

Bloomberg quoted our latest Volatility Snap Update about the foreseen record VIX spike



Chicago, 7 August 2024

During the VIX turmoil of the last few days, on Monday 5 August, Bloomberg News cited our latest Volatility Snap Update about this foreseen record VIX spike.

In that volatility snap update, [which we published on 30 July](#), our main thesis was that the ample supply of short-term options which were being dumped into the market on a daily basis had caused the recent suppression of movement lately. But with very short options being sold, this entails that after one large movement, such supply could instantly stop. As in our view dealers tend to hedge their position by selling volatility to offset, the sudden stop of vol sellers could catch them short volatility.

"But if volatility selling now shrinks and investors snap up more hedges, market makers will be in the opposite position, as seen during the Covid crash. Their new hedging needs could amplify daily moves, True Partner Capital wrote in a note last week." - Bloomberg 5 August

Hedging a short volatility position tends to exacerbate movement, as hedging would entail purchasing the underlying asset if it rises or selling if it falls. Therefore, a less long or more short positioning of the dealers would result in a higher degree of movement.

This is exactly what we have seen over the past week, and as such among others Bloomberg News had picked up on our Volatility Snap Update, referencing it in their reporting.

In our view, these developments show how quickly the market can change and it highlights the benefit of hedges. These should be considered from the perspective of what potentially could happen if markets suddenly flip, and not from the perspective of recent history.

When the market is lulled to sleep during a period of compressed volatility, the cost of hedging against unforeseen changes is relatively low.

Read the full article at the Bloomberg website:

[Record VIX Spike Rocks Wall Street Traders All-In on Market Calm >>](#)

About True Partner Capital

True Partner Capital is a global asset management firm founded by a team of former options market makers and technology specialists, with a primary focus on equity volatility strategies. The Firm has offices in the US, Europe and Asia and the key personnel have been working together for over 10 years. The Firm invests on behalf of a varied global investor base. Our investment expertise is accessible via commingled funds, separate mandates and customized solutions where we offer tailored volatility solutions, for example for tail risk hedging. The Firm's longest running commingled fund has an over 10 year track record pursuing the Firm's relative value volatility strategy. The Firm trades close to 24 hours a day across liquid global derivative markets and leverages proprietary technology developed by our experienced team, enabling the portfolio management team to identify and capitalize on trading opportunities.

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