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INTRODUCTION

Hello Apes! I'm here to shed some light on a topic that's been bugging me for a while now, namely, why so many of the so-called "meme" stocks move together, and how this ties into GME's price spikes (or lack thereof when they're expected) and how it might all tie into the Reverse Repo Facility and everything else we've been seeing.

This write up is basically going to show how, in 2020, in the wake of the COVID crisis, short hedge funds and possibly other entities tried to take advantage of the crisis to short multiple vulnerable companies, especially GME, into oblivion by bundling them together into a group of shorted stocks. This locked these stocks' fates together, as they were sold as collective short positions to the buyers of the shorts. Think of it like a private, hedgie-only, off-market, short position ETF in a way.

Some basic terminology for smooth brains:

- Derivative: A financial instrument that gets its value and other properties based on an underlying asset. Options, for example, are derivatives. LIke, if I buy a call, I'm betting on GME. The value of the option is DERIVED from the underlying asset, GME. If I bundle a bunch of GME puts and sell them as a group, then that GME-Put-Bundle is a derivative of GME. Make sense?
- Swap: A swap is a type of derivative where two parties exchange assets or liabilities from two different financial instruments. They literally "swap" assets. So, for example, Melvin might be selling a bunch of GME shorts, so they trade them for US Treasury bonds (an asset).

Now, please understand that my background is not in finance. I'm a physician. I've read the White Coat Investor blog for a few years (a decent site to learn about very basic investing, aimed at medical professionals), but prior to January I was pretty naive. I've learned a lot since then, but I'm hoping some actual financial professional wrinkle brains can spice up my thesis here with some more wrinkles.

I've been musing for a while that all these "meme stocks" must be part of some group. Nothing else explains why they all move together so often. Nothing else adequately explains the magnitude and synchronicity of the movement of that many diverse stocks. Retail can't possibly be moving that many stocks at once, and many of them aren't even known until they're already spiking. I remembered The Big Short (and real-life 2008) when they were bundling the junk mortgages into derivatives called "tranches" or CDO"s or whatever, but I wasn't sure what you'd call it if you bundled a bunch of short positions together.

I did some research and found an article that actually mentioned a derivative instrument called "Total Return Swaps". Apes, I give you the [Wall Street Journal](https://www.google.com/amp/s/www.wsj.com/amp/articles/gamestop-resurgence-reinforces-new-reality-for-hedge-funds-11614335400)

>Another lesson from GameStop is to avoid disclosing certain holdings so as to not attract attention from opposite-minded investors. One strategy is to use so-called total return swaps, in which investors pay a bank a fee to earn returns on certain securities but don't actually own those securities, eliminating the need for disclosure.

And

>A hedge-fund manager with $2.5 billion in assets under management said he now uses total return swaps 80% of the time, up from 50% before GameStop. He avoids buying put options, which give investors the right to sell stock at a certain time and price and must be disclosed, and times his trades to minimize disclosure at quarter-end.

I also found this [Bloomberg article from January 25th](https://www.bloomberg.com/news/articles/2021-01-25/gamestop-short-sellers-reload-bearish-bets-after-6-billion-loss)

>A Goldman Sachs Group Inc. basket of the most heavily shorted stocks rose as much as 4.5% in New York Monday.

A “basket of heavily shorted stocks” from Goldman Sachs you say? Interesting. Not Melvin. GOLDMAN SACHS. The Big Boys.

So, now we know that this is definitely something they do, and if the one hedge fund manager from that WSJ article is to be believed, it is extremely common.

The final confirmation for me came just this week, with the Credit Suisse letter many of you have no doubt seen by now in this post here: https://www.reddit.com/r/Superstonk/comments/ou879r/gamestop_mentioned_in_new_credit_suisse_filing/

The letter specifically talks about Archegos entering into a Swap whereby they lost $800M in the Jan spike and would’ve been margin called except that Credit Suisse had $900 of margin coverage on hand from them already, which essentially wiped them out.

