Title: THE POPCORN / BUFFETT HEDGE: A Weapon of Financial Mass Destruction
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Some of you may have seen [my recent post about VW](https://old.reddit.com/r/Superstonk/comments/ufnf7y/the_bigger_short_vw_squeeze_had_more_to_do_with/) over the weekend, or [my older post about the "BRK Indicator"](https://old.reddit.com/r/Superstonk/comments/rw79so/berkshire_hathaway_is_an_indicator_of_gme_spikes/). This post will expound on these as GME relates to Berkshire Hathaway.

##**BACKGROUND INFORMATION**

I imagine most apes here have at least heard of Warren Buffett, value investor extraordinaire, and one of the richest men in the world. He was a disciple of famed value investor Benjamin Graham, whose teachings have influenced all the value investors since, including our very own DFV. Warren Buffett is the head of a company called Berkshire Hathaway (BRK). BRK is an interesting company: it basically just owns other companies. They own huge chunks of Apple, Coke, and Geico, to name a few.

Warren Buffett's image is carefully crafted to be that of a kindly old grandpa. He still lives in the same small house he purchased a billion years ago in Omaha, Nebraska. He buys breakfast at McDonald's and counts the change out like a normal person (he could buy all of McDonald's if he really wanted to). He only invests in good companies he truly believes in and holds them for eternity. Warren Buffett is the OG Diamond Hands. However, I submit, based on the evidence I'm about to show, that Mr. Buffett more closely resembles Montgomery Burns than an elderly Captain America.

Here's some of what Warren Buffett has had to say about short selling over the years:

> It's a whole lot easier to make money on the long side. You can't make big money shorting because the risk of big losses means you can't make big bets. It's ruined a lot of people. You can go broke doing it.

Nice, so he doesn't like shorts. Ok cool. What else has he said about shorts?

>I would welcome people wanting to short Berkshire. In fact, I'd lend them stock and earn extra income. They're a certain future buyer. If anyone wants to naked-short Berkshire, they can do it until the cows come home. In fact, we'll hold a special meeting for them."

Moreover, Buffett has used this share-lending strategy with some of his other companies. The Berkshire CEO related a story in which a large brokerage company approached Buffett wanting to borrow USG (USG) stock to sell short.

>"We charged them a lot," Buffett said. "We even forced them to hold it for a certain period of time so we could continue to earn money on the borrow."

Buffett has said a lot about shorts over the years, but this is sufficient for our discussion here.

##**A Brief Primer on Currency Pairs**

A currency pair is basically one currency traded against another, for example, EUR/USD = 1.25 means one Euro is worth 1.25 USD. The thing is, you can do these sort of pairings with any two stocks. For example, here's a period of time in 2019-2020 where we have GME (Yellow) and POPCORN (Blue). GME/POPCORN is shown in green. You can best conceptualize this trade as **LONG** GME and **SHORT** POPCORN. It's like a hedge, make sense?

https://www.tradingview.com/x/yWCHab2V/

These pairings can be of interest to traders because they can show when one stock might start to breakaway from others it usually moves with. Maybe you want to compare CPU STOCK #2 to the Nasdaq index, for example.

https://www.tradingview.com/x/4AMVe4Q0/

In this example, you can see that in the past few days, CPU STOCK #2 has started to trend upward against the index, meaning it might be a good time to jump in. Sure enough, the stock is rising compared to its peers.

So, what does this have to do with GME?

##**POPCORN IS GME'S LEASH**

Remember that chart of GME vs Popcorn from 2019-2020? Looked like a normal, kinda squigly chart. Well, take a look at what has happened to the pairing in 2021-2022:

https://www.tradingview.com/x/XWceMNCy/

Do you guys see this? Starting in June, Popcorn and GME suddenly became *very* closely linked. Since then, the two stocks have always traded within a certain range of each other. A good friend of mine observed that POPCORN often acts like a "leash" on GME, and this is exactly what is shown in this pairing. Neither stock can escape the confines of the lane they're trading together in. What we are seeing here is very likely the result of a **SWAP** where Kenny (or Susquehanna, or whoever) took their GME short position and swapped it with an POPCORN long position to hedge the short position. They don't have to report this long position because swaps don't have to be reported. Then they pay to promote POPCORN on social media and here we are.

