Minute 1:

For whatever reason it's been picking up like crazy. If you guys get any messages from people that are pretending to be me or even like PvP or Francesco or anybody who would be acting in an admin capacity sometimes in the Discord, just ignore them. We now have someone who's lost a considerable amount of money like signing up for these copy trading programs. So whenever these messages strike, just ignore them. You can always check my own handle. Just go back to the chat and click my name and message me and you'll find that if your message history from this other account is not there, that's obviously not me. Just pay close attention. Oftentimes these people are not in the server itself. There seems to be no way to stop it. I don't really know how they get in the server. Discord seems to require you to be a quote unquote community at some point to host stages and things like that. But it seems like whenever you're a community server, all of a sudden you get flooded with these things. So I'm not really sure what to do about it, but it's driving me nuts personally, especially hearing that somebody lost as much money as they did. I don't know if reporting it helps. I would encourage you to do it anyways.

Minute 2:

Obviously not doing it will not help. So I report them myself when I see them. But for a while I was getting like one message a day about these things from people. And I swear the last like two days have made me want to shut down the server because I'm getting five to ten messages a day and people claiming that they've lost money. So I don't know what to do about it. Any ideas? I'm happy to field them and implement anything. But right now, just be careful and don't trust anybody that messages you cold, especially pitching something. Looks like we're still trading in mostly the same range. I see SPX right now implied at 5885. Straddle is still about right where it was when I printed the reference. Yesterday I thought was a little bit difficult of a day. We had suppressive flow below 5915. So also kind of to address one of the questions in the chat about how to think about these days and profiles. I'll talk a little bit more about my process, I guess, in a mentorship call after this. But the way I interpret these is like a range of tests and ranges.

Minute 3:

So yesterday's test was arguably at 5915. We kind of oscillated around it, but then we slipped through it. Things became negative or suppressive. You can see that most of the afternoon was spent in quote unquote suppressive charm territory. So we have a little bit of that again today, but it's more at 5900 instead of 5915 today. So we are currently in suppressive charm territory and at least attempting to break out of it. But as of yet, unsuccessful. Overnight range, not a huge range compared to the night before. Obviously, we had a big range going into the first day of the year.

But today the overnight range is only about thirty dollars. Straddle is still a little bit expensive at 38. Gamma is positive across the range. Well, I shouldn't say expensive. I don't want to make that assumption there. Gamma is positive across the range, but it is low. So gamma right now is positive, but it's of a magnitude that I would actually consider it more neutral than positive. The line in the sand or the test again seems to be 5900. And I view it as there's a bullish trend intact or at least implied above 5900 given the inventory.

Minute 4:

And that flow strengthens both as you rally towards 5930 or as the day progresses. And then below 5900, you have a bearish trend or passive selling flows implied. Those flows strengthen as the day progresses and they're strongest near 5860. So today is actually a pretty clean set of profiles. You can see these things just to reiterate where these things come from. The hedging at 5900 creates a test. This is like a range where it's actually not even negative gamma. If you were only looking at a zero-day profile, it might be a bit more of a negative gamma point compared to the overall profile. But in general, it's just a minimum gamma or a trough. And so at this point, this is where we tend to see things like sharp reversals sometimes, or we slip through. And once we slip through, these are moments that can define the passive trend. And obviously passive trends are not always strong. They can be very weak, almost inconsequential, or they can be very strong like we saw in November expiration, for example.

Minute 5:

It all just depends on the size of the positions and the vol levels from which we're decaying. So higher vol levels in general mean that the same size position will have a greater influence and decay flows because of the amount of premium to come out of the straddle. And, in kind of a contradictory way too, or to counterbalance that, it's almost like you lose some of the gamma influence, but you do wind up getting a bit more of a decay influence. Because higher vols imply lower gammas as well. So keep that in mind when you're looking at these to prepare for the day. Just to kind of continue along this thread, if you pass the test, in this case 5900, the flows are mostly bullish above it. You can see that we have implied drift towards around 59 half, 5960, but if you fail, we do have an implied sell-off. It's not necessarily the type of flow that would get us to the bottom of this chart. The reason is that throughout this, we also have dealer long strikes. So we have longs that... looks like 5875, 5860, 5840.

Minute 6:

These structures would also continue to offset the suppressive charm flow. So this is like the call wall, but the opposite. It's like a put floor. I think that term is used in a couple of different ways. The way I would think about it in terms of just being consistent with the call wall idea is that it would have to be a long gamma feature that creates a slowing, where it's absorbing flows in one direction, but it also then creates a trapping because it distributes the flow back out in the same direction as time passes if you don't get through the strikes. So that's kind of what we have now. We do have the test here, 5900, and then this would be like the put floor on the right side of the chart here. It's not as clean because we do have some staggered inventory, as you can see. And I pointed out yesterday, I think that the overall dealer profile is not that positive. A lot of the time when we look at these charts, they are coming from a certain characteristic order flow or positioning subtype where basically you have a lot of selling in the zero day, the one day, I would argue all the way to the seven day, or I guess five trading days.

