

DEEP *Dive* STOCKS

Weekly Chat 04/15/2024

Main Points

- VoEx has paused at the Propagation Line for \$SPY and \$QQQ.
- Hedging Environments are in a stable orientation with purchasing support located \$+/IV- for both \$SPY and \$QQQ.
- Put-selling has ceased with near-zero activity as the week ended.
- Gamma squeezes have increased 62% over the past month and 25% over the past week.

SUMMARY

VoEx for both \$SPY and \$QQQ have stalled at the Propagation Line, despite the week's activities. This hesitation on VoEx's part predisposes one to tempering near-term bearish outlooks. This hesitation, however, is isolate to the near-term as the medium-, and longer-terms outlooks are undisrupted by the pause.

The hedging environments are poised to offer robust purchasing support in the event of \$-/IV+; the trade-off of this support is noteworthy selling pressure located in the IV-/\$+ quadrants – especially for \$QQQ.

Gamma squeezes have increased substantially and without preceding or current GTM prints, this is suggestive of large retail uptake of long gamma. In conjunction with IV and VIX throughout the market, this long gamma would appear to be in the form of long puts.

Overall, some caution on "hitting the gas" on continued shorting due to VoEx's pause for the early-part of the week, but overall the outlook remains the same: bearish.

DETAILS

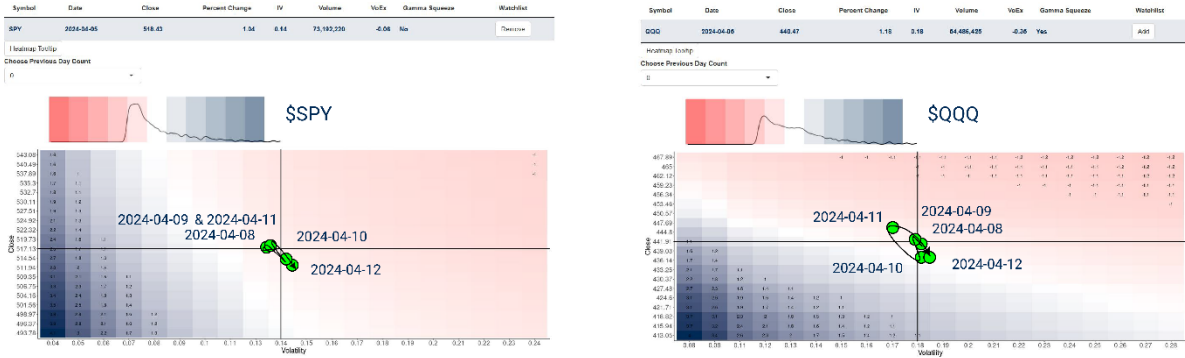
Hello, everyone!

What an exciting week. Our outlooks lately have become quite bearish, and as such, we were holding out bearish ideologies for the past three weeks or so, and it seems that things are finally coming to a fruition.

So, let's quickly review the week prior and look to answer the question: and now what?

The Before Times

The week brought \$SPY down 1.46% and \$QQQ a paltry -0.5% - not quite as spectacular as our \$SPY friends but if we look towards the hedging environments, a glimpse of why starts to glimmer in view:

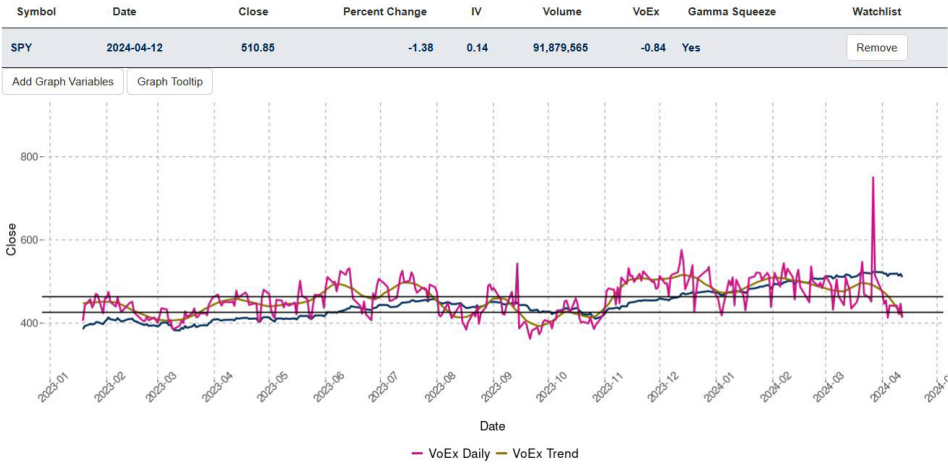


It would seem that the lack of purchasing support located \$-/IV+ for \$SPY versus \$QQQ's may have played a role in the overall movement for the week ahead.

