

S&P 500 Weekly Forecast 11/14

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Subject: S&P 500 Weekly Forecast 11/14
Date: Sunday, November 14, 2021 9:00 PM
Size: 1.8 MB

Hey guys,

Let's have some fun with Robot Jim!

Go to <https://jim.squeezemetrics.com>.

When prompted, leave Username blank and enter password "YachtClub".

Indexed on this page are a whole bunch of 1-week distribution forecasts and heatmap pairs generated for the same tickers that we were evaluating for PIVT (*we're still working on making this all update quickly... it's a tall order*).

Also, check out the "50best" and "50worst" spreadsheet documents, which list all of the most interesting tickers that Jim has evaluated, ordered by relative bullishness and bearishness. For example, here's part of "50best.csv":

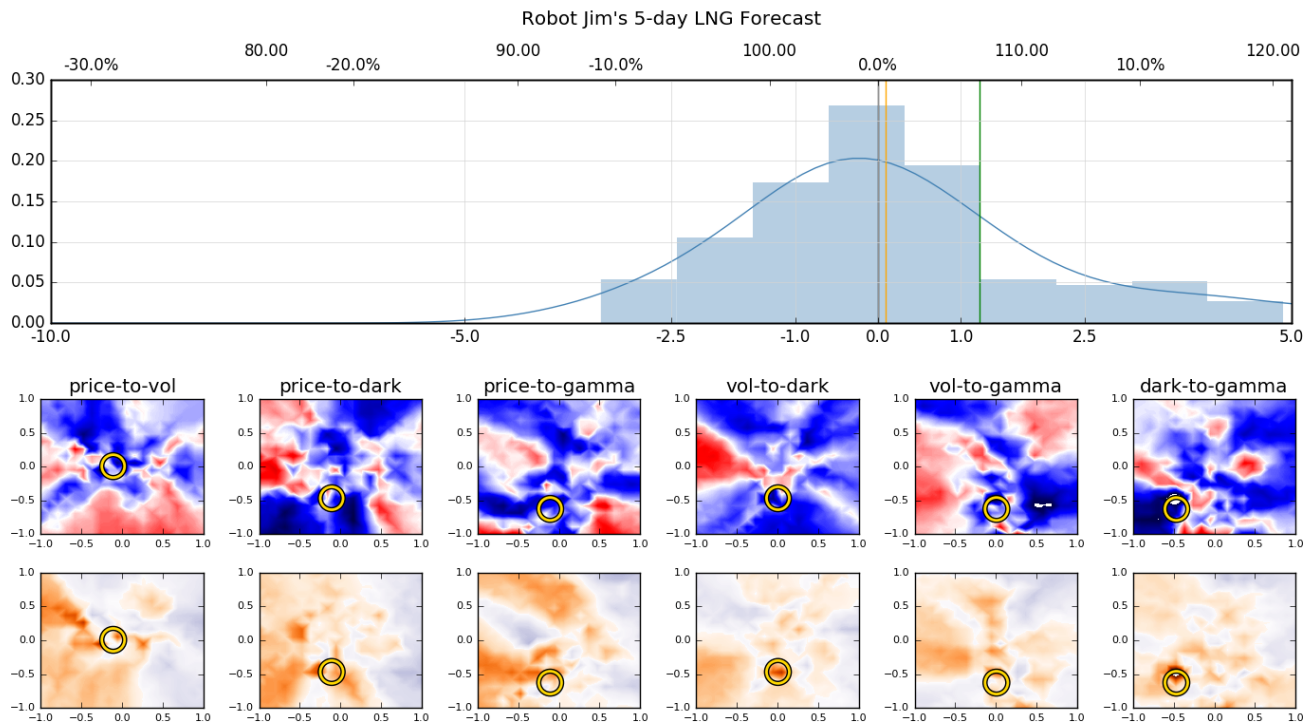
50best

TICKER	MEAN	MEDIAN	VOL	VOL_MEDIAN
XLRN	1.95	0.5	1.25	0.22
RUN	1.63	1.24	0.64	0.24
VIPS	1.55	0.48	1.1	0.13
VER	1.34	1.28	0.75	0.59
CHDN	1.25	1.3	0.54	0.37
LNG	1.24	0.1	1.33	-0.01
HZNP	1.18	0.54	0.83	-0.13
PRFT	1.13	0.72	0.58	-0.2
SYY	1.08	0.88	0.47	0.01
RY	1.07	1.2	0.91	0.68
C	1.05	1.07	0.42	0.27

Despite the #1 entry (XLRN) being an acquisition target (by MRK), and thus not exactly "in play" (except to merger arbs), the other names are interesting. What we want to call attention to, though, is the column names, and what they mean. So, for example, take a look at LNG (Cheniere Energy).

