

GS Tactical Flow-of-Funds: Downside Skew

FICC and Equities | 9 March 2023 | 1:15PM UTC

GS Tactical Flow-of-Funds: T-BILL N' CHILL – FLASH UPDATE

a. The flow-of-funds equity dynamics are not favorable until the end of March / start of April / “Q2”. I will flip to bullish then.

b. To start the year, I typed that the 60/40 US Worlds “retirement portfolio” was off to the best start to year since 1987. Now, its completely statistically insignificant, +2.4%, 51st strongest start since 1900.

c. We have held, tested, and bounced off of key technical levels. I think these technical's will no longer hold. Got wings? Full checklist below.

d. This is the chart of the day: “Is the vol market bracing for macro data impact over the next two weeks?” – the answer is yes.

e. Money Market funds saw \$68.1B inflows last week. This was the largest weekly inflow into cash since April 24th, 2020 (covid times). There will be more inflows this week. At the same time, we have seen 11 straight market on close imbalances for sale.

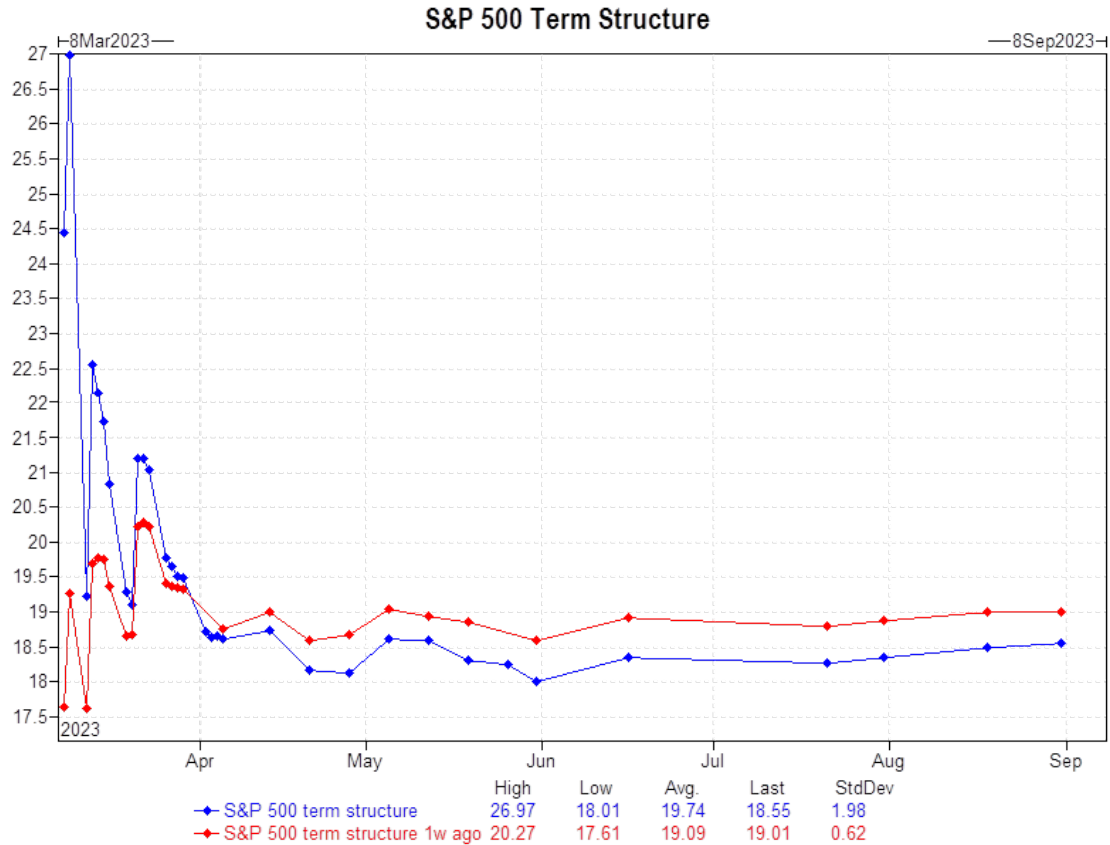
f. 6 days to corporate blackout.

TINA (There is no alternative) to is out.

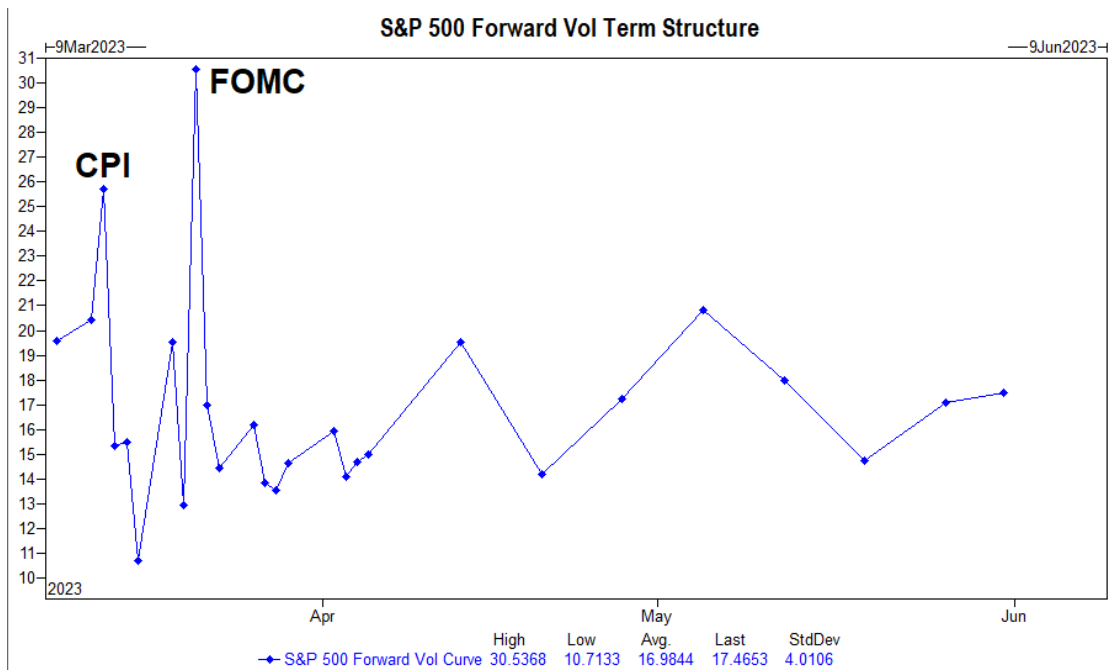
TARA (There are reasonable alternatives)

TAPAS (There are plenty of alternatives)

TIARA (There is a realistic alternative) are in.



Source: Goldman Sachs FICC and Equities Futures Markets Strats team, as of 3/9/23. Past performance is not indicative of future returns.

