

Title: It's all in the liquidity. - posting for Jackson Hunter.

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Is_self: False

Are you wondering how hedge funds have been able to kick the can this far down the road? I will explain, in detail, how they have been able to do it. This is not largely talked about but it is the truth. It is not bullish nor bearish. It just is. The thesis remains the same since January.

Hedge funds are showing proof of liquidity by utilizing Payment for Order Flow (PFOF), bonds, naked shorts, crypto and options contracts. By creating liquidity through these pipelines, hedge funds meet all margin requirements imposed. From January until June, I personally understood how the price manipulation was continuing. But, since then, their ability to continue sending the price down when clearly virtually no one is selling was beyond me. I eventually came across @ACBiggums and @ThatGuyAstro on Twitter and after many phone calls and DM's, I understood how it's being done. Every loophole in the book is being abused.

****Naked Shorts****

"The oldest documented example of a naked short in securities trading appears to be a 1609 maneuver against the Dutch East India Company by the Dutch trader Isaac Le Maire.[2]"

Source: <https://www.ft.com/content/95ccac78-6fb1-11dd-986f-0000779fd18c>

The primary method apes are aware of that keeps share price down is naked shorting, since there are no more "legitimate" left. It is my belief all legitimate shares were bought up in January and everything after has been synthetics. But, don't worry, a share is a share is a share and they all have to be bought back by shorters. This all means a bigger squeeze in the long run.

How naked shorting fits into this seemingly infinite liquidity cycle is just before they push price down, they purchase put options. When AMC went from \$77 down to \$40 in early June. Many put options were purchased by hedge funds and they used these profits as liquidity to keep their short positions. The whole thing is a gigantic, deceptive, nefarious liquidity cycle so they don't get margin called and miss requirements.

****Capital Structure Arbitrage****

"Capital structure arbitrage, similar to event-driven trades, also underlies most hedge fund credit strategies. Managers look for a relative value between the senior and junior securities of the same corporate issuer. They also trade securities of equivalent credit quality from different corporate issuers, or different tranches, in the complex capital of structured debt vehicles like mortgage-backed securities (MBSs) or collateralized loan obligations (CLOs). Credit hedge funds focus on credit rather than interest rates. Indeed, many managers sell short interest rate futures or Treasury bonds to hedge their rate exposure.

Credit funds tend to prosper when credit spreads narrow during robust economic growth periods. But they may suffer losses when the economy slows and spreads blow out."

Source: <https://www.investopedia.com/articles/investing/111313/multiple-strategies-hedge-funds.asp>

****Crypto****

Hedge funds are pumping and dumping cryptocurrencies such as Bitcoin, Ethereum, Litecoin and even obscure ones that no one has heard of. Since hedge funds are whales, they can influence price greatly, then sell off after retail has FOMO'ed in. This generates liquidity as well.

****Bonds****

Remember the Convertible Bonds video? Well, it wasn't entirely off the mark. They have been using bonds, but to create liquidity. Liquidity means they can continue kicking the can.

When stock prices go down, bond prices go up. These are negatively correlated. When liquidity dries up

and there is low volume, they can dip into the bonds since the price is high when stock price is low. There are \$1,462,285,000 USD worth of bonds just for expiration date June 15th, 2026 alone.

\$300,000,000 for April 24th, 2026
\$500,000,000 for April 15th, 2025
\$98,000,000 for June 15th, 2025
\$55,000,000 for November 15th, 2026
\$130,000,000 for May 15th, 2027
\$4,000,000 for November 15th, 2024

That is over \$2,000,000,000 in bonds.

This liquidity is also used to kick the can down the road. Safe to say this can has a few bumps and bruises by now.

<https://cbonds.com/bonds/769389/>

****PFOF****

Broker-dealers like Robinhood, TD Ameritrade, E*Trade, WeBull, Charles Schwab and many others engage in Payment for Order Flow.

"Payment for order flow (PFOF) is the compensation and benefit a brokerage firm receives for directing orders to different parties for trade execution. The brokerage firm receives a small payment, usually fractions of a penny per share, as compensation for directing the order to a particular market maker."

Source: <https://www.investopedia.com/terms/p/paymentfororderflow.asp>

"Robinhood failed to seek to obtain the best reasonably available terms when executing customers' orders, causing customers to lose tens of millions of dollars," said Joseph Sansone, Chief of the SEC Enforcement Division's Market Abuse Unit.

Source: <https://www.sec.gov/news/press-release/2020-321>

<https://fortune.com/2021/03/01/robinhood-trading-app-free-trades-pfof-stock-market>

Hedge funds pay for order flow but they also profit from it because their trade executions are advantageous compared to retail investors. If I buy AMC stock at \$49.80, they would be able to buy AMC stock at \$49.792. That difference when multiplied millions and millions of times creates liquidity. This liquidity is used to meet margin requirements to hold their shorts.

They also have the upper hand because they get T+2 days so they see our orders and can place call, put options and shorts accordingly to how we are ordering.

PFOF also allows hedge funds and institutions an unfair advantage in cryptocurrency. It's easy to make ludicrous profits when you know exactly what retail's orders are.

This video demonstrates how it takes a block and executes it to make the most profit off the blocks:

https://www.youtube.com/watch?v=kPRA0W1kECg&ab_channel=TimoBingmann

It takes a large order, breaks it into bigger buys and smaller buys and then equals them out and pockets the difference.

****Conflict of Interest****

40% of Robinhood's revenue comes from Citadel. Citadel was an owner of E*Trade until 2013. E*Trade is owned by Morgan Stanley. TD Ameritrade is owned by Charles Schwab. Citadel was an owner of E*Trade until 2013.

