The market stopped pricing hikes

A five-year high in unemployment took the front end down 15 basis points in a session and put a May 2027 cut on the board. Wages went the other way three days earlier. The S&P 500 fell 8.6% and broke 7,000, with a very large December put position adding to the selling.

AUST 10-YEAR	US 10-YEAR	FRANCE 10-YEAR	ITALY 10-YEAR	JAPAN 10-YEAR	ITRAXX AUST	90-DAY BBSW
4.96%	4.92%	4.88%	4.41%	2.78%	76	4.92%
-17 on week	-23 on week	-4 on week	-3 on week	-8 on week	+5 on week	-2 on week

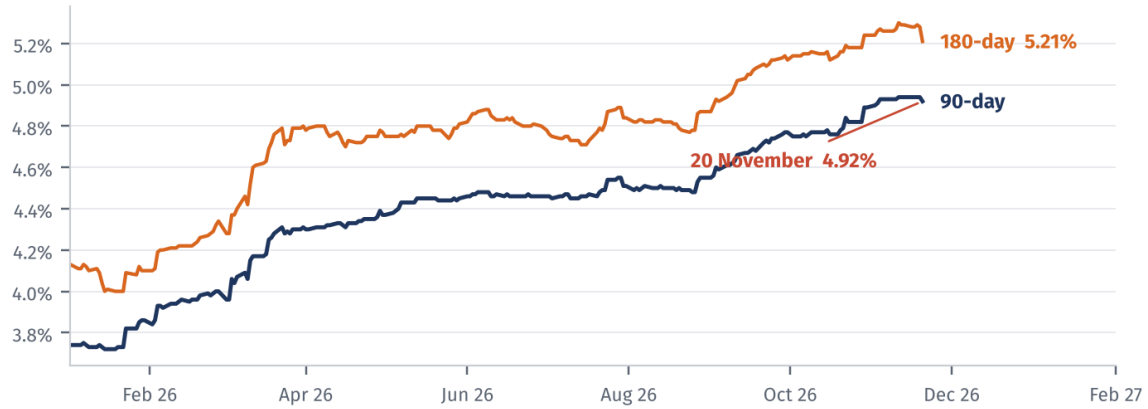
Levels at 20 November 2026 and the change on the week in basis points. Source Refinitiv Datastream, Arculus BBSW data file

THE WEEK IN FOUR POINTS

- The October labour force survey landed on Thursday. Employment fell 43,600 after a 36,400 fall in September, the first back-to-back falls since mid 2025, and the unemployment rate rose to 4.9%, the highest since 2021. Rates rallied about 15 basis points on the print and another 3 to 4 after it, the curve bull steepened and the market now prices roughly a 44.5% chance of an RBA cut by May 2027.
- Wages had gone the other way on Wednesday. The September quarter Wage Price Index rose 1.1% against a 1.0% consensus, taking annual growth to 3.5%, above the 3.4% peak the RBA had forecast for FY27. Our own read is that the labour weakness is partly Victorian and partly a sample effect, that November should bounce, and that the RBA stays on hold into 2028.
- The S&P 500 fell 8.6% on the week to 6,910 and broke the 7,000 support. It is 11.6% below its 6 October high and below both its 50-day and 200-day averages. A single 30,500 lot December 7250 put position is now 340 points in the money and the hedging it generates has turned into a live source of selling.
- Credit went the other way from rates. iTraxx Australia widened 5 basis points to 76 and Oracle made another high at 319 as the AI credit trade unwound further, while A$ technicals stayed firm on cash parking ahead of around A$15 billion of December maturities and coupons. Both the Dow and the S&P 500 closed the week in correction and the Nasdaq has given back its 2026 gains.

Bank bills came off their record for the first time since August

90-day and 180-day BBSW, per cent, daily, 1 January to 20 November 2026



Source Arculus BBSW data file to 20 November 2026

RATES

Interest rates

Australia

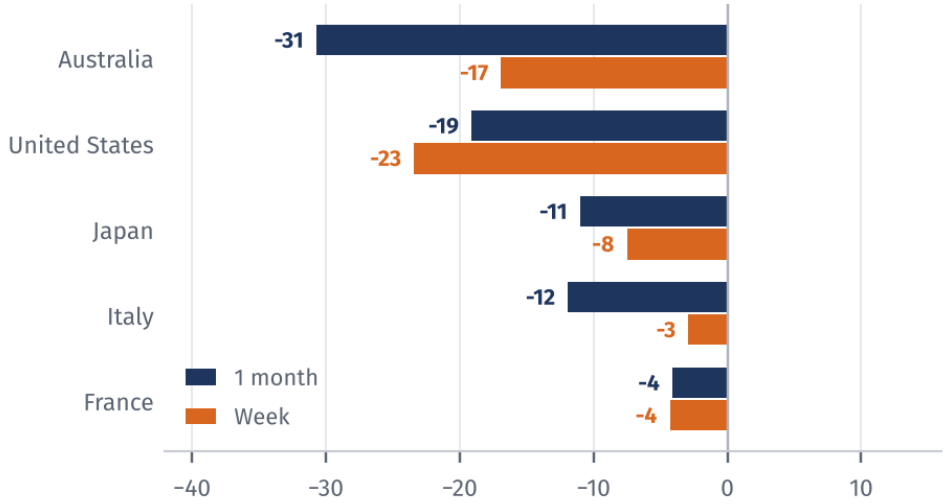
Thursday changed the market. Employment fell 43,600 in October after 36,400 in September and the unemployment rate rose to 4.9%, a five-year high. Rates rallied about 15 basis points immediately and extended another 3 to 4, with the curve bull steepening aggressively and 3s10s settling at 40.5 basis points. Bill strips rallied hard, with reds gaining 20, and the 3s5s10s fly bowed to year to date lows around 4.

