Title: Interesting read!
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EDIT: managed to find the text! Here it is, hate it or not, it lives again!

EDIT2: This relates to GME because a market crash will likely trigger the MOASS. And the option chain on HYG represents billions of dollars US betting on said crash. In addition to the 3.8 million put options between now and the end of the year, another 2 million put options expired on 7/16, which I'm guessing contributed to the market seizure on 7/19 when there was a huge run on collateral, because the HYG puts that had been acting as such were now gone. The next big 1 million+ wave of options expires on 8/20. Which is one of the many reasons I have 8/23 pegged as a possible crash/MOASS date.

So as I've noted in some of my earlier posts on the wave of warning signs in the market, there's some weird stuff going on with the options chain for the HYG ETF. HYG is an ETF of Junk Bonds - bonds rated BB or lower. But until I really dug into it I didn't realize just how weird this activity is.

Between 7/23/2021 and 1/21/2022, there are 3,790,802 puts in open interest on HYG. To really put how big this number is in perspective, this is more than the total volume of Puts AND Calls open interest on SPY - the single most option traded ETF in the market.

What makes this even more odd is that HYG doesn't really move. It's so stable it makes AT&T; look volatile. During the COVID crash it dropped all the way from $88.40 to a low of $69.90. Today it closed at... $87.78.

In addition to the current 3.8 million put options open on HYG, another 2 million just expired in the last few weeks. Again, there is NOTHING like this anywhere else on the market on anything. Inverse ETF's, both leveraged and unleveraged have at most a couple hundred thousand options open over the next couple of months. So, again, what is are these MILLIONS of put options, which cost BILLIONS of dollars to open, doing on an index that doesn't move?

Now, you could argue these are puts against the end of the Fed's Junk Bond buying program, except that's largely ended now, and yet more put options are still being opened. So here's what I think is happening, and I've narrowed it down to two options.

1. Fuckery is afoot, and this is tied to some kind of bullshit undisclosed swaps in an epic pile of risked out dipshittery that's impressive even for Wall Street.
2. It's a hedge against an expected market crash caused by inflation and rates going up way way sooner than anyone expects.

If it's number 1, well, we won't know about the details until someone gets a little to close to the edge on a coke binge and decides to do a tell-all come to Jesus and repent their sins bit. So lets talk about number 2, 'cause that's way more interesting.

HYG is made up of junk debt. It pays a high yield because it's shit, and it's likely to go bust. So anyone chasing bond yields, this is the place to go. And for awhile now, it's been way, way safer than it actually should be because rates are so low that even the idiots who ran their companies into the ground to the point where they're issuing junk rated debt can still borrow enough to keep the lights on and pay themselves more bonuses. This type of bond market is further secured by the Fed deciding to buy it up like a priest on an altar boy shopping spree in an orphanage.

And lets be clear, because there has been so, so, so much bad, cheap debt floating around for so long, there are a TON of really bad companies that should have gone bust YEARS ago just stumbling along as zombies financed and kept afloat much more by cheap and easy credit and inertia than anything else.

Well, inflation is starting to be felt, and no matter what JPow says, it's not fucking transitory. We just had a year that exposed just how much of America is actually complete bullshit, and folks are really goddamn unhappy about going back to the status quo of things sucking way more than they need to.So, there's a labor shortage now, and people are getting raises. That increases costs, and prices are going up to offset that. Wage increases are sticky as fuck, and so are price increases. I know I'm not taking less at work tomorrow, and I'm guessing most of you degenerates aren't either. And your boss damn sure isn't going to cut prices after he raised them if his costs drop. In economic terms, we call these types of increases "Sticky" because once they happen, they tend to stick around.

They're running out of ways to game the inflation rate as is, housing, school, and medical costs are already out, I expect cars to get the boot next, but after that they're just looking at food and water. So far this year, every month has had a higher inflation number than the one before. August will probably be over 6%, and remember that's just the official number, the prices everyone is seeing out in the wild have gone up even more than that.

So, if interest rates get even a small nudge upwards, all of a sudden, all that junk debt starts to get a lot harder to roll over, and starts costing a lot more to a bunch of companies that can't afford to pay it. When that happens, all of a sudden all that junk debt becomes worthless and HYG crashes hard into the ground.

And again, you really need to look at the incredibly large scale of the put volume on HYG. This isn't one or even a dozen funds buying up millions of options. It's the entire goddamn street.

I still like next month (August) for things to finally fall apart for a lot of reasons. It looks like they're really going to let the eviction moratorium end next Saturday, and there are a lot of landlords with the papers lined up and ready to go. That won't be something that can be fixed once folks are out of the houses and apartments. (I'm assuming the annual debt ceiling dance gets a good solid can-kicking so everyone can get the fuck out of DC, but both parties are so senile, corrupt, and incompetent that I suppose anything is possible) Congress and basically all of DC goes on vacation in August, which means any kind of crisis gets to run a fair bit longer before they can even think about doing anything about it. Volume has basically disappeared on the meme stocks, they're coiled up and waiting for a catalyst to explode like a lifted leaf spring through the bed of an old pickup.

Finally, we have what happened this Monday as an example of just how quickly the market can run out of collateral. That's what Monday was about, a liquidity fueled run on collateral. It's why the 10-year T-bill rate went so low and has continued to drop. It's why gold continues to be so fucky. No one knows just how much bad debt is out there, but people know it's a fucking lot, and puts on HYG appear to be the way the entire Street is hedging against both it, and a rise in rates from inflation. Again, 3.8 million puts. One fund might have a couple thousand. Millions? - That's friggin everybody.

Finally, market crashes - even when they're screaming obvious that one is coming - always take longer to materialize than anyone expects, for the simple reason that they're horrifying and involve untold amounts of pain and suffering. Literally nobody except the bears betting on it actually wants to see one happen, so there's way more incentive to keep the party going even when it's clearly over and sad and you can see the sun coming up, because realizing you have to get up and go to work in 2 hours is just an awful thing to contemplate.

TL;DR: The entire street is spending billions of dollars betting the junk bond market dies and lots of companies go boom boom in the bad way.

Positions: Hell, I don't know, go along with the crowd and buy some puts on HYG I guess, or go ask your wife's boyfriend or the guy in the helmet that sits next to you on the shortbus.

Personally I'm long meme stocks and inverse ETFs. Burry, Buffett, and Goldman have all pulled back significantly from the market in the last quarter, or are betting on it to drop in various ways. I think it happens in August (I like the 23rd personally - the chances I'm actually calling it perfectly are infinitesimal), but like I noted before, it might happen later. Or tomorrow. Make up your own minds. But when it hits, its going to be more '29 than '08 or '00.

Finally, if you're going to invest like a bear in a cave waiting for a market crash, you need to understand how that works. You hold a lot of cash and take your positions, then you sit there and wait, slowly losing money every day and holding while everyone tells you you're an idiot until you get real rich real fast all at once.

Good luck out there.

EDIT: Yeah, I was sleepy when I posted this, sorry about the double copied line towards the end there, I meant to move it around in the text and forgot to delete the original. Thanks for pointing that out in the comments.

The source for this data is I opened up and read the options chain and went through everything individually for a couple months, then checked it again on another broker to be sure. That's why I know for sure there are more PUT options on HYG over the next few months than there are options total on SPY over the same time period. Because I FUCKING COUNTED THEM.