But wait, there's more.

##**BUFFET ENTERS THE CHAT**

Wrinkles have known about the GME/POPCORN chart pair thing for a while. We've looked at it and seen how they're leashed together into a certain range since June, etc. Well, last weekend, I was working on my VW post and musing about how BRK might be related and I had a Eureka moment:

WHAT IF THEY SWAPPED THE GME/POPCORN SWAP WITH BERKSHIRE HATHAWAY?!?

Apes and Apettes, allow me to present...Kenny's Master Swap Hedge:

##**GME / POPCORN / BRK.A

https://www.tradingview.com/x/2bkGZnhY/

Look at how flat that hedge is everyone. MARVEL at it. It's truly amazing, if it wasn't so fucking evil. So, this is what Kenny has done, shown here, on the chart, for all to see:

- Swap 1: SHORT GME / LONG POPCORN

- Swap 2: LONG SWAP 1 / SHORT BRK

That's it. GME/POPCORN/BRK.A (or BRK.B...the chart looks the same with either ticker).

Now, recall that Warren Buffett quote from the start of this post:

> >I would welcome people wanting to short Berkshire. In fact, I'd lend them stock and earn extra income. They're a certain future buyer...

Warren "Fucking" Buffett has bailed out Kenny. Or at the very least, been partner to Kenny's swap. Buying and supporting POPCORN does nothing but hurt GME and help Kenny hedge. Run away apes.

##**BUFFETT LETTERS**

Each year, Warren Buffet writes a letter to Berkshire Hathaway investors. In particular, I'd recommend apes read the letters from 2002, 2008, and the past couple of years. These are the letters that focus most on *derivatives*, of which swaps are one common type. **I highly recommend everyone here read each of these letters and Control+F for the section(s) on "derivatives".

[2002 Letter](https://berkshirehathaway.com/letters/2002pdf.pdf)

[2008 Letter](https://berkshirehathaway.com/letters/2008ltr.pdf)

SELECTED QUOTES FROM THE 2002 LETTER

>Charlie [Munger, Buffett's long-time partner at BRK] and I are of one mind in how we feel about derivatives and the trading activities that go with them: We view them as time bombs, both for the parties that deal in them and the economic system. Essentially, these instruments call for money to change hands at some future date, with the amount to be determined by one or more reference items, such as interest rates, stock prices or currency values.

>The range of derivatives contracts is limited only by the imagination of man (or sometimes, so it seems, madmen). Say you want to write a contract speculating on the number of twins to be born in Nebraska in 2020. No problem – at a price, you will easily find an obliging counterparty.

>But the parties to derivatives also have enormous incentives to cheat in accounting for them. Those who trade derivatives are usually paid (in whole or part) on “earnings” calculated by mark-to-market accounting. But often there is no real market (think about our contract involving twins) and “mark-to-model” is utilized. This substitution can bring on large-scale mischief. As a general rule, contracts involving multiple reference items and distant settlement dates increase the opportunities for counterparties to use fanciful assumptions.

>Large amounts of risk, particularly credit risk, have become concentrated in the hands of relatively few derivatives dealers, who in addition trade extensively with one other. The troubles of one could quickly infect the others. Linkage, when it suddenly surfaces, can trigger serious systemic
problems.

>Indeed, in 1998, the leveraged and derivatives-heavy activities of a single hedge fund, Long-Term Capital Management, caused the Federal Reserve anxieties so severe that it hastily orchestrated a rescue effort. In later Congressional testimony, Fed officials acknowledged that, had they not intervened, the outstanding trades of LTCM – a firm unknown to the general public and employing only a few hundred people – could well have posed a serious threat to the stability of American markets. In other words, the Fed
acted because its leaders were fearful of what might have happened to other financial institutions had the LTCM domino toppled. And this affair, though it paralyzed many parts of the fixed-income market for weeks, was far from a worst-case scenario.