Let's keep that in mind, and how that might influence things as we progress to

The Now Times

Starting as usual with VoEx, we see that \$SPY's VoEx's journey southbound has stalled right at the Propagation Line - somewhat ominously.



The same can be seen on \$QQQ whereby both VoEx-daily and VoEx-trend have stalled at the Propagation Zone.

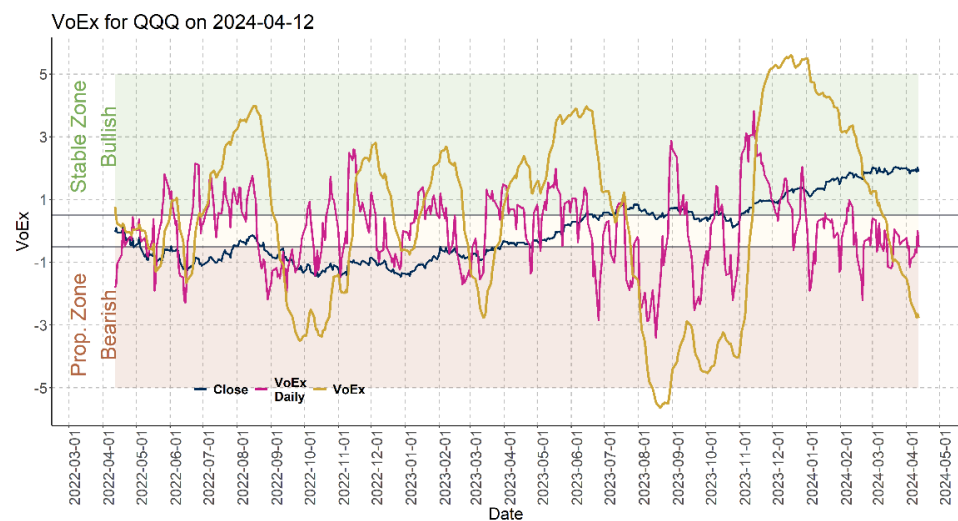
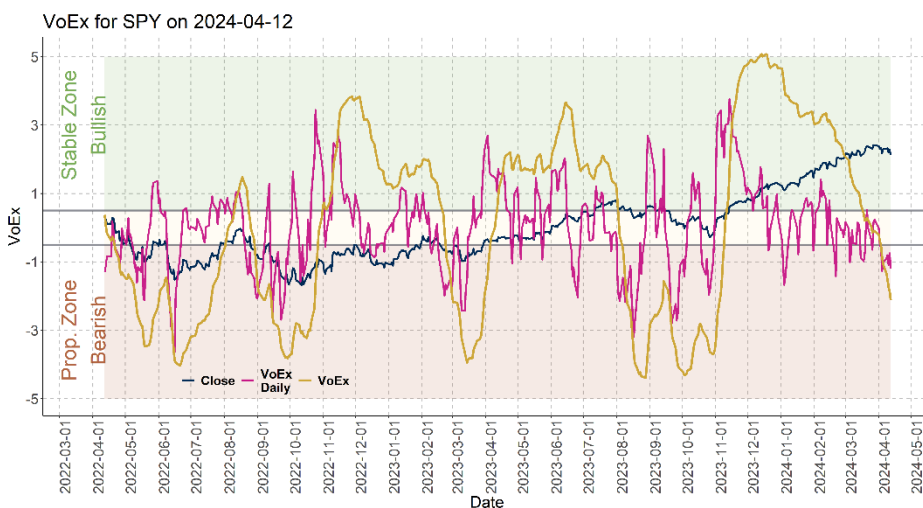


So, if any overly ambitious bearish inclinations exists, this provides some reason for a tempering of expectations for near-term continuation; but, this pause does not do much to disrupt the overall medium-, and longer-term views of continued downside.

This is, frustratingly, a hint at the downside pausing for a brief second – or at least, it should be noted, that VoEx seems to have pause in deepening its bearish inclinations.

This pause is present in neo-VoEx on \$SPY but VoEx’s location does not give an impression of medium-, to long-term downside as it, instead, states it distinctly, as the pause has occurred within the Propagation Zone definitively.

