

Title: Time for the lunar calendar...■

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Url: /r/Superstonk/comments/ooyvbg/sld_periods_and_the_gaps_between_an_investigation/

Is_self: False

This is not financial advice. I don't keep a budget so I certainly should not be speaking into liquidity measurements. I just like the stock, learning, noticing patterns, and connecting dots.

****TL;DR**** – Supplemental Liquidity Deposit periods matter and cause SHF short positions to be bought-in due to net capital requirements. Outside of these periods (maybe call them gaps?), SHFs can chill more as they short away. There is a trend when the gaps – time when the shorts can be more insistent – are longer. This lengthened gap is tied with the timing and patterns of quarterly options. Calendars are weird.

Thanks to [u/sufficient-bowler741](https://www.reddit.com/u/sufficient-bowler741/), [u/minimal_effort_73](https://www.reddit.com/u/minimal_effort_73/), and others for some peer review.

Definitions:

****Option****: A contract between two parties that gives the buyer the right to buy or sell underlying stock on or before expiry.

****Expiry****: Date in which a stock option must be exercised, sold, or expired.

****Monthly Options****: Option that expire after the third Friday of each month.

****Quarterly Options****: Monthly options released typically well in advance, which allows them to generate higher level of open interest (months: January, April, July, October).

****Options Expiration Activity Period****: Friday open before Monthly Expiration Date and ends at close of business on the second Settlement Day after the start.

Background:

[Helpful DD with more background](https://www.reddit.com/r/Superstonk/comments/nz7mwl/sld_dd_a_pre_dictable_monthly_pinch_on_capital/) from [u/dentistfft](https://www.reddit.com/u/dentistfft/).

****What is SLD and why it matters to GME****

>We also have ****Supplementary Liquidity Deposit (SLD) phases**** ****around monthly options**** which ****requires a chunk of liquidity to be deposited to the NSCC two days prior to monthly options expirations and is held by the NSCC until $T+2+7 = T+9$ days following expiration****. This is a perfect opportunity for the SLD requirement to eat up enough liquidity for Net Capital to become an \backslash [problem \backslash]. Their short positions cannot let them default, so they'd need to wipe out the positions with buy-ins. It's off to the races in some SLD periods as the price goes on a spiral upward driving more buy-ins.

[Work](https://www.reddit.com/r/Superstonk/comments/on9dtz/otm_puts_are_the_passed_puck_of_short_positions/) by [u/criand](https://www.reddit.com/u/criand/)

[$2+2+7 = 9$ settlement days](https://preview.redd.it/0l0r88hromc71.png?width=523&format=png&auto=webp&s=3b2c223bc388b289f09baa08b3abc4c7c7eafdf6)

[Source for SLD requirements.](https://www.sec.gov/rules/sro/nscs-an/2021/34-91770.pdf)

****How does Net Cap influence price action during SLD****

>The juicy part is that short securities on their books are calculated with an ever-increasing haircut against their net capital requirements. So the longer those short positions are held, the more it eats away at their net capital and puts them at risk:

[Work](https://www.reddit.com/r/Superstonk/comments/on9dtz/otm_puts_are_the_passed_puck_of_short_

positions/) by [u/crind](https://www.reddit.com/u/crind/).

[Net Cap Chart](https://preview.redd.it/qrrihuevomc71.png?width=624&format;=png&auto;=webp&s;=a48abd95b5b0b36efe984470412d8c368ab9c6fb)

[Source for Net Capital Requirements.](https://www.law.cornell.edu/cfr/text/17/240.15c3-1)

Charts:

****Can we chart our SLD periods? Yes****

Methodology:

1. Use heavy weighted dashed line to indicate quarterly options
2. Use lightly weighted dashed line to indicate non-quarterly, monthly options
3. Use blue shaded box to showcase SLD period (2 days prior to expiry + 2 settlement days after expiry for Options Expiration Activity Period + 7 settlement days to return liquidity = 9 total days)
4. Use date range tool to identify number of non-SLD period days



[SLD Periods and their Gaps](https://preview.redd.it/h0tuhiqypmc71.png?width=1815&format;=png&auto;=webp&s;=3fee1485e95836d30d48f54321b1d49146b6e4d9)

Questions and Analysis:

****What do we see in the SLD periods?****

- * In general, presuming there is not an increase in the number of actual shares in the float (offering), during SLD periods GME moves upward.
- * GME has a sideways or downward trend during days between SLD periods
- * The gaps between SLD periods is not the same

****Why do April and June not move upward?****

Likely, due to ****at-the-market equity offerings increased the available supply to meet the demand needs of the SHFs**** in a way that allowed them to satisfy their buy-ins without overweighting buy pressure in the market.

****Why do the SLD periods have a varied number of days between them? What trends do we see with the variance?****

****Typically, there are about 5-7 non-SLD trading days between each SLD period****. This means that a short hedge fund has about a trading week where they can use all tricks in their book to move price downward to wherever they want it. However, do you notice what I did? ****Some gaps are significantly longer than others****. And, during those days, it seems like the SHFs don't lose their shot to really move price down or keep it flat.

As it turns out, ****the gap between the end of a quarterly options expiry SLD period and the beginning of the next month's is TEN to THIRTEEN trading days.****

****What are the implications of larger gaps between SLD periods?****

The math works out that the post ****quarterly option SLD period gaps equates to THREE to EIGHT more trading days a SHF is does not have to play with a tightened pocketbook and severe fear of margin call.****

Well, I suppose we can blame the Gregorian Calendar for how it structures days and weeks within months

throughout years.

Womp Womp Speculation (feel free to ignore): GME will continue to run up during this SLD period. Presuming it does not move beyond a margin call threshold, then the SHFs will do the price dirty during their extra days available during the extended gap between the SLD period following the July quarterly option expiry and the upcoming period in August. This may be a primary driver in the macro price movement of GME until funds can't prove liquidity within or outside of SLD periods (thanks, 801)