Title: A theory for the new SI% - Prime Brokers are beginning to dump their swaps
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Edit:
It appears that the SI is now BaCk To NoRmAl and that the SI yesterday was nothing but a 'glitch'. However, this change still does not invalidate this theory. Credit to u/Top-Plane8149 for this comment:

"If one party fails the SHF and jumps out of the pool, they'll quickly find another one to take on that burden who is too far in to get out. Then it's just a matter of announcing the "glitch" and hoping everyone else plays along with it."

SOOOO…

Suppety sup, you lovable cucks.

As I'm sure many of y'all have seen by now the new short interest report is again above 100%, adding further confirmation bias to the gas tank of our rocket. Since I still haven't seen any theories posted yet as to why, I figured I'd throw mine in and see what y'all think.

Después, vamos..

Up to this point the SHFs and the big tutes have been using a ton of different structured financial derivatives (Total Return and Variance Swaps, Married Puts/Buy Writes followed by reverse conversions) which have little to no reporting regulations to hide the short interest on GME.

To hedge against these absolutely fucked underlying GME short positions hidden inside these swaps the HFS and tutes have been using quarterly equity futures. The problem with this strategy however is that in between the Settlement Dates and the Rollover Dates, whoever is holding the swap is effectively 'unhedged' against these synthetic short positions. The time windows between quarterly settlement and quarterly rollover dates for equity futures in 2021?

1) Feb 23 to Mar 11
2) May 25 to June 10
3) Aug 26 to Sep 9
4) Nov 24 to Dec 9

Go back and check the yearly chart for GME and compare to these time periods.

Last week was the first day of Notice for Q4 quarterlies settlement. The price ran up to $250 and then was shorted to oblivion the day before the First Day of Notice, in what was an obvious bull trap / IV crush on the apes who played weeklies. A week later we have seen no jump in price, but the SI% has now jumped up to 113% on Finviz. They state they collect their SI data from a variety of different broker dealers/market makers/other market participants.

My best theory for this? The prime brokers that are holding these swaps on their books can no longer risk leaving them 'unhedged' between the futures' cash-settlement date and the rollover date. With apes DRSing and hodling long term ATM or near-ITM call-options, GME is effectively so illiquid that any share buy-ins to hedge these swaps until the rollover takes place would send the price into margin call territory. In response, the prime brokers have begun to dump some of them off of their books to clear the credit risk. This has caused the underlying short positions to be transferred back to their counterparties, along with the credit risk for them. With the short positions no longer tucked away into these swaps, the real SI is starting to come out.

This brings up a good question though:

Why TF would the prime brokers be incentivized to do this?

Because they are fucked, and because they are fucked the prime brokers are starting to turn on each other.

Although I'm sure there are some prime brokers who are directly short GME, the vast majority of GME shorts are HFs. To which - HFs generally employ the services of multiple different prime brokers depending on the products they are looking for, their trading strategy, etc.

For example here is Point72's Form ADV, which lists the prime brokers they use for each of their funds.

https://reports.adviserinfo.sec.gov/reports/ADV/283077/PDF/283077.pdf

Every single Point72 fund has at least 2-4 prime brokers. And if you were to check Citadel's FINRA report, Form ADV, and X-17A-5 for their prime brokers you'd see something similar.

Each prime broker offers different services for their clients, including securities settlement services and structured financial products. What's important however is WHICH services these prime brokers offer to WHICH clients, especially those clients who happen to be short GME.

If a prime broker has entered into a large swaps contract with a HF client for a short GME position, especially for a HF client who they don't provide securities settlement services to, it makes absolute sense for them to back out of the contract if they can't hedge the credit risk from it on their end. Because then the credit risk for the short position is transferred back to the HF counterparty, along with whichever prime broker offers securities settlement services for that GME SHF. And if that HF defaults on the underlying short position, the liability to close out the position then goes to the prime broker that offers securities settlement, not the swaps prime broker. And no one wants to be caught in the open on this right now. It would make CS's unwinding of the Total Return Swaps they held with Archegos look like a telenovela.

As for why a prime broker would even enter into a synthetic short GME swaps contract with a HF to begin with? Maybe they thought that when they crimed the price down back in Jan apes would sell and they'd profit. Maybe they thought that if they hid the true SI in these swaps apes would believe them and they'd profit. And maybe they thought that if they bored apes by sideways trading for a year they'd profit. But they didn't, and now they are realizing how fucked they are. And they're backing out to try and save themselves.

At least this is my theory.

Buy, HOLD or HODL, DRS.

None of this is financial advice