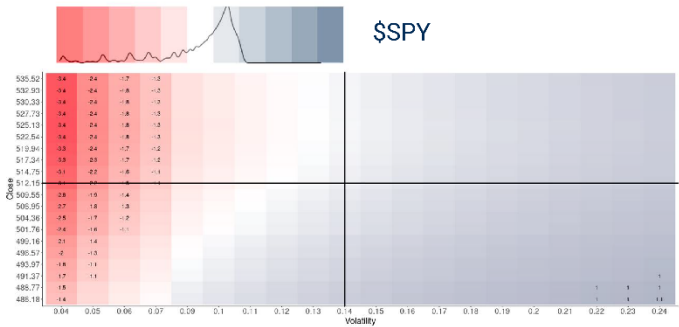
On \$QQQ, however, we see VoEx-daily has regained its acceptance into stability after the most-recent “VoEx-spike”. This is a nod towards a changing-of-the-winds for \$QQQ but void of overtly bullish outlooks until VoEx is within the Stable Zone.



Taken-all-together, this, to me, heightens the risk for a flat-to-bullish week but, for now, the data do not seem sufficiently deviant to alter medium-, or longer-term outlooks of continued downside.

| Symbol | Date | Close | Percent Change | IV | Volume | VoEx | Gamma Squeeze | Watchlist |
|--------|------------|--------|----------------|------|------------|-------|---------------|-----------|
| SPY | 2024-04-12 | 519.85 | -1.38 | 0.14 | 91,878,565 | -0.84 | Yes | Remove |

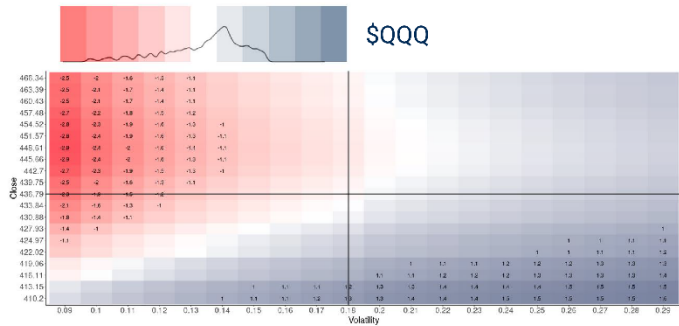
Heatmap tooltip:
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In moving towards the gamma-hedging heatmaps for \$SPY and \$QQQ, one finds hedging environments that are resoundingly stable, and presently (for the first time in a while), in-unison between \$SPY and \$QQQ with purchasing support located \$+ and IV-.

| Symbol | Date | Close | Percent Change | IV | Volume | VoEx | Gamma Squeeze | Watchlist |
|--------|------------|--------|----------------|------|------------|-------|---------------|-----------|
| QQQ | 2024-04-12 | 438.27 | -1.89 | 0.19 | 63,197,698 | -0.74 | Yes | Add |

Heatmap tooltip:
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This support, however, comes with the trade-off of reasonable head-winds for \$QQQ (and slightly-so for \$SPY, should IV decrease substantially) with omnipresent selling pressure in any almost all IV-directions.

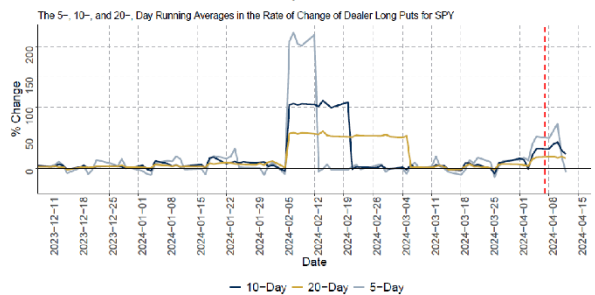
Both influence distributions show a bullish-outlook overall (the peak for both \$SPY and \$QQQ were in the blue), and present with large and present right-tails into the red.

This seems a reasonable take: lightly bullish given the hedging environment, but if things do go south, they are likely to *really* go south.

Are these bullish-to-neutral outlooks shared amongst our put-selling friends?

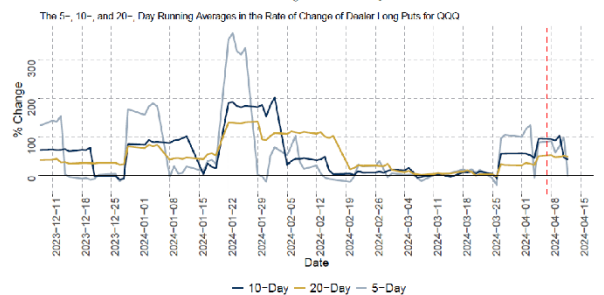
Dealer Long Puts - SPY

(TOP): The current values for the change in the amount of Dealer Long Puts for SPY.
(BOTTOM): The association between the Dealer Long Puts on SPY and the change in the price over the given time interval with cross hairs indicating the current data point.



Dealer Long Puts - QQQ

(TOP): The current values for the change in the amount of Dealer Long Puts for QQQ
(BOTTOM): The association between the Dealer Long Puts on QQQ and the change in the price over the given time interval with cross hairs indicating the current data point.