The Australian 10-year fell 17 basis points on the week to 4.96% and 31 over the month, the largest move of any market we track. Ninety day BBSW fell 2 to 4.92% and 180-day 8 to 5.21%, so the spread of 180 over 90 compressed to 29 basis points from 35. That is the bill curve taking out the hike risk it had been carrying since September.

ANZ now sees essentially no prospect of an increase in December and puts a high likelihood on the cash rate having peaked at 4.85%. Market participants have the market at roughly a 44.5% chance of a cut by May 2027, and note that a cut that early would be an unusually quick pivot against completed RBA tightening cycles since 1990. The November Board decision was 6 to 3.

Australia led the rally on both horizons

Change in 10-year yield to 20 November, basis points



Source Refinitiv Datastream, Arculus. One month is from 20 October 2026

United States

Treasuries rallied harder than Australia. The US 10-year fell 23 basis points on the week to 4.92% as yields tracked equities down. The 3-month bill was unchanged at 4.13%.

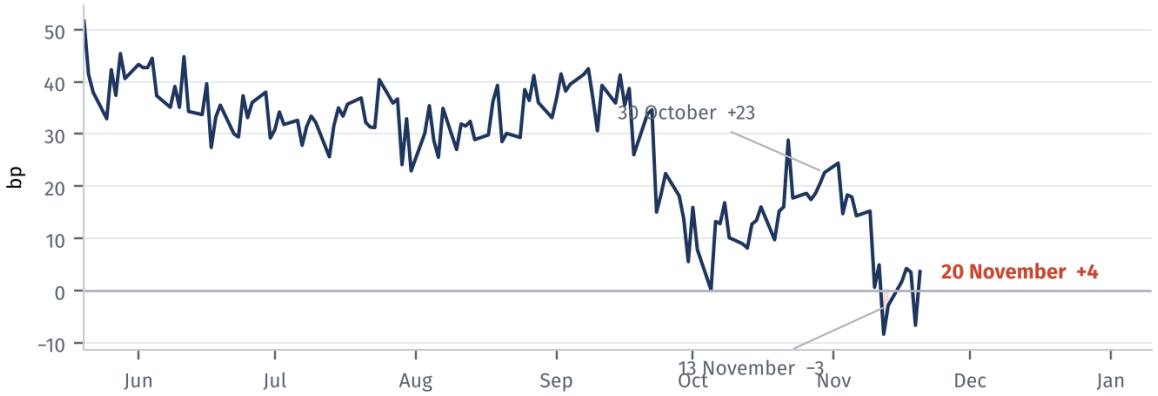
The Fed is still going the other way. Minutes of the October meeting showed unanimous support for further tightening, with some members who were open to an October move content to hold only if it was made clear rates would rise later. OIS is fully priced for 25 basis points in December with a 7.6% probability of 50. Governor Waller has argued for 50 and Chicago Fed President Goolsbee said he is concerned the AI build out will overheat the economy. Members enter the blackout period on 28 November.

The November Philadelphia Fed index fell to 6.3 from 20.9, a six-month low, with new orders down to minus 0.4. Price indices went the other way, with prices paid up 15 points to 58.2 and prices received at their highest since June 2022. The four-week average of initial claims rose to 197,750.

The yield premium came back

The yield premium came back, because Treasuries rallied harder

Australian 10-year yield less the US 10-year, basis points, daily to 20 November 2026



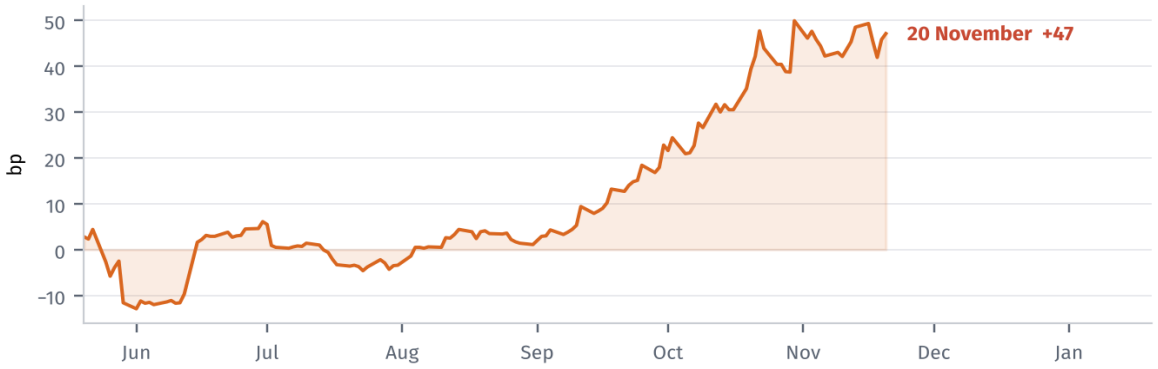
Source Refinitiv Datastream, Arculus

Last week the Australian 10-year closed below Treasuries for the first time in our data. It is back above, at about 4 basis points, but not because Australia sold off. Treasuries rallied 23 basis points on the week against 17 here, so the premium was rebuilt by the US rather than by us. The premium was 23 basis points on 30 October and minus 3 on 13 November, so the round trip has taken three weeks. Market participants record 10-year OZUS crossing into negative territory and reversing 27 basis points inside a fortnight.

