Jun 8, 2026

"Trillion club" Unwind

How Friday forced a market rotation.

By Nicholas Crown, *Chief Strategist*

AI broke, and capital is moving fast.

The trillion-dollar swing has to go somewhere.

We found where.

Learnings from Last Week

Friday's nonfarm payrolls landed at 172k against an ~85k consensus, with April revised higher to 179k and unemployment unchanged at 4.3%. Experts have picked apart this number as being seasonally inflated, but we have to trade on it for now.

WTI closed Friday at $90.54 after the House's symbolic vote to end the Iran war, but after recent strikes have been reported, crude reopens $93 on Sunday night.

The cross-asset reaction was the cleanest hawkish move in months: SPX -2.64% to 7,383.74, the worst session in over a year. Nasdaq Composite -4.18%, the worst single day since the April 2025 tariff shock. Russell 2000 -3.47%. 2Y +11 basis points to 4.162%. 30Y briefly through 5.00%. Semis off roughly 10% on the day.

VIX ripped 39.7% to close at 21.51, the largest single-day spike in months. That move was enough to flip SPX from positive into negative gamma.

The single name vol being so high and the index vol staying low, was a clean read into this crowded rally, with Call skew at its highest point in undeserving single names. We monetized this.

Crucially, the Friday tape was not a clean de-risking. IWM gapped higher and held a positive bias for most of the session, RSP/SPY closed +1.2%, and the Dow finished only -1.35% against the Nasdaq Composite's -4.18%.

While this looks like a derisking event on the surface, capital didn't flee equities but rather rotated within.

We look to CPI as our next waypoint.

What we are watching this week

- **CPI on Wednesday, 8:30 AM ET:** Last major inflation print before the June 16 to 17 FOMC. A hot reading on the heels of Friday's payrolls effectively kills the 2026 cut path and puts a low-probability hike back on the curve. Hits the long-end rates view directly.

- **ORCL Q4 fiscal 2026 earnings on Wednesday, after market close:** ORCL's commentary is the single cleanest read on the AI capex cycle into Q3 earnings season. The post-NFP software give-back leaves the setup asymmetric in both directions and implied vol is bid into the print. We may stage a defined-risk structure pending Tuesday's signal read.

- **30-Year Treasury Auction on Thursday, 1:00 PM ET:** First demand test at the long end after the 30Y briefly cleared 5.00% Friday. A tail of more than two basis points confirms structural supply absorption issues and sustains the move higher in yields.

- **University of Michigan Sentiment on Friday, 10:00 AM ET:** The one-year inflation expectations is the component to watch.

Positioning This Week

As of the June 2 CoT, non-commercial specs in E-mini S&P 500 futures added to their net short by 54,937 contracts to -220,768 (longs 269,402, shorts 490,170), with the entire build coming through new shorts of +70,151 layered on as SPX printed its first close above 7,600. The consolidated S&P 500 figure tells the same story: net non-commercial widened by 54,994 contracts to -214,309. Open interest expanded by 55,610 on the E-mini alone, which means the rebuilt short went in at the highs rather than as a reaction to weakness, the textbook setup for forced covering on any sharp reversal higher.

Two adjacent positioning extremes matter into the catalyst calendar. First, non-commercial Nasdaq-100 net widened to -22,085 (shorts +10,115 WoW), so the spec community pressed an additional short into the AI and semi rip just before Friday's roughly 10% single-session decline in semis. Second, and most acutely for the USDJPY conditional, non-commercial Japanese Yen net widened to -129,567 (shorts +16,756 WoW): specs added to their JPY short, equivalent to long USDJPY carry, right into the BOJ meeting on Monday, June 15 and Tuesday, June 16.

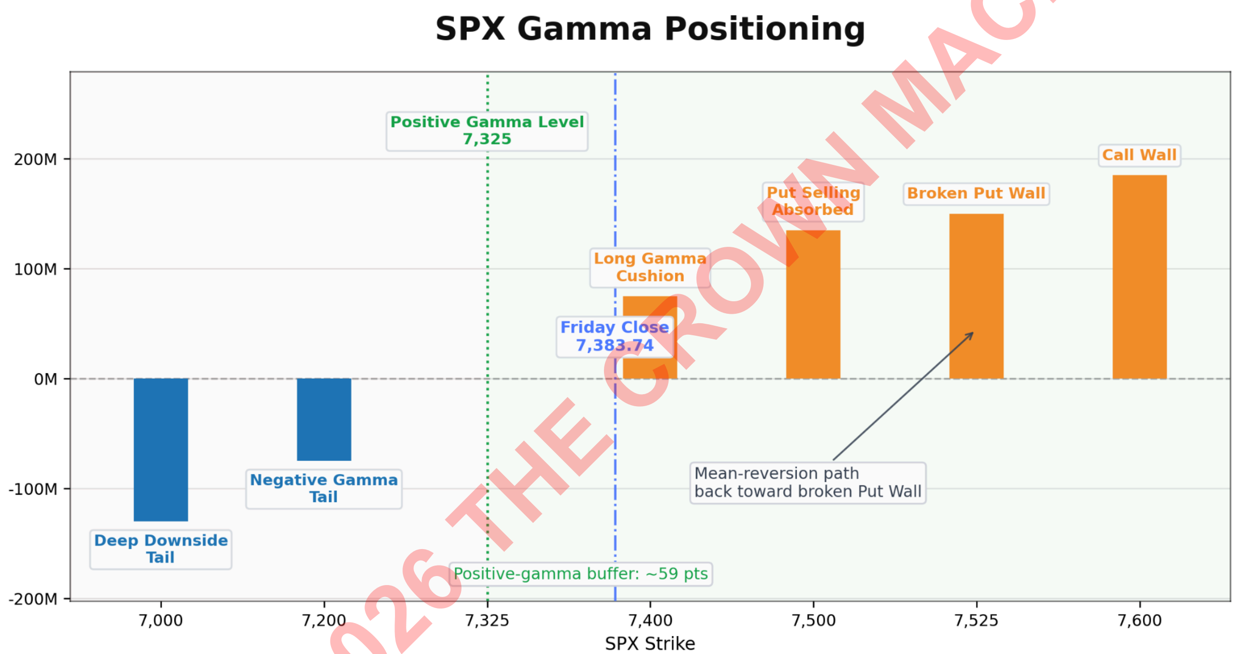
What it means for the week: Every leg of the spec book leans into squeeze risk before Wednesday's CPI, with the rebuilt E-mini short the most acute and the JPY short the most asymmetric given a BOJ hike eight calendar days out.

