Retail Is Puking: “This Is The 5th Biggest Sell Day On Record”

Description

In its latest note (available to [zerohedge pro subscribers]) discussing the ongoing market ~~pukefest~~ dynamics, Morgan Stanley’s Quantitative and Derivatives group (QDS) wrote that **“institutional real money plus retail have been driving more of the sell pressure and are likely to continue to drive price action in the medium-term.”** Echoing what we said last week, and a reversal of the pattern observed one month ago…

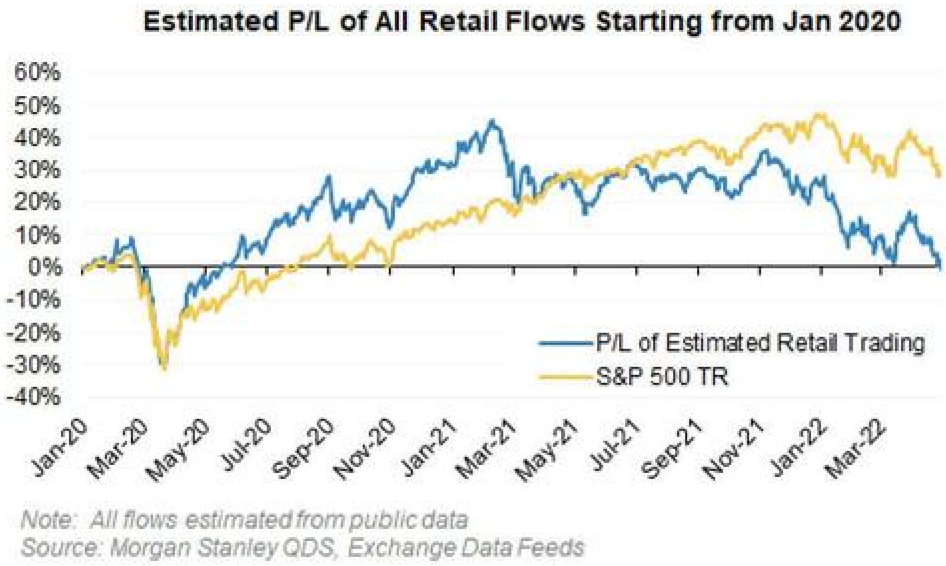
> Relentless hedge fund selling of every rally, retail buying
>
> JPM Prime “From a HF flow perspective, however, there’s been a fairly strong bias to sell-the-rally (STR) as JPM Prime has seen net selling in 8 of the past 9 days” pic.twitter.com/icxcif5ymV
>
> — zerohedge (@zerohedge) April 4, 2022

… Morgan Stanley cautioned that retail demand has begun to slip, and retail will likely be less supportive to the broader equity market going forward:

Retail demand has been weaker than expected relative to seasonal trends post-tax day, estimated retail P/L is deteriorating, and inflation is eating away at individuals’ disposable income.

The QDS conclusion: **“Retail has been an important buyer of dips, and with the retail bid dissipating just a lack of buying is likely enough to create an air pocket in the medium-term.”**

The reason why retail has chilled on risk assets and appears completely turned off by any trading, is because **all of its P&L generated since January 2020, right before the covid crisis, is now gone.**



It didn't take long for Morgan Stanley to be proven right, and in an update pushed out on Monday afternoon, Morgan Stanley finds that retail is now out, estimating that "**retail has now net sold $2.2bn today – that is the 5th biggest sell day on QDS records going back to 2016, with the 4th biggest sell day on Sep 4th 2020 at $2.3bn."**

Not surprisingly, most of the selling continues to be in Tech single-names – that alone make up more than half the total net sold – followed by Discretionary single-names, and partly offset by broad-based ETF demand of $400mm.

Of course, in keeping with accumulation, while retail is getting crushed, institutions are rolling in and according to MS calculations, as a % of total volume, retail participation is relatively low at 10.1% (14th 1y %ile) **as institutions become very active here, with MS Trade Pressure showing $2.8bn (88th 1y %ile) of ES futures net bought.**

In short, institutions have decided that this is indeed the bottom just as retail pukes and panic sells.

by Tyler Durden

Category

1. Economy-Business-Fin/Invest
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