Twitter Thread by Cem Karsan ■

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1/ Ch-ch-ch-ch-changes (Turn and face the strange)... as futures, sit pinned @ an odd elevated morning perch awaiting Janet Yellen's confirmation hearing & her call for the new admin to 'act big'...this narrative has markets on high. But the truth is that it's actually just Gary



2/x behind the curtain, pulling the usual levers. Until Vixperation on Wed, it'll be nearly impossible to break the IVol oversupply. This pinning of IVol was so strong on Fri that despite a peak to trough drop of nearly -2% in SPX, fixed strike straddle were down across the board

3/x & particularly decimated in the very front of the curve. IVol particularly in the 30 day range is showing dramatic signs of oversupply relative to the rest of the IVol surface, giving a nod to the Vix strip driving the compression. Even during windows of vanna weakness as we

4/x are in now, this oversupply phenomenon paired w/ a market decline & a slide to higher fixed strike IVols can still lead to a temporary 'Dead Cat Bounce' where residual Vanna/charm morning flows lead to brief AM market support. These supporting flows are generally just strong

5/x enough for a countertrend thrust &, unable to meaningfully impact more important macro flows & hence generally should be faded starting around 9-10am CST. That said Gary'll likely see to it that there is no major technical break below 1 stdev in the 20 days, likely preventing

6/x a waterfall until Wed. This will coincide perfectly w/ the inauguration & this could serve as an ideal narrative for a decline. Watch for continued NDX weakness in the face of more bear steepening, retail call buying optimism, trolling of my account, & more of the shooting of

7/x generals as signs of coming weakness. Until Wed morning, calendar expansion should continue to be the name of the game,& given the coming wave if policy news that should begin to flow, I would expect more policy winners & losers to drive dispersion for the next 2 days w/ Gary

8/x still firmly in control of the index's wheel of fortune.The broad macro assumption by investors that MOAR stimulus is great for markets will ultimately be a miscalculation.The shift will be great for the economy & cyclical earnings.However the continued march higher in yields

9/x will eventually lead to multiple contraction...& this market is all about liquidity & multiples at this juncture.The wall of worry is still fading, & the exuberance of a reopening economy is building, which increasingly means that this window of weakness will most likely come

10/x & go as just a correction in time. But we must be on alert still until 1/22. We will continue to trade this market tactically from the short side at our levels taking profits into a likely stair step correction or sideways chop. Watch for our 3718.25 level as well as our

11/11 1 stdev bollinger down of the 20 day. If we can't close below the later by 1/22 EOD, we will be forced to begin looking to position longer for a potential blow off euphoric reopening top in a future coming window in 1 or 2 months... Remember, it's never EZ. Good Luck! ■