



GAMMAQUAKE! ARE MARKETS ABOUT TO BREAK?

Agenda

- Trading issues
- Tech stock fundamentals
- Market Valuation
- Investment Outlook



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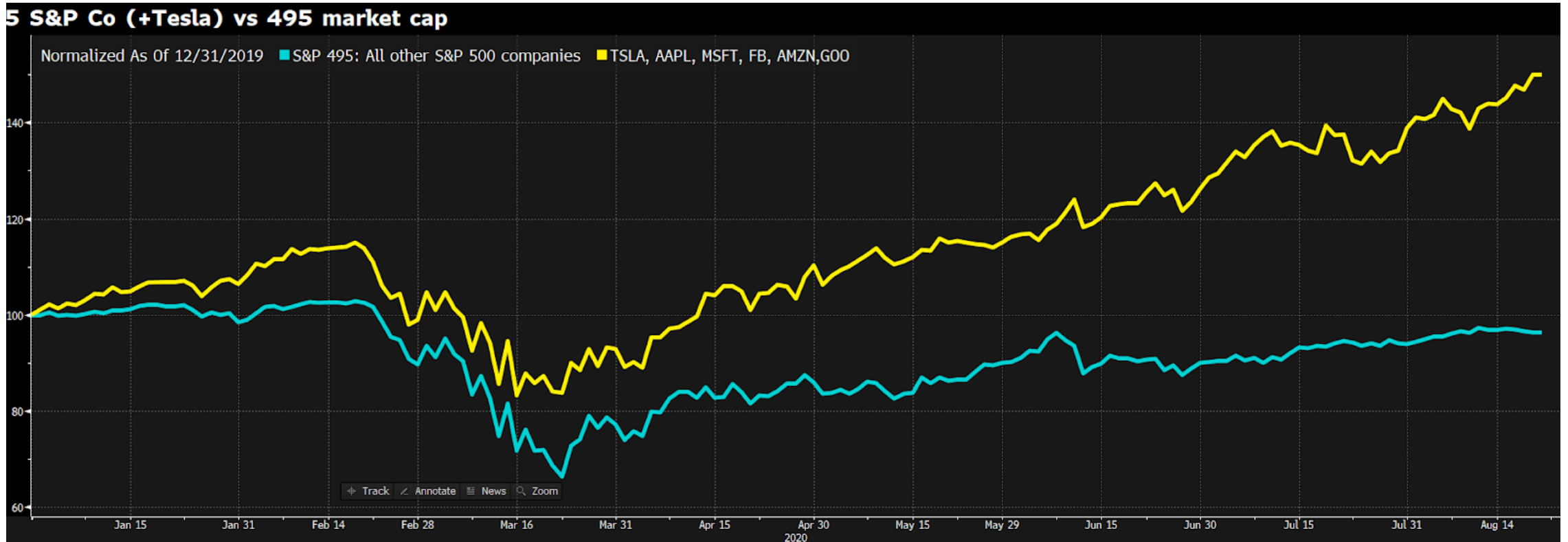
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Trading Issues

