Title: The Gamma Squeeze part II

Author: disoriented\_llama

Created 2022-03-24 13:09:21 UTC

Permalink: /r/TheGloryHodl/comments/tm8owu/the\_gamma\_squeeze\_part\_ii/

Url: /r/Superstonk/comments/tlu4pm/the\_gamma\_squeeze\_part\_ii/

## Linked Post Content:

\*\*TL;DR - The option chain is lining up with massive consequences at / after \$150. I believe the price suppression is being targeted at specific strike prices to avoid another gamma squeeze from happening before Friday 3/25. If you see resistances at those points, it could be because these OTM call sellers got caught with their pants down. #LFG\*\*

I wanted to throw my 2-cents in on our current situation and explain why I think \$150 is a very important price-point.

I don't wanna get too far into the weeds on options trading, but they are having a significant impact on the price action around \$150 right now. For those of you that were here back in January 2021, you will probably recall we had significant... I MEAN SIGNIFICANT.... OTM call options that suddenly became ITM when the price started skyrocketing. This causes a chain reaction because the \*seller\* of the call option is now required to go into the market and purchase the security for the \*buyer\* once the market price reaches the strike price and the option is exercised.

This obviously assumes the seller doesn't have the share at that moment and the call owner exercises the option immediately. Usually, the option owner waits for the price to go up even higher before the option is exercised. The higher it goes, the \*deeper in the money\* the option becomes. When the price goes up really fast and these options are exercised, it forces something called a \*gamma squeeze...\*

...So basically.... on top of retail investors who are FOMO buying during a price spike, the added pressure of buying shares to cover those ITM call options adds nitrous oxide to the rocket.

The advantage of selling OTM calls is that you can collect premiums from the sale of the option without having to buy the underlying security \*\*as long as\*\* the strike price is never met or the option expires.. it's basically free money.

However, if you're wrong and something like GME happens														
*TENDIEMAN COME*														

Let's look at where we are today.

Right now, it's extremely hard to find shares to borrow. This is evidenced by the increase in borrow rate across almost every broker. Unless you've been hiding under a rock for the past week or so, you've probably seen a few posts talking about it.

I've been looking at [https://iborrowdesk.com/report/GME](https://iborrowdesk.com/report/GME) for info on the number of shares available to borrow and the rate to borrow them. If you've been tracking the [Stonk-O-Tracker](https://gme.crazyawesomecompany.com/), you'll see similar reports using IBKR.

The [option chain](https://finance.yahoo.com/quote/GME/options?date=1648166400) for GME is pretty dramatic this week. If you look at the calls through \$140, you'll see what I'm talking about. \*\*Keep in mind this is just for calls expiring on Friday (3/25).\*\*

https://preview.redd.it/50jpmmysq6p81.png?width=813&format;=png&auto;=webp&s;=cf58d0fd8ed95dcd2 606f433b96d458372648957

For those who don't know what this picture represents, this is what's called an option chain. You can look this up on [Yahoo](https://finance.yahoo.com/quote/GME/options?date=1648166400). The 3rd column from the left represents the \*strike price\*, while the other highlighted columns are \*option volume\* and \*open interest,\* respectively\\*.\\*

- 1. When the dollar amount of a stonk rises to the \*strike price\* of a call option, the option is considered \*In The Money (ITM)\*. Whoever bought the call option can exercise the call and buy the share at the strike price from the seller. The longer you wait to exercise and the higher the price goes, the deeper ITM the option becomes
- 2. The number of contracts that are traded- usually daily- is the reported option volume. This is Just like the stonk volume. There's really nothing complicated here. If you see a high volume for a given option, it means it's highly liquid and can be traded easily. This number changes often
- 3. Lastly, the number of ACTIVE options is referred to as the \*option interest.\* When looking at the 120 calls in the screenshot above, there are currently \*\*3,042 active calls\*\* (as of 3/23/2022 @ 2:50pm EDT). Each call option represents 100 shares, so that's a total of \*\*304,200 shares embedded within those options\*\*

As you continue on down the line, you can sum the option interest reported at each strike price and then multiply that total by 100. This gives you the total amount of shares that are eligible to be purchased if the call owners decide to exercise their rights....

...I started counting calls at the \$100 strike because it was the first, big milestone we crossed this week (in terms of option interest). Since yesterday (3/22), we now have \*\*24,189 call options ITM.\*\* That's \*\*2,418,900 shares.\*\* This just represents the calls through the \$140 strike, and the options expiring this Friday..

....let that sink in.....