Gamma Positioning

SPX closed at 7,383.74, still above the Positive Gamma Level at 7,325 despite the sharp selloff. That keeps the market in a dealer-dampening regime for now: dips are more likely to be bought, and rallies faded, which helps contain realized volatility.

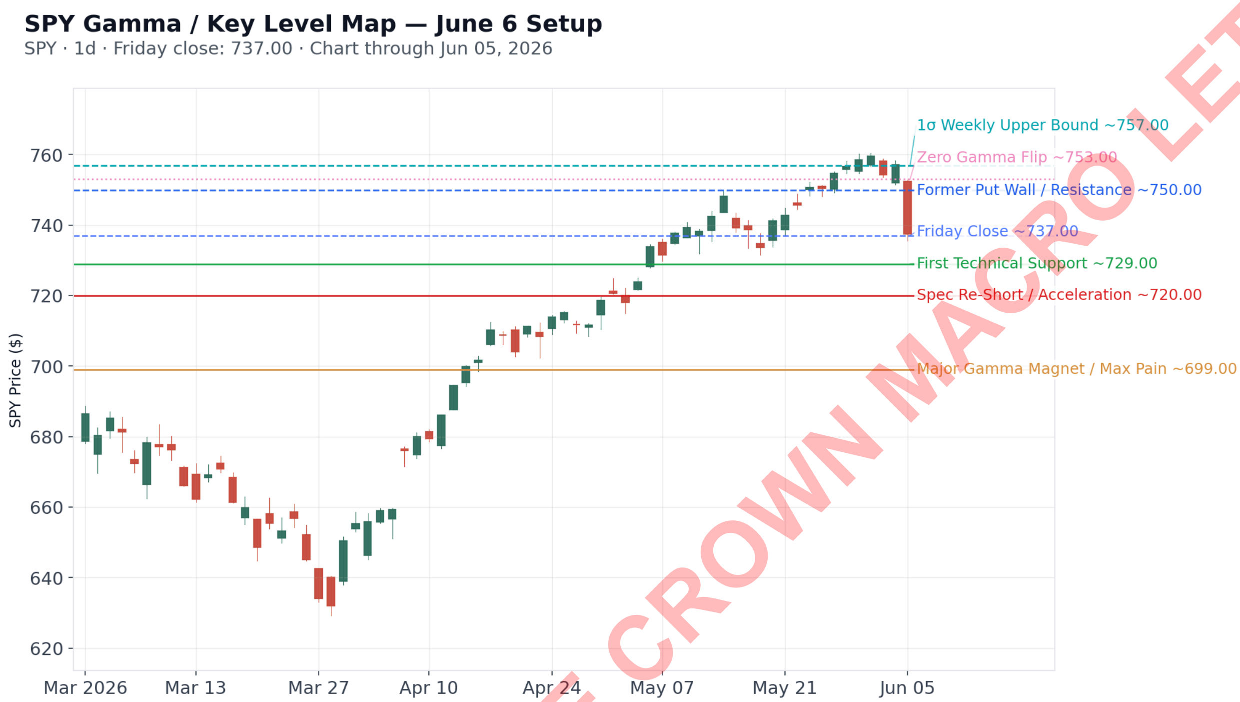
The chart shows the setup clearly. The buffer is thin, but as long as 7,325 holds, the path of least resistance is mean reversion back toward the broken 7,525 Put Wall. A reclaim of that level would repair the broken-support regime and force shorts to reassess.

Below 7,325, the tone changes. Dealer hedging shifts from stabilizing to amplifying, and the downside tail becomes more active. The upside cap remains the 7,600 Call Wall.



Key SPY Levels

Friday close: SPY $737 (SPX 7,383.73):



Notable Flow

The crowded AI and semi long got monetized into the highs, the software crack we forecast last week arrived on schedule, and downside protection was actively sold across small caps and SPX into Friday's break.

Two flows stand out:

1. **AI and semi call complex bought aggressively early week, sold violently into Friday's break.** MU drew a $15M June call print mid-week; MRVL printed $4M of August call sweeps at the market open after the Computex "trillion club" comment carried the stock +32% on the week; QQQ call skew sat rich and SMH call IV at the 90th percentile through Thursday. Once SPX broke the 7,490 pivot on Friday morning, the index dropped 163 bps with almost no real rebound. This confirms last week's read that the AI and semi rip was gamma squeeze and upside overwriting rather than fundamental

accumulation and validates the dispersion expression over outright long beta.

2. **Software cracked early in the week and kept bleeding.** Monday's parabolic bid (DDOG +12%, IGV ripping) gave back fast on Tuesday. IGV fell 4% with 177K of the August 90 put bought-to-open on the same session, and DOCU printed a $2.95M negative-delta block on a name that trades roughly $3.12M shares per day, the equivalent of nearly a full session of dollar volume in a single print. DDOG continued to bleed through the week in line with the CRWD correlation work from the prior letter, and Wednesday's after-hours prints saw CRWD beat and trade down 10% AH and AVGO beat and drop 12% AH.

