Twitter Thread by First Principles Investing



First Principles Investing
@fp_investing

Follow up post on GME answering common questions (e.g. if they short is still >100% of float, wouldn't that cause another short

1/ Official short interest is only posted twice per month. Daily estimates by data firms (e.g. S3 Partners) can be inaccurate, especially if there is high intraday volume and volatility

2/ De-grossing suggests that hedge funds facing existential loss likely to have already covered.

Short positions opened in last 3 days was ~35M shares all above $300 suggesting that the cost basis has been reset. The original shorters have likely covered already.

3/ There is a staggering 1.38m put options open vs. 233k call options. This 1.15m net put exposure means that MM likely owning ~11m shares short for delta hedging. These shares are unlikely to be squeezed

4/ Short squeeze and gamma squeeze likely to have already occurred. Continued share price increases likely driven by new investors joining WSB/RH. Buying of GME has now expanded beyond US to other countries.

5/ Hedge funds, long/short and high frequency traders likely to have also joined the trade. At some point, forward momentum will decline as buyer pool depletes.

6/ Gamma squeeze is a one-off. Market makers will be more prepared now with heighted risk management.

7/ In summary, it is dangerous to assume what has happened in the past will continue in the future. Should always re-test your initial assumptions