

## Pre-open GEX+ 8/29

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Hey everyone,

Last weekend, we asked the members of the Yacht Club to weigh in on which they'd like to see next:

1. Daily-updating charts, or
2. Raw data.

Well, despite the objection of a few nerds, the charts won out. So let's talk about getting some of these vol-tension charts out there for you to see.

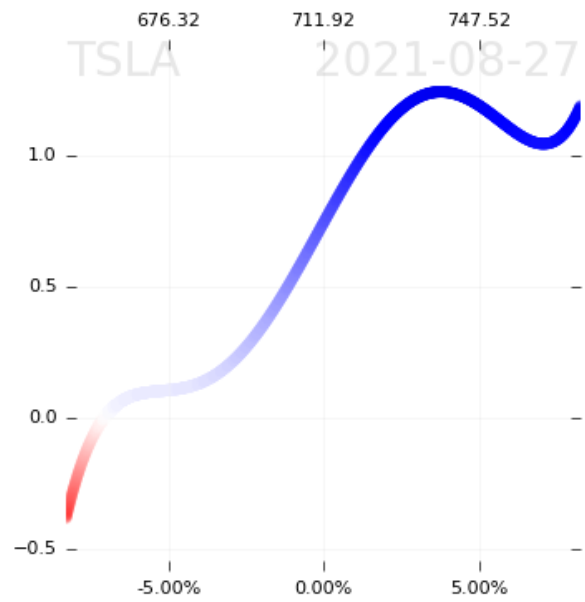
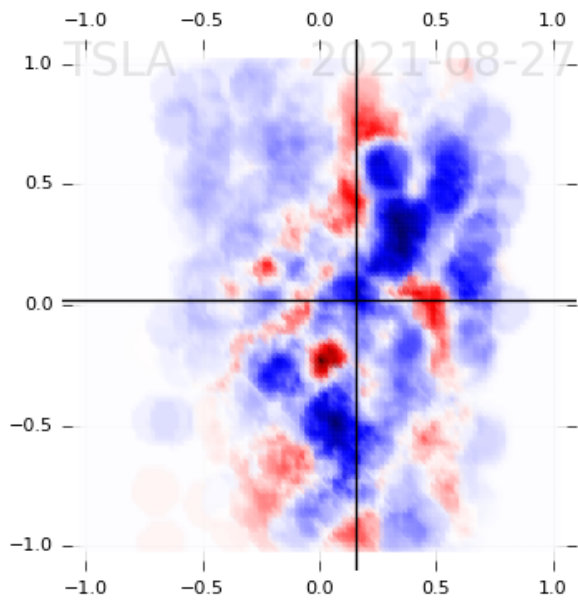
Here's a link: <https://pivt.squeezemetrics.com/>

Password: YachtClub

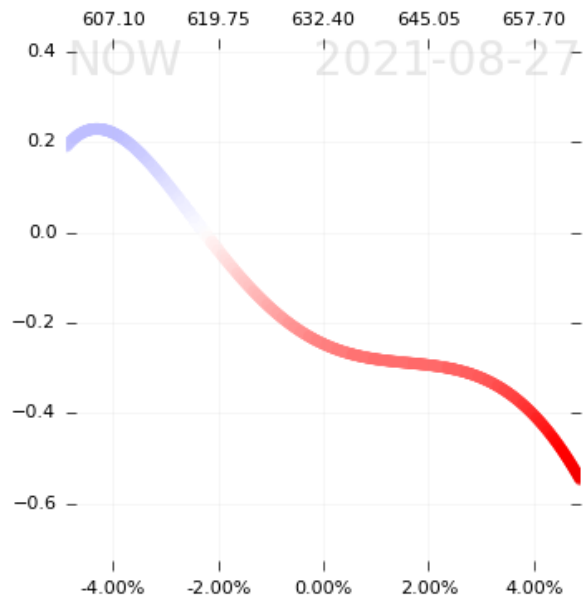
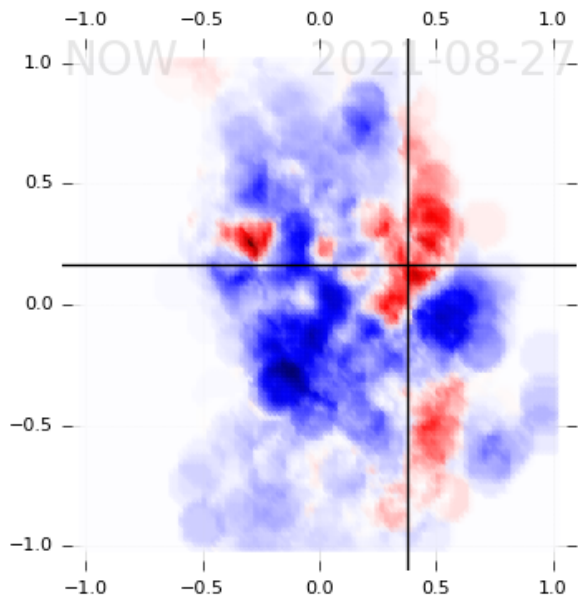
There are a *lot* of plots at that link. Use your browser's "Ctrl-F" function to find tickers you're interested in, and look through some of the charts. Try to get a feel for what's going on. If you're looking for a ticker and can't find it, it's probably because we're still generating it—this code has been running for six hours now and it's probably not even halfway done (and that's going to be a big problem...).