Citadel makes the markets.

"Citadel Securities is a leading market maker to the world's institutions and broker-dealer firms. Our automated equities platform trades approximately 26% of U.S. equities volume¹ across more than 8,900 U.S.-listed securities and trades over 16,000 OTC securities. We execute approximately 47% of all

U.S.-listed retail volume, making us the industry's top wholesale market maker².

Citadel Securities acts as a specialist or market maker in more than 3,000 U.S. listed-options names, representing 99% of traded volume³, and ranks as a top liquidity provider on the major U.S. options exchanges.

HOW WE DO IT

Our trading technologies seamlessly connect broker-dealers to our liquidity ecosystem. These systems in turn are continuously upgraded through sophisticated research and rapid development with the goal of setting the industry standard for fast, reliable execution in most market conditions. To maximize trading opportunities for clients, our automated trading platform sources liquidity from all U.S. exchanges and more than 18 alternative liquidity venues.”

Source: <https://www.citadelsecurities.com/products/equities-and-options/>

The banks, hedge funds, broker-dealers, market-makers, family offices and institutions have their hands in each other's pockets. If one goes down, it is likely many of the rest will too. Thus, the domino analogy you hear so much about.

Source:

https://www.reddit.com/r/StockMarket/comments/lkbi3w/long_read_an_overview_of_massive_conflicts_of

****Dark Pool****

Dark pool is another avenue of the stock market that is outside the New York Stock Exchange, or the main medium by which equities are traded. They also have no fees trading this way. AMC's average dark pool volume has been 60% per day for months now. Just imagine if they didn't reroute buying transactions through dark pool. AMC would easily be in the hundreds, if not thousands per share. By abusing dark pool, hedge funds are able to keep share price down, thus profiting off shorts to keep the liquidity going. With no liquidity, the shorts cannot sustain themselves.

All of this is not just happening with AMC. It's happening with GME too and many other stocks. Now how did we get here? After the year 2000, the stock market transitioned to a central bank regime. Basically, all the banks took over. So it's not actually retail investors vs. hedge funds. It's retail investors vs. banks. The big banks are allowing all of this to happen.

Goldman Sachs rehypothecation center gives banks 100x leverage. One opened up January 1st this year, the day when AMC bonds exploded.

A sustained price movement above \$65 on AMC would be a significant threat to shorts. Hence why share price was hammered so hard anytime AMC was above that or attempted to surpass it.

In the name of greed, banks are screwing retail investors, allowing all this to happen.

****Short Interest****

“Some websites may redistribute the Short Sale Volume Daily File and refer to the data as “short interest,” but this is incorrect because, as explained above, short sale volume data is not the equivalent of short interest position data. In addition, the specific information that an investor sees depends on the source. Often, the data shown on free investor sites represents the results of a proprietary calculation and not the raw short interest data that FINRA and the exchanges disseminate. Different data providers may use different methodologies for calculating and displaying short sale information that are beyond FINRA's control. Investors are encouraged to seek information from the data provider to understand how the data displayed is derived.”

Source: <https://www.finra.org/investors/insights/short-interest> ■

How Does this End?

Of course, the following is all speculation but it is backed by tireless research. A short squeeze does not require margin call defaults. A margin call default is when an institution or individual doesn't have the appropriate amount of liquidity to hold a position. When this happens, all assets get liquidated and their short positions covered. All over the internet, I see retail investors demanding margin calls. Margin calls have been going on for weeks, if not months at this point but hedge funds are meeting them. Computer algorithms process the margin calls, not emotional, logically-thinking human beings.

Hedge funds want to stay in business as long as possible and keep making money so they will avoid margin call defaulting at all costs. However, none of the largest short squeezes in history started with margin calls so it is not the end-all be-all by any means.

If GameStop issues an NFT dividend, this might catalyze the short squeeze in GME and AMC. This is because it would expose the number of synthetic shares in GME, likely the float 5 times or more over. GME and AMC are shorted by many of the same hedge funds, institutions and family offices. Thus, when one squeezes the other should follow suit shortly thereafter.

Another way the AMC short squeeze could start is if Citadel or other hedge fund's clients withdraw their money, aka liquidity, thus forcing short positions to cover. Because it is becoming more well-known shorts are losing to the ape stocks, clients are surely losing faith in their money handlers. The average short position on AMC was taken at \$10/share. When short positions cover, they have to buy back shares from the shareholders, driving the share price to the moon or maybe beyond.

Fails-to-Deliver will start appearing more and more shares will dry up eventually. They can't fake shares forever. Eventually, even a computer can't handle hiding that much artifice. The liquidity will dry up.

Another possible way for the squeeze to start is if everyone stopped buying shares. That would mean there is no more liquidity for them to kick the can down the road. I am not telling anyone to do anything with their money but this would probably start off the squeeze. In theory, it sounds perfect but it's unlikely apes will stop buying. Just for clarification, I am continuing to buy more every time I have extra cash. My portfolio is made up of shares of AMC and GME as well as call options of each.

****TL;DR****

It's July and no MOASS yet. This is because hedge funds maintain liquidity by PFOF, bonds, naked shorts, crypto and options contracts. As long as they can prove they're good for their short position, they never default on margin calls. This is why they are still able to manipulate AMC, GME and a whole slew of other equities. Eventually liquidity will dry up. It's not a matter of if, but when. It simply might take longer than most expected at the beginning of this journey.

But, if you have to wait another 6 months to be able to live life on your terms until the end of time, it'd be worth it, right?

<https://www.youtube.com/watch?v=uJsZ21mu7O8&feature;=youtu.be>