LNG's MEAN is 1.24. This is, as usual, a mean-absolute-deviation number, so it tells us that, over the next week, LNG's mean gain is +1.24 MAD. But, crucially, the median is only 0.10. That means there's gonna be a

long right tail! To get a sense of what that means, we can pull up the distribution and panel.



Here, not only can we see the shape and size of that right tail, but by looking at the heatmaps, we can get a sense for why Jim thinks that right tail is possible. Note, specifically, that the "dark-to-gamma" pair (far right) has the gold ring in the most bullish region, and that region happens to be where both dark pool short volume (x-axis) and the put-call gamma ratio (y-axis) are low.

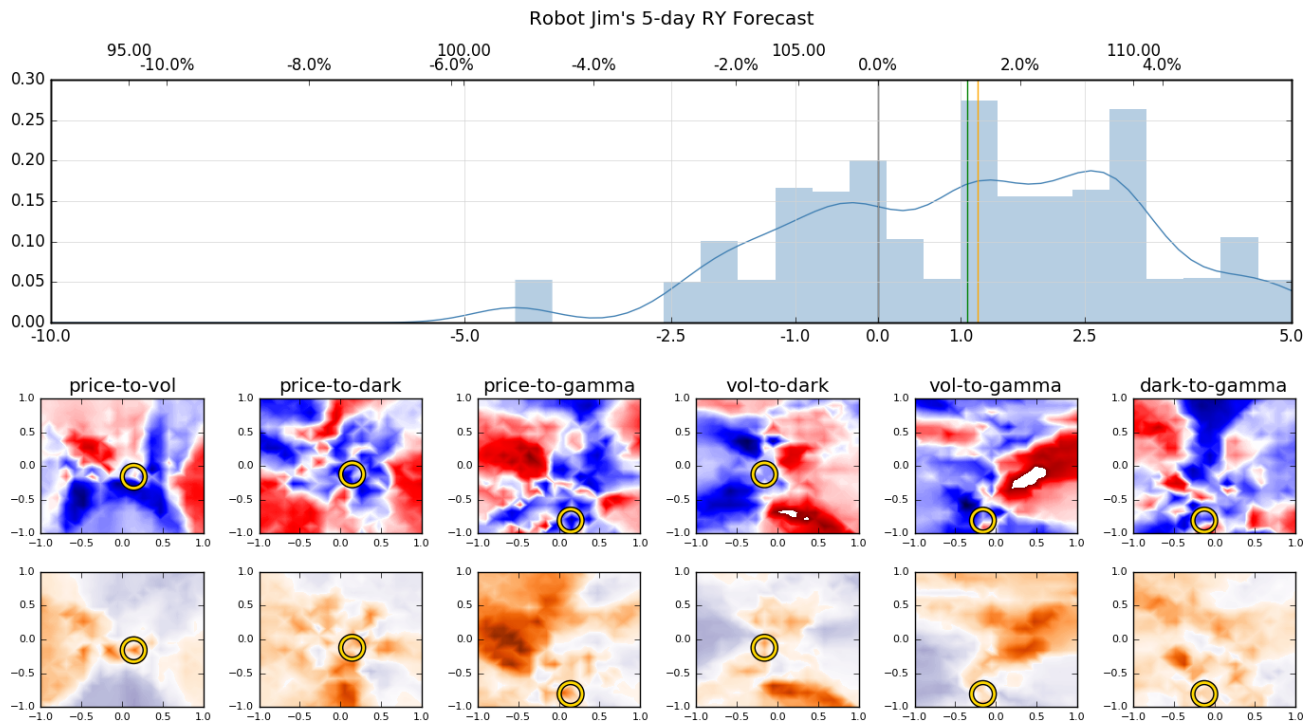
And this combination has historically resulted in upside rallies (squeezes?). Still, it's low-probability, hence that boring median return.