CHARTS

Now you might be asking, “Who else is in this basket with us?” Well, let’s take a look at some charts. Now, please note that I am in NO WAY advocating investing in any of these other shorted stocks. GME is the one true stock. I have no positions in any of these besides GME, nor will I. This is purely for informational purposes as will be shown in this analysis.

Here are the charts for some of the stocks I’ve identified as being likely to be part of the GME Total Return Swap basket. These charts are all from Tradingview and are 6 month charts with 1-day candles. These are links to tradingview photos, but you can go view your own charts directly if you wish.

> GME: https://www.tradingview.com/x/vhJ5ihO8/

We all know this one. The first runup is roughly starts around 1/20-1/21, picks up steam starting on 1/22 and peaks on 1/28. We have a second small run up on 2/24-25. A third on 3/8-3/11. April was mostly a dud with a couple of small green days on 4/14 and 4/26-27. Then the late May-June runup from around 5/25-6/8 and 6/9. July was mostly a dud with small green days on 7/19-20. These dates are important because we will see them repeat across multiple stocks on around the same days.

> Movie Stock: https://www.tradingview.com/x/7Zg8VMdn/

Oh, movie stock. First peak on 1/27, same run-up as GME. Then 2/24-25, same as GME. Then movie stock also has a bit of a run up from 3/8-3/11 (see that tiny red candle with the long stem on top), but nowhere near the scale of the GME March run up. Some green days in late April, peaking on 4/27, again, same as GME. Then, movie stock has a crazy run up in late may, peaking on 6/2. Then drops, then more green days in mid June, with a second peak around 6/15. Then another spike on 7/20-21, just one day off from GME.

> K Headphone Company (Rhymes with Boss): https://www.tradingview.com/x/BluiVsRA/

This one tracks GME even more closely than movie stock IMO. Spikes on mostly all the same days. Chart should look pretty familiar.

Ok, but all these are “meme stocks” right? It’s just the “meme” crowd as Jimmy would say. Well how about this one:

>Wrestling Company: https://www.tradingview.com/x/krl0iYLy/

This one is actually what made me realize what was up. I didn't even know they were a public company until their run up on 6/9, when I saw them showing up on hot lists. But look back at the chart. What's that on 1/27? Oh, a price spike! They were part of the Jan runup the same as GME and all these other stocks. Feb 22-24? Check. 3/11? Check. They mostly skip April, then a runup from 5/22-24 same as us, then an insane peak on 6/9. What's that in July? Green days on 7/21-22.

Want some more confirmation bias? How about…

>Eyes are good: https://www.tradingview.com/x/LKe9JM2d/

This one is fun. First off, this is a company trying to help blind people see. Fuck hedgies for shorting this. They seem like good people. Anyways, notice anything weird? No spike on 1/27-28. Maybe they're not part of the GME basket. Well, look closer. If you look on the actual chart, you can see a gapped up red candle with extensions on 1/26 and green on 1/27, just a very small magnitude. But look at the other spike dates. Feb? They skip this one. March? HOLY CRAP. Same days as GME. Some nice little upward spikes on 4/20-22. Run up in late may, peaks on 6/8-15 ish. Very similar to GME. July 21-22? Check.

>Investing Company Mortgage: https://www.tradingview.com/x/e7MoPWZZ/

How about another industry? Anyone ever heard of this company? I still have no idea who they are lol. Saw them on a hot list on GME run up days. Check the dates. Crazy match. They spike more than we do in Feb but same dates. They spike less than we do around 3/11 and do it 3/12-15. Their May run up is a week early, but their June spike is exactly like ours, 6/7-10. 7/20-21? Check again.

>New Breakfast Item Computer Parts: https://www.tradingview.com/x/p6xvxRuP/

I find this one REALLY interesting. I had no idea these guys were shorted so bad until they spiked in early July. It makes sense under the "hedgies kill anything that competes with Amazon" theory. But check the chart. Spike on 1/28. Green days in early March. Nice run up on the April days. May 19-20 is a bit early but a HUGE spike, then drop. This one skips June, then just explodes in early July, peaking on 7/7, which doesn't fit our pattern, but the 1/28 spike is dead on, and the other green days match pretty well even though the magnitude is off.

