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when you see references to "dealer gamma positioning" and its implications for volatility, the underlying model is almost always an extremely naive one ...

... which assumes all call option open interest was sold by customers (who do not hedge dynamically) to market makers (who do). and vice versa for puts, all assumed to be bought by customers.

call option strikes tend to be to the upside on average and put option strikes to the downside. in this stylized world, the result is that market makers become short gamma (convexity with respect to spot prices) as markets fall, and have to sell to re-hedge, amplifying the fall.

but these underlying assumptions bear no relationship to reality, even directionally. it is not just a 'simplifying model'. it is done only because its implications match the stylized fact that volatility rises as markets fall and vice versa.

right now, for example, hedge funds & asset owners are lightly positioned and holding few hedges, but they are net buyers of calls because they worry about missing a rally. this is reflected in extreme low skew and low spot/volatility beta. complete opposite of the naive model

if you are a major derivatives market participant with a high frequency data infrastructure, you probably have models of the positioning of dynamic hedgers that are more interesting than this.

i love that the median response to this is "BENN IS BACK!!" lmao all u guys need to do is annoy me enough with nonsense on a specific derivatives topic and i will eventually appear