Compare this to ticker RY (Royal Bank of Canada), a couple rows lower on the spreadsheet. RY has a MEAN weekly gain of 1.07 MAD anticipated, but the MEDIAN, at 1.20, is higher. This will lead to a left-skewed distribution.

But also take note of the VOL column at +0.91, and the VOL_MEDIAN column at +0.68. These, too, are denominated in MAD. The VOL column tells us that the mean increase in magnitude, relative to the last month of volatility, is forecasted at +0.91 MAD (+1.00 MAD means vol should be doubling, so this is vol almost doubling this week, or going up 91%). But also, the VOL_MEDIAN is at +0.68, which tells us that the *median* event is a rise in vol by 68%. Compare this to LNG's VOL_MEDIAN of -0.01 (no median rise in vol is expected).

We're pretty excited about splitting VOL forecasts in to mean and median, so we can have a better sense of (and sort by!) the distribution of volatility, in addition to the distribution of returns.

Anyhow, here's RY:



Note the high probability of a ~2.00% weekly gain, but also the *extremely* broad-shouldered distribution. Robot Jim thinks a relatively large 2.00% gain or loss is totally possible this week for RY, and that's because all of the data agrees—this current combination of price, volatility, dark pool, and gamma data have historically led to broad-shouldered distributions. If Jim is correct, then this would be an unusually good time to buy a straddle in RY (or just a call spread!).

This... is really cool. Having these distributions at hand, with heatmaps describing where it's coming from, is proving very useful. And honestly, pretty fun.

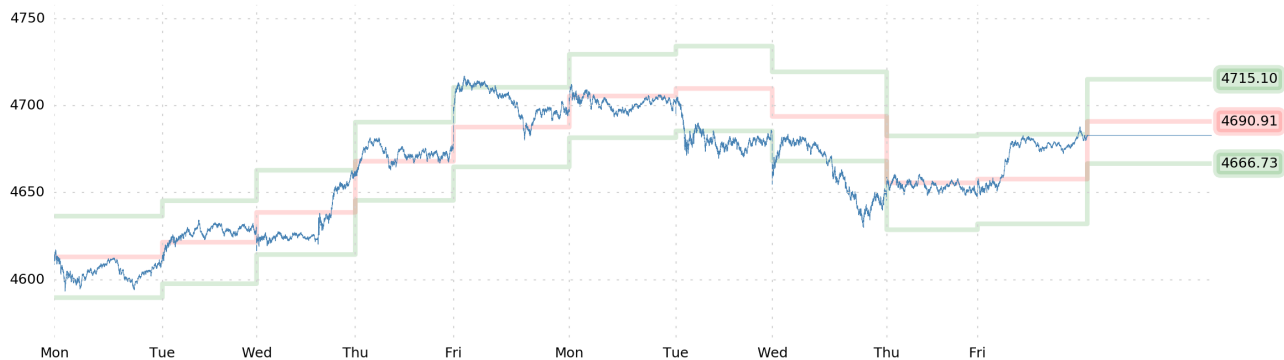
We will continue to expand on this, and we will be doing our best to get these updating daily.

Now, before we forget:

1. T-5
2. T+5

T-5

We didn't come into this past week with any positions, since we didn't see any opportunity—but on Tuesday morning, we saw what we described as a "tactical" opportunity to go short SPX and short VIX.