Minute 7:

And then you also have a net imbalance in the more traditional longer tenors where that's also net for sale. The difference right now seems to be that we have a lot more buying in the longer tenors. So instead of having a lot of near term gamma combined with a lot of longer dated gamma, right now we have a little bit less near term gamma also on higher implied vols. So that reduces the gamma one step farther. And you combine that with actually negative gamma potentially from longer tenors. So that's why when you look at the ranges, they're a bit higher than we're used to. And also the gamma profiles are not like they were in the summer, to say the least. So these are actually, I would say, devoid of information where I don't think you'd be doing yourself a service to read this just as a basic profile without going into the positioning and looking at the actual zero day structures in place. So I'd always recommend doing that because you lose, I mean, in reality when the vols

Minute 8:

are low enough and the positions are large enough, this granularity that you get in the positioning comes through very clearly in the gamma profile. But when the vols are higher and it's more ambiguous because the gamma levels are just actually low, you don't really see anything here. You might see the inflection in the trough, but you don't really have any idea about the potential paths along the way. So again, I would just recommend doing that as a basic mode of preparation. So when I say things like trapping or recycling the hedge, recycling the hedge, in my opinion, or in my jargon, I guess, that is the process by which the index would get trapped. Because the path for that kind of behavior is like if I'm holding these puts as a market maker and I'm hedging them and they're out of the money, let's just say they start with like a 10 or 20 delta and we're dropping towards them. Then as we're dropping, I'm buying futures, but as time passes, I'm selling them out. So I just keep doing the same thing where I'm not really churning, so I call it recycling.

Minute 9:

But I'm net kind of doing nothing except bleeding usually. These are not really good paths for market makers if you're not having a lot of realized vol along the path. It's just kind of negative scalping yourself. But the second part of this question, you mean for strikes below spot, the charm flow is in the same direction as the gamma flow. I'm not exactly sure what you mean here, but if we're talking about strikes below spot, you have to always consider, are you long or short it? So I guess in this case, you could anchor that to gamma, but they should be in the opposite direction. Generally speaking, they're almost always going to be in the opposite direction. And that's kind of what creates this duality of the options themselves. So like if you have an accelerant position, usually when we talk about accelerant positions, that means short gamma, negative gamma. And if you think about that, like a short upside call, that's an accelerant if buying happens and then dealers cannot provide liquidity, but they have to chase liquidity.

Minute 10:

However, the other side of that coin is that if the buying doesn't happen and dealers are short calls, long futures, then dealers have to sell futures, pushing the market back away from that accelerant. And so it kind of just fizzles out and actually moves the market the other way, pushes off the strike. And any combination of options will do the same thing where there's a duality of the… Where on the one hand, for example, if you just flip the position to the upside and you have dealers that are long calls, as the market's rallying, they will actually be selling. But then when time passes, they have to buy back that hedge. And that again creates a duality where we're having the passive trend implied and then also the behavior reflecting how market makers engage with other flows. That's why I think of things in terms of like a series of tests and ranges. This kind of goes to a question that somebody posted in the main chat. He was just trying to understand how to read these profiles. A good way to think about these things is a series of tests and ranges. So overall, you have a gamma profile. The gamma profile sometimes has local variations to it or like different speed profiles that are clear and distinguishable, but not always.

Minute 11:

I would say this one is pretty void, is pretty neutral to me. So you have a low or a neutral gamma profile. This to me means that the market's kind of unconstrained compared to usual. So when you look back at the types of gamma profiles we saw in the summer where the values on the gamma profile were like in the, you know, let's say high triple digits and sometimes over a thousand. That's a very constrained market. That's on the high end, higher percentile stuff. When you see gamma, actual gamma values on the options depth profile kind of not really anywhere above a couple hundred. That's very neutral. It's almost nothing. And this is the overall backdrop of movement implied. The market just has more potential to move around, I guess is one way to say it. And within this, then you have features. The features are distinguishable by these yellow lines. These are, technically speaking, they're just gamma troughs. These black lines here are gamma flips, but the yellow lines are just troughs usually. And these create tests and either above or below the tests.

Minute 12:

And there can be a number of them that aren't even visible on the profile. I would say that oftentimes we do see that the zero day positioning creates them as well. The gamma profile in combination with the positioning, especially zero day positioning, creates expectations for where tests should happen and how price should behave in general around these levels, whether it's like sticky or whether it's free to move. The other way to think about this or the other side of this is then if the test is passed, for example, we get through a range with any kind of stability. And there's no science to this. It's not like there's a one dollar move and that's enough. There's a two dollar move and that's enough. Sometimes just a little bit of time has to pass. Sometimes you have to get a few dollars through the range enough to make it so that you're fully in not just like a neutral territory. And again, neutral is a general word here. When I when I look at the charm profile, for example, there's this whole area here that I would consider neutral. The values are not large. I can't remember them off the top of my head. But in that flip point, it's going to be something like maybe three or five minis every five minutes.