What's most significant here is that the \*LIKELIHOOD\* of these options being ITM this week was really, REALLY low. Prior to yesterday, everything above \$100 was considered \*Out of The Money (OTM).\* The financial elites and their media outlets were pushing FUD prior to the earnings report because all of their metrics are based on the most simplistic numbers like EPS and net income. \*\*Any good accountant knows the TRUE details are in the words- not the numbers.\*\* Not one article (that I saw) mentioned any good things about the company, the personnel growth it's had in the past year, or the transformation that's underway. A lack of "direction" is apparent when executives are milking tendies off a dying company and refuse to make ANY changes to better that company's future. This is obviously not the case here and we all know these changes wouldn't be made recklessly. If I was still waiting on GameStop to "be a better brick and mortar", I would have my doubts. Obviously, that's not true.

Regardless,	several	investors	were	expe	cting	⊦a bi	g dip,	, so	plac	cing	a bet	on	calls	ab	ove	\$100	was	alm	ost a	a
guaranteed	waste of	f cash ∖_	_\_\_	_\_\_\	_\_\_		_\_\_	_\_\	_/_/_	\_\	_\_\_	_\_\	_\_\_'	_\_		_\_\_	_\_\	_\_\	_\_\	_
	_\_\_\			_\_\_\	_\_\_		_\_\_'	_\_\	_\_\_	\_\	_\_\_	\_\	_\_\	_\_		_\_\_	\_	_\_\	_\_\	_\
_L_LLL																				

Now then...

I'll pick back up on options in just a minute but I wanna talk about the events preceding this week. If you've been watching the [borrow rate](https://iborrowdesk.com/report/GME), you'll realize how much change there's been in the past 10 days or so. You can use a variety of reports from different brokers, I'm using [iborrowdesk.com](https://iborrowdesk.com) because it has a decent average and shows time-series data.

[iborrowdesk.com\report\GME](https://preview.redd.it/roiuk31sy6p81.png?width=1165&format;=png&aut o;=webp&s;=1370ac1024468b46658882a2c9b45cb46f6ecb02)

I have no idea what caused the borrow rate to tank after January / February 2021. To this day, it still confuses me. I have my theory on how HFs are hiding short positions in long-term options (discussed w/ Dr. T and Wes Christian), but have no idea how, or if, this would affect the borrow rate. If you check the borrow rate against the shares available for borrow, it doesn't really make sense. The increasing rate from the past couple of weeks doesn't correlate with the reduction in share availability because we've been at these levels before. I wouldn't be surprised if some back-room deal took place to reduce the borrow rate long enough for the hedgies to "out-wait" the apes last year, but that's tinfoil and I can't prove any of it. Besides, we have no idea how many shares were sold naked because no one was paying attention to ANY of these things in January 2021. I believe that's a different story now. We're watching these things much more closely this time around.

Anyway, what's important here is the rate IS going up again...

...So why is this significant?..

The borrow rate is one of the biggest indicators of share-scarcity. It comes directly from those lending the shares and represents some of the best & most timely information we have regarding short selling. Most of the time, we have to guess at what is going on... we have no idea how many shares are actually available or how quickly they can "smash the F3 key" (read HOC III) to make it seem like the shares are actually there. However, if you are on the inside of these operations and actually know the shares are hard to come by, you would naturally start charging higher interest for them.

\_	\_	\_	\_	\_	_\_	_\_	_\_	\_	\_	\_'	\_'	_\	_'	\_'	\_'	\_'	\_	\_	\_	\_	\_	\_	_\_	_\_	_\_	_\_	_\_	_\_	_\_	_\_	_\_	_\_	_\_	\_	\_	\_	\_	\_	\_'	_\	_\	_\	_\	_\_	_\_	_\_	_\_	_\_	\_	\_	\_	\_'	\_\	_\
١	١ ١	١ ،	١,	١,	\	\	\ '	١ ١	١ ١	\	\	\	\	\	\	. \	\	١,	١ ،	' '	١ ١	, '	\ '	\	\	\ '	\	\ '	\ '	\ '	\ '	\ '	١ ١	١ ١	١ ١	١,	١,	. \	\	\	\	\	\	\	\ '	\ \	١ )	١)	١ ١	١ ١	١,	\	\	\
_	_	_	_	_			_	_	_							_	_	_	_	_	_	_	_	_		_		_	_	_	_	_	_	_	_	_	_	_							_	_	_	_	_	_	_	_		_

Let me get to the point.

Let's ignore the fact that you can do all sorts of fancy sh\\*t with options. All you need to know is that the options are \*derived\* from the underlying asset. In other words, the number of shares that are embedded within the total call options for a given stock should be less than the total number of shares available to trade in that company. This seems like common sense because you shouldn't be able to exercise more options than you have shares.