New Trade Setups

Broadening Beneath the Surface: Defensive Breadth vs. Software

(XLV + XLP + XLF) vs. IGV | Beta-neutral relative value | 2 to 8 week tactical hold

Conviction: ●●●○○

The thesis

Index-level strength has been concentrated in mega-cap growth all year, with software (IGV) carrying the most crowded leg of that leadership. Underneath the surface, participation is widening.

RSP/SPY is our core proxy for market breadth, and the read is constructive: equal-weight is closing the gap with cap-weight after months of lagging. RSP/SPY closed +1.2% Friday. This basket trades in line with that signal. We want to be long the broadening, but not through small caps. Small caps carry too much balance-sheet and refinancing risk for this stage.

The cleaner expression is “defensives plus financials” long against software short as a pair trade.

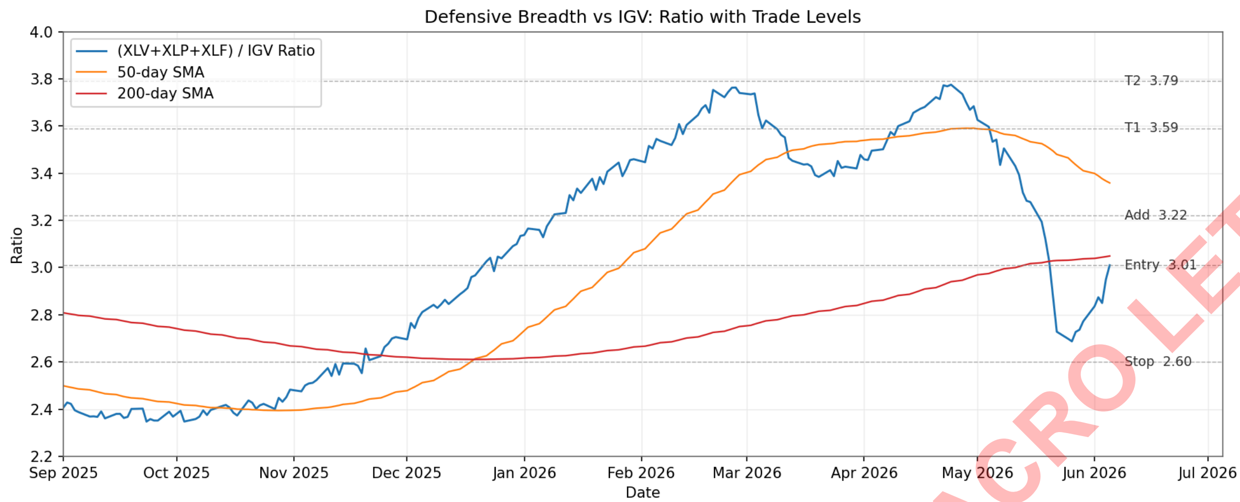


Exhibit 1 - Historical performance of the pair

The trigger is technical. The ratio just printed the deepest washout of the cycle at z = -3.31 and has snapped back to z = -1.04 in five sessions. Price reclaimed the 200-day at 2.79. The 3.22 horizontal that capped the May tape is the confirmation pivot.

We size in halves because the dominant failure mode is a false bottom: ratio bounces from oversold, then rolls as software re-asserts. The add fires into confirmation, not the rebound.

Trade

Level	Structure
Trade	Long basket: XLV 35% / XLP 35% / XLF 30% of long notional. Short IGV 33% of long notional (beta-adjusted, 126-session)
Size	0.50
Entry	Ratio 3.01 (z ≈ -1), Monday open
Add trigger	Ratio close > 3.22 OR z > 0, whichever prints first
Reward:risk	~1.7:1 blended (T1/T2 vs Stop)
Target 1	Ratio 3.59 (z ≈ +1), trim half
Target 2	Ratio 3.79 (z ≈ +2), close remainder

Stop	Daily close < 2.60 OR z < -2, or 60 sessions from starter
Thesis invalidation	Software re-asserts leadership; ratio rolls back below z = -2

The long basket carries a 126-session beta of ~0.39. IGV runs ~1.16. To neutralize market exposure, we short IGV at ~33% of long basket notional (0.39 / 1.16 = 0.336). A dollar-neutral build would leave the book net short market beta, which is not the expression we want.

Why these names

XLV. Not the most cyclical sector, but one of the cleanest rotation beneficiaries. It has lagged, is less tied to AI duration risk, carries defensive earnings, and works even if the market gets choppy.

XLF. Financials benefit if growth is resilient, credit risk stays contained, and the curve/rate backdrop supports net interest income. If yields are rising on inflation or Fed-hike risk rather than on growth, lower-quality regional banks can still get hit.

XLP. If a rate hike re-enters the conversation, the market rewards stable cash-flow sectors and punishes high-duration tech. XLP's largest holdings are Walmart, Costco, Procter & Gamble, Coca-Cola, Philip Morris, Mondelez, Altria, Colgate-Palmolive, Monster, and PepsiCo. This is defensive quality.

IGV (short). The most crowded growth leg in the tape. If the rotation broadens, IGV underperforms by mechanical rebalancing alone. The cleanest fade of the leadership we want to underperform.

Risk

Biggest risk is a sharp software bounce. IGV is the short leg, and a violent up day in software pressures the entire book. Daily close below z = -2 (roughly 2.60 on the ratio) is the failure signal. Cut. Secondary risk is a back-up in 10Y pressuring duration in XLV and XLP. If yields spike and the spread does not follow, cut early.