Europe and Japan

France against Italy ahead of the S&P review

French 10-year yield less the Italian 10-year, basis points, to 20 November 2026



Source Refinitiv Datastream, Arculus

European yields fell with the US but by far less. France fell 4 basis points on the week to 4.88% and Italy 3 to 4.41%, so the spread was little changed at 47. S&P reviews France on 27 November.

The JGB gave back eight basis points

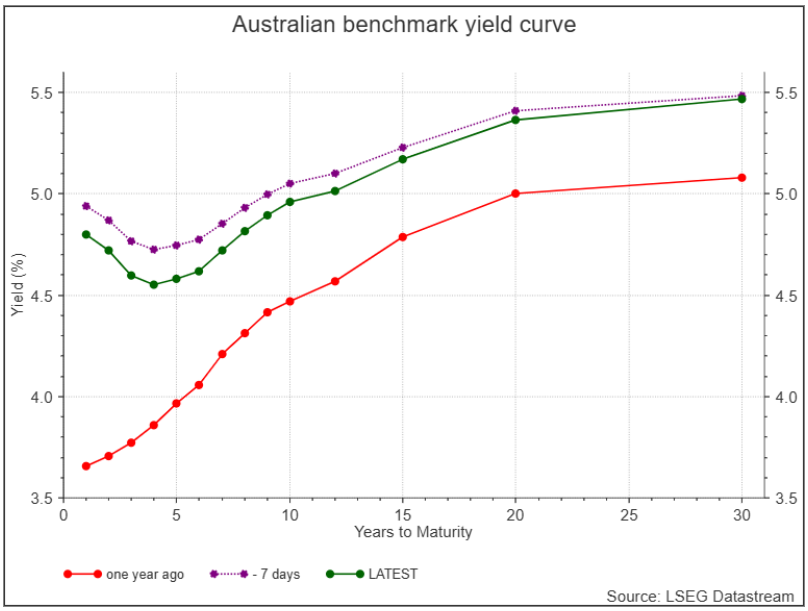
Japan 10-year government bond yield, per cent, daily to 20 November 2026



Source Refinitiv Datastream, Arculus

The 10-year JGB fell 8 basis points on the week to 2.78%, giving back part of the previous week 22 basis point rise. ANZ expects the bias for USD/JPY to remain higher towards 163 to 164, with intervention risk building as that zone approaches, which keeps the carry trade unwind risk we flagged last week in place. No current USD/JPY or AUD/USD level has been sourced for this week, so the yen section cannot be updated with levels.

The Australian benchmark curve



Source LSEG Datastream

The whole front of the curve dropped and the back barely moved. Against a week ago the one year is around 15 basis points lower and the three to five year area around 15 to 20 lower, while the 20 and 30 year points are within a few basis points of where they were. The curve now has a pronounced dip through the three to five year area, which is the market pricing the end of the tightening cycle and the start of easing, with yields rising again beyond ten years. Against a year ago the front is still more than 110 basis points higher.

Forward interest indicators

Bank bills came off their record. Ninety day BBSW fixed at 4.92% on Friday after twelve sessions at 4.93% or 4.94%, and 180-day fell 8 basis points to 5.21%. Both remain the highest readings of the series apart from the past fortnight, and 90-day still sits 7 basis points above the 4.85% cash rate. The compression in the 180 less 90 spread from 35 to 29 basis points is the clearest single measure of what Thursday did to expectations.

Floating rate coupons reset off these levels, so this is the first week in this sequence where the funding leg has gone backwards. Ninety day BBSW is up 15 basis points since 9 October rather than the 17 we reported last week.

Front end demand and supply

AOFM supply returns next week with A$1 billion of 2037s on Tuesday and A$1 billion of 2032s on Friday. Market participants report ACGB flows broadly mixed on Friday with continued profit taking from offshore outright accounts against better domestic demand around the XM baskets, and ultras continuing to underperform and widening on EFP. In SSAs flows were skewed to selling in the front end against buying further out. Swap spreads edged wider across the curve and cross currency basis widened, led by the front end, with 10-year OZUS pushing about 2 basis points wider.

CREDIT

Credit markets

Credit widened while rates rallied

Five-year CDS indices, basis points, daily to 20 November 2026



Source Refinitiv Datastream, Arculus

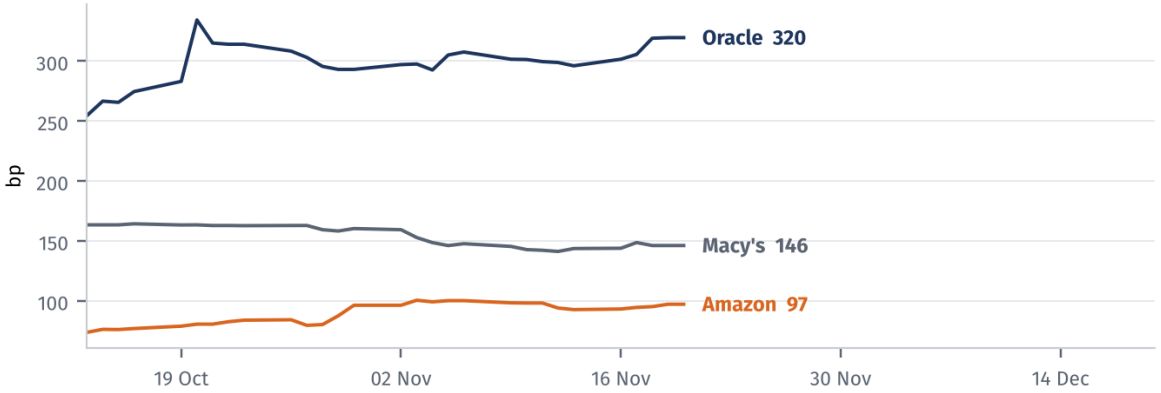
Global credit

Credit and rates parted company. iTraxx Australia widened 5 basis points on the week to 76, giving back the previous week tightening and returning to the wides of late October, while North American bank CDS added 1 to 66. Rates rallied and credit widened, which is the pattern of a growth scare rather than a rate scare.

