

Gamma squeeze 101.

Let's say you and your pals own 1 million shares of stock at 190 and you think today is both a good day to pump and a good day to dump your stock based on some news, or something random. You can engage in a gamma squeeze. Here's how:

Buy 10,000 one week 220 calls. The market maker sellers need to set their initial hedge (delta) which is a modest 100,000 shares. You as the buyer pay \$1 per share and now your cost is 191 with the stock at 190. The dealer's modest buying gets the stock going up.

If you are effective the dealers will chase the stock higher because each time the stock rises so does the hedge they need to buy to hedge their risk. If it goes to 220 the hedgers will need 400,000 more shares. Presumably they will have trouble getting those share as the price rises.

If it keeps going, the delta will grow to 100%. During this pump you can let go a fraction of the shares that you know the dealer must buy, so you don't get left holding the bag when they are done. Perfect gamma squeeze pump and dump executed.

Warning!

This activity is perfectly fine if you do it yourself, though I am not a lawyer. However conspiring with a group or tweeting about it is either certainly illegal or may be illegal.

Oh yeah, I forgot the best part. When the stock rips and you are done dumping your shares unload the calls too because they are up a lot.