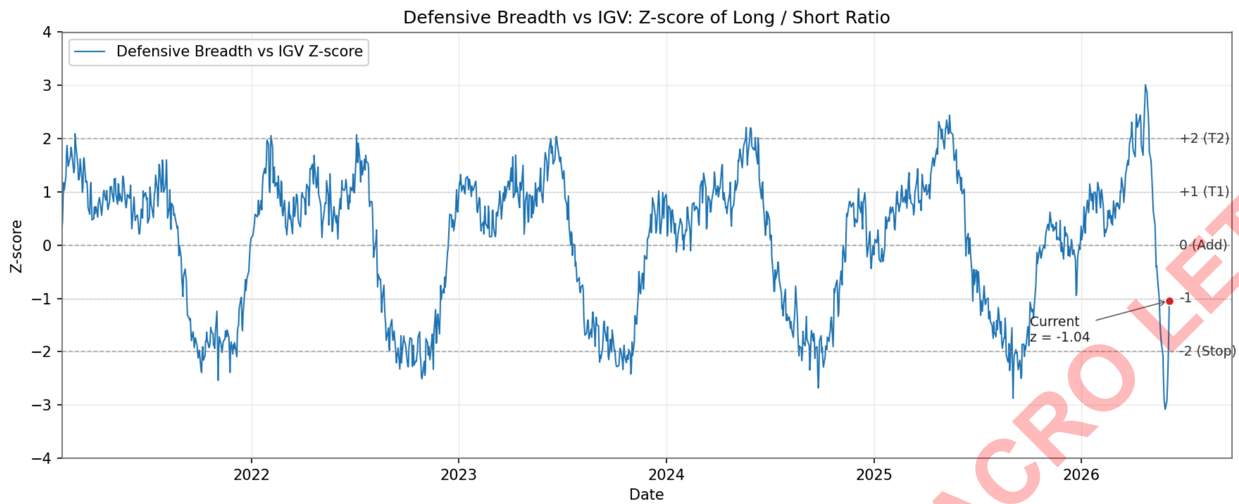


Exhibit 2 - Long vs short z score (rolling window = 60 days)

Bottom line

The market does not need to drop. Leadership only needs to broaden, and RSP/SPY is the read. This basket is positioned to take advantage of exactly that broadening phase.

Grab The Premium: FIVN June 18 25/30 Bear Call Spread

Instrument: FIVN June 18, 2026 25/30 Call Spread (sell 25C, buy 30C)

Strategy: Premium selling into elevated upside vol, defined risk, 1 to 2 week hold

Conviction: ●●●●○

Spec	Level
Structure	Sell Jun 18 $25 Call / Buy Jun 18 $30 Call
Target credit	$0.70 to $0.80
Max profit	$0.75 per share ($75 per lot)
Max loss	$4.25 per share ($425 per lot)
Breakeven	~$25.75

Short strike distance	+6.3% from spot
Long strike distance	+27.5% from spot
Implied vol percentile	98th percentile (trailing one-year)
Thesis invalidation	Daily close above $27.50

The Setup

As part of our general analysis, we built a long/short software basket inside IGV to separate the AI software winners from the weaker SaaS names that have been pulled higher by the broader software beta trade.

The thesis is straightforward: within software, the market is rewarding names that can credibly tie AI into monetization, platform expansion, security, cloud infrastructure, data, observability, and workflow automation. The long basket is built around companies that show AI monetization proof points, deliver stronger idiosyncratic returns after beta-adjustment, or carry technical confirmation through sustained moves above key moving averages.

The short basket is the other side of the dispersion: names that rallied with the group but screen weaker on AI monetization and technical leadership, sit below or near major resistance, are overextended versus their own 50-DMA, and lack the company-specific AI traction to justify the move.

FIVN sits in the short basket on every line of that screen. It rallied with the group, the AI and contact-center monetization story remains thin, and the stock sits just below the major resistance shelf at $25. The options surface is paying us to fade it.

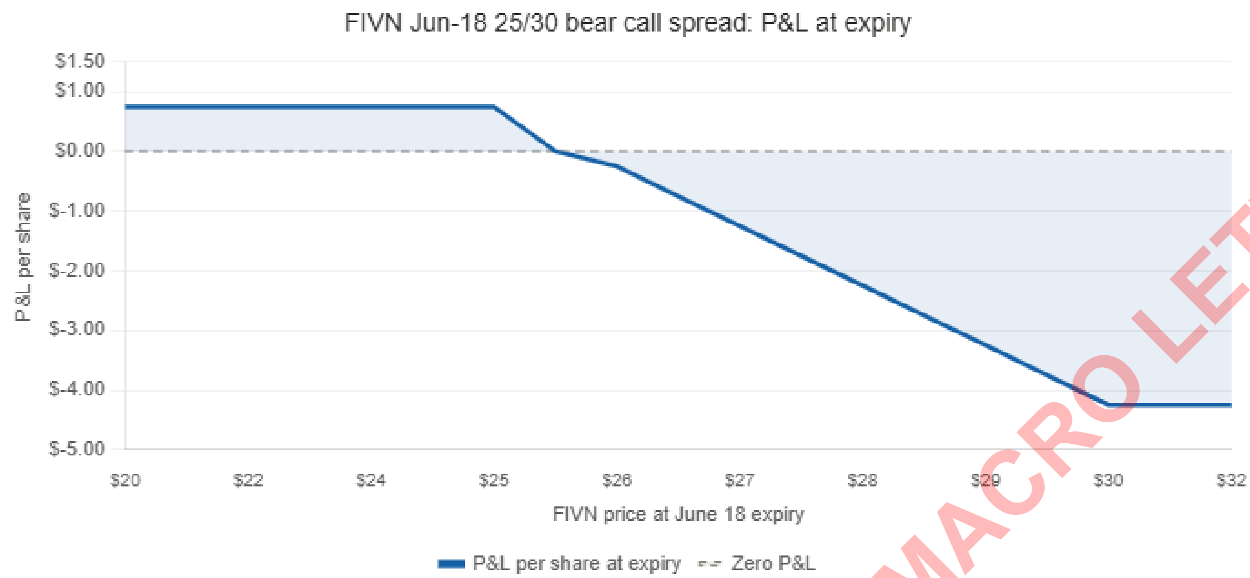


Exhibit 1 - Spot $23.52. Short strike $25. Breakeven $25.75. Long strike $30.