A handful of stocks driving performance



Source: Bloomberg



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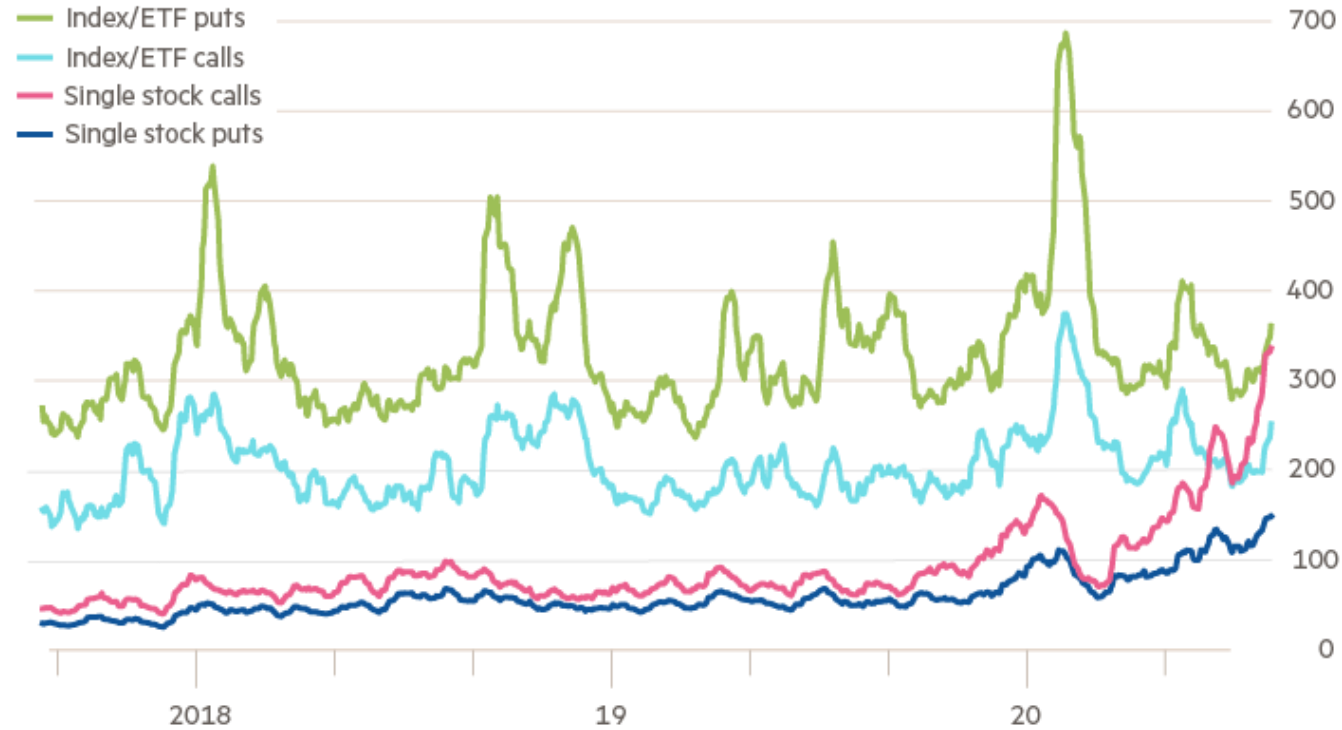


Trading Issues

Extreme option volume

Single stock call option volume has been rising rapidly

Notional volume (\$bn) traded in listed US equity options (10-day rolling average)



Sources: Goldman Sachs Global Investment Research; OptionMetrics
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Trading Issues

It is the little guys

Retail traders are going all-in



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Trading issues

Is Softbank behind it all

- Softbank: famous for VC performance. \$20m --> \$60b in Ali Baba
- Softbank already in the press for Wirecard and WeWork investments, accounting and valuation questions
- Question marks over recent trades, ex-Deutsche team

Source: Bloomberg



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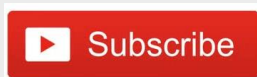
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Trading issues

What is a gamma flip?

- Market makers are like racetrack bookies, trying not to take risk but to act as a middleman between investors
- When investors buy call options from market makers, the market makers need to buy stock or futures
- This initially created a feedback loop, exacerbated by short dated options, driving the market higher
- Last week the process went into reverse



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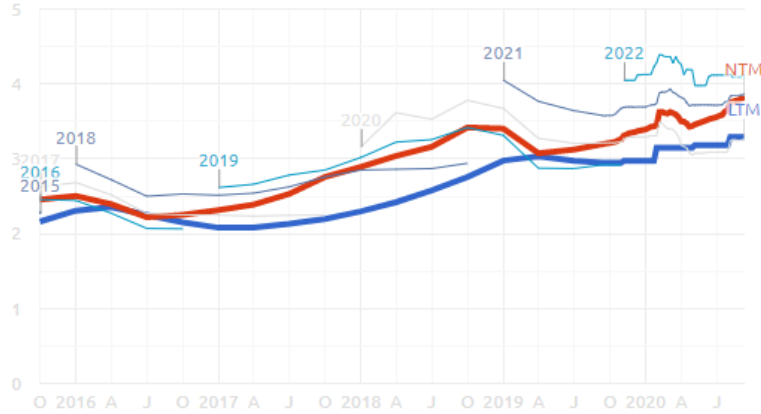


