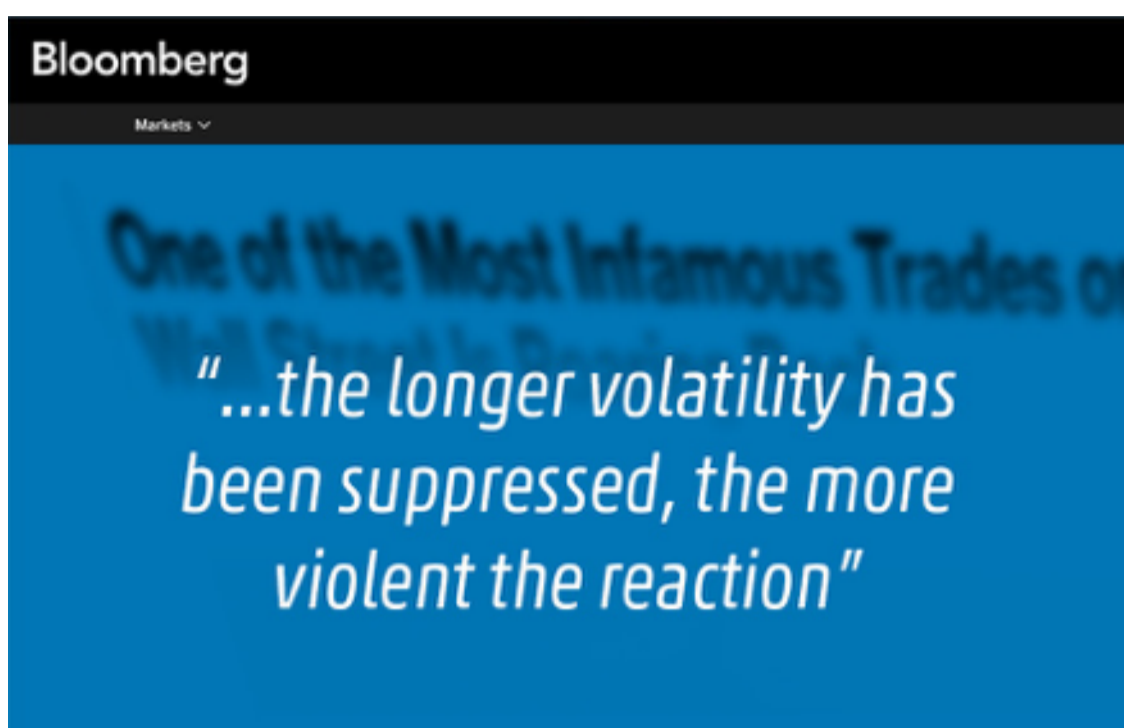


## True Partner in the Press (Bloomberg)

### Billions pour into short-volatility ETF's



Chicago, 03-2024

Today's article on Bloomberg heads **One of the Most Infamous Trades on Wall Street Is Roaring Back** (see link at bottom).

The article describes how pervasive the short-volatility trade has become, providing both quantitative and anecdotal evidence. According to some measures, the degree of short volatility in the markets exceeds that in the runup to the 'Volmageddon' event in February 2018.

This ties to our view that risks are again building in the markets; while history does not necessarily repeat itself it surely does rhyme. Next to the mentioning of popular buy-write ETF's (which tend to sell more upside premium), in our view the explosive growth in banks' Quantitative Investment Strategies ('QIS') involving selling volatility on short tenors including daily options is an important contributor to potential market risk.

"You are assuming a risk – the fact that that risk hasn't materialized over the past one and a half years doesn't mean it doesn't exist," Hekster said. "If something trips up the market, the longer the volatility has been suppressed, the more violent the reaction."

As per True Partner Capital's co-CIO, while the lack of material market movements over the past years appears to have soothed investors, downside risks continue to loom large over markets. Some of the quotes emphasize that as part of the volatility selling involves selling more upside volatility, risks of a volatility spike remain limited. However, in our view even these strategies have added to the overall suppression of implied volatility and the perceived attractiveness of short-volatility strategies which have invited more aggressive strategies selling at-the-money or downside volatility as well.

Furthermore, in a downward shock, the stabilizing effects of that upside volatility which has been sold into the market will also decrease. The fact that, as referenced in the article, the market continues to discount the current plethora of potential catalysts, may well reflect an unhealthy degree of complacency.

But it need not be a major event that trips up the market, as was visible in February 2018. The actual catalyst for the market decline which caused that VIX explosion is rarely covered, while all attention is focused on the resulting impact. If something upsets the current fragile equilibrium in volatility markets, again a substantial volatility event may well be triggered.

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Read the full article at the Bloomberg website:

[One of the Most Infamous Trades on Wall Street Is Roaring Back >>](#)

### 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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