Title: There were two main FUD topics since January: DRS and Options. Guess what? Both of them SCREW the SHFs and Citadel. It's time to stop the FUD around options. They can push MOASS and give retail MORE cash for MORE shares this upcoming cycle due to leverage.
Author: disoriented_llama
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Linked Post Content:
0. Preface

I'm not a financial advisor and I do not provide financial advise. I am snake. And, I am retard who is wrong all them time so why are you even reading this?

Edit: Please read this thread instead for clarification:

https://www.reddit.com/r/Superstonk/comments/qvtmxm/clearing_up_some_things_about_options_and_how_it

Edit: ■■ It is universally agreed that OTM calls will directly fund the SHFs and MMs, so they should be avoided like the plague.

It should also be noted that weekly and short-term options are extremely risky as well. These can also be feeding the SHFs and MMs due to theta decay or from a quick flash crash in the price which will drop even ITM/ATM options to become OTM. Go read (or listen to) actual options DD by other users such as /u/gherkinit before making any decisions.

[YOLO on $950Cs 0DTE. Just kidding please don't](https://preview.redd.it/8ck0jlju4wz71.png?width=868&format;=png&auto;=webp&s;=f4c248c56bf7da04a9ce2eaceef41d9dd14a5ae7)

1. Options

~~Apes. We need to start talking options. The SHFs are **scared** of them. Or more particularly, Citadel is scared of them.~~

~~Every person I talked to who actually understands options knows that it is (pretty much) the only way to induce volatility in stocks, and they all agree that it can be additional pressure on the SHFs + MMs. Why is it spooky to them? A little friend called **leverage**.~~

~~Ask yourself this: What two main topics have been suppressed ever since January? Direct registration and options. Both with pretty weak ass counter-arguments. It took apes until September to break through and see the DRS way. Now it's about time to break through and see the options way. For some of us at least.~~ **Options are not for everyone.** But, there's some intro posts for you if you're still curious such as /u/DigitInoize's introduction [post](https://www.reddit.com/r/Superstonk/comments/qunfd5/apes_guide_to_options_part_1/).

~~Think about it. What is the typical message that gets echoed back when anyone talks options? They say, "you're just funding Kenny and his friends!". **There's nothing else.** No discussion on the actual effects that options have on the market, and no discussion and delta hedging. Give that narrative enough time to push around Reddit, and everyone starts echoing it back and forth that options are pure taboo.~~

Just. **Like**. **DRS**.

~~The topic of DRS was taboo for almost 8 months and now the front page is filled with DRS posts. That shit obviously effects the shorters supply of available shares to borrow, which is awesome. Guh for them. The most oppressed topics are the ones that should have more attention: DRS and options. Don't just brush them off because other people tell you "it's bad".~~

~~What's funny though is that every week we used to have posts saying, "Hell yeah! That's 10,000 options ITM that will have to be settled T+2!", and we still have those posts/comments occasionally. It's curious how options are seen as the devil yet it is celebrated so heavily that options go ITM, right?~~

~~The thing is, we know that broker-dealers are probably internalizing orders when we purchase shares through brokers. Or in other words of "internalization" they are performing a [Contract For Difference](https://www.investopedia.com/terms/c/contractfordifferences.asp) (CFD). In which through this "internalization" is when the broker-dealer doesn't actually buy your shares but effectively goes net short to sell a share to you. They hope that you eventually sell at a lower price and they pocket the difference. Easy-peasy money for them. The [SEC report](https://www.sec.gov/files/staff-report-equity-options-market-struction-conditions-early-2021.pdf) even showed that **Citadel internalized $2.2 billion** of GME on January 29th **ALONE**.~~

~~**So, we can pretty much assume that almost all retail buys, unless IEX routed or something similar, have no effect on the price.**~~

~~That all being said... what **DOES** have effect on the price of GME?~~

~~DRS does, of course. Either that or direct purchasing through ComputerShare. Both of these methods **actually** buy shares on the lit market because DRS either forces them to buy the shares that were internalized, or direct purchasing avoids internalization all together. The problem is that those methods are both bundled in market order "chunks" by ComputerShare and not instantaneous. It takes a few days for the orders to go through.~~

~~On top of this, **these purchases don't have leverage.** Where leverage is an insane opportunity at retail's fingertips to induce buy (or sell) pressure in the market.~~

~~What else has an effect on the price? ITM and ATM options. Since these are **contracts**, the option writer **MUST hedge** against those CALL options that are purchased because it is a contract between between the option writer and the option buyer to transfer the shares when exercised. The benefit here versus buying shares? **Leverage**!~~

~~When you buy to open an ITM/ATM call and you purchased it from Kenny, he has to hedge against the CALL option by buying up to 100x shares per contract depending on delta The best part? Due to leverage, he has to hedge up to 100x shares for way less than what it would cost to buy the 100x shares outright.~~

Edit: Thank you /u/flintzke for the clarification below:

> the previous example of the Nov 19 200c is technically a little off. According to Fidelity that option's delta is 0.716 which means the counterparty would likely be currently hedged at closer to 72 shares, not 100.