Tech stock fundamentals

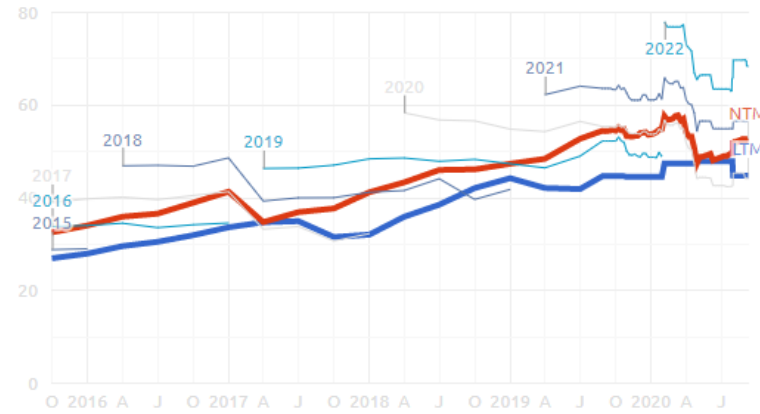
Earnings are good

Source: S&P Capital IQ, Nucleus Wealth

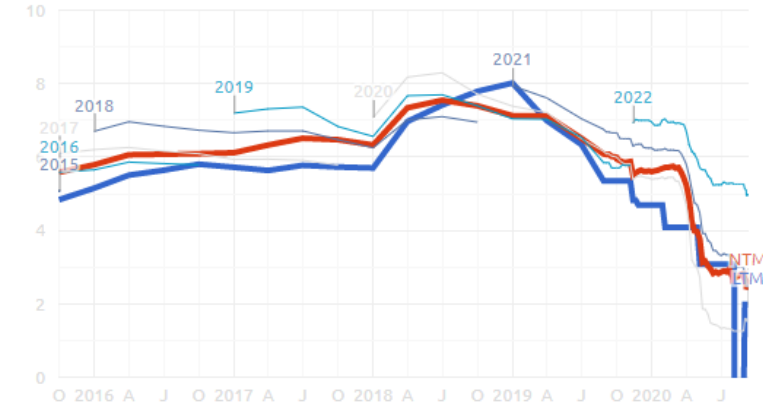
Apple EPS forecasts



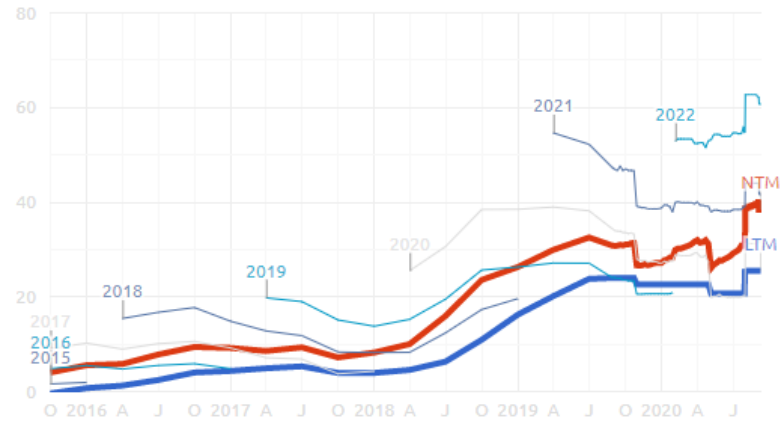
Google EPS forecasts



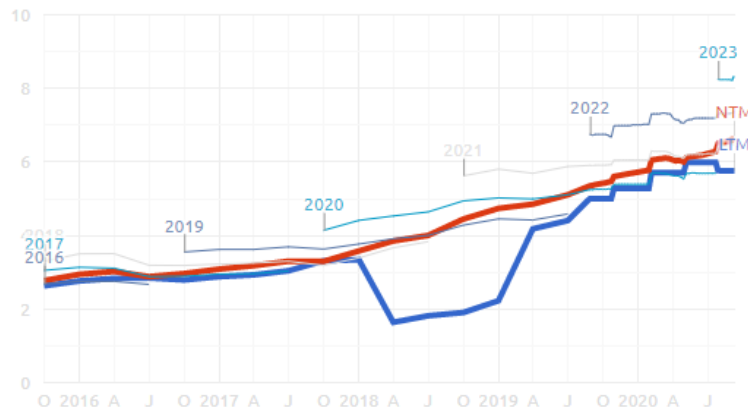
