



Benn Eifert 🧐 🦴
@bennpeifert

Benn Eifert QVR 17-Jan-2022

So there were some famous instances of large positions in the market that existed without senior management knowing about the risk, which did not show up in the metrics they chose to track...

Note that you did not need complex risk models to understand this stuff. You just need to know what the products in the portfolio are, and ask simple questions ("what is the payoff if ...") ... if a manager won't give you enough information to answer this question, run.

On the final bonus question: I'd forgotten about Squeeth! That squared exposure effect is closely linked to the properties of variance swaps



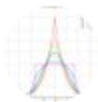
cephalopod_v7 (wirefraud (par...)) @macrocephal... · Jan 16, 2022

Replying to @macrocephalopod and @bennpeifert

the thing that is most like this is probably the squeeth crab vault, which shorts a power perpetual (payoff price^2) vs a linear hedge — probably a good deal rn as implieds are high but will be compressed within 1-2 months and the smart trade will be to buy vol



You and this Tweeter share some mutual follows



ComplexityQuantKillah @CapitalParadox · Jan 17, 2022

Replying to @bennpeifert

when doing real-world risk mgt, it's best to leave the high-level equations at home and look worst-case scenarios using addition/subtraction ;)



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Replying to @CapitalParadox

indeed!!!