But what I find most interesting about this one is what happened BEFORE the January 28th spike. If you scroll back on the actual chart, they also start having monthly spikes a while before this. Certainly starting on 10/26, then 11/25, then 12/10-11. I wonder what GME did on those days? 10/26 was a red day for GME, but 11/19-30 was a run up, 12/10 was green, then GME had good spikes on 12/22-23.

Here are some others that follow similar patters to varying degrees. They don't all spike every time, but green days usually match, and some spike days match. Some more than others. You can look through them. There are others, and there is actually another group that I think represents a second shorted basket that spikes on dates different than ours, usually 1-2 weeks later. Sun Dial is one of the more notable stocks from this group, for example. But here are some more potentials that might be in our Swap/Basket. There are probably dozens more, but these are some I've identified as possibly/likely in our group.

Wishing Internet Apparal Company: https://www.tradingview.com/x/BA90UX7j/
Yes We Can: https://www.tradingview.com/x/HQ7GnMug/
Live and in person: https://www.tradingview.com/x/8C8bUoQw/
Jack and Jill: https://www.tradingview.com/x/xdIvFIZd/
Alternate Immunity: https://www.tradingview.com/x/WY4AOhTA/
Orbiting Energy Company: https://www.tradingview.com/x/VgheijcH/
4 Leaf Clover: https://www.tradingview.com/x/hknNxCx1/
Blackberry Pie: https://www.tradingview.com/x/BWuzeAVV/
Express Lane: https://www.tradingview.com/x/C2agqyQl/
Biologic Teensy-Tiny Genomics: https://www.tradingview.com/x/i2bJFlkY/

THESIS

GME and a list of other stocks were shorted in Total Return Swap Derivatives that were traded as a group on the private market among big players, hedge funds, and most anyone looking to take advantage of the COVID crisis to make some money. Which stocks probably made up the biggest proportion of the basket? GME, “the next blockbuster”, and Movie Stock, because movies are gonna bomb during COVID. Other retailers like Jill and Express were probably thought to be toast. An internet company that “wishes” to compete with Amazon and a Newly Hatched (get it haha) online retailer also competing with Amazon. All shorted together.

Obviously they fucked up. They didn’t count on Ryan Cohen and DFV (and subsequently us) bringing GME back from the dead. I think the basket took some early injury when the Newly Hatched computer retailer started turning insane profits in mid-late 2020 when everyone was building computers and CPU’s and GPU’s were insanely hot. This caused some early wounds to their short positions, then when GME exploded in January it was all over for them. The entire basket blew up, and they had to start damage control.

I do think *some* of these run ups in *some* of these stocks are partly due to covering action where they have to meet FTD requirements, margin requirements, or start to unwind their positions. If you think of the basket as one position with multiple parts, it makes sense to me that they’d be able to help stave off margin calls by covering and closing some of the smaller parts of their positions. So they’ve been doing some of that when and where they can, but rotating which ones they cover/unwind so that nothing spikes too heavily, and trying to avoid covering GME whenever possible because, well, we know the numbers. They simply can’t cover GME. They’re just buying time trying to stave off death at this point.

But since their position has gone SO disastrously wrong, and involved SO many players taking short positions (probably most anyone interested in shorting), they are now on the hook for a TON of money. They need assets to offset the huge liabilities of these short swaps and avoid margin calls. What do they do?

They (edit: not the hedge funds, but their bag holding large backers) go to the Reverse Repo and trade cash (a liability for banks, and note GS above taking positions in these swaps) for treasury bonds, which they can use to offset their derivative liabilities. This is why the repo market is spiking only after the GME/short crisis. This is how it all ties together.

TLDR: Hedgies, banks, and MM’s like Shitadel shorted an entire “basket” of stocks (a “Total Return Swap”). This basket explains why all the “meme stocks” (and beyond) trade together and spike or have green days on similar dates. They don’t always match or line up because they’re breaking open the swap to cover portions of it to lower their liability as much as they can and are rotating what they cover when to avoid spiking any one thing too much. The large entities bag holding all of this are likely using the Reverse Repo to get T-bills to use as assets to offset their insane liabilities from the swaps.