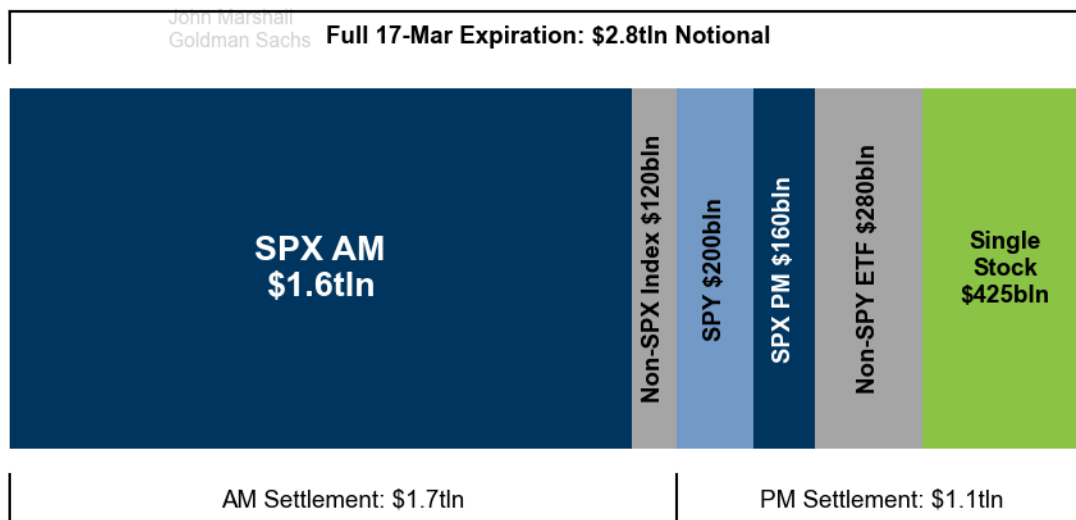


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Checklist: 10 Points on unfavorable flow dynamics heading into the end of march

1. OpEx - March (3/17) Option Expiry: **\$2.8 Trillion Notional** to unclench GAMMA (also quarter-end gamma). This is a big number. This removes the 4k pinner, that has kept a lid on big moves. Either way. We are going to move next week.

*\$2.8tln of option notional expires on 17-Mar
Notional open interest of US-listed options expiring on 17-Mar-2023*

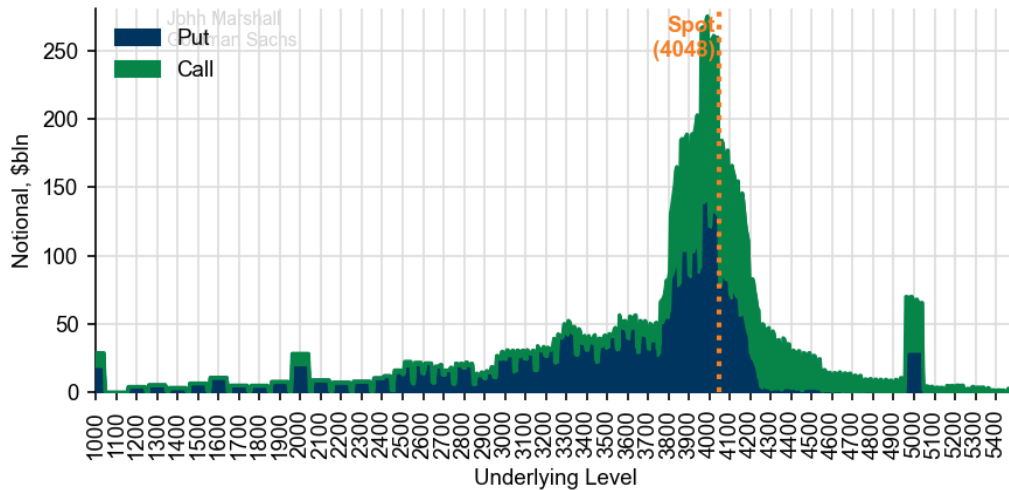


Research Link: [Vol Vitals: Volatility Fades Ahead of \\$4tln Expiration](#) (15-Dec-2022)

Source: Goldman Sachs Global Investment Research, OptionMetrics, Bloomberg. Past performance is not indicative of future returns.

17-Mar strike distribution

Notional 17-Mar-2023 SPX open interest, \$bln notional within 1% of each point

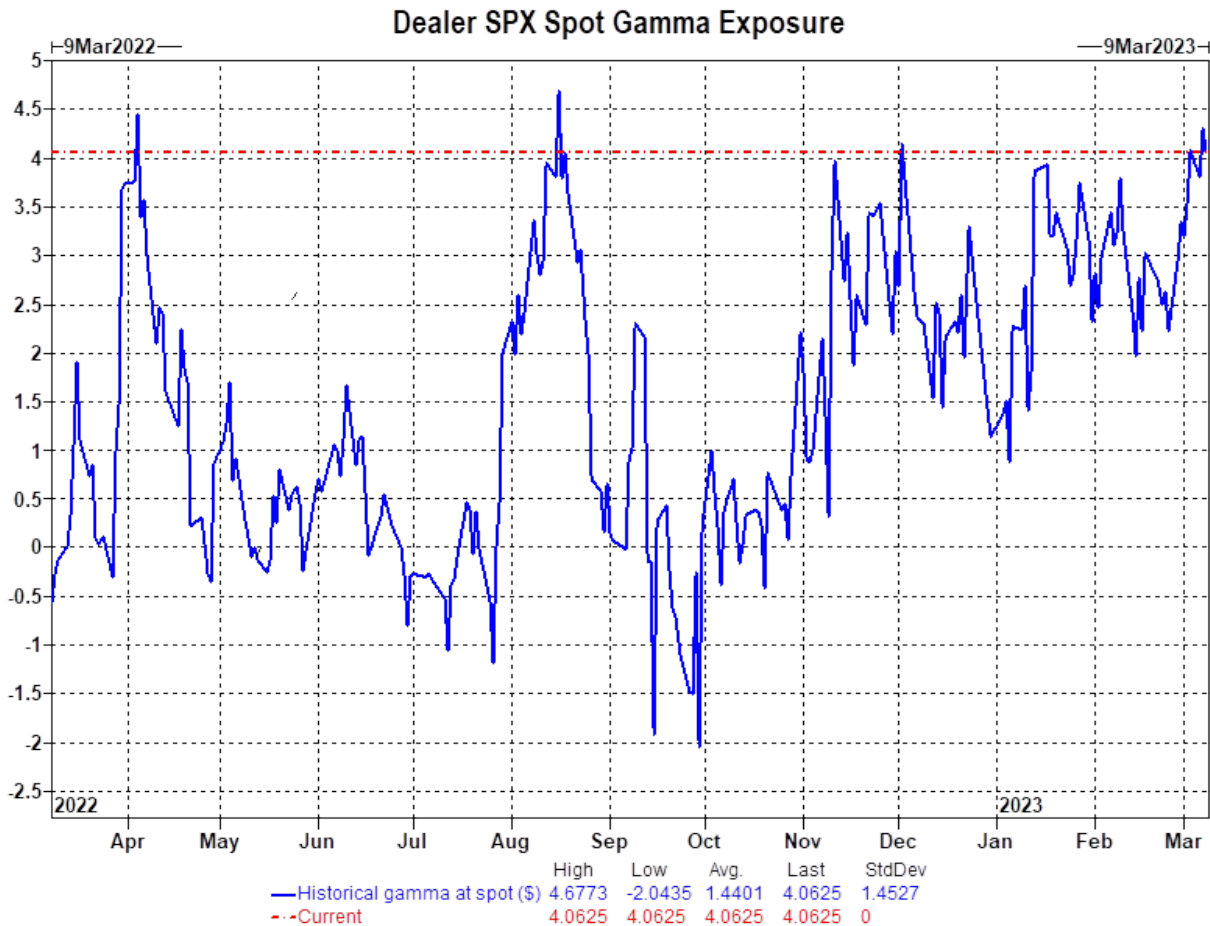


Source: Goldman Sachs Global Investment Research, OptionMetrics. Past performance is not indicative of future returns.

