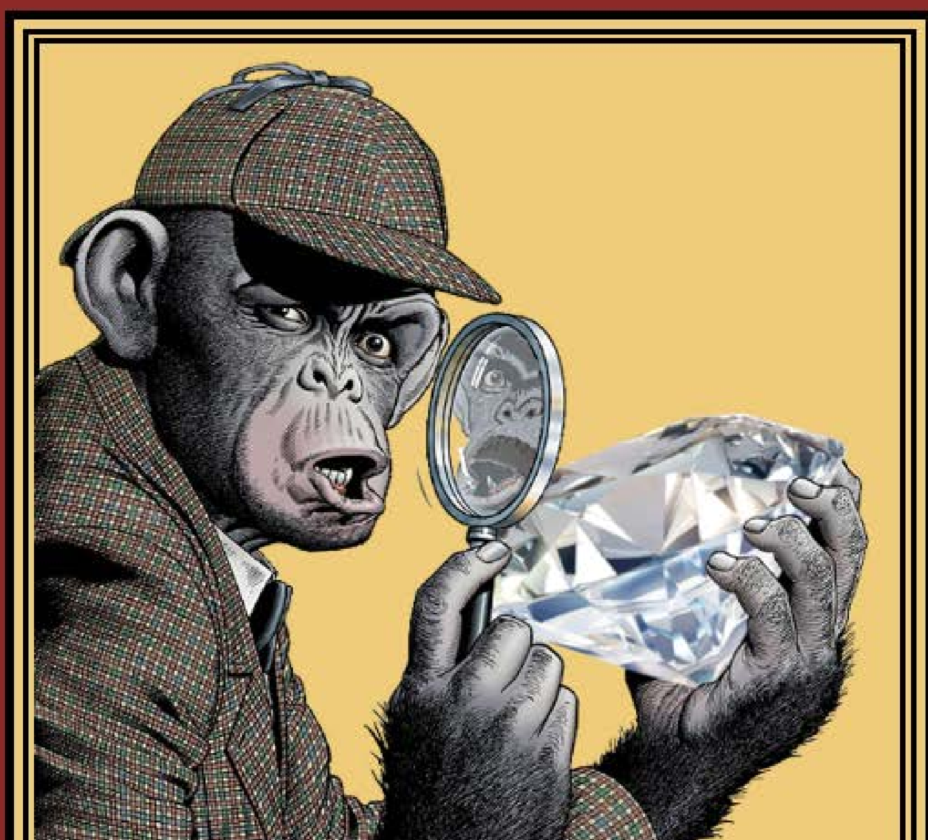
MYSTERY OF THE NEGATIVE BETA SOLVED



BY U/ANIMASOUL

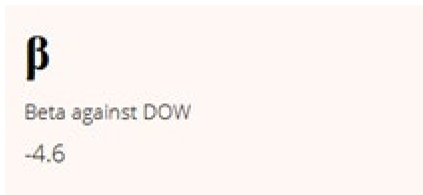
Mystery of the negative beta SOLVED: HFs are levered to the tits + my market watch 25Mar21: where we are now & what we can expect for the future

DD

Disclaimer: I am not a financial advisor. I am just an ape with half a master's degree in finance and financial law (EDIT: am still writing the dissertation) and some imagination. No crayons were harmed in the making of this post.

Remember that beta reflects the **market risk**, or **systematic risk**. That means that no matter how many different stocks you own, you can never diversify away this risk. It is inherent in the market so all stocks have it.

GME's beta is currently -4.6 taking the Dow Jones as the benchmark, according to **Macroaxis**. I like Macroaxis because it looks like the content is written by an AI bot with some light human editing, so they are probably just letting the beta bots do their thing without much incentive to skew numbers because they are not a media outlet. https://www.macroaxis.com/volatility/GME/GameStop



GME beta -4.6

I demonstrated in my Beta Part 2 post here:

https://www.reddit.com/r/GME/comments/mau3dk/beta_part_2_extremely_abnormal_negative_beta_as/ (read this for important background theory)

that the change that occurred in January and that caused the beta reversal must have come from the market itself. GME did not change, the market around it did. Imagine a hand spinning the whole market round and round but not GME. GME is standing still. That is why all the other stocks still have normal correlations. They are spinning with the market. Only GME is not.

What this means for the market right now

If the market is spinning and only GME is standing still, that means that the beta of GME is showing the risk that hedgies have added to the market. All the other stocks in the universe are spinning with the market so their correlations are not showing it. Hedgies are f**king with the market to the tune of raising its risk ×4.6 (assuming for simplicity's sake that GME's normal beta is exactly 1) since January 2021.

There is much evidence of this f**ked up type of risk if you look for it: abnormal behaviour of assets, extreme volatility, explanations from MSM that don't make sense, etc. I will return to this later. Remember that the US stock market was on a record bull run for 12 straight months during this pandemic until the time GME's beta flipped.

What this means for the market going forward or – how long can they keep the plate spinning?