The AI credit trade kept unwinding

Oracle made another high as the AI credit trade unwound

Senior spreads, basis points, daily to 20 November 2026



Source Refinitiv Datastream, Arculus

Oracle widened 23 basis points on the week to 319, another high in our data and up from 296 a week ago. Amazon widened 4 to 97 and remains close to double its May level. The equity tape is the driver. Technology dragged the market lower all week despite a strong opening session for Anthropic on the Nasdaq, and copper has lost more than 11% this month as traders unwound bullish bets tied to the same theme.

Australian dollar credit

The A$ technical is the cleanest it has been in some time. Market participants describe cash being put to work in the front end and recycling inventory that had built up, with the maturity and coupon profile over the next few weeks supportive. There are around A$15 billion of maturities and coupons in December against very little expected supply, so front end bonds are being bought as a parking trade until the January window opens. FRNs stayed supported while fixed lines were better sold, and short dated Tier 2 drew buying as investors reinvested cash from the NAB call.

Primary stayed open a little longer than expected. Ausgrid priced A$550 million of seven year senior secured at swap plus 135 after indications at the plus 150 area, a well received transaction that market participants think pulls other issuance forward before the window closes. ANZ went to the US market instead, printing US$3 billion overnight on Thursday, US$1.5 billion of two year at Treasuries plus 40 and US$1.5 billion of five year at Treasuries plus 55, which market participants put at about BBSW plus 46 and plus 79 equivalent. Both five year lines saw some selling on the break in Asia.

With the majors likely done until January, market participants see room for AUD to outperform, particularly in Australia centric names, while international financials trade with a higher beta to offshore moves. The risk they flag is the other way around on any further rally in rates, when bonds now trading back at or above par are expected to come out of bottom drawers.

Major bank line	Margin (bp)	Since 5 Nov	Running yield
Senior FRN 1 year	42.0	−1.0	5.34%
Senior FRN 3 year	63.5	+0.5	5.56%
Senior FRN 5 year	73.5	−1.0	5.66%
Tier 2 FRN 2031-26	77.0	+1.0	5.69%
Tier 2 FRN 2032-27	97.0	+10.0	5.89%
Tier 2 FRN 2035-30	137.0	+3.0	6.29%
Tier 2 FRN 2036-31	**148.0**	**+4.0**	**6.40%**
Tier 2 FRN 2041-36	175.0	+5.0	6.67%

Source ANZ Credit Trading indicative mids over BBSW at 12 November 2026, Arculus. No ANZ credit grid was supplied for the week to 20 November, so the margins are unchanged from last week and only the running yield is updated, at 90-day BBSW of 4.92% plus margin

The margins above cannot be refreshed this week. What is observable is the ANZ US dollar print, which market participants put at about BBSW plus 79 for five year paper against a domestic five year mid of 73.5 at the last grid. A major paying around 5 basis points more offshore than its domestic secondary mark is the clearest available read on where senior would clear if the window were open.

CALENDAR

Week ahead

The focus shifts from activity and the labour market to inflation. Australia gets the October monthly CPI on Wednesday, the release that now decides whether the front end holds its rally. The United States gets PCE, the second estimate of third quarter GDP and durable goods on Thursday, and FOMC members enter their blackout on 28 November. Times are AEDT.

Day	Australia	United States	Europe and Asia
Monday 23 November	—	—	New Zealand Q3 retail sales 8.45am. Euro area composite PMI 8.00pm and UK composite PMI 8.30pm, both preliminary.
Tuesday 24 November	ANZ-Roy Morgan consumer confidence 9.30am. AOFM tender, A$1 billion of 2037s.	S&P Global composite PMI 1.45am, preliminary.	Japan composite PMI 11.30am, preliminary.
Wednesday 25 November	**October CPI 11.30am. ANZ forecasts headline 0.4% and 4.8% year on year, trimmed mean 0.4% and 3.7%. Barrenjoey is above consensus at 4.9% headline. RBA Head of Domestic Markets Jacobs speaks at the Australian Securitisation Conference 10.50am. Q3 construction work done 11.30am, ANZ 1.8%.**	**Richmond Fed manufacturing and Conference Board consumer confidence, both 2.00am.**	**—**

Day	Australia	United States	Europe and Asia
Thursday 26 November	Q3 private capex 11.30am, ANZ 4.5%. Barrenjoey expects solid growth on data centre machinery and equipment, with FY27 intentions also lifting.	October PCE price index, the second estimate of Q3 GDP and preliminary durable goods orders, all 12.30am.	—
Friday 27 November	AOFM tender, A$1 billion of 2032s.	—	Tokyo CPI 10.30am. S&P review of France.
Saturday 28 November	Victorian State election.	Wholesale inventories 12.30am. FOMC blackout begins.	—

Source ANZ Australian Macro Weekly 20 November, ANZ FX Strategy Weekly 20 November, market participants, Barrenjoey To The Point 21 November, Arculus