US equity index notional open interest distribution
Notional open interest statistics

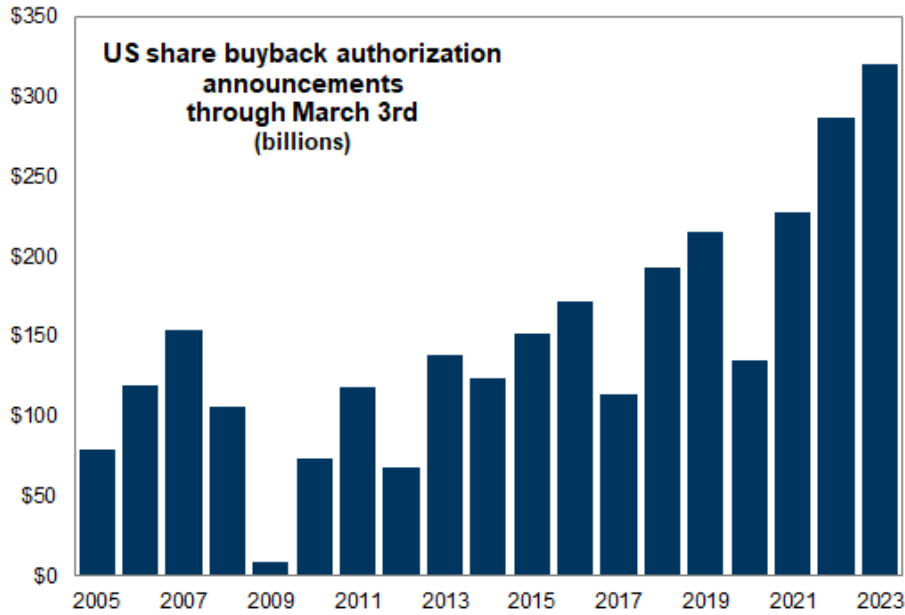
	Total/Call/Put	Top 4 Expiries	Tenor Distribution
SPX	Total \$7.0tln	17-Mar \$1.8tln	07-Mar to 17-Mar \$2.2tln
	Call \$2.5tln	21-Apr \$600bln	20-Mar to 16-Jun \$2.6tln
SPY	Total \$770bln	17-Mar \$200bln	07-Mar to 17-Mar \$285bln
	Call \$245bln	31-Mar \$65bln	20-Mar to 16-Jun \$330bln
IWM	Total \$160bln	17-Mar \$41bln	08-Mar to 17-Mar \$45bln
	Call \$45bln	21-Apr \$17bln	20-Mar to 16-Jun \$64bln
RTY	Total \$120bln	17-Mar \$43bln	08-Mar to 17-Mar \$49bln
	Call \$45bln	16-Jun \$18bln	20-Mar to 16-Jun \$36bln
QQQ	Total \$390bln	17-Mar \$99bln	07-Mar to 17-Mar \$120bln
	Call \$140bln	21-Apr \$30bln	20-Mar to 16-Jun \$155bln
NDX	Total \$205bln	17-Mar \$67bln	07-Mar to 17-Mar \$83bln
	Call \$96bln	16-Jun \$18bln	20-Mar to 16-Jun \$68bln

Research Link: [Four Observations Ahead of the Upcoming \\$3.2tln Expiry \(12-Sep-2022\)](#)



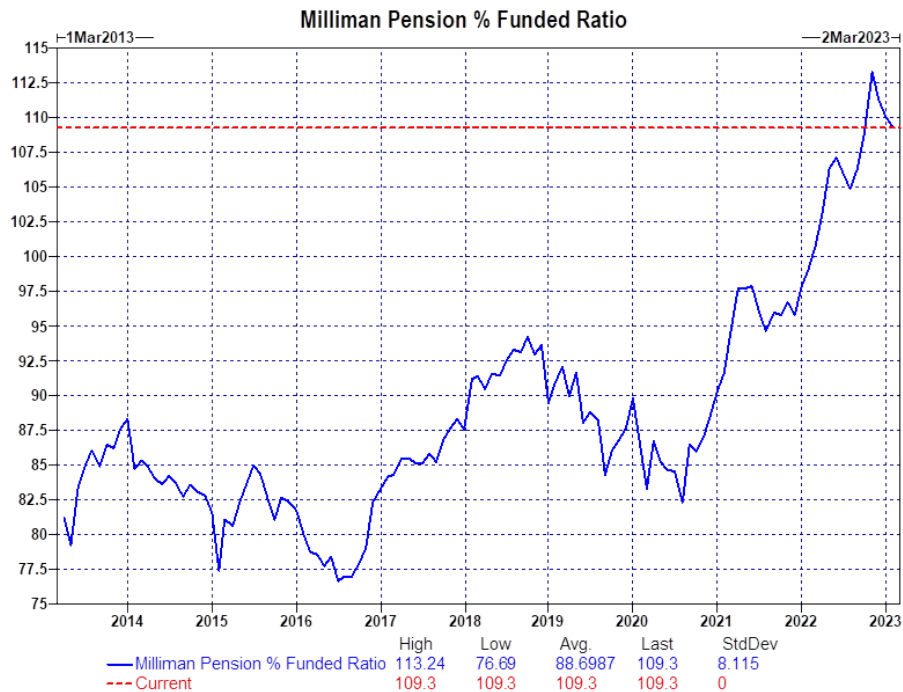
Source: Goldman Sachs FICC and Equities Futures Markets Strats team, as of 3/9/23. Past performance is not indicative of future returns.

2. Peak open corporate repurchase window. The corporate buyback blackout window begins on **3/16**, where 40% of US corporates will be in the blackout window. This window ends of **4/28**. Reminder corporate authorizations have been an all-time high YTD. There will be a decline in vwap purchases during the closed window. We expect executions to drop by **~30%** during the closed window.

