Title: The State of GME
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I wanted to be able to point to something to be able to explain my viewpoints on the current situation surrounding GameStop. It has become increasingly difficult to answer all of the questions involving this as the scope of the stream broadens and the situation becomes more complex.

Between macroeconomic shifts drying up liquidity across the market, RC Ventures sudden buy into BBBY, and GME's long-term cycles breaking down. There is no arguing that there is more going on with our favorite stock right now than there has been since June of last year.

It's been a rough few months for a lot of apes, whether you play options or not we have all watched the value of our investment grind slowly down with minimal recovery.

With the failure of the OPEX cycles we find ourselves in new territory without a lot of historical data to look towards. This can be a trying time in any investment, because the future of the investment looks uncertain. For some faith may be enough but many would rather have facts data and answers.

So, In an effort to ease uncertainty I want to highlight some of the positives that have come from the last few months. I believe that informed investors are confident investors and are thus less susceptible to the influence of others emotions. Especially those expected with the shift in sentiment in the market over the last couple months and a common by-product of the change in participant psychology (fear v. greed) and herd instinct.

[This indicator from CNN, whether you like the agency or not, is generally a fair evaluation of current sentiment. By calculating change in momentum, strength, and breadth of equities and factoring in options, junk bonds, volatility, and treasuries demand it attempts to produce a indicator of the \\"herd's psychology\\"](https://preview.redd.it/y3gnrpcbt0n81.png?width=640&format;=png&auto;=webp&s;=454f94177b77320810c27a646414c163d6457b9b)

>“Unless you can watch your stock holding decline by 50% without becoming panic-stricken, you should not be in the stock market.” - *Warren Buffet*

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Part I: The Contrarian Investor

The first thing I want to delve into is something a lot of people are confused about right now. On Sunday, March 6^(th) The Wall Street Journal announced RC Ventures acquisition of a 9.8% (.2% less than an insider) stake in Bed, Bath, and Beyond

Placing them in the top five shareholders of the company. Immediately writing a letter to the board declaring not only his stake but his concerns over executive compensation, difficulty in implementing their current turnaround plan, and issues navigating current supply chain volatility.

I noted on stream at this time the this surprising action from RC Ventures reminded me of another renowned investor...Carl Icahn

[Here is a brief biography of Carl Icahn](https://www.britannica.com/biography/Carl-C-Icahn)

He is another "activist investor" actually he may be the guy who coined the term. But his strategy is considered contrarian, buying into assets that nobody else wants. Needless to say their viewpoints on investing have a lot of similarities.

>"Everybody got their huge bonuses, but who paid the price?" he said. "Not the CEOs, not the board members. The shareholders of these companies paid the price. And that's unfair and it's wrong." - *Carl Icahn*

Icahn Is known for stimulating growth in companies and generating "shareholder value" a phrase we see Ryan Cohen throwing around a lot. He looks for companies with these characteristics primarily.

* poor profit to earnings (P/E) ratio

or

* book values exceeding current market valuation

BBBY meets both criteria

This [Analysis from Argus Research](https://docdro.id/Lrz6X1J) before Cohen's buy-in dives into a lot more.

If you look back through Icahn's history you will see many parallels between his and Cohen's investment strategies. They aren't identical and there are differences, but the influence is very obvious.

Days after Cohen's buy in he hired Harkins Kovler, the solicitor commonly used by Carl Icahn in his corporate battles...

So the similarities are there and it looks like a great buy for Cohen, so what does that have to do with GameStop?

Well this is where this all gets a lot more compelling.

GME and BBBY are both part of a sector known as Consumer Discretionary. For a long time we have discussed the effects of a large short position on indexes and ETFs targeting consumer discretionary these stocks have become known as the "basket" in the way that short positions and covering of obligations on them line up closely with GME.

[Melvin's 13F-HR from 11-21](https://preview.redd.it/trvf09crx1n81.png?width=2506&format;=png&auto;=webp&s;=ca06d5a27f2b50ea7b8e547b6e10647798c03e96)

[GME\(orange\) and BBBY\(since the January \\"sneeze\\" and it's not just the OPEX cycles that line up over the last year It's the shorts from before January as well](https://preview.redd.it/0xjlbemkv1n81.png?width=2451&format;=png&auto;=webp&s;=3936fd418dfb6fd04bed0eba7e8d387feda0f4ee)

[Correlation of .7749 between Jan 2020 and now which is considered strong](https://preview.redd.it/gwlll2kot1n81.png?width=1735&format;=png&auto;=webp&s;=65dbe6a41ce3bc56b6472800b5b9df543cd53891)

So with this information it is obvious that there is more to this story than just good value and activist investing.

