Twitter Thread by Cem Karsan ■



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1/x The market continues to try & shake out weak hands from overextended positioning by both HF & Retail...After a strong Vanna run up overnight, as expected, retail exuberance exploded on the open in the form of retail call buying, this fragility, paired w/a)Mean reverting flows



2/x from pinned Index Vol b) well documented, risk parity rebalancing flows & c) selling flows tied to bank EOY liquidity constraints. In combination, these flows have together have amounted to substantive selling pressures, strong enough to counteract the positive vanna/ charm

3/x flows, & point to continued likely index RVol an IVol pinning...Historically, the week of quarterly OpEx markets are notoriously volatile intraday, but also mean reverting like we saw today. I think it is fair to expect continued IVol compression & more of the same underlying

4/x chop. Vanna/Charm flows will lose their oomph after Wed 12/16 vixperation morning. There's a window of weakness which I've spoken to for a month that falls 12/16-12/23. That could open a brief window that could lead to revaluation of the real risk & short interest,post 1/6...

5/x but the overwhelming 10k ■ of index Vol compression should still hold any correction in time & price in check in the shortterm and it'll be hard to have anything blow up too bad in SPX land given how cheap & abundant Xmas Vol is 12/23-12/24. NTM, a stim deal & potential Fed

6/x EOY liquidity bazooka likely imminent...Along w/ continued targeted short Vol, massive calendar expansion & dispersion opportunities continue to print $ with VRP >94th % of occurrences & post 1/8 Vol still at a floor...As discussed, Jan 8th call's on back are still cheap w/ a

7/x GA runoff event straddle of now $64, which given potential macro-cyclical consequences of the next 4 years of fiscal stimulus (NTM final election resolution on 1/6) seems absurd.This calendar $ train shows no sign of stopping yet, as I expect Ivol oversupply should continue

8/x to be the dominant force through at least 12/16 & once we get through 12/21 without incident, likely to 1/4/21...As we saw again today, despite the SPX hardly moving on the day, the dispersion trade presented great opportunities. w/continued Index IVol compression w/elevated

9/x idiosyncratic risk still on the horizon for single names this should continue..I'll reiterate, this is particularly interesting as it relates to owning IVol in the growth complex relative to SPX, given the coming regulatory/antitrust/duration trade funding risk,NTM the retail

10/x short Vol dealer positioning present in that complex... watch the Fed carefully on 12/16, any added EOY Fed liquidity could serve to alleviate the funding fears would light a Yuletide■under the market into 1/4. Until then, expect the market to continue to chop w/seasonality

11/x-accelerated Vanna flows w/classic wall of worry Ivol upside resolution. We'll plan to scalp levels tactically from both sides, depending on the time of day, using the 1 stddev down of the 20 day SMA as a stop on any short gamma or long delta on a closing basis.We continue to

12/12 eye 1/6-15 as a window to sell vaccine/elec/earnings/stim news, & finally go long IVol, playing the short side w/convexity on a resumption of Value/Growth rotation, & yes even short TSLA, as the REAL (underpriced) risks of policy uncertainty, creep into the market. GL!■