Title: Here’s what happened with the gamma spike and the $70 options stile opening up. Not a big surprise. All part of the rules.
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TLDR: more weekly players make a bigger spike on friday power hour. That’s literally why it’s called power hour. And of course there are going to be more weekly players the week of an earnings announcement.

Here’s what actually happened last Friday with the gamma spike and all the shorting.

So there’s another post that showed a massive gamma spike in options on GME on Friday. It happened after 3pm. There is no big mystery to what happened, but people will be confused and may spread that confusion forward so I am here to offer you an alternate theory to “big move should happen any day now” conclusion that some seem to be reaching.

If you look at the chart or remember the pain from last week, we were shorted the entire week. I mean it looks like red stairs to hell.

That is a very controlled short sale going the way it’s intended. And what do you do if you shorted the stock on Monday, and you don’t want to hold your short over the weekend? You take profits when you’re done shorting the stock.

3-4pm Friday is where weekly and daily traders take profit. You can do your own research on this. It’s a definite startegy. I am not saying this is absolutely without doubt what happened, but it is the most likely answer. The people who shorted GME all week long took their profits and went home for the weekend.

Why not hold over the weekend? Because you don’t know what news that could be released that could significantly change the value of your position. Say an announcement of an NFT dividend we’re imminent. Would you want to risk negative motion on Monday before you can react? You take profits and start again next week.

There is no big mystery there with the 3pm price movement on Friday. Weekly and daily traders took profit.

So now to the gamma spike. Gamma is the velocity of the option price motion. That means that the big spike had a rapid change (rise because positive) in options price from 3-4pm on friday.

If you buy ITM puts on Monday, you create a short position. If you want to take profits, you need to sell ITM puts, or buy calls to offset (possibly but not required to hedge). Both of those moves are long positions. To take profits between 3-4pm on Friday, there had to be a lot of long positions being bought at once. This created the gamma spike.

No big mystery. It was just people taking profits for the week.

Also the strikes were open at $70 by the CBOE due to rule 4.5(4) of the cboe rule book. Once again. No big mystery. All part of the rules.

“(B) if the price of the underlying security is greater than $20, additional strike prices shall be not more than 50% above or below the price of the underlying security. The Exchange may also open additional strike prices of Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security and all existing series have open interest, the Exchange may list additional series, in excess of the thirty series per class limit set forth in Rule 4.5(d)(1), that are between 10% and 30% above or below the price “