If we dig into BBBYs institutional ownership it reveals all our favorite short sellers.

[BBBY 13F and NPORT filings](https://preview.redd.it/3v5qly2bz1n81.png?width=2504&format;=png&auto;=webp&s;=a5d6d5dcd94592a35842e32cad65bd2f8fceb285)

Then the final nail in the coffin for me is RC's buy-in if you guys remember my DD's on the FTDs where were tracking FTDs due on GameStop and ETF basket stocks, well RC must be tracking them too.

He seems to have timed a significant number of his purchases on the FTD dates that we were tracking and when during the period when SHFs were most exposed to this buying.

[Cohen's purchase of BBBY before reported on 3\/7\/22](https://preview.redd.it/xyv0mixb02n81.png?width=2523&format;=png&auto;=webp&s;=334f4699c1f6ade199ff87cc371c2a0d05b4a123)

[He did the same thing in Aug - Dec of 2020, his final GME buy in landing on December's futures expiration date. T+2 days later GME was added to the RegSHO threshold list.](https://preview.redd.it/vn469isq02n81.png?width=2460&format;=png&auto;=webp&s;=95c5f8c5194d7649e6db47d3cf4ceed921df2b34)

I think he is doing the exact same thing with BBBY he did with GME.

He's going after someone.

>"When you have no one to answer to, vendetta as investment strategy is as legitimate as anything." - *Carl Icahn*

Part II: What happened to OPEX?

So there was a lot of hype around OPEX DD writers far and wide, myself included were extremely excited for the quarterly rebalancing of short obligations on GME.

Why not it had happened without fail every single quarter for the last six quarters. It had become the most reliable predictor of GME price action we had. This last period from November to February bore witness to the longest and most direct short campaign GME had seen since April of 2020.

The obligations in ETFs were stacked sky high. It is beneficial for these funds to clear these ETFs out so that they can begin their next cycle of shorting. The clearing of these ETFs was the primary and sometimes only driver of GME price action for the last year and half.

There are 3 considerations currently.

1. **OPEX was covered**:

The price increase beginning on the Feb 7th and peaking on Feb 16th was it.

[Almost a 40% increase in price over the period from 2\/7 - 2\/24](https://preview.redd.it/xgo04z1382n81.png?width=2462&format;=png&auto;=webp&s;=87a555fb81f4a6a535a630dc625e93afda187580)

I would be disappointed if this were true, but accepting of the continued decline in OPEX price action.

If it weren't for three factors.

* FEB 7/8 were both expected to have unusually high ETF FTD volume, we had predicted these dates back in early November.
* OPEX obligations are driven by the closing of ITM puts used to mark ETF FTDs long and delay their settlement an additional 35 calendar days, and the subsequent gamma exposure this presents. Those puts weren't closed until Feb 18th.
* The 11th hour rule change that occurred on exactly the day we expected FTDs. The release of NSCC-2022-001 and OCC-2022-001 de-risking the exact positions in variance swaps and margin we expected to be most exposed.

2. Someone was margin called on the OPEX date:

This is one is interesting, especially given RC's BBBY buy-in.

With Citadel and P72 pulling their money back from Melvin Capital this quarter and the last minute rule change on 2/24/22. It is possible that a fund with obligations due was in fact margin called and we are currently awaiting covering.

If a margin call did happen, it unfortunately leaves us a bit in the dark. FINRA grants extensions for this sort of thing and can be moderately lenient in the resolution period.

SEA 15c3 and FINRA 4210 can both extend this covering for up to 70 days

[4210g 10\(D\)](https://preview.redd.it/9wq5k10z92n81.png?width=757&format;=png&auto;=webp&s;=d8cf68e71ddde99209db81a3304b4aae0ad58f78)

[SEA 15c-3-3 extensions](https://preview.redd.it/uv8nf324a2n81.png?width=1784&format;=png&auto;=webp&s;=7a7aa353e0a5bc796c951d95f37061629673a5c5)

The earliest we could see this if it happened on 2/24 is March 17th.

Lastly, the entropy swap put in place to hedge the covering of these obligations is still there, but price action has been stagnant. Whoever is hedging short volatility positions on GME expected the price to run as well.