Disney EPS forecasts



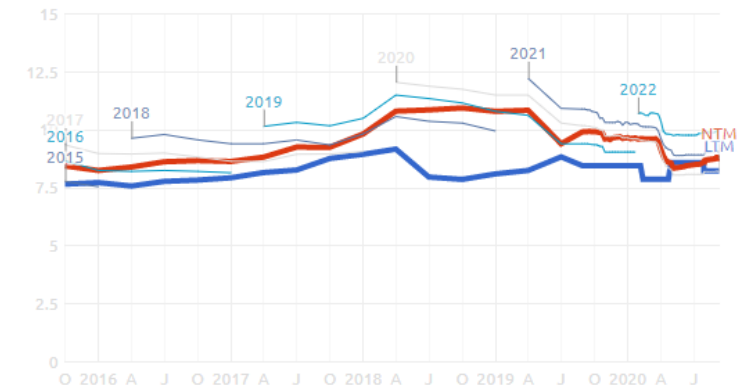
Amazon EPS forecasts



Microsoft EPS forecasts



3M EPS forecasts



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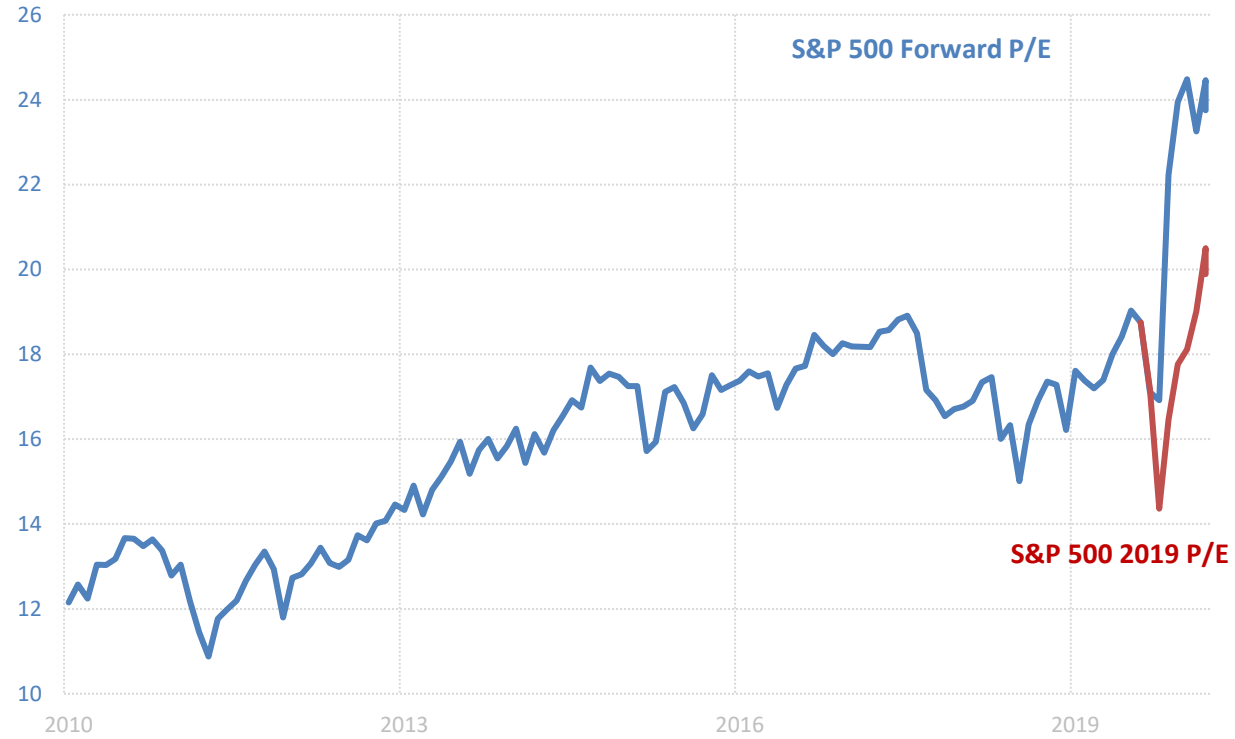
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Market Valuation