Where the forecasters stand

Source	Position	As at
ANZ	Essentially no prospect of a December increase. High likelihood the cash rate has peaked at 4.85%. Unemployment peak around 5½% now more likely than around 5%	20 November
Market participants	About a 44.5% chance of an RBA cut by May 2027 is priced	19 November
ANZ US	OIS fully priced for a 25 basis point Fed increase in December, with 7.6% priced for 50	20 November
Barrenjoey	Unemployment to fall next month. Headline CPI to step up to 4.9% in October, above consensus. No cut until the November 2027 meeting	21 November
Arculus	**Employment to rise and unemployment to fall in November, keeping it below the RBA NAIRU of 4.9%. Wage growth to reach about 3.7% in the December quarter. RBA on hold into 2028. The equity sell off last week in the US may force the FOMC to hold off a rate increase.**	**20 November**

Source ANZ Australian Macro Weekly 20 November, market participants, ANZ Australian Morning Focus 20 November, Arculus labour force and WPI research memos 19 and 20 November, Barrenjoey To The Point 21 November

Further out

The September quarter national accounts are due on 2 December, the RBA Board meets on 7 and 8 December and the December quarter WPI carries the first junior pay step. The S&P review of France falls on 27 November and the Victorian State election on 28 November. The 18 December quarterly expiry in the United States is the date the equity section below turns on.

THE VIEW

Macro

Equities

The S&P 500 fell 8.6% on the week, a 651 point drop to 6,910.39, and broke the 7,000 support. It is 11.6% below its 6 October closing high of 7,818.93 and well below both its 50-day average of 7,625 and its 200-day average of 7,349. Having broken 7,000 we would expect that level to act as resistance on any recovery.

The sell off was broader than the S&P. Both the Dow and the S&P 500 closed in correction territory, more than 10% below their highs, and that the Nasdaq slid 5.3% to erase its gains for 2026 in what was its worst week since 2020. Chip stocks lost about US$2.3 trillion over the week and NVIDIA is heading for a run of weekly losses not seen since 2008. Anthropic, which listed strongly on the Nasdaq earlier in the week, slid back towards its issue price and pulled the rest of the AI trade with it.

That last point is the one to hold on to. A new listing giving back its first week gains is a cleaner read on sentiment towards the AI trade than any index level, because it has no legacy earnings to support it. The same unwind is visible in our credit series, with Oracle 23 basis points wider on the week, and in copper, which has lost more than 11% this month.



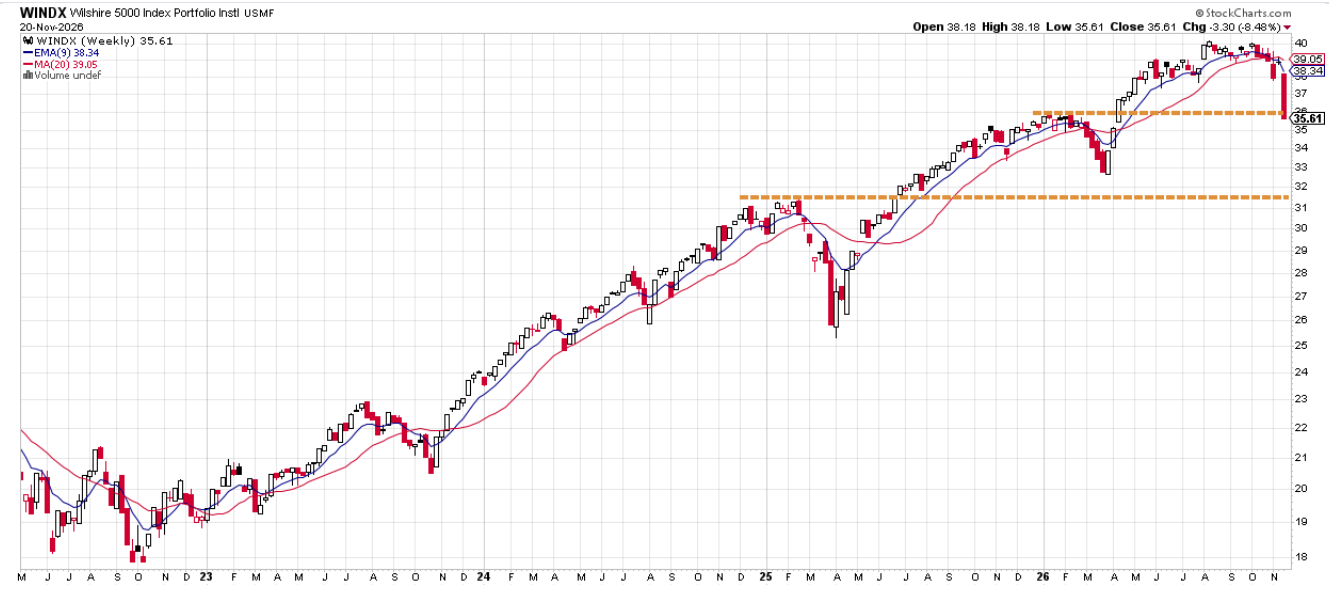
S&P 500, weekly. Source StockCharts.com, Arculus

The equity market and the December put position

It is odd, and frankly frustrating, that now that the markets are falling the media and market strategists are flipping to turn negative on the economic outlook. Although it is true that the equity market performance should under an efficient market hypothesis forecast the economy 6 to 9 months ahead, our media, politicians and leading market strategists have never shown any level of belief in the efficient market hypothesis. In fact, they have encouraged government interference in markets and through them the economy to address even small socioeconomic problems. An economy and its markets distorted by government policy actions and its central banks use of modern monetary theory to finance them, is not an economy that can rely on the efficient market hypothesis to make forecasts.

The US equity markets have for some time been dominated by the tech sector. We have on a number of occasions over the past 12 months warned that equity risk was rising and, in the June, quarterly our lead was 'Dangerous times ahead' where we set out why the preconditions for an equity correction had been met and noted three potential triggers to time the sell off. If readers want a copy of this work please contact us.

