

OptionProfessor.com Alert
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QUADRUPLE WITCHING



BY THE OPTION PROFESSOR

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Greetings!

Stocks have been very range bound lately but in addition to the Fed Decision today...there is something else that could be even more powerful to disrupt markets....What is it?

It's called Quadruple Witching which is happening this Friday! For those of you unfamiliar with the term it refers to the expiration of single stock options, single stock futures, index options, and index futures all on the same day!

We have seen a venerable explosion in option activity as most of you know (almost 2x since early 2020) while volumes in stock trading had only a 22% jump. This has the potential to create order imbalances which leads to increased volatility or at least spastic pricing. As things settle there is underlying stock and index squaring that needs to be done as traders hedges and positions are recalibrated. Due to the spike in options trading volumes; there is a reasonable expectation that the underlying stocks and indices could be impacted with increased volatility.

On March 19th (*see chart on next page*); we had the last Quadruple Witching. In the days before and the week after; prices moved substantially but was over soon and it turned out to be a buying opportunity as the uptrend resumed. It did shake some investor confidence.

No one knows exactly how this will play out but it may be worth factoring into short term trading opinions.

- The Option Professor, 6/16/21

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