However, we know Wall St. does it because most of the time those options are never exercised. They just pocket the premiums and laugh all the way to the bank.

That being said, there were over 200m shares dedicated within these options back in January 2021. So when the stonk started going to the Oort Cloud, there was considerable reason to freak out. The safest thing to do when you sell a call option is to actually own the share ahead of time. That way if the buyer of that call option decide to exercise the option, you don't get caught with your pants down... but what are the odds of that actually happening?

Last week, a \$150 call wasn't even a reasonable choice... You'd have to pump the stock price 50% in a week to even consider those being close to ITM. So if I was selling \$150 calls on a stock with a "negative outlook" and approaching earnings season, which is even more likely to report another loss, I wouldn't be worried about covering those calls...

https://preview.redd.it/yr4bwwzo98p81.jpg?width=250&format;=pjpg&auto;=webp&s;=95803d078ce20283c7ca11b58dcfd4fd2577aa77

Check this sh\\*t out.. These are just the \$150 calls that expire on 3/25...

https://preview.redd.it/m6bzffsk78p81.png?width=1212&format;=png&auto;=webp&s;=c04c85eb04edfad8 795d90fa6c26a3bf220aac5c

Expiring 4/1....

https://preview.redd.it/6nbrazdo78p81.png?width=1211&format;=png&auto;=webp&s;=ce1885255a3c84d 97fda5a013e0053e28dc88283

Expiring 4/8.....

https://preview.redd.it/nuyl74lq78p81.png?width=1222&format;=png&auto;=webp&s;=4527229a355e840ce332644b22f2351a1f017277

Expiring 4/14.....

https://preview.redd.it/83os8oet78p81.png?width=1227&format;=png&auto;=webp&s;=709211e7f5bc3341bb89cca7f4b2c063de2c070a

Expiring 6/17.....

https://preview.redd.it/ht03d1nv78p81.png?width=1199&format;=png&auto;=webp&s;=7933c0d3d60d083641ea65f1fcbe52b41ae856f2

I'll do the maff for you so you don't blow a gasket...

\*\*that's 15,008 call options with a \$150 strike price....\*\*

.....\*\*1,500,800 shares\*\* that are dry-humping ITM status.....

.....\*\*TODAY.....\*\*

Not next week... not next month... \*\*TODAY\*\*....

Again... I don't know how many of these are covered, but the chances of someone waking up today and having to worry about it were pretty f\\*cking slim if you ask me...

So....

Option chain looks juicy, borrow rate going up, share availability low....

What happens if we crack \$150? well.. in addition to the previous landslide of shares that are now ITM between \$100 and \$140, we have over 15,008 more options (1.5m shares) which are more likely to be called sooner than previously expected..

If I were a SHF and suddenly faced with this harsh reality, I'd be trying to short the absolute f\\*ck out of it right about now. The only problem is the availability of shares to borrow is super f\\*cking low and even if you can FIND them, you have to pay nearly 10% in interest... Not to mention \*\*RETAIL OWNS THE FLOAT THIS TIME AND 25% IS DIRECTLY REGISTERED WITH THE COMPANY\*\*

Just compare that to the 1-2% borrow fee you've been paying for the past 10 months and things are starting to look pretty sh\\*tty if you're a SHF. There were literally 0 shares available to borrow yesterday, at least according to the websites we have. At one point I believe there were less than 5k... which is absolutely dry as a desert.

Now...

So here's the price action today broken down by 15 minute candles.

https://preview.redd.it/78yexmbnf8p81.jpg?width=1281&format;=pjpg&auto;=webp&s;=a7e389cb75d555c332b872f65d84ac4e46165c63

Pressure to suppress the price below..... what's that?? ....\*\*\$150 you say?\*\*.... Any time the price started to get close, it's met with immense downward pressure, as evidenced by the red pivot-points...

I'm not one to think that coincidences like this are simply coincidence...

I believe the threat of a gamma squeeze is becoming VERY real and they've got until Friday to release some of that pressure.. I believe shorts are being very strategic in where and when they load the extra supply to suppress us from reaching specific price targets. As a short seller, your objective is to sell stock when you think you've reached a high, not when it's building up to that peak. If there's nothing malicious going on, why not let it run?

I believe the act of RC buying another 100k through the lit exchange, on the ABSOLUTE BEST DAY to do it, dealt a HUGE blow to the SHF narrative. There couldn't have been a better time to reignite retail investor sentiment.

But hey... what do I know....

DIAMOND.F\\*CKING.HANDS

\#GMEtotheMOON