We are not saying that a severe equity market sell off will not have an impact on the economy because it will mean a curtailment of investment into the AI build out. Many developed economies have recently become dependent on the growth from the rapid AI data centre build out, however, it was only ever a short term 'sugar hit' because once the data centres are built they can be maintained with a low level of annual CapEx. We don't believe that an equity market correction this time will have an impact on private sector capex in a US context unless the equity market sell off moves beyond a valuation correction in the Tech sector. Here we are looking at the Wiltshire 5000 Index as the indicator. The Wilshire 5000 is a market-capitalization-weighted index designed to track the entire publicly traded U.S. equity market. It is not immune from the tech sell off as it is a market capitalisation weighted index that includes the Tech sector, but it is the broadest equity index available and therefore the most appropriate index to sue for those that believe in the efficient market hypothesis. The Wiltshire index has had remarkable uptrend since the pandemic lockdowns. It appears to be entering a correction period with the breach of support at 36 and the 9/20 SMA crossover on Friday night. The next level of support is at 31.40 and if this level is breached then an efficient market will be pricing a US economic contraction and not just a Tech sector valuation correction.



The Wilshire 5000 chart referred to above was not supplied and is not reproduced here.

We are not experts on the AI or the Tech sector and we look at any industry like a debt investor which is distinct from an equity investor because of the different risk- reward pay off. There is a systemic risk scenario that is created by this sell off where by one failure dominos into a broader problem. Right now, we have NVIDIA generating a huge net margin and increasing revenue at 100% pa. The problem is that it is selling its goods to data centres that are not only unprofitable but are highly geared. In turn the data centres have really two main customers – Anthropic and Open AI – that are both vastly unprofitable. From a credit perspective this compounding of risk is uncomfortable, even before we add that NVIDIA is now proposition to finance its clients to buy its product after raising US$32.5bn of senior debt in May 2026. Then we have the lack of energy available as the carrot frosting on the cake.

Derivative positions and the size of the ETF sector is accelerating this sell off

Notwithstanding the basis for our forecast of a market correction in our June Qrtly report, the current weakness in the S&P 500 is being impacted, to some extent, by the mechanical hedging by market makers of a very large open interest position in the S&P500 December 7250 strike put option – 30.5k. The index hugging passive ETFs that were active market capitalisation based buyers when the market was rising are now active sellers into a falling market.

The 30,500 December 7250 puts are now 340 points in the money with the Friday close, and the hedge flow they generate has turned from background noise into a live source of selling pressure into the 18 December expiry. The S&P 500 closed at 6,910.39 on 20 November, 4.7% below the strike, after a 3.7% fall on the day.

- **Size.** The position controls US$22.1bn of index notional at the strike. At a model delta of about −0.72 it carries roughly US$15.1bn of delta, the equivalent of about 43,800 E-mini contracts.
- **Hedging direction.** If dealers are net short these puts, as is usual for customer-bought protection, they are short gamma. They sell futures as the index falls and buy them back as it rises, which amplifies moves in both directions around the strike.
- **Remaining flow.** Dealers would have roughly 16,600 more E-mini contracts (about US$5bn of notional at prevailing prices) to sell before the hedge is complete at a delta of −0.99. At current volatility that level is about 6,050, or 12.5% below spot, and it rises towards spot as expiry approaches.
- **Time decay adds selling.** With no move in the index, the passage of time alone pushes the delta from −0.72 to about −0.89 with a week to go. That is roughly 10,800 more E-mini contracts of selling even if the market goes nowhere.
- **Odds.** At 27% implied volatility our model puts the chance of the index finishing above 7,250 on 18 December at about 26%. The 2.3% of a normal distribution beyond two standard deviations understates the tail, given that two of the last twelve sessions were five and six sigma days against the June to September distribution. This

means that the selling pressure from the delta neutral traders is compounding the natural selling from investors reacting to news event.

On its own the position is modest next to E-mini turnover. Its importance lies in where it sits, as a hedge that is mostly built, still growing with time, and concentrated at a strike close to the one-year average close of 7,252.

Where the market stands

The S&P 500 has fallen 11.6% from its 6 October closing high of 7,818.93 and is now well below both its 50 day (7,625) and 200 day (7,349) moving averages. It crossed below the 7,250 strike on 19 November and closed the next day at 6,910.39.

The 7,250 strike sits close to the one-year average close of 7,252, so the open interest marks the middle of the past year's range rather than a tail level. Realised volatility has more than doubled in a month, from 17% annualised over 60 sessions to 26% over 20 sessions and 27% over 10.

Size of the position

The open interest is worth about US$1.04bn in intrinsic value today and about US$1.26bn at model value, against US$22.1bn of notional at the strike. Each SPX contract carries a US$100 multiplier, so one SPX option is equivalent to two E-mini futures.

Measure	Value
Open interest	30,500 contracts
Notional at strike	US$22.1bn
Intrinsic value (7,250 less 6,910.39)	339.61 points, US$1.04bn
Model value per contract at 27% vol	412 points, US$1.26bn in total
Model delta	−0.72
Delta equivalent	US$15.1bn, about 43,800 E-mini contracts
Change in hedge per 1% fall	about US$0.95bn, about 2,750 E-mini contracts
Model probability of expiring in the money	74%

Gamma, the rate at which the hedge changes, peaks close to the strike at about US$1.18bn per 1% move. It is now falling as the index moves further below 7,250, and it is down to about US$0.4bn per 1% at 6,500.