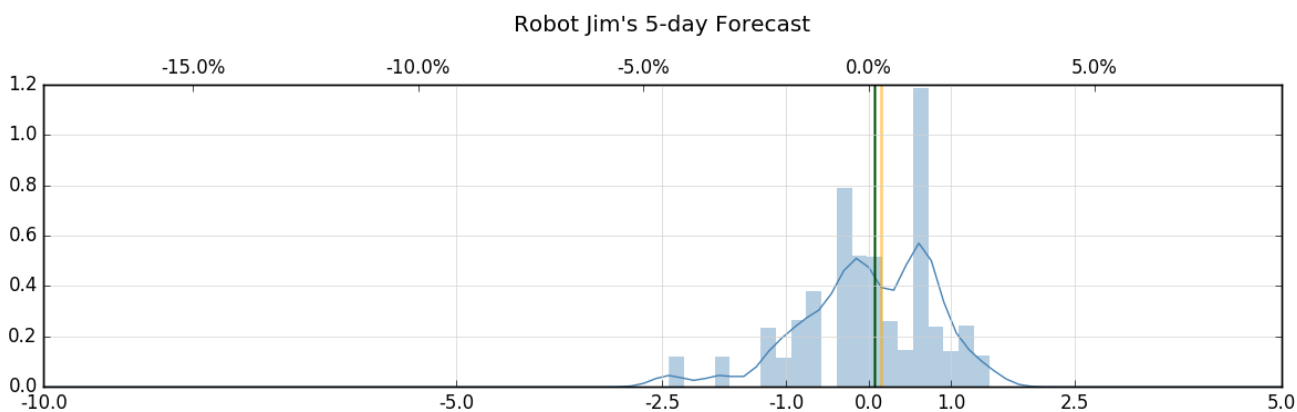
And after lightening up on that on Thursday (thereafter leaning short VIX), we ended Friday's morning note with:

Well, Jim is back with a more bullish outlook than he's had all week. Above is a 0.24% mean and 0.51% median gain over the next 5 market days, and it's the kind of distribution that lends itself to short vol: The left "tail" is short, and most losses are inside of the 1-MAD range.

So, a nice, impromptu profit for the week, and heading into next week with some short VIX.

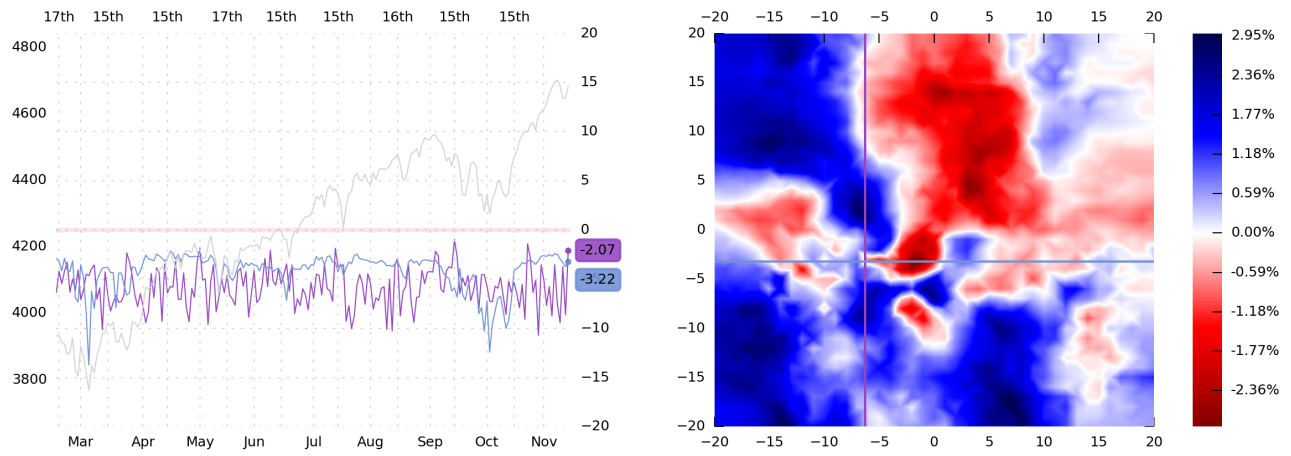
T+5

Here's Jim's forecast:



Quite normal. A mean gain of 0.12% and a median of 0.28%.

One source of concern is a near-zero NPD print on Friday (-2.07). Any more of this will start building a left tail in that distribution. Recall that we're taking the 5-day average of NPD into account for our heatmaps now, and so is Jim:



Which is why that lone Friday print doesn't place us in the red zone—yet.

DIX also had a relatively weak print, but in this context, "relatively weak" means 43.2%. DIX has been telling us of very significant real buying interest in the S&P 500 recently, and it's one factor that's telling Jim that stuff is likely to stay together for now.

As always we'll keep watching, but for now, we have a small net short vol position in short VIX.

Enjoy the week!

The SqueezeMetrics Team