Minute 13:

So it's not really going to move the needle probably wouldn't be picked up on by anybody that's tracking or like responding to these flows. If you either establish yourself in the range like time passes, five, ten, fifteen minutes, the longer, the better. Or you climb through it. I would say one or two strikes into where the charm strength is higher. And it's one thing to just look at the profile itself. It always helps to actually go throughout the profile and hover over it and drag your cursor across it and look at how the values change to find where's the strongest flow implied. And so today, for example, the strongest buying flow is implied right around 5930. And the opposite side of that, the strongest selling flow is right around 5860. And these are areas where like price may speed up to but then slow down. So they create, again, good anchoring points to think about when you're wanting to either like structure spreads or take profits. Or like reduce your positions if you're trading futures, all these types of things are all related.

Minute 14:

So the synthetic negative gamma, it depends where it's coming from. So I obviously agree with Charlie on the way to interpret this to some degree, but it's his view. Again, you have to distinguish. So a lot of what we've been doing in VolSignals, actually kind of initially I talked more about the wider time frame stuff because it's more interesting to me and more available to me. But the zero day stuff is just so compelling because it's every day, all the time, and it's very clear. You get a lot of reps. The zero day stuff is very granular. It's more precise in a large meaningful way, I guess. The synthetic negative gamma, like I would consider CTAs, a source of synthetic negative gamma, leveraged ETFs or ETNs. These are synthetic negative gamma. These are things that would have to rebalance in the direction of travel, I should say. If we move a certain degree. And so it's not always clear where their points are. They're not always as visible as, for example, the CBOE positioning for us.

Minute 15:

I think probably there's a path to modeling the synthetic negative gamma out of most of the leveraged vol and like leveraged ETF products out there. But the way that would usually work too is that would hit at the close. And so intraday, you're going to have a lot of stuff happening, on bigger moves, I guess what I should say is when we have larger moves, keep in mind that just the idea of this would compel moves to extend. And so larger moves, I would think in terms of like 1% or greater. Even if we're in a long gamma environment, you would kind of, I guess, check your priors a little bit and understand that at the close, we might slip into what's more like a negative gamma environment where we're not going to have mean reversion at the close. We might have an extended close. We don't see it all the time, and it doesn't always line up with positioning. So sometimes it just creates noise. But the gamma structure yesterday was that indicative of how the day went. Good question. I think yesterday was a bit choppy and difficult to trade. I think once we slipped into suppressive charm territory, it was more difficult to get out of it.

Minute 16:

There were a few moments at which it felt like the strength of the attraction was there to compel a pin, but they got stolen away all the time. And I think at the end of the day, the actual pin was not necessarily in alignment with anything that we would see in the dealer profile either. So yeah, I would just say to the point about the leveraged or I guess the synthetic negative gamma, it can overwhelm the signals. And I think also this is to some degree why we found the RTM room valuable, because there are times when clearly there's something going on that is being observed and picked up on. And it's generating pin predictions, kind of mean reversion or trending predictions that are not visible to us on the dealer profile, but wind up sometimes overtaking it. So it's always important to be context aware. So I would also say, in all honesty, the sweet spot with these dealer profiles is... there's more efficacy when vols are low because gamma is high and it becomes very local.

Minute 17:

And so to that end, when gamma is high and local, you have strikes that define levels all over the place and they become very serious and very easy to enforce. And so like when you see the iron condor almost like get pinned within a quarter or something or throughout the day, the price just grinds up against it and doesn't really deviate. A lot of that can't happen the same way when vols double, for example. And so with these straddle prices, it's just a little bit harder to get the same influence because more strikes have gamma. It's like in some ways, conceptually, it's like you lose the zero day contract. It's not just not really a zero day the way we understand it when it's a $50 straddle instead of a $15 straddle. But I think also what Charlie is focused on and what I think is very relevant and hopefully we get options depth to open the strike depth up to us as well for VIX. But also like the leveraged VIX complex, it's not like we're going to have a volmageddon like we did in 2018. But to the extent that we do have a more traditional profile setting up in the

Minute 18:

option chain, then I think that it's going to become increasingly important to understand where like the tail might wag the dog. And so I think in 2025, we're going to find that it'll be quickly imperative to understand VIX positioning and also the SPX vanna. And of course, when I say VIX positioning, the leveraged vol products, they fit into this as well. Because if you have a leveraged vol complex that has to buy or sell some amount of Vega on a 1% move, for example, then it's going to become important to understand are we close to a certain set of strikes or like a big VIX call spread, for example. And if we are, then is the dealer position in the SPX itself, is it reflective of a spot down vol up dynamic or is it more neutral? These things will kind of I think we'll see them become more and more telling over time. I'm going to hop here and close the meeting. Feel free to chat. I will answer whatever question you guys have coming. What I want to remind you guys, if you get messages like this, please ignore them.

Minute 19:

I'm going to have to put like annoying reminders in the chat every day because it seems like there's no way to stop them. And it really eats me alive when we see people actually losing money to these. And so I thought that they would not be taken seriously, but I guess they are compelling enough for people. So I want to make sure that we all understand that these messages you get from people are not us.