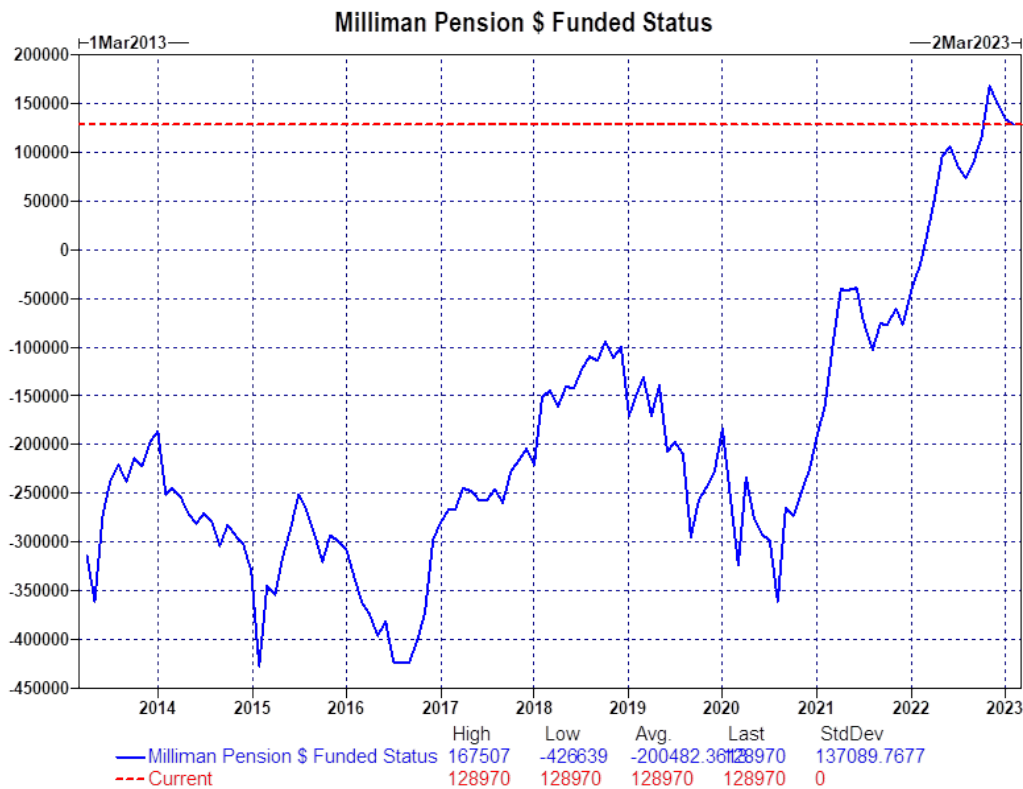


Source: Global Sachs Global Investment Research Division, Cormac Conners, as of 3/2/23, Past performance is not indicative of future returns.

3. March Quarter-End Pension Fund Supply may actually exceed historic “model” based estimates given record funded status and the chance to immunize given human decisions (we are having these conversations).

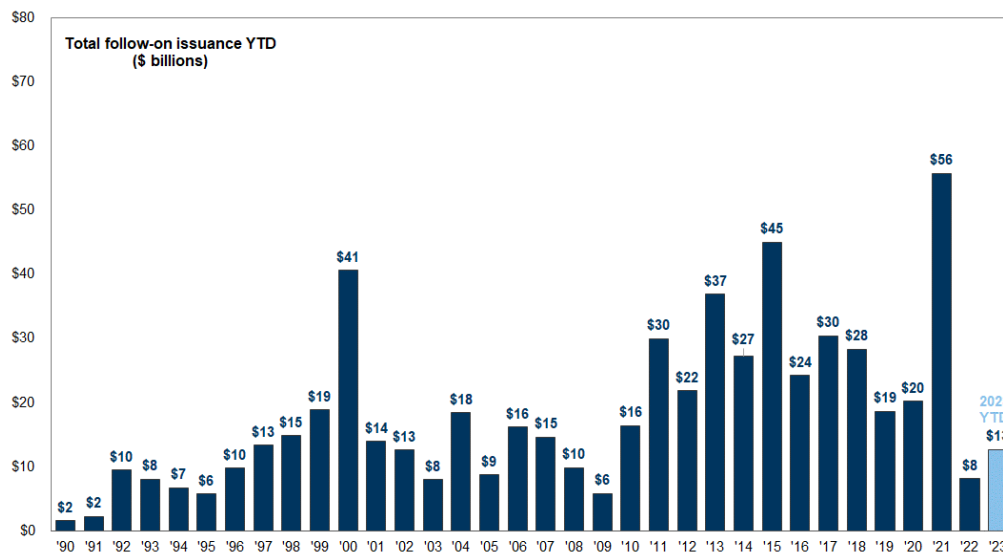


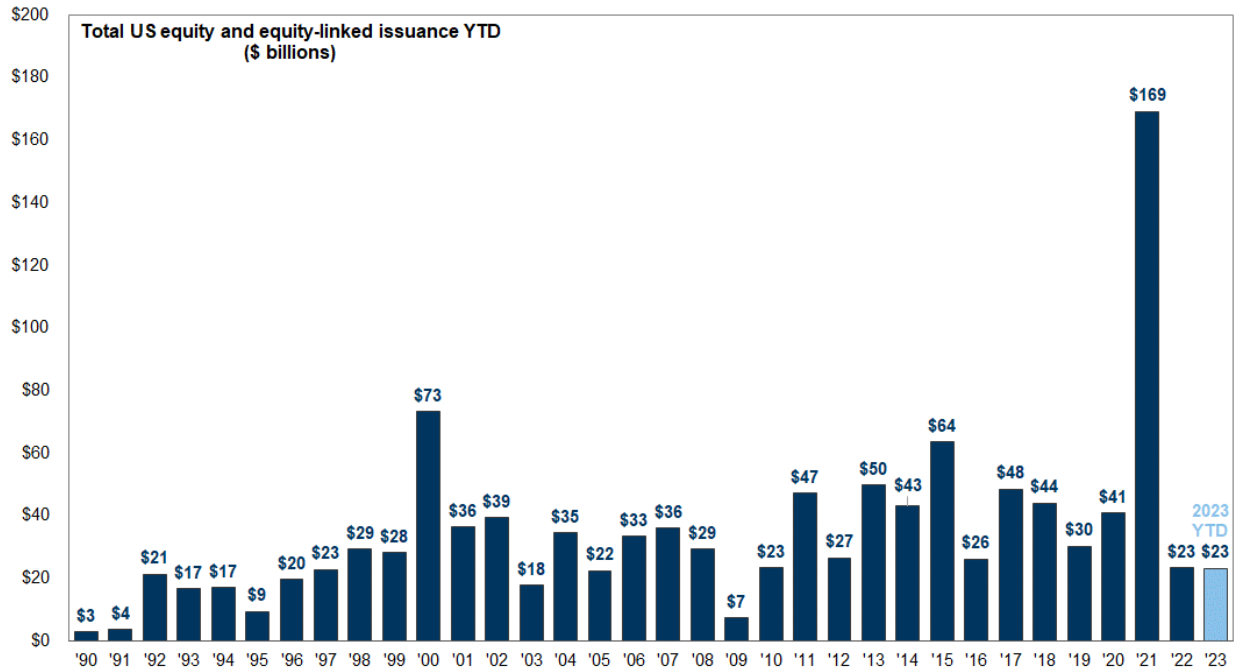
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4. It's great American block party - Equity Issuance (mainly in the form of blocks) has increased/accelerated into the upcoming closing window, specifically from P/E and Corporates.





Source: Global Sachs Global Investment Research Division, Cormac Conners, as of 3/2/23, Past performance is not indicative of future returns.

5. CTA – “Rage of the machines”. I have never seen this much volatility in our model based estimates in a flat tape (day over day) given violent market moves. This was a large reduction in demand from yesterday. Flip-Flip-Flop. Asymmetric skew still lives to the downside.

Over the next 1 week...