> So the concept is correct, but I would be fearful that people buying even ATM options expect 100 shares worth of leverage when its much closer to 50 shares due to ATM options typically having a 0.5 delta.

> I didnt clarify this but the hedging is "dynamic" which means as the underlying moves relative to the strike, the delta moves which causes the hedge to move as well. So like others said below, if we start to move a lot of options ITM as price increases, the hedging increases which means buying more shares which puts more upward pressure. It's a beautiful feedback loop to Valhalla. - /u/flintzke

~~So, while they could internalize some options, there's no way that they can internalize a swarm of options. Take the November 19th $200 CALL for example. That contract is currently ITM and means that the buyer can exercise to purchase **100 shares** at a price of $200. The current premium cost is **$1,193**. Meanwhile it would cost **$20,914** to purchase 100 shares outright at current market close price.~~

Note: This in no way means to look at short term expiration options. This is just a reference contract. In fact, it is wise to stay away from options that expire short term due to theta decay. Or, the fact that the price could flash crash like on March 10th and send those calls from ITM/ATM to become OTM.

~~This is the power of **leverage.** And if you're still confused, ya boi /u/gherkinit discusses [this more](https://www.reddit.com/r/Superstonk/comments/qra8h0/awesome_stream_with_gherkinit_and_houston_wade/?utm_source=share&utm;_medium=ios_app&utm;_name=iossmf) in his posts and channel. He describes how "retail is the biggest hedge fund in the world" by the power of leverage through options. Go watch daddy pickle if you haven't as he is way more eloquent with explaining these things than I am.~~

~~The next expected quarterly rollover is [around November 23rd](https://www.reddit.com/r/Superstonk/comments/quj97o/gme_evidence_of_predictable_cycles_gme_explained/) per /u/Leenixus. In theory they are hedging Variance Swaps via options, which allows Citadel to profiteer off of retail while this drags on by pinning volatility. The problem is that they are losing this lower bound of their hedge during these quarterly "cycles" which forces them to buy CALLs to induce trading of the stock. Is this guaranteed to happen? No. Always consider that once again the price theories can be wrong.~~

After reading /u/zinko83's and /u/MauerAstronaut's DD's [regarding Variance Swaps](https://www.reddit.com/r/Superstonk/comments/qmtt6q/volatility_variance_dispersion_oh_my/), it has convinced me that the Variance Swaps are most likely what they are using in this game. Read the DD I linked in the previous sentence. Seriously. It feels like it is the closest to cracking the truth behind what is going on with the strange options plays in the market, and it makes sense as to **why they would be pushing the "don't buy options" narrative**. It makes sense as to why Shitadel would have taken on Melvin's bags, because they got cocky thinking they could profit off of Variance Swaps until retail got bored.

When you read /u/zinko83's post and /u/MauerAstronaut's supporting DD, God damn, **the data lines up perfectly** with the textbook description of how to hedge Variance Swaps with Deep OTM PUTs + CALLs.

2. Closing

But this **DOES NOT** mean go off and buy whatever the hell option you want or to buy them at all. I'm just saying that we need to discuss this more and get good information spread on **how** to use options.

For the love of God please do not buy OTM CALL options. Those have basically 0 delta and therefore don't force Kenny to delta hedge. ITM/ATM CALLs are the sweet spot:

Go check out /u/Digitlnoize**'s** [**post**](https://www.reddit.com/r/Superstonk/comments/qunfd5/apes_guide_to_options_part_1/) **to start. It has upsettingly been buried today as an intro to options and how to use them. Probably because those fucks are suppressing the information again.**

3. Easy Access Links and Other Links

[SEC Report of GME](https://www.sec.gov/files/staff-report-equity-options-market-struction-conditions-early-2021.pdf)

/u/Digitlnoize's intro to options: [Link](https://www.reddit.com/r/Superstonk/comments/qunfd5/apes_guide_to_options_part_1/)

/u/zinko83's DD on Variance Swaps: [Link](https://www.reddit.com/r/Superstonk/comments/qmtt6q/volatility_variance_dispersion_oh_my/)

/u/MauerAstronaut's DD on explanation of OTM PUTs and Variance Swaps: [Link](https://www.reddit.com/r/Superstonk/comments/qoz68k/how_variance_swaps_can_explain_oi_in_far_otm_puts/)

/u/Leenixus's DD on Predictable GME Cycles: [Link](https://www.reddit.com/r/Superstonk/comments/quj97o/gme_evidence_of_predictable_cycles_gme_explained/)

/u/gherkinit's Stream describing leverage: [Link](https://www.reddit.com/r/Superstonk/comments/qra8h0/awesome_stream_with_gherkinit_and_houston_wade/?utm_source=share&utm;_medium=ios_app&utm;_n ame=iossmf)