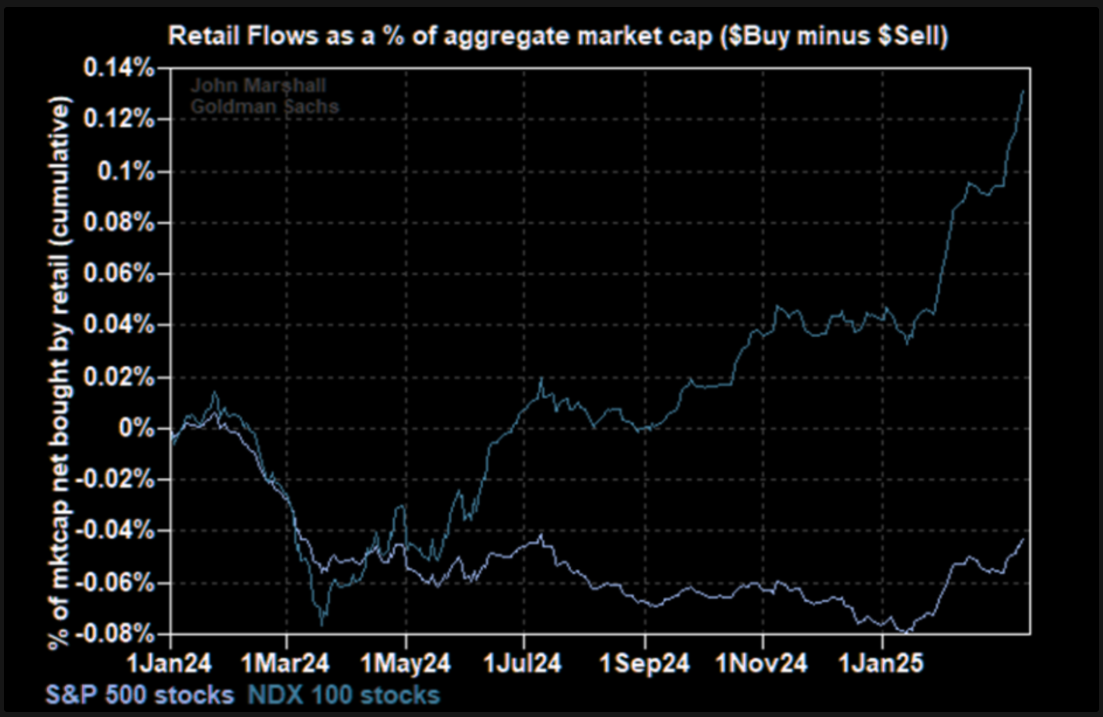
AAII bull-bear sentiment in the 1% tile (since 1987). Nothing a violent bounce can't fix...



DB

Retail is hungry

Retail continue to buy...



GS

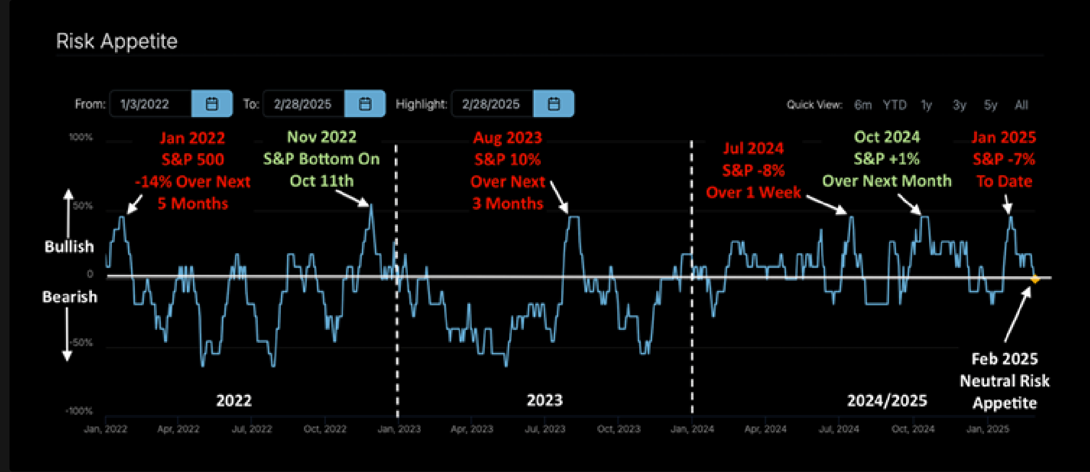
Much more balanced

Long gone is exuberant options positioning. Put/call skew has shot up dramatically higher, although it is back to some sort of longer term average.

GS

"Need to see these readings go negative before calling a low"

"The Big Money went from bullish in January to neutral in February as US stocks started to roll over. The following chart is courtesy of State Street and shows their Institutional Investor Risk Appetite Index from the start of 2022 to February 2025. As one of the largest custodians of global financial assets, State Street can track changes in institutional investor portfolios and assess when portfolio managers are adding/reducing riskier assets. *The history of the Risk Appetite Index suggests that we need to see these readings go negative before calling a low.* It ended February at neutral, but we suspect the March reading will be solidly negative unless stocks stage a snapback rally going into month/quarter end."



State Street / Data Trek