>One of the derivatives instruments that LTCM used was total-return swaps, contracts that facilitate 100% leverage in various markets, including stocks. For example, Party A to a contract, usually a bank, puts up all of the money for the purchase of a stock while Party B, without putting up any capital, agrees that at a future date it will receive any gain or pay any loss that the bank realizes. Total-return swaps of this type make a joke of margin requirements. Beyond that, other types of derivatives severely curtail the ability of regulators to curb leverage and generally get their arms around the risk profiles of banks, insurers and other financial institutions. Similarly, even experienced investors and analysts encounter major problems in analyzing the financial condition of firms that are heavily involved with derivatives contracts. When Charlie and I finish reading the long footnotes detailing the derivatives activities of major banks, the only thing we understand is that we don’t understand how much risk the institution is
running.

>The derivatives genie is now well out of the bottle, and these instruments will almost certainly multiply in variety and number until some event makes their toxicity clear. Knowledge of how dangerous they are has already permeated the electricity and gas businesses, in which the eruption of major troubles caused the use of derivatives to diminish dramatically. Elsewhere, however, the derivatives business continues to expand unchecked. Central banks and governments have so far found no effective way to control, or even monitor, the risks posed by these contracts.

>**Derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal.**

Damn Buffett. "Financial weapons of mass destruction." Guess he doesn't ever use the things then eh?

Buffet's 2008 Letter to Investors

>Improved “transparency” – a favorite remedy of politicians, commentators and financial regulators for averting future train wrecks – won’t cure the problems that derivatives pose. I know of no reporting mechanism that would come close to describing and measuring the risks in a huge and complex portfolio of derivatives. Auditors can’t audit these contracts, and regulators can’t regulate them. When I read the pages of “disclosure” in 10-Ks of companies that are entangled with these instruments, all I end up knowing is that I don’t know what is going on in their portfolios (and then I reach for some aspirin).

>Derivatives contracts, in contrast, often go unsettled for years, or even decades, with counterparties building up huge claims against each other. A frightening web of mutual dependence develops among huge financial institutions. Participants seeking to dodge troubles face the same problem as someone seeking to avoid venereal disease: It’s not just whom you sleep with, but also whom they are sleeping with. Sleeping around, to continue our metaphor, can actually be useful for large derivatives dealers because it assures them government aid if trouble hits.

##**WARREN BUFFETT TOLD THE GOVERNMENT TO BAIL OUT WALL STREET**

So, I wasn't aware of this, but keep in mind that while BRK was mirroring VW's stock in 2007-2008 (prior to the VW squeeze, see my last post), Buffett was making [THIS LATE NIGHT PHONE CALL to the Secretary of the Treasury](https://www.cnbc.com/2018/12/11/how-warren-buffett-helped-save-the-economy-during-the-financial-crisis.html).

Wait. What? You're telling me that Warren Buffett, called the Sec Treasury late at night while he was asleep, and put the bug in his ear to give the bail out to WALL STREET instead of bailing out the actual underwater homes (i.e. Americans). Do you apes see how manipulative this is? He didn't have to call him late at night. He *knew* that calling him late at night would mean he's more confused and suggestible, easier to manipulate. And he talked him into doing the exact thing that Wall Street needed: A huge bailout of their insanely underwater derivative positions.

Warren Buffett just became Montgomery Burns.

##**FAST FORWARD TO TODAY**

Berkshire Hathaway just released their earnings report. Guess what it shows? A *huge* loss on their derivative positions. Now, as Buffett said, we have zero way of knowing from looking at their books what these positions are, but based on the chart data above, I think we can reasonably conclude that at least one of those positions involves a swap with GME, POPCORN, and BRK. One glaring ommission from his letter this year? No mention of derivatives or the loss in his annual letter. In previous letters he states clearly that he personally takes full responsibility for BRK's derivative positions, and when there are losses there, he usually talks about them. This year, he did not. Curious.

Anyways, this swap linkage explains many things. It explains why BRK.A volume has increased so dramatically since the Sneeze. It explains why it had the same volume jump with VW in 2008. It explains why BRK is mirroring GME and why POPCORN was pushed so hard on social media and why POPCORN often follows or lags GME movements in weird ways, almost acting as a "leash" on GME. I think it also explains BRK's share buy backs and is in line with Buffett's past comments about welcoming people to short BRK.

##**TLDR**

KENNY made a SWAP that was SHORT GME and LONG POPCORN, then combined this with a SECOND SWAP that is likely SHORT BRK. This gives the equation: GME/POPCORN/BRK and if you graph this using Tradingview, you get a chart that looks almost totally flat since June...a near-perfect hedge.