Why the Options Surface Pays

This is the textbook backdrop for monetizing rich premium. FIVN implied vol sits at the **98th percentile** of its trailing one-year range. June 18 call IV is rich across the upside wing: the 25C is around 79% IV, the 27.5C is around 86% IV, and the 30C is trading with even higher wing IV. Liquidity is workable: the June 18 25C has more than 4,000 contracts of open interest, and the 27.5C and 30C carry enough OI to define risk cleanly.

The June 18 expiry does not include a new earnings catalyst, so this trade is about fading post-earnings momentum and selling elevated upside volatility into a weaker software tape, not betting against an event.

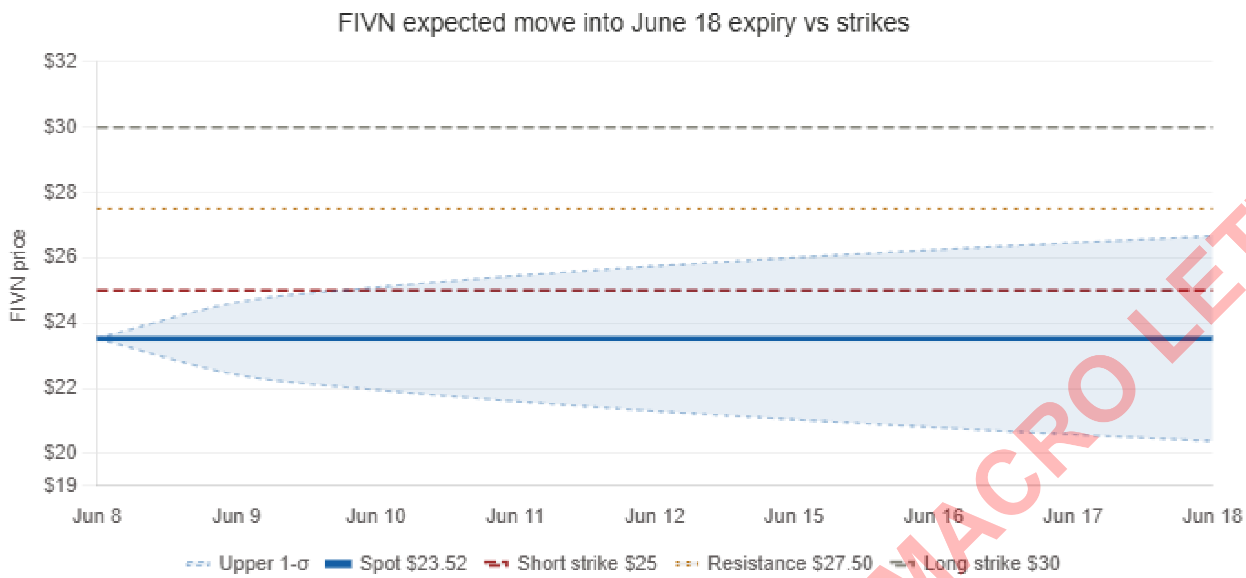


Exhibit 2 - FIVN expected moves 1-sigma at expiry: $20.38 to $26.66 using ATM IV ~75%. Short strike at upper boundary; long strike outside the cone.

Risk, Invalidation, Management

The trade earns its way through three layers: strike selection that puts the short leg just above resistance, call-side IV at the 98th percentile that pays a real credit for that strike, and the basket framework that puts FIVN on the loser side of the dispersion.

Action plan: Sell only if we can collect at least $0.70, with a preference for $0.75 to $0.80. Do not chase below $0.60. Reassess if FIVN closes above $25.50 to $26.00. Reduce or exit if the spread doubles from entry. Hard stop on a close above $27.50, or if the software loser basket starts materially outperforming the long basket.

Testing the Waters: Gold Short via Defined-Risk Put Spread

Instrument: GLD Jun-12 395 / 372 Put Spread (GC August reference for the underlying)

Strategy: Trend-break short into a crowded directional core, defined risk, 5-session hold, pre-FOMC expiry

Conviction: ●●○○○

Level	Structure
Trade	Buy GLD Jun-12 395 put, Sell GLD Jun-12 372 put
Size	0.25 risk unit
Entry (net debit)	~4.00 (confirm at Monday open)
Max profit	+19.00 (GLD at/below 372, gold ~$4,100)
Reward:risk	4.75:1
Breakeven	GLD 391.00 (gold ~$4,320)
Max loss	$4.00, fully defined
Target 1	GLD 380 (gold ~$4,200), prior consolidation reclaim fails
Target 2	GLD 372 (gold ~$4,100), max value
Thesis invalidation	GLD closes above 405 on volume (200-DMA reclaim)

The Setup

Friday's session reframes the gold position. We were long via call spread on a contrarian read of the May 26 COT, where the spread purge masked an intact directional core. We punted out at a loss into Friday's break. The same data series that backed the long now backs the inverse trade. What changed is everything around the COT, not the COT itself.

GLD closed Friday at 396.24, down 3.65% on 11.47M shares, 2.3x the 20-session average. It is the **first close below the 200-DMA in two years.** The 200-DMA at

405.20 is now resistance; the 50-DMA at 424.63 sits 6.7% overhead and is rolling. The trend signal is flipped.