Flat tape: Buyers \$10B (\$6B into the US // yday \$18B into the US)

Up tape: Buyers \$25B (\$19B into the US // yday \$21B into the US)

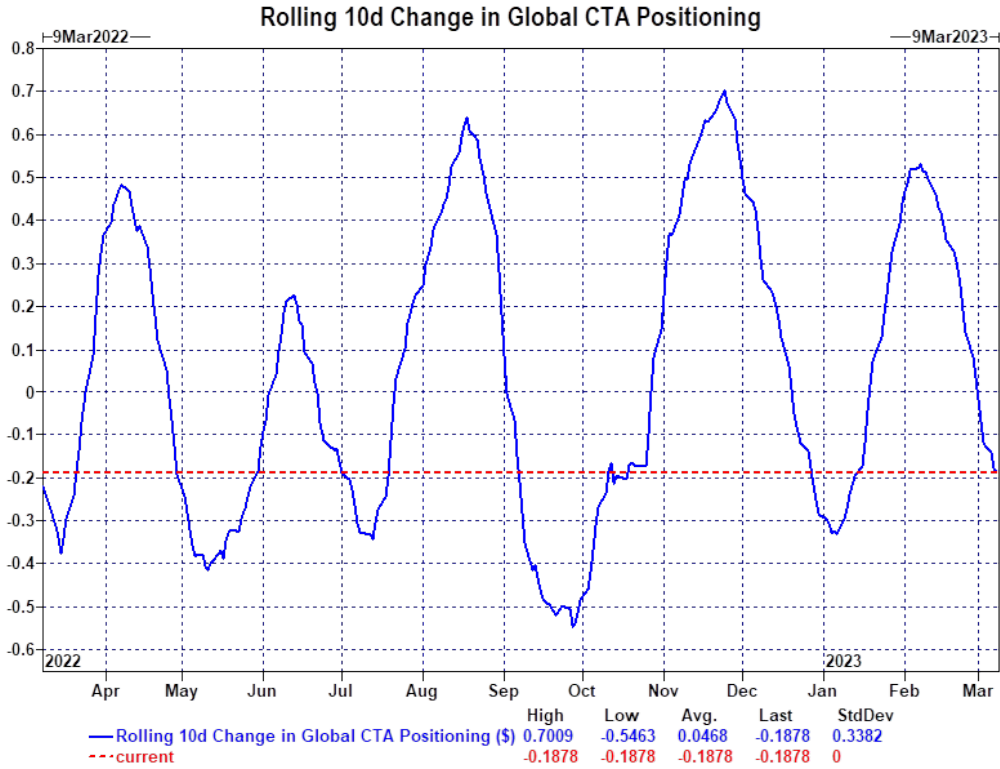
Down tape: Sellers \$30B (\$9B out of the US // yday \$3B out of the US)

Over the next 1 month...

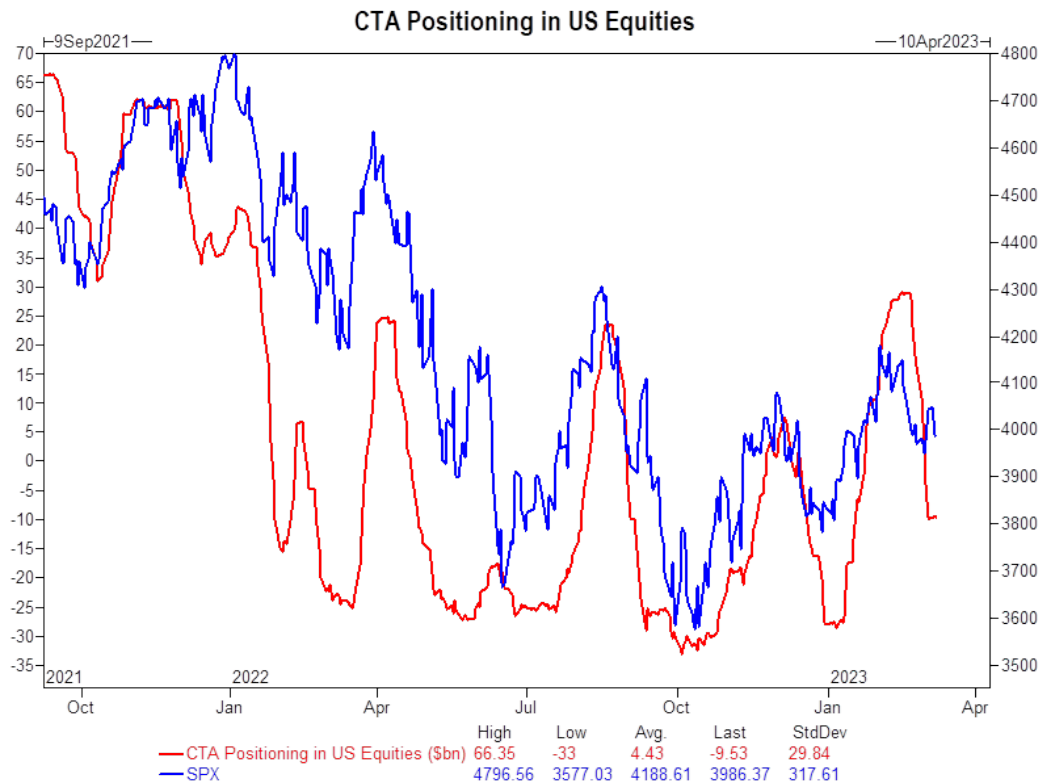
Flat tape: Buyers \$17B (\$11B into the US // yday \$35B into the US)

Up tape: Buyers \$78B (\$53B into the US // yday \$53B into the US)

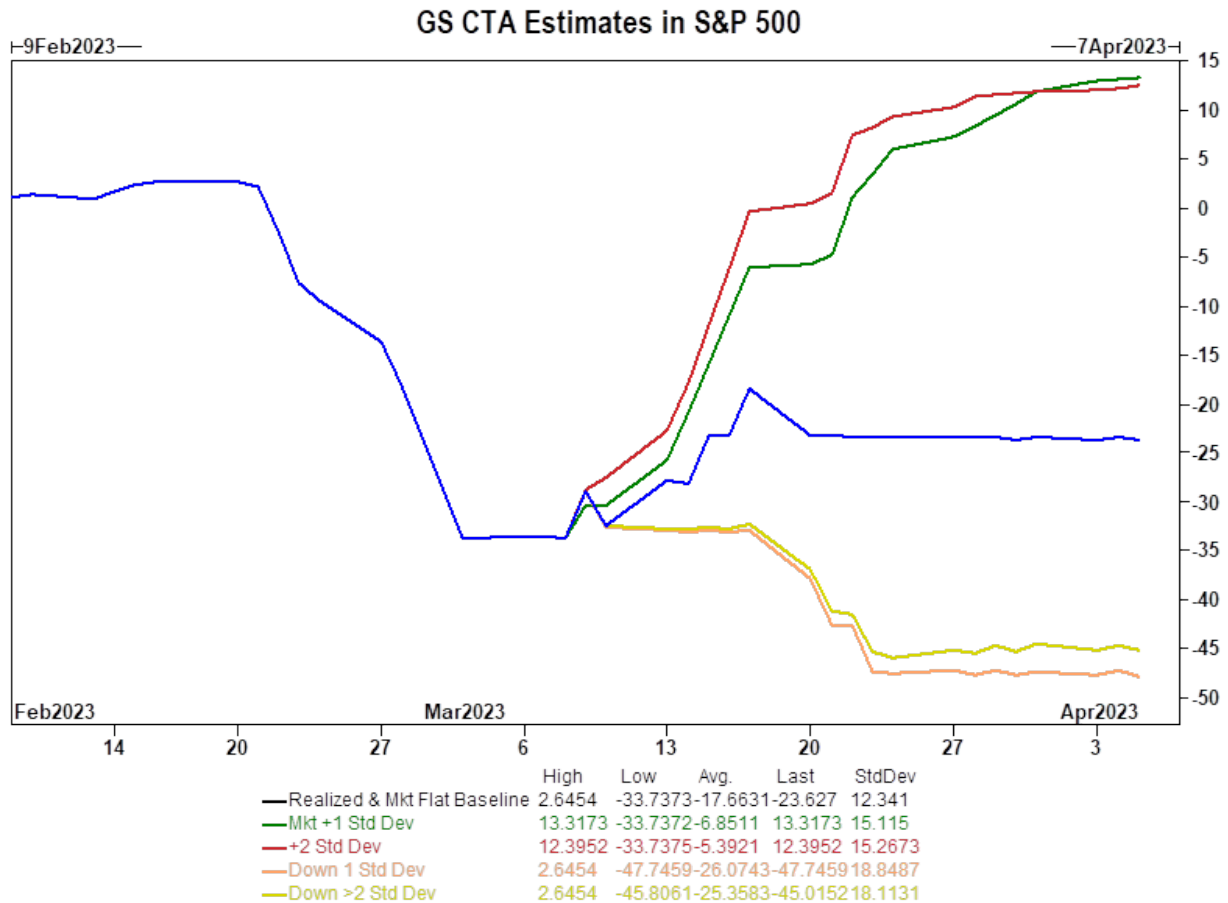
Down tape: Sellers \$179B (\$28B out of the US // yday \$27B out of the US)