3. They used ETFs to kick the can another T+9+35 days

[This possibility is something I brought up last weekend.](https://www.reddit.com/r/PickleFinancial/comments/t8f86b/did_rc_trigger_a_margin_call_on_opex_last_week/)

Based on ETF flow data we had for the OPEX period it looked like an unseal amount of creation was taking place in GME containing ETFs the following days we noticed an uptick in OI on GME/ETF puts.

While usually ITM to mark long these were OTM, but over the last few trading days these were all driven into the money meaning they may have been used to mark long.

If this eventuality is the case obligations from that period would not be due till April 12-15.

With one glaring caveat, by heaping these obligations onto these ETFs they expose themselves to the rebalancing period. When the ETFs rebalance their holdings the positions using these ETFs must cover any outstanding liabilities to the ETFs and their short positions will be exposed to the ETF's dividend period.

XRT's ex-dividend date is

https://preview.redd.it/k7ttf3wwq2n81.png?width=1589&format;=png&auto;=webp&s;=d225245dd7585935eae4a3fe01afe00bc8d77d10

https://preview.redd.it/y5xgasbgf2n81.png?width=216&format;=png&auto;=webp&s;=73a4171647c55f6808360d44e1b7e23ef68e4461

and the S&P; rebalance is on the 18th.

Part III: The second coming of obligations

So [back in this DD](https://www.reddit.com/r/Superstonk/comments/sy36q8/wycking_off_for_opex_confluence_of_datasets_and/) I tried to outline how they use ETFs to short and how those ETFs hide that net debit by using forward contracts to maintain their NAV. It was confusing for a lot of people I think.

**I'll throw a clip at the end of this DD that explains it a bit better.*

Anyway suffice to say these *contracts for shares* need to be delivered in order for the ETF to rebalance on the 18th.

This gives us a pretty compelling timeline now that the CME roll date (3/10/21) has passed, meaning these contracts were not rolled forward.

3/17/22

* GME Earnings
* First possible date for a margin call settlement from OPEX.

3/18/22

* CME Futures Expiration
* Quad Witching
* GME Quarterly options expiration
* S&P; ETF Rebalance

3/21/22

* XRT Ex-Dividend

Part IV: Conclusions

If Cohen was making a move similar to the one he made on GME last year we could see BBBY hit the RegSHO threshold list as soon as March 22. The massive buy into GME took place at a very similar moment in time announced right before the futures expiration in December 2020.

RC's purchases on major FTD dates, his timing for announcement, and his deep out-of-the-money call positions are all too well timed for it to be a coincidence.

I truly believe his plan is to force a run on the ETFs that contain GME while they are massively over-leveraged. If not through his purchase of BBBY alone. Through a BBBY share recall on a proxy vote.

This will result in the calling of obligations due to the ETFs creating a massive demand on these overly borrowed stocks. This constant flow of volume can overwhelm Continuous Net Settlement (CNS) and cause an **FTD squeeze.**

The volatile price action that follows can result in a **Volga/Vanna squeeze** as volatility traders begin to purchase options *en masse* creating impossible delta hedging scenarios for MMs.

These massive price increases can drive large quantities of options deep into the money, encouraging investors to exercise to continue following the constant upwards price action. Resulting in a **gamma squeeze**.

Since market makers are hedging disproportionately, the gamma exposure from simultaneous exercising will cause a further run on underlying assets driving the price to a point where multiple smaller funds can begin to fail, triggering a short squeeze.

Oh and don't forget the FOMO.

Sound familiar, it should.

>"If you can't fuck them in one hole, fuck them in another."
>
>\- *me 2021*

As always feel free to check out the livestream from 9am - 4pm EST on YouTube

https://www.youtube.com/channel/UCYmgi8psSbIWiSR2tefHbug

Our join the community discord https://discord.gg/tHaPn4QQ

As always the information will be available here on reddit as well.

You are welcome to check [my profile](https://www.reddit.com/user/gherkinit) **for links to my previous DD**

OPEX obligation explination

https://youtu.be/8VAcHuUs4sc

Disclaimer

** Although my profession is day trading, I in no way endorse day-trading of GME not only does it present significant risk, it can delay the squeeze. If you are one of the people that use this information to day trade this stock, I hope you sell at resistance then it turns around and gaps up to $500.* ■

**Options present a great deal of risk to the experienced and inexperienced investors alike, please understand the risk and mechanics of options before considering them as a way to leverage your position.*

**This is not Financial advice. The ideas and opinions expressed here are for educational and entertainment purposes only.*

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