The June 2 COT extends the directional core to its highest reading in the three-week window: managed-money net long grew from 97,446 on May 26 to 112,179, now 34.4% of open interest. But the growth happened against a collapsing OI (down 27,437 in the week, down 53,273 over three weeks) and into the technical break. The contrarian-long backdrop has inverted: the core is no longer "holding" beneath a constructive structure, it is "crowded" beneath a confirmed break.

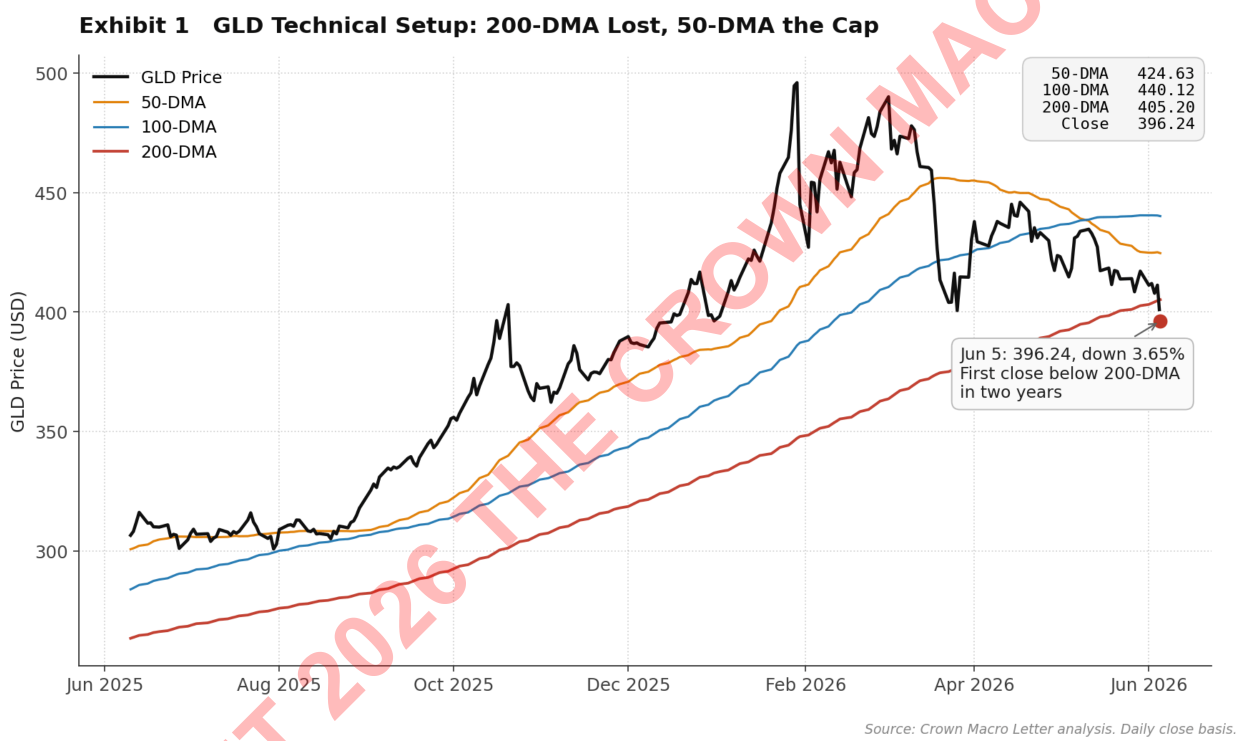


Exhibit 1 - GLD Technical Setup: 200-DMA lost, 50-DMA the cap, 100-DMA at 440 overhead

COT Positioning, Inverted

Every spec category that could have provided upside fuel has now been spent.

The only spec category that has not moved to an extreme is the long side. Every other lever that drove gold higher into May has been pulled. From here, the path of least resistance for the spec book is long-liquidation.

