

Title: We are Being Gamma Slid by Shorts

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Folks,

I'm bringing you a mid-week update as enough is happening that it's worth remarking on it. As usual, you can learn about the variables I use to evaluate the options chain in my [previous posts](https://www.reddit.com/r/FWFBThinkTank/comments/ugfpdb/options_chain_gang_may_1st_2022/).

As I said on Sunday, everything looked shitty. Well it looks even more shitterier now. Long story short, I think the shorts are gamma sliding us right now.

My supporting evidence:

Item 1. Total put delta on the chain is almost higher than it's been since March 2021 during/after the run up, and about as high as it was at the peak of the March 2022 run. It's high. Meanwhile, calls have dropped to relatively low lows historically. Not the bottom but just about. Lots of put delta to hedge to the downside.

[Total Delta Open Interest over time](<https://preview.redd.it/tttmk6mxuxy81.png?width=735&format;=png&auto;=webp&s;=e3fa70c9e2e1222f36e0483d48823bb43500d832>)

Item 2. Total put volume is also really high. They are slamming us with puts right now. The jump in call volume I believe is a mixture of calls being sold off, and some IV bump (on both sides).

[Total Delta Volume over time](<https://preview.redd.it/628ubh65vxy81.png?width=742&format;=png&auto;=webp&s;=4ef319276247fc6cbda7270d77b3569ed7a33b41>)

Item 3. Relative delta strength (RDS) is almost lower than it has ever been since the sneeze. The RDS is a normalized weighted average of all of the delta on the chain. 1 is all call delta. -1 is all put delta. 0 is equal call and put delta. The put delta is crushing us right now.

[RDS over time](<https://preview.redd.it/13lpc5afvxy81.png?width=840&format;=png&auto;=webp&s;=9f39d76787910518f609dcc9e07a3fb1ddc18506>)

Item 4. Delta weighted average price, which is exactly what it says. Call DWAP continues to increase (signaling that the chain is mostly higher strike calls and thus don't help support the stock hedging). Put DWAP continues to sit well above the price, acting as a blanket to suppress the price.

[DWAP over time](<https://preview.redd.it/r9rwpfjovxy81.png?width=840&format;=png&auto;=webp&s;=d8d0b1900b1f3f07cdb0ad0f465d14b9a826f15f>)

Item 5. The Greeks. I solved for the price and volatility of the entire options chain using put-call parity and black-scholes, which allows me to find the price at which gamma and delta are balanced, min, and max. Gamma neutral acts like a gravity sink, always pulling the price of the stock towards it. Gamma max is the

point at which there is no more hedging on the upside, and indicates the maximum that the options chain can run the price upwards. Gamma min, which I'm introducing now, is the point at which there is no more hedging to the downside. As you can see, we are well below gamma neutral. This may be the farthest away we have been from delta neutral in a very long time.

[Greek analysis for GME May 11, 2022](<https://preview.redd.it/co0kxdk0wxy81.png?width=840&format=png&auto=webp&s=1efe6994e76213bd85adaf63ace50633f8befd92>)

So looking at the final graph, it's clear that someone is pushing us far below gamma neutral. They are doing it using high delta puts, many of which were bought today. The relative strength of those puts is some of the strongest we have ever seen it. Based on all of this, we are currently in a gamma slide.

Where is the bottom? Hard to say. Probably not below 50 in the near term. And once they let up on this option position we should bounce back. Stay safe.