Anyhow, the leftmost plot is a heatmap of bullishness and bearishness with respect to vol-tension. If a stock has its crosshairs solidly in the blue zone, that's probably bullish, and if they're solidly in the red zone, that's probably bearish.

So here's a bullish one...



...and here's a bearish one.



Then the *rightmost* plot takes that heatmap data and extrapolates it to tomorrow. The color of the curve indicates whether the stock would *continue* to be bullish or bearish were it to close at that price tomorrow.

We're pretty happy to be able to generate all these plots. We're *less* happy at how computationally expensive it's been—as we've already done quite a lot to optimize the process. Like we said, our goal is to make these *daily*-updating. As it stands, we can't do that, but we'll be working on it.

*What are we calling this new indicator? How do we hope to use it? Can we put the data on a normal stock chart for reference?*

Answers below the fold. But first...

1. That week
2. This week
3. Pivotal

### That week

We were busy blabbing about the vol-tension stuff last weekend, so we didn't have much to say about the forecast.

*(And by way of a forecast: We have a small short August (**September, duh...**) VIX position, still, which was trimmed at EOD Friday. It went very nicely. Right now, our eyes are on NPD, which is being a bit scary—but ceteris paribus, it feels like a calm, bullish week ahead!)*

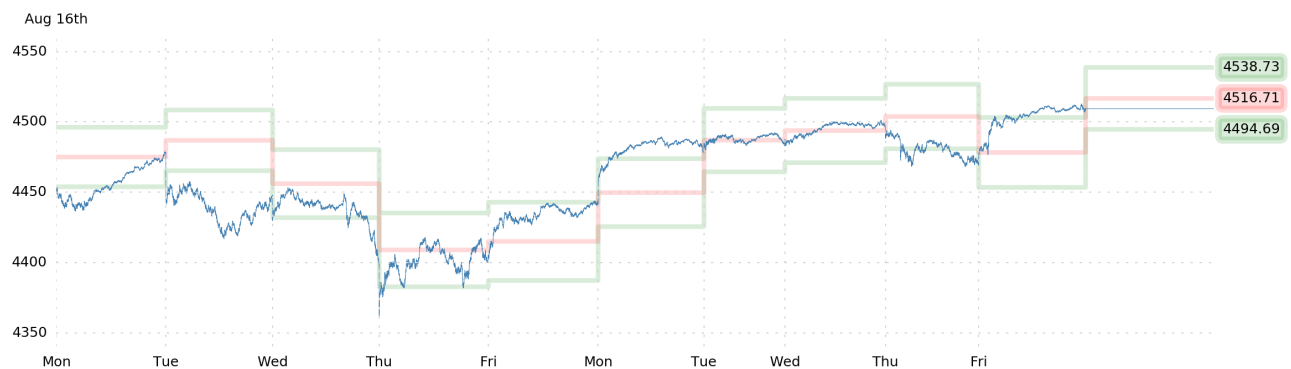
Well, this went nicely, because it was indeed a relatively calm, bullish week.

But we're totally market-neutral now. No index or index vol position. Why?