Hedging dynamics

The delta neutral traders (those that have sold the puts at the 7250 strike) have been a big part of the selling in the market as they seek to stay delta neutral. When the option has a delta near 1.0 we will see a bounce because the traders are no longer selling to stay delta neutral. We may also then see a sharp bounce back in the market as those same traders seek to remain delta neutral into a rally.

Delta to the floor. Hedge selling stops once the put behaves like a short future, at a delta near −0.99. At 27% vol with 28 days to run that happens around 6,050. Higher volatility in a sell-off pushes the level lower, and less time pushes it higher.

Implied vol	Index level at delta −0.99	Fall from 6,910
22%	6,255	−9.5%
25%	6,130	−11.3%
27%	**6,048**	**−12.5%**
30%	5,926	−14.2%
32%	5,846	−15.4%
35%	5,728	−17.1%
Days to expiry (at 27% vol)	**Index level at delta −0.99**	**Fall from 6,910**
28	6,048	−12.5%

Implied vol	Index level at delta −0.99	Fall from 6,910
21	6,203	−10.2%
14	6,390	−7.5%
7	6,636	−4.0%

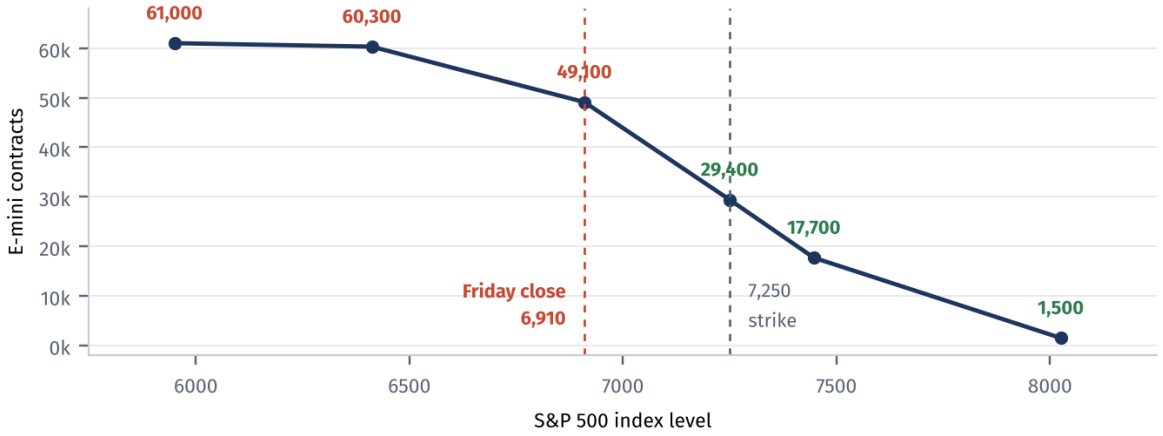
The effect of time. An in-the-money put drifts towards a delta of −1 as expiry nears. At an unchanged index the hedge grows from about 43,800 E-mini contracts today to 49,100 with 14 days left and 54,600 with 7 days left. That is steady selling into a flat market.

Vanna, the effect of volatility. For a put this far in the money, lower implied volatility raises the size of the delta. At 20% vol the delta is −0.79 and at 35% it is −0.67. A volatility crush in a relief rally would therefore partly offset the buyback that the rally itself triggers.

Gamma both ways. A rally back towards 7,250 shrinks the delta quickly and forces dealers to buy back futures, about 2,750 E-mini contracts for each 1% rise from here. That buyback can extend a rebound, in the same way that hedge selling extended the fall.

Most of the hedge selling is already done, the buying is not

Dealer hedge in E-mini contracts with 14 days to the 18 December expiry



Black-Scholes estimate, 27% vol, 3.7% rate, 1.2% dividend yield, as at the 20 November 2026 close

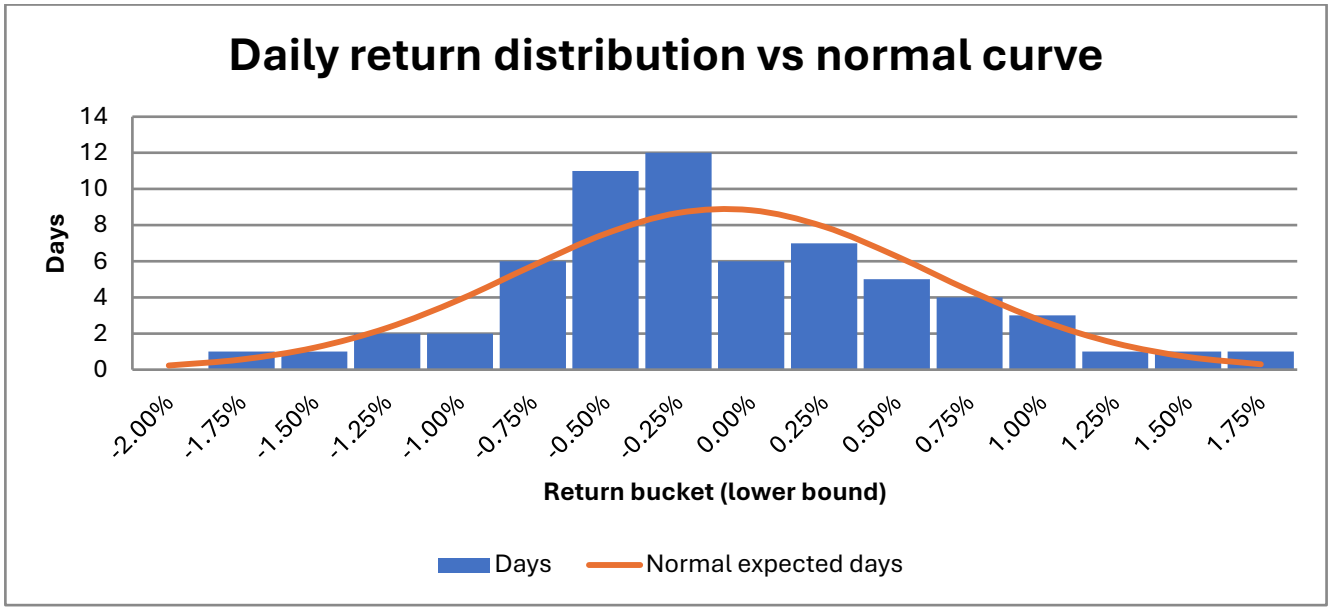
The hedge is about 72% built at spot. Below 6,500 the curve flattens and further falls add little selling, while the steep section between spot and the strike is where a rebound would release the most buying.