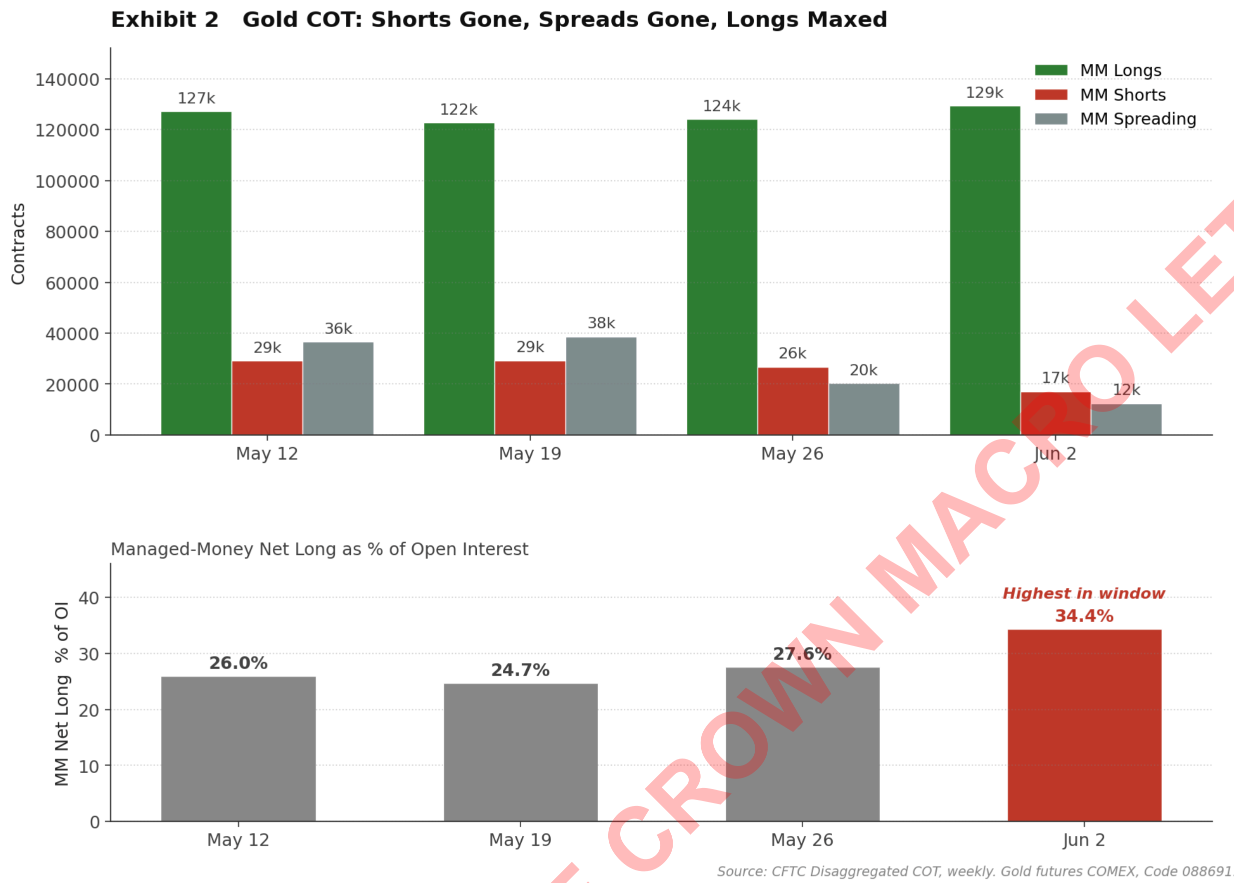


Exhibit 2 - Gold COT: shorts gone, spreads gone, longs maxed into the break

The Historical Pattern

The 30-day rolling correlation of GLD and SPX daily returns closed Friday at **0.832**, against a dataset median of 0.208.

Current correlation sits in the **top 0.5% of all observations** back to January 2024. On Friday GLD fell 1.38x SPX, and the only other session in the dataset where both fell more than 2% on the same day was April 4, 2025.

Why We Prefer Defined Risk

The short 372 put subsidizes the cost and lifts reward-to-risk to 4.75:1, better per dollar than a futures short with a stop at GLD 405 (which prices roughly 2.7:1 against the first target and sits inside the implied cone). With 30-day ATM IV at 24% and 10-day put-call IV skew at 0.086, the short leg captures rich OTM put skew against the near-ATM long.

Exhibit 3 Payoff: GLD Jun-12 395/372 Put Spread

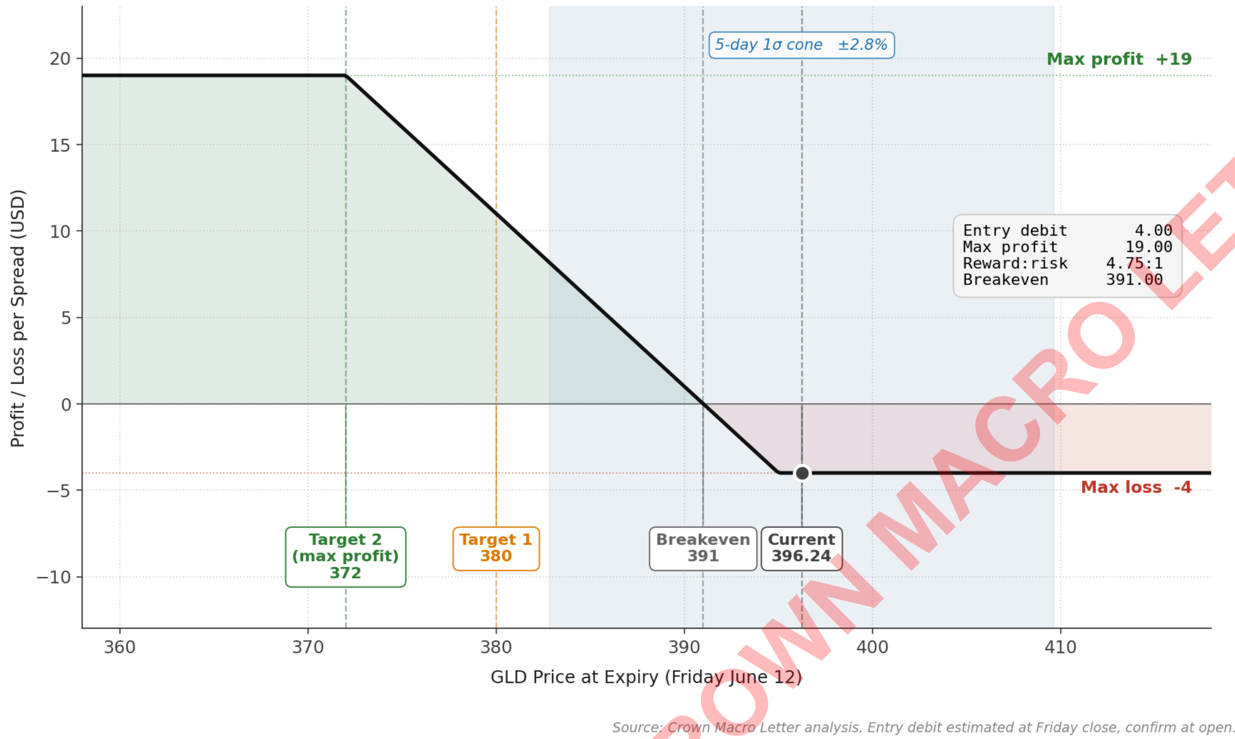


Exhibit 3 - Payoff: GLD Jun-12 395/372 Put Spread vs 5-day implied move (±2.8%, 1-sigma)

Risk, Invalidation, Management

Defined max loss $4.00 per spread regardless of path.

