

From: SpotGamma
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To: SpotGamma
Subject: FW: SpotGamma Report for: 06/23/2020 PM

SPOTGAMMA REPORT



Note:

The levitation continued particularly in NQ which keeps outpacing SPX. It did seem like SPX respected 3150 resistance today, and we certainly had a weak close which halted right at the [3115\(ES\) Vol Trigger](#) level. However, barring a futures move under 3100 we just don't see much "teeth" to the selling. SPX volume was anemic at 700k contracts with a 2:1 PC ratio. There is nothing in this options data that supports this constant movement higher and while its very difficult to try and call a top I think the market still looks exposed to a correction.

The first reason being a complete lack of call positions which provide positive gamma to help support the markets during a drawdown. We lost a lot of call positions after expiration, and volume yesterday and today was poor. We also see the NDX and many single stocks (ex: [AAPL](#), [AMZN](#), [NFLX](#)) outpacing their largest "Gamma Nodes/High Gamma Strikes" which indicates to us things are overstretched. The idea here being traders are not buying/rolling calls to confirm higher stock prices. Second is corresponding light levels of put positions. Yes, todays PC Ratio was 2:1 but that is on terribly light volume. As a result of all this we think the potential for a [gamma trap](#) remains high. The mechanics of this for those that are new: put buying forces options dealers (who are short puts) to short futures. This forces the market lower, which incents more people to buy puts. This is a negative feedback cycle that can last for some time.

I am making an effort here not to fear monger or offer a directional opinion. This is simply what stands out to us in the data and we feel obliged to draw attention to it. Clearly markets can also continue higher as there are many non-option forces at work, and we certainly respect that as a possibility.

Market Outlook:

3100 support for July with 3250 the overhead target.

Event	Time EST	Actual	Forecast	Previous
Flash Manufacturing PMI	9:45am	49.6	50.0	39.8

Signal Name	Latest Data	Previous
SPX Ref:	3122	3126