Scenarios to 18 December

The table below sets the index against one and two standard deviation moves over the 28 days to expiry, using 27% implied volatility, which gives a one standard deviation move of 7.5%. Hedge figures are in E-mini contracts with 14 days left, and a negative change means dealers buy futures back.

Scenario	Index level	Hedge with 14 days left	Change from today	Payout at expiry
Up two standard deviations	8,025	1,500	−42,300	Nil
Up one standard deviation	7,447	17,700	−26,100	Nil
Back to the strike	7,250	29,400	−14,400	Nil
Unchanged	**6,910**	**49,100**	**+5,300**	**US$1.04bn**
Down one standard deviation	6,412	60,300	+16,500	US$2.56bn
Down two standard deviations	5,950	61,000	+17,200	US$3.96bn

The flow is lopsided. On the downside the remaining selling is capped at about 17,200 contracts because most of the hedge is already on. On the upside a recovery to the strike would release about 14,400 contracts of buying, and a one standard deviation rally would release about 26,100.



Close to close returns over the 90 calendar days to 18 September 2026, aligned with the December contract hedge analysis

Under a normal distribution there is a 15.9% chance of finishing below the one standard deviation level of 7,447 and a 2.3% chance of finishing below the two standard deviation level of 5,950. Recent price action argues for fatter tails than that. Realised volatility has jumped from 11.1% annualised over 22 June to 18 September to 26% over the last 20 sessions, and the falls of 5 November (−4.4%) and 20 November (−3.7%) were six and five standard deviation days against the June to September distribution. Only 92% of days in that window fell within two standard deviations, against 95.4% for a normal distribution.

Expiry mechanics and what to watch

How the hedge comes off on 18 December matters as much as how it went on. Friday 18 December is the third Friday of the month and a quarterly expiry, so index options and the December E-mini future expire together.

- **Settlement style.** Standard monthly SPX options settle in cash at the Special Opening Quotation on the morning of expiry, while SPXW weeklies on the same date settle at the close. Which series holds the 30,500 contracts decides whether pressure falls on the open or the close.
- **Futures that expire with the options.** A hedge held in December E-mini futures settles at the same opening quotation and nets off with no trade in the market. A hedge held in March futures, SPY or cash equities has to be bought back, and that buying lands around expiry.
- **Rolling the protection.** Holders of large in-the-money puts often roll before expiry into lower strikes or later months. A roll from 7,250 to a strike near spot would cut the dealer hedge sharply and release futures buying well before 18 December.
- **Signals to watch.** Changes in open interest at 7,250 and nearby strikes, the level of implied volatility at 7,250 against spot, and E-mini volume around the open on 18 December.

Assumptions and sources

Greeks are Black-Scholes estimates with a flat 27% implied volatility, a 3.7% risk-free rate and a 1.2% dividend yield, as at the 20 November 2026 close. These are assumptions, not quoted market data, and volatility skew would raise the effective volatility at 7,250. The 30,500 open interest figure was supplied without a breakdown by holder or by settlement series, and dealer positioning is an assumption.

- SPX Dec 7250 Put Delta 0.99 Level workbook (delta, level and days to expiry tables)
- SPX Return Distribution 90 days to 18 September 2026 workbook (daily return distribution)
- .SPX Price History export of 21 November 2026, one year of daily data (closes, realised volatility, moving averages)
- S&P 500 daily chart to 20 November 2026 (50 day MA 7,625, 200 day MA 7,349)

MONITOR

- **October CPI on Wednesday.** ANZ has headline at 0.4% and 4.8% year on year and trimmed mean at 0.4% and 3.7%. This is the print that decides whether the front end holds Thursday rally.
- **The November labour force survey.** We forecast a rise in employment and a lower unemployment rate, and Barrenjoey reaches the same conclusion from its own leading indicators, against a market that has begun pricing cuts.
- **90-day BBSW at 4.92%,** off its record, with the 180 less 90 spread compressed to 29 basis points from 35.
- **The Australian premium over Treasuries back to about 4 basis points** from minus 3, rebuilt by the US rather than by us.
- **iTraxx Australia at 76 and Oracle at 319.** Credit widened while rates rallied, which is the signature of a growth scare.
- **The S&P 500 below 7,000.** Expect that level to act as resistance. The 200-day average at 7,349 is now well above the market.
- **The Dow and the S&P 500 in correction and the Nasdaq down for 2026.** Its worst week since 2020, with about US$2.3 trillion wiped off chip stocks.
- **The 18 December expiry.** About 17,200 contracts of hedge selling left against 14,400 of buying on a move back to the strike.
- **Around A$15 billion of A$ maturities and coupons in December** against very little expected supply, and the majors likely done until January.

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