Source: Goldman Sachs FICC and Equities Futures Markets Strats team, as of 3/9/23. Past performance is not indicative of future returns.

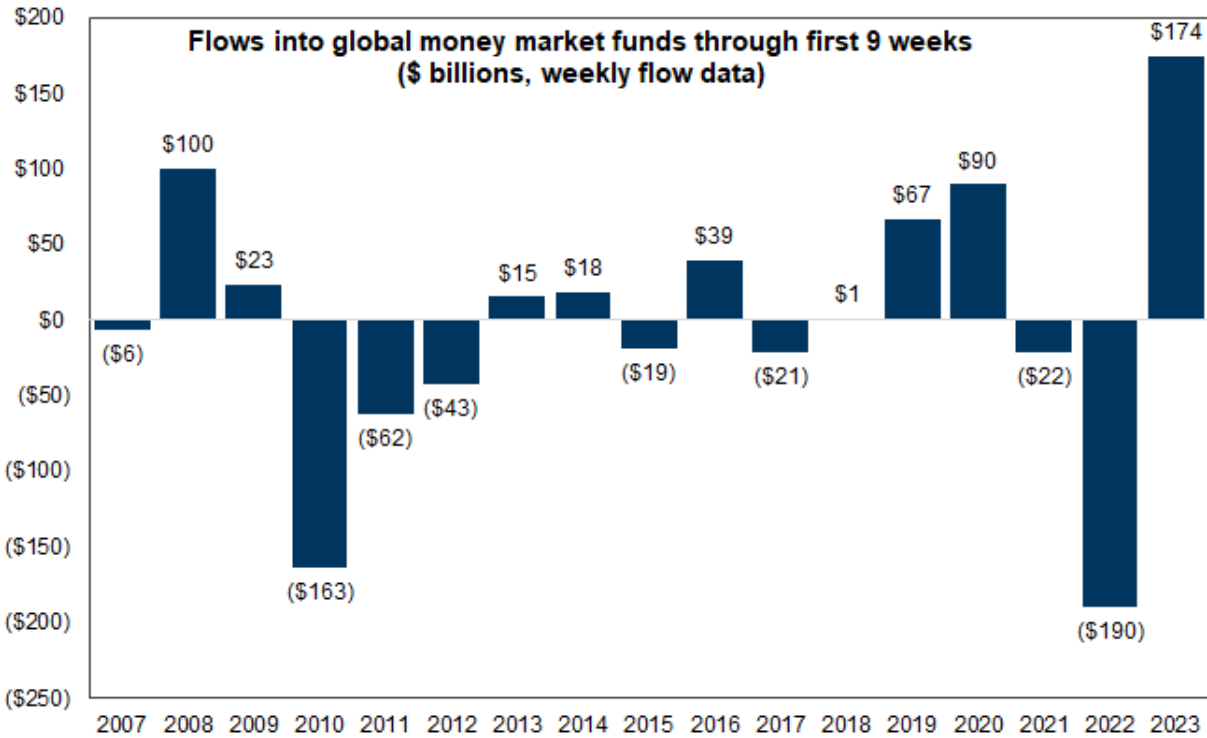


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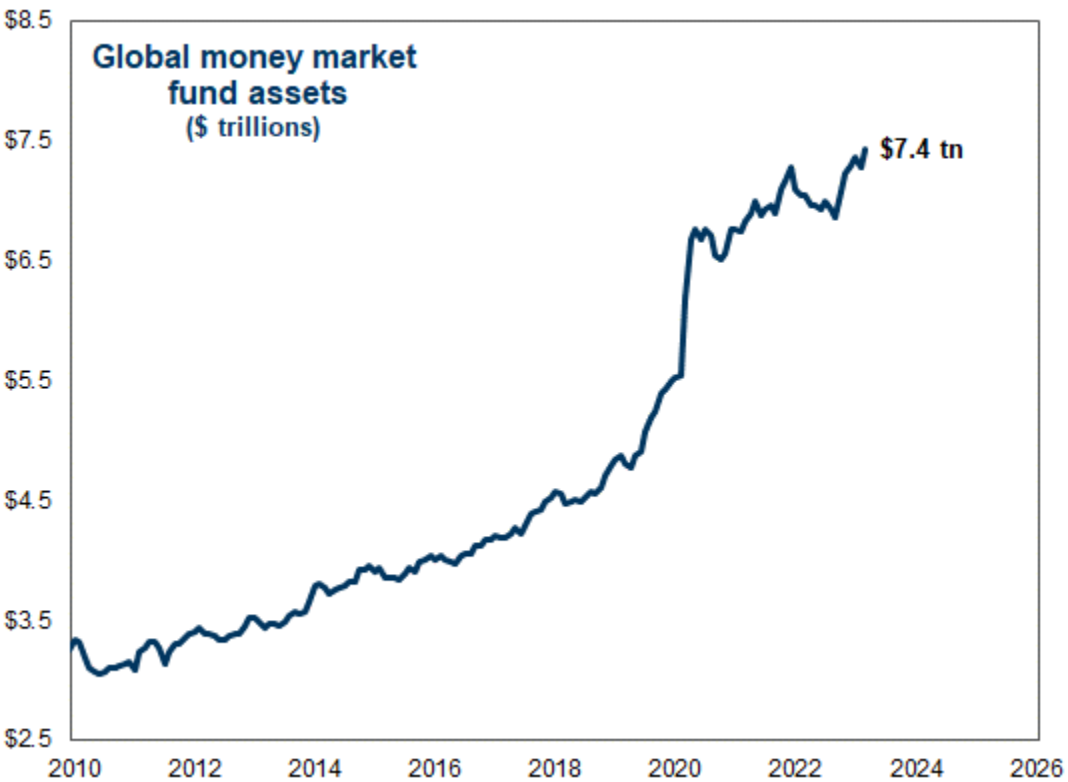