It is my belief that the aim of the hedgies is never to cover their shorts. Ever. The position must be so huge that they simply cannot afford to pay. They are going to take us out, shake us out or take everyone down with them until they win. Then we might see a normal beta again. If none of that works, they will take everyone down with them fighting, reset the financial system and start again. That will also make the beta normal. They have enough buddies to help them do that. ***Unless they get caught in a short squeeze first*****.**

Recommended edutainment

I recommend watching **The Truman Show** and the BBC television series **McMafia**. I won't explain The Truman Show because most apes have probably already seen it. If you can find any opportunity to watch McMafia, do it. It is about a Russian-born London financier's lone fight to protect his mafia family from another mafia family. One of the messages is that the gunslinging, bloody type of mafia is old-fashioned and inefficient. The way the mafias fight now is bloodless – through law and finance.

Truman as a normie in the normie world

The real world. Can you handle it? This ape could.

That is the territory we are in now apes. The SEC is the sheriff in town but they are only the sheriff for the normies who are still living in The Truman Show with their ETFs and a pension that might never pay out when they hit 65, or whatever the pay-out age is now. The nice lady on the mainstream media news keeps them sedated so they can sleep at night. If apes are going to go into mafia territory – *we are talking criminal manipulation of systemic risks across the global markets* – the sheriff's hands are tied. The professionals already know all of this, that's why they tell normies to stay out of the markets except insofar as their savings can be milked for a small compensation. That's why they say the apes are stupid. *That's why apes have to get professional and be aware of what staying in this game means*. If you can lose the money and you want to play, then stay in the game for the long haul until the very end and keep your eyes open. If you can't afford to lose your investment, then consider how much risk you are willing to expose yourself to going forward. ***GME is not what it was when DFV started all of this. The beta has flipped and so has the game.***

So what is the game now and who are the players?

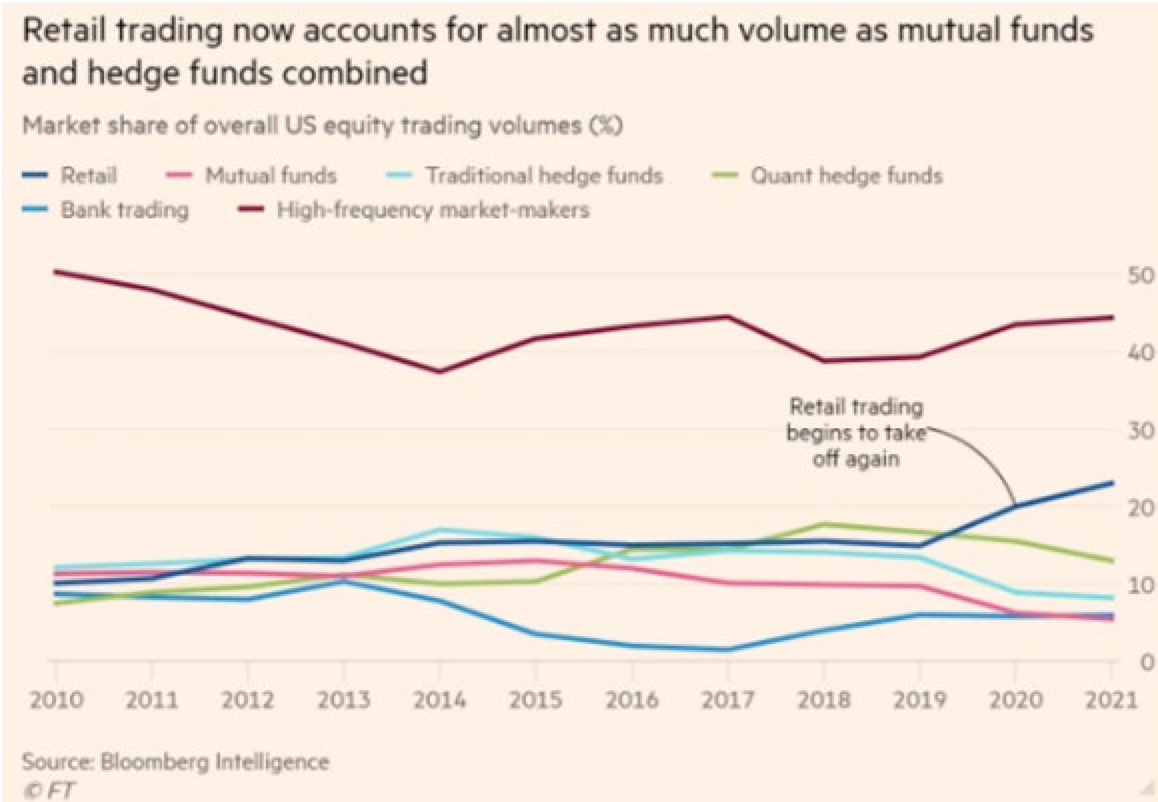
The game got a lot bigger. Now it's about the whole market, not just GME. I think **Persona** is the best analogy. The high school kids go to the alternate world of the dungeons to take out the bad guys that the normies can't identify in the normal world because in the normal world, the bad guys look normal. You can only see that they are not normal if you go to the alternate world. You can only go to the alternate world if you are sufficiently honest to be able to see reality.