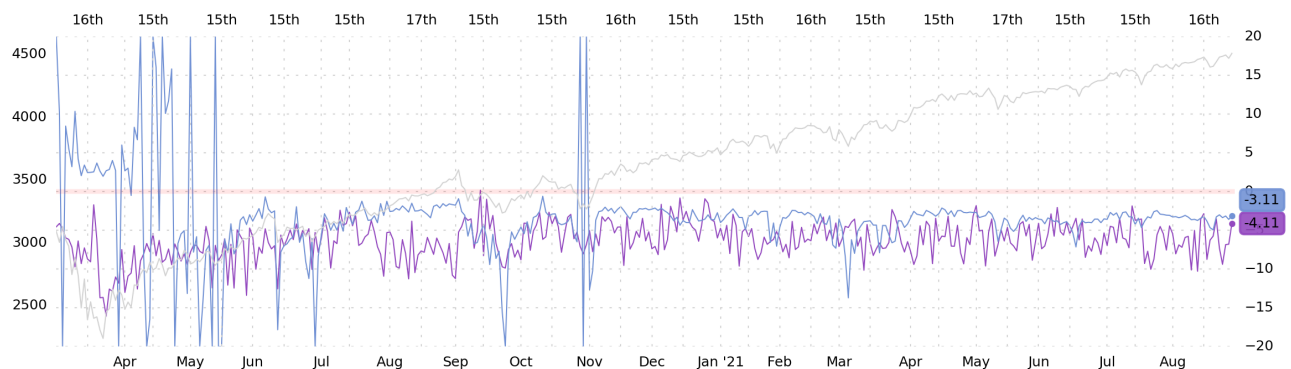
### This week

Lots of interesting data on Friday.

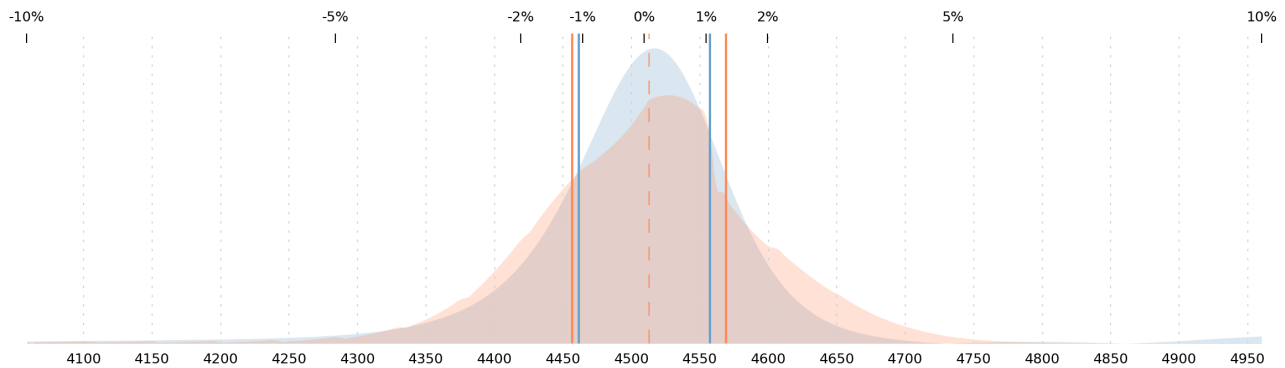
First, DIX printed 37.3%. Then, the Momentum band provided precious little momentum.



Then NPD and VGR both printed a bit closer to zero.



Then the 1-week probability density gave a bit of extra edge to the option buyer.



So yeah, for the first time in a while, we're feeling like the S&P 500 needs to take a breather. Expecting flat to down this week, and with a bit of volatility!

*(And whenever SPY's data generates on that site up there, we want to take a look to see if it confirms our bias here! Because that'd be really cool!)*

### **Pivotal**

*First, the name:*

We're calling this thing *Path-Implied Volatility Tension (PIVT)*. We like this name because it sounds like some old TA indicator from the '80s. That seems appropriate, since all we're trying to do here is draw trendlines—but in three-dimensional space. All we want is a bull/bear signal. Nothing fancy.

*Sound good? Ok, now how are we thinking about the data?*

We've mentioned a number of times that, as we slowly closed in on this vol-tension idea, we had some very successful trading performance playing some single-stock pairs against each other. Indeed, this is part of what kept us going—we knew we were close to something good. Performance continues to be excellent, so here's a first pass at the way we're approaching this. We want four distinct types of trades:

1. Long something blue that has strong mean-reversion implied by its curve (curve very blue to the left).
2. Long something blue that has strong trend implied by its curve (curve very blue to the right).
3. Short something red that has strong mean-reversion implied by its curve (curve very red to the right).
4. Short something red that has strong trend implied by its curve (curve very red to the left).

Ideally, we want *many* of each of these, and for several of them to be uncorrelated. So far, this has felt pretty good, and we've enjoyed using the heatmap and curves to get a feel for what works.

*One thing that we feel is still missing?*

We want to see this data on a normal time-series stock chart. We want to see it in the context of historical price-action, and in a format that we're familiar with.

Sadly, this seemingly simple idea is going to be a doozy—generating this chart takes orders of magnitude longer than the stuff that's already taking all night to generate. So we've got our work cut out for us.

Let's follow up on that next weekend.

Enjoy the week!

The SqueezeMetrics Team

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