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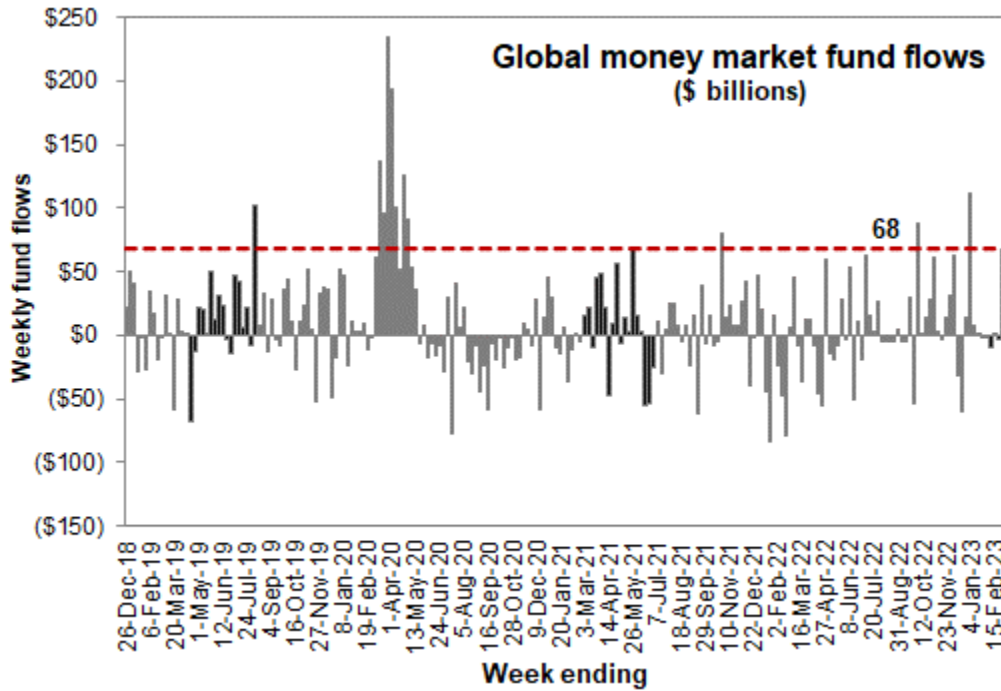
6. T-Bill N' Chill - This is the largest asset allocation flow in the market period. Money Market Inflows (+) vs. US Equity Outflows (-): We have seen 11 straight days worth of market on close imbalances for sale, this is one of largest on close streaks that I can recall. Money Market flows have seen the best start to the year on record. "its straight cash homie". Money Market **AUM = \$7.4 Trillion (ATH)**. As an example, take a look at the \$245B Fidelity MMF yields ~4.23%, ticker SPAXX, 7 days to maturity.



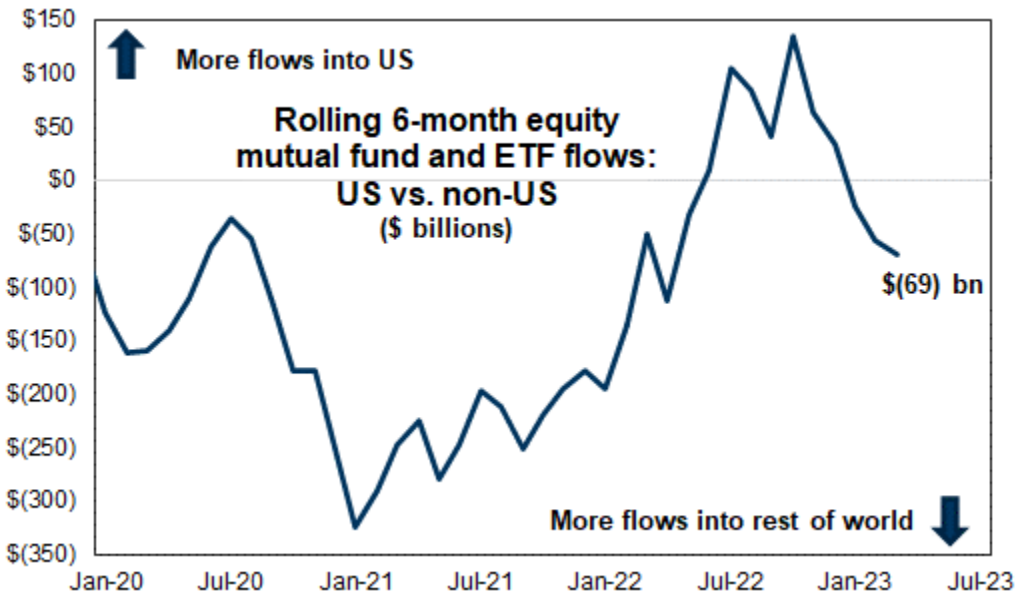
Source: Global Sachs Global Investment Research Division, Cormac Conners, as of 3/2/23, Past performance is not indicative of future returns.



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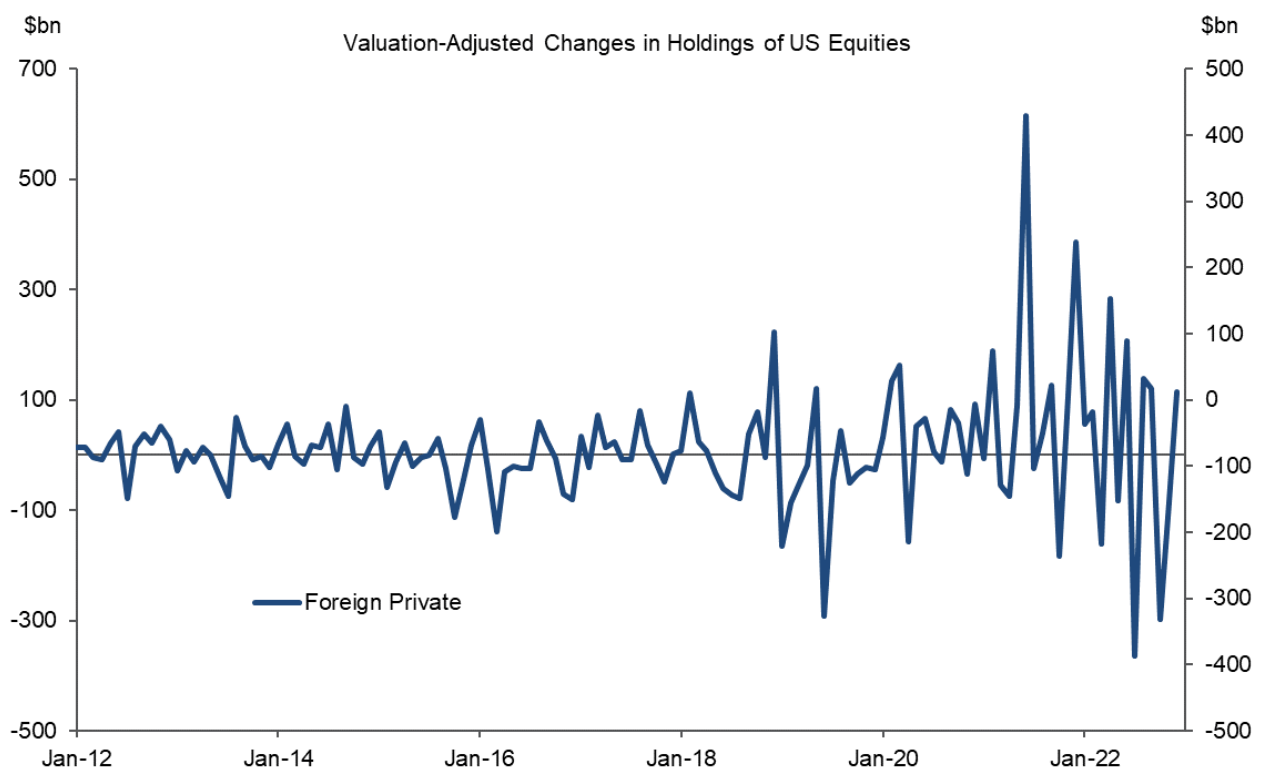