Thesis invalidation: GLD reclaims 405 on volume, OR 30-day ATM IV compresses below 19% while price is rising. Either signals the equity-beta regime is reversing and the central bank bid is reasserting beneath the structure.

Previous Week Trade Review

DOCU 65/70 short call spread (June 12 expiry) closed Friday
P&L: Full premium captured on the $0.51 credit

Entered Tuesday after the $2.95M negative-delta block on a name trading only $3.12M shares per day, an extraordinary single-print imbalance. The IGV August 90 put bought-to-open in 177K size on the same Tuesday session was the cleanest external confirmation of the broader software give-back.

The setup was also supported by a rich event-vol surface. DOCU's front-end IV was sitting near the top of its one-year range, while the earnings implied move was roughly 12%, placing the expected upside move near $61–62. Our 65 short strike sat above the implied move, above the 200-DMA area, and above the next resistance zone, giving us enough cushion to sell premium without being short too close to spot.

DOCU reported earnings Thursday after market close; by Friday both delta and implied volatility had compressed sharply in our favor, and we closed the spread for the full credit rather than carry the position to expiry.

Action taken: Closed Friday, full premium captured.

META bear call $640/$670 June
P&L: Open

META closed Friday at $593.00, well below the $640 short strike, after falling roughly 5.5% on the session. The pressure came from two sources: first, reports that Meta is exploring a large equity raise to fund AI infrastructure, following Alphabet's $80B raise earlier in the week; second, the broader mega-cap repricing after the hot payrolls print pushed the 2Y yield to roughly 4.16%.

The IV-term structure steepened into the broad mega-cap selloff and share-issuance overhang, but the underlying move has more than offset that for the spread.

Action taken: Hold. Stop remains a daily close above $650; otherwise let theta continue working while META stays below the $640 short strike.

SMH / SOXX long (Mar/Apr entry)
P&L: Open

The semi leadership broke hard on Friday alongside the broader risk-off tape. SMH closed at $569.69, down roughly 9.2% on the day, while SOXX closed at $539.77, down roughly 10.5%. This followed the second consecutive day of AI-related selling after the Broadcom reaction and the broader unwind in the call complex.

That said, the structural stop has not triggered yet. Friday's SMH close at $569.69 is still about $29.69 above the reassessment level, or roughly 5.2% above the stop zone.

The leadership signal clearly weakened, but the stop discipline matters. We do not reassess the core semi view unless SMH loses $540 on consecutive closes.

Action taken: Hold. Reassess if SMH breaks below $540 on consecutive closes.

HG Copper long (front-month)
P&L: First tranche +1.97% closed Tuesday at $6.50; new tranche re-entered Friday at $6.37, currently slightly underwater into Friday close

The first copper tranche was stopped Tuesday at the trailed $6.50 stop for a roughly +1.96% gain on the $6.375 entry. That was the right execution: copper had tagged prior all-time-high resistance, and the trailing stop protected the move.

The macro thesis was confirmed early in the week. ISM Manufacturing printed 54.0, with new orders at 56.8 and production still expanding, which supports the physical-demand story behind copper, industrials, and manufacturing-linked exposures. MADE also pushed to fresh highs during the week before giving back part of the move on Friday.

We re-entered front-month copper on Friday's post-NFP washout at $6.37. Front-month copper finished the week around $6.2635, the structural thesis remains intact: manufacturing PMI is in expansion, data-center capex remains copper-intensive, and the long-term supply/demand setup still favors owning pullbacks rather than chasing breakouts.

Action taken: First tranche stopped for +1.96%. Re-entered Friday at $6.37. Add level remains $6.15 if the level holds and the macro tape does not deteriorate further.

Gold (GLD) June 26 425/450 call spread
P&L: Closed Friday; Loss: $2.70

The GLD June 26 425/450 call spread was entered on Monday's dip as a defined-risk expression of the prior COT washout thesis. The setup needed two things to work: gold had to reclaim momentum quickly, and real-rate pressure had to stay contained.

Neither happened. GLD closed Friday at $396.24, below the prior thesis-invalidation area around GLD $405, while spot gold fell sharply as the strong payrolls print pushed yields higher and removed the remaining catalyst. The gold-to-equity correlation also stayed elevated, so the structure was not acting like a clean diversifier during the risk-off move.

Action taken: Closed Friday after the setup failed to confirm and GLD broke the invalidation zone.

USDJPY short (conditional)
P&L: Not triggered

The sell stop at 157.50 did not trigger. The setup is unchanged into the June 15-16 BOJ meeting, where a hike is increasingly priced and a crowded carry trade across both leveraged funds and asset managers sits as squeeze fuel.

Action taken: Order stands.

Portfolio “House” View (As of This Letter)

Note: these are long-term positions maintained as a core view outside of our tactical strategy.

Note: In volatile markets, positioning can change quickly and may evolve between letters.

Asset Class	View	Key Driver
Equities	Bullish	Own cap-weight; SOXX tilt.
Gold	Bearish-to-neutral	Correlation to SPY is still elevated.
Oil	Neutral	Iran deal risk reprices conflict premium. Downside risk elevated.
Short-End Rates	Bearish	Fed locked in. Under 1yr duration remains safe haven.
Long-End Rates	Bearish, with tactical longs	Structural bearish but playing mean-reversion
Credit	Constructive	Spreads contained despite volatility due to record issuance of IG Bonds. Selective.
Dollar	Neutral-to-bullish	Rates remain elevated but approaching first FOMC with Warsh at helm

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Before founding The Crown Macro Letter, he was Director of Fixed Income Arbitrage at UBS and VP of Futures RV at Barclays Capital.

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