Persona 5: Alternate worlds

In Persona 4, the portal to the other world manifests as a glitch in the normal world – a weird TV set in a mall. The weird beta is the equivalent of the weird TV set.

Glitch in the normie world/Portal to alternate world

Remember the chart that was kindly shared by the Chief US Economist on Twitter https://twitter.com/GregDaco/status/1369844561862856706



The players

Market-wide, who's the biggest in the room? The market makers by far. Who's second-biggest? Retail. Bigger than all hedge funds and mutual funds combined.

Where are the hedge funds and mutual funds right now? Hedge funds have taken big losses and are hiding their other short positions with new techniques so retail won't find them. Melvin didn't take its loss like the other HFs though. Melvin is the only HF that brought Citadel (one of the world's biggest market makers) into the game. Mutual funds, together with pension funds, are being forced to rebalance their portfolios because of an extreme sell-off in Treasuries that the MSM is explaining is the result of an expectation of inflation. This means they are being forced to mass dump their equities. On top of it, we know that ETFs are being massively shorted across the board. I guess the shorts will make money if the market does indeed crash with forced dumping of equities.

I cannot share the source because it is banned on Reddit (google around to find it based on my text or DM me for the link) ***so take this with a grain of salt***, but according to ZH, a certain bank is estimating over 300 billion dollars in forced selling by pensions funds and mutual funds. Clients were not happy about this news. Bear in mind though that said bank has been wrong before, so maybe they'll be wrong again, but that is their logic right now.

More crazy is this – also according to ZH, another certain bank has identified that a persistent seller of US Treasury futures is sitting in Tokyo (so that the effects pan out all over the globe as the other markets open), meaning that cumulatively, a huge majority of the decline in Treasury futures happens in the overnight session, so that Japan is almost solely responsible for the dump of US Treasury futures! So the "inflation" is coming from Japan? Where else are we seeing weird overnight price movements? GME.

A small word on ETFs. I need to look into this more, but as far as I can tell right now, ETFs probably pose the single biggest risk to the current financial system. Many different parts of the market intersect through ETFs and they are very complicated. They are also probably the easiest place for MMs to make FTDs. And they are currently being shorted down to the ground.

A key question

A question I am asking myself is this: I demonstrated that the +ß of GME short means that it has lower risk exposure when the market is down. But a down market is good for a short anyway, so why not just do all the market manipulation without flipping the betas? You can still short all the ETFs, tank the Treasuries, etc. I have not fully thought this through yet, but right now, I am guessing that it must be because of leverage. **Not only are they shorted, they are levered to the tits.**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HEDGE FUND INVESTING: LEVERAGE & EXPOSURE

A large component of portfolio managers' responsibilities will be risk management; managing risk well turns volatility into opportunities. The defining characteristics that differentiate hedge funds from traditional long-only mutual funds are the use of leverage.

Hedge fund strategies incorporate the use of short selling and derivates to minimize overall market risk exposure. In bull markets hedge funds may have net long exposure, meaning the securities held in their portfolio are positioned more long than short. Running a net long exposure, the fund's objectives are for the long positions to outperform the market while their short positions underperform.

In a bear market, hedge funds may chose to run a net short exposure, meaning the securities held in their portfolio are positioned more short than long. Running a net short exposure, the fund is anticipating its short sale of equities to underperform the overall market.

Mutual funds strategies will take into account stock picking techniques that will outperform the overall market.

Hedge funds will also use derivatives to hedge out market risk. Put options can be purchased for individual stocks, allowing the fund to sell the underlying securities at a predetermined price (i.e. strike price).

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How hedge funds work

Volatility is opportunity when risk management is good.

Leverage is the defining characteristic of hedge funds.

In a bear market, it makes sense for HFs with leverage to go net short.

(**EDIT for clarification:**) Hedgies were and are still short GME. Now they are net short on the overall portfolio. The market was bull, so they made the market go bear.

UPDATE 7:22PM 25 March 2021, the date of publication of this post: Yahoo is no longer showing the beta of GME.

GameStop Corp. (GME)

NYSE - Nasdaq Real Time Price. Currency in USD

Add to watchlist

178.29 +57.96 (+48.16%)

As of 3:20PM EDT. Market open.

Summary Chart Conversations Statistics Historical Data

Previous Close	120.34	Market Cap	12.452B
Open	123.49	Beta (5Y Monthly)	N/A
Bid	183.25 x 800	PE Ratio (TTM)	N/A
Ask	184.60 x 900	EPS (TTM)	-3.31
Day's Range	116.90 - 186.39	Earnings Date	Mar 23, 2021
52 Week Range	2.57 - 483.00	Forward Dividend & Yield	N/A (N/A)
Volume	45,852,294	Ex-Dividend Date	Mar 14, 2019
Avg. Volume	44,551,585	1y Target Est	40.64