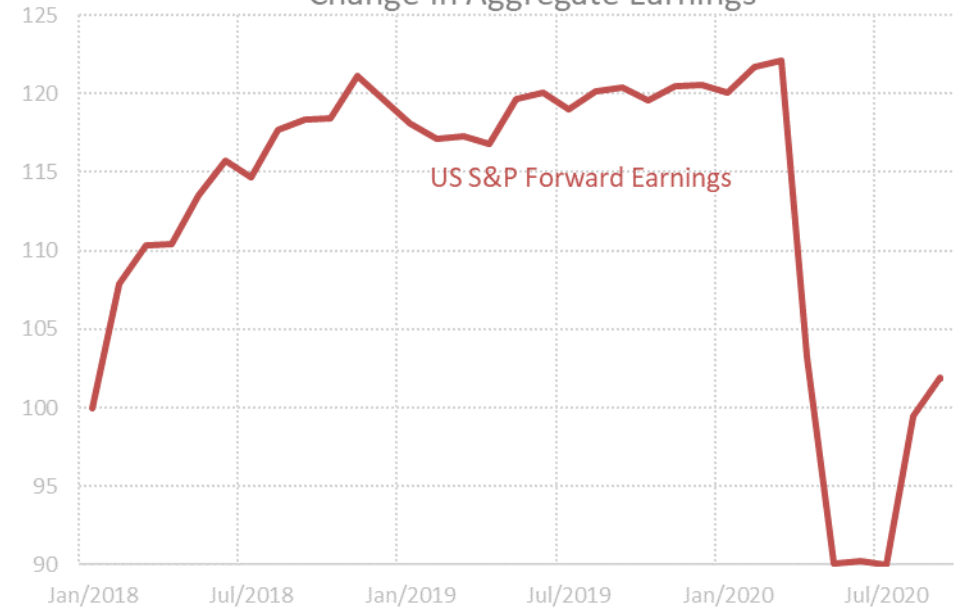
US is extreme

Price / Earnings

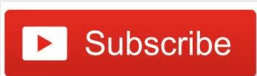


Source: S&P Capital IQ, Nucleus Wealth

Change in Aggregate Earnings



Source: Capital IQ, Nucleus Wealth



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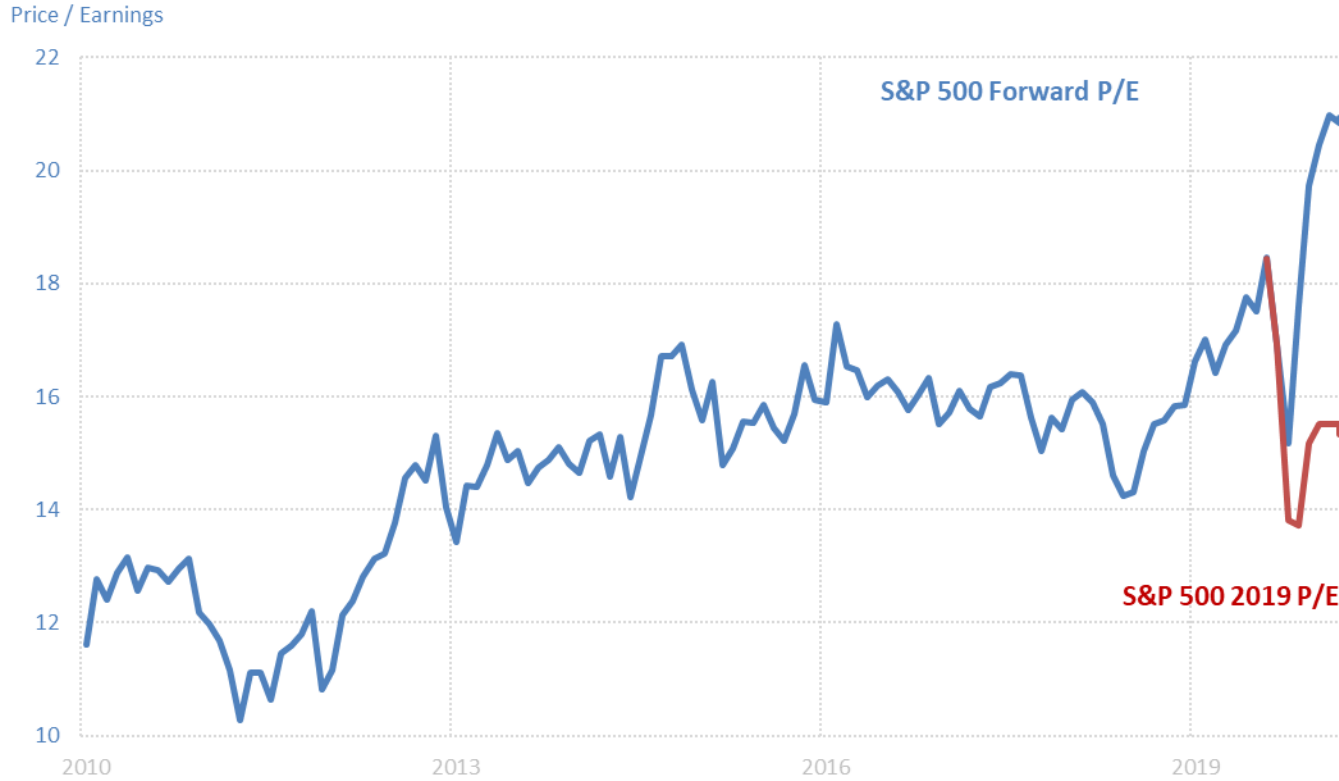
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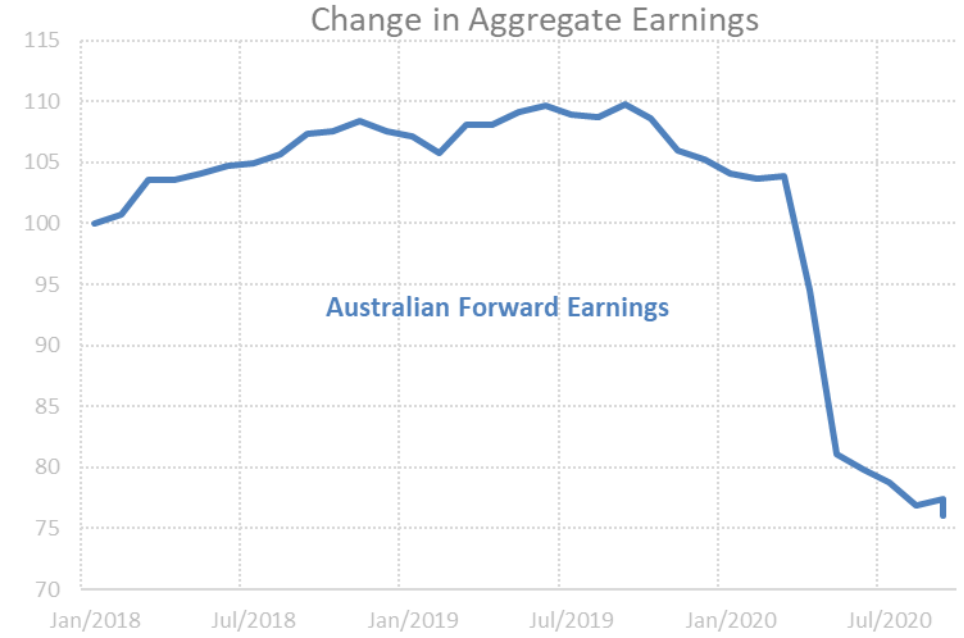


Market Valuation

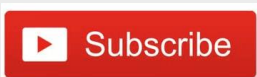
Australia facing earnings issues



Source: S&P Capital IQ, Nucleus Wealth



Source: Capital IQ, Nucleus Wealth



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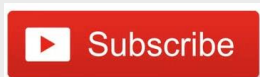
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Investment Outlook

Caution

- Cautious outlook. International and bonds still generating value
- Low return environment, but volatile
- Need to be more active than in the past



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Coming up

Nucleus Investment Insights : John Deniz

next

Thursday 17th September

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