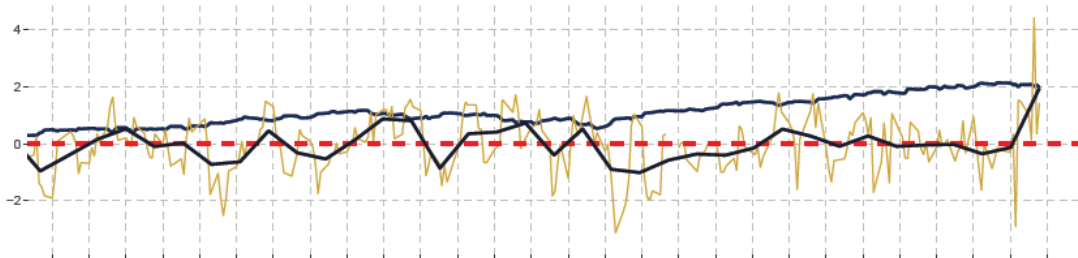


Nope! It seems that per our DLP-overlord, the week-ahead holds little profitability by-way of selling puts.

Quite the opposing view.

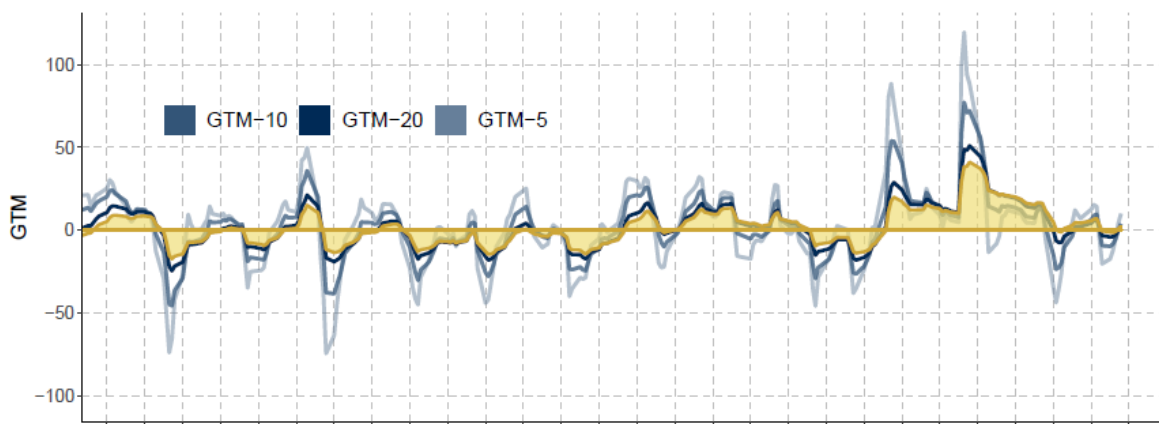
Moving from the put-selling friends to the Market-Wide Gamma Squeeze, we see a large increase in gamma squeeze growth with counts topping at 1,679 for the week – a 62% increase over the month, and 25% over the week.

| Current | Previous | Avg. 5 Days | Avg. 10 Days | Avg. 20 Days |
|---------|----------|-------------|--------------|--------------|
| 1,679 | 1,399 | 1,334 | 1,082 | 1,036 |



This increase in gamma-squeeze growth is noted to occur with near-zero gamma flows into the market, suggestive that the new dealer short gamma may be due to spontaneous opening of retail long gamma, rather than the normal decay / positioning / gamma dynamics that GTM monitors to anticipate future gamma flows. Since GTM can only monitor extant positions and project therefrom, when GTM is near-zero (suggesting its not picking up on anything), yet the gamma field is clearly changing drastically, this suggests the positions causing the changes weren't present at the time of GTM's measurements! But rather, these positions (and subsequent gamma) are new!

Considering the sharp move in VIX this week, this seems like a clear picture of retail picking up long puts – in quite the amounts – throughout the entire market!



Talk about trader sentiment.

So, overall, the medium-term outlook remains bearish as standard VoEx's overall trajectory into the Propagation Zone does not seem interrupted, despite the recent reprieve, neo-VoEx remains within the Propagation Zone, and there is little-to-no put-selling present.

But, the near-term appears to be high-risk for a flat-to-mean-reverting week, by way of the supportive nature of the hedging environments, and VoEx's pauses.

The takeaway for me is that should the start of the week (i.e.: Monday afternoon-ish) appear bullish, I'll capture my short-profits from the near-dated items but keep the longer-dated open and hedge with near-term long positions.

Otherwise, I'll keep adding to the short.

Happy Trading,

Justin