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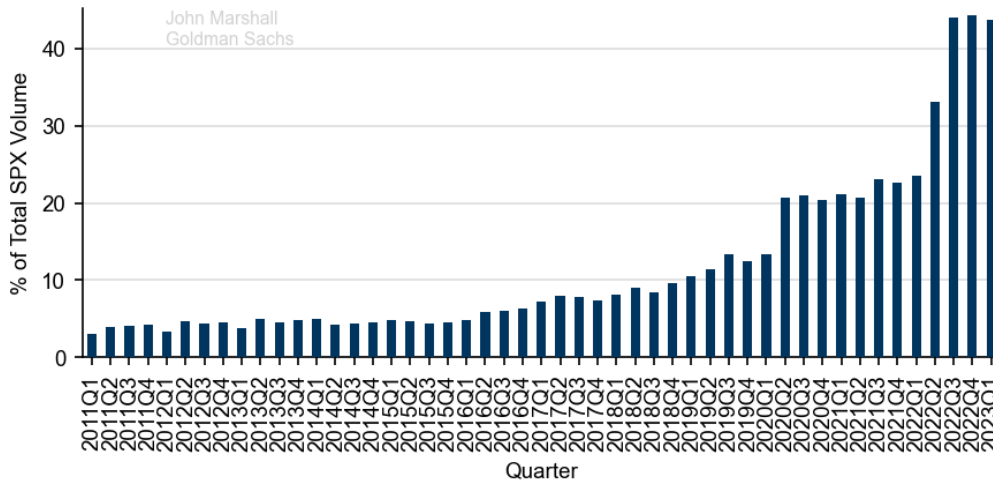
7. VWAP Sellers - Foreign Sellers of US Stocks into quarter-end given the increased hedging costs (rates and fx) from foreign conglomerates: This is from December. I bet this looks a lot different now.



Source: Global Sachs Global Investment Research Division, Vickie Chang as of 3/9/23, Past performance is not indicative of future returns.

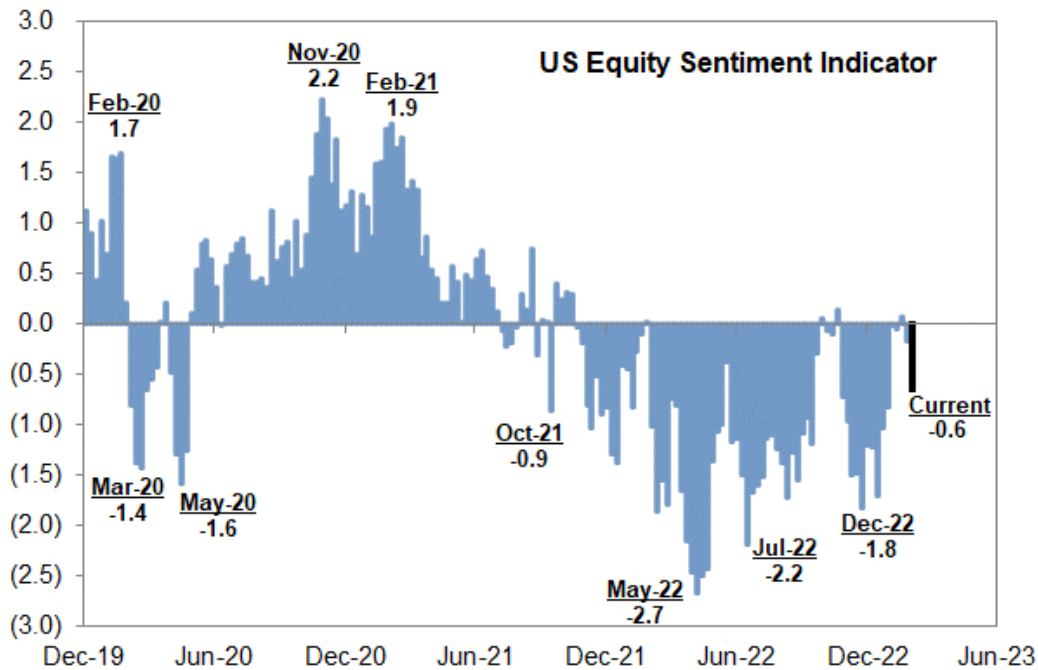
8. ODTE - Forced institutional hedging into "key known" macro events. The volatility term structure is pricing in MAJOR moves for the upcoming data events. We saw this yesterday, another massive ES1 Put on future traded. I expect more hedging pre- NFP/CPI.

*Short-dated SPX volume as a % of total volume
% of S&P 500 listed volume expiring within 24 hours*



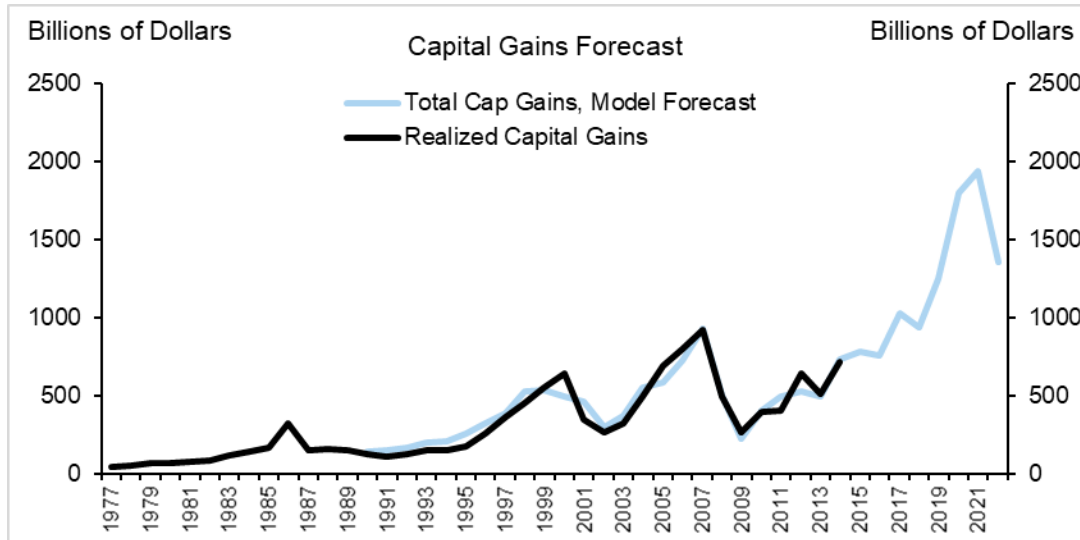
Source: Goldman Sachs Global Investment Research, OptionMetrics. Past performance is not indicative of future returns.

9. "LIFO" trading from Thursday and Friday (Last In, First Out) trading behavior from discretionary managers, as sentiment flips back to bearish.



Source: Global Sachs Global Investment Research Division, Cormac Connors, as of 3/2/23, Past performance is not indicative of future returns.

10. "April 15th" - Tax Season is here, April 15th thoughts, modest supply given limited gains in 2022, and less forceful demand. This is specific but important. The retail impulse has/will fade into the end of the month, as "retail" needs to "make payments".



Source: Global Sachs Global Investment Research Division, Joe Briggs, from 2022, will be updating, Past performance is not indicative of future returns.