

BREAKING STRUCTURE PRESENTS

How Dealers Actually Drive *Price.*

Reading gamma, walls, and flow across asset classes.
The Layer 2 deep dive.

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// SPX · BTC · WTI · TLT · EUR/USD · DXY · NDX · ETH · GLD · ZN //

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WHERE THIS FITS IN THE SERIES

Issue 01 introduced the Three Layers framework. This issue lives entirely inside Layer 2: **dealer mechanics**. By the end you will read a gamma profile chart in seconds, identify the regime you are in, and apply the same rule across SPX, TLT, EUR/USD, WTI, and BTC.

Why dealers move price.

Smart money does not fade your stop loss. The dealer hedging your stop loss does. Once you understand that, every chart you have ever looked at starts to make sense.

Market makers and dealers do not take directional risk on purpose. Their business is renting balance sheet to customers who want to express views. When a customer buys an SPX call, the dealer sells it, which leaves the dealer short a call. Short a call means short gamma. Short gamma means the dealer's delta exposure changes adversely as the underlying moves. To stay flat, the dealer hedges in the underlying. **Buys stock as price rises. Sells stock as price falls.**

That single mechanic explains an enormous fraction of intraday price action. When dealers are net short gamma, their hedging amplifies moves in both directions. Up moves get faster. Down moves get faster. Range expands. Vol expands. When dealers are net long gamma, the mechanics flip: they sell into rallies and buy into dips, dampening every move. Up moves stall. Down moves stall. Range compresses. Vol compresses.

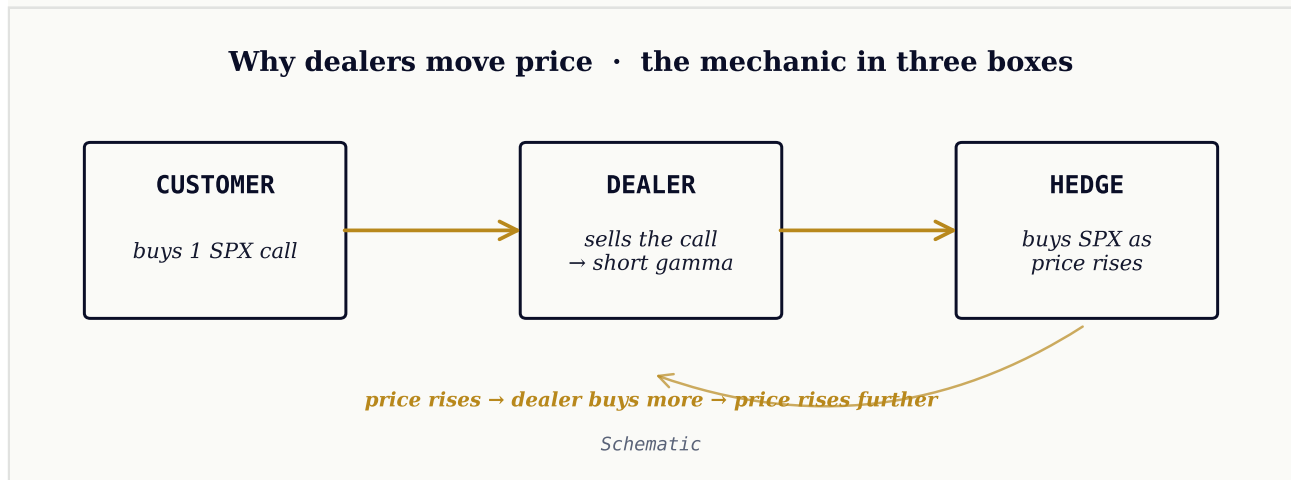


Figure 01 · The mechanic in three boxes.

A CUSTOMER BUYS A CALL. THE DEALER IS NOW SHORT GAMMA. TO STAY DELTA-NEUTRAL, THE DEALER BUYS THE UNDERLYING AS IT RISES. THAT BUYING PRESSURE PUSHES PRICE FURTHER, WHICH FORCES MORE HEDGING. THE REFLEXIVE LOOP IS THE SOURCE OF INTRADAY MOMENTUM IN NEGATIVE-GAMMA REGIMES.

This is not theory. It is the structural reason index futures pin to round numbers on OPEX Fridays, why earnings IV crush is so reliable, why every "flash crash" of the last decade has involved dealer gamma flipping negative. The order flow you see on a chart is the symptom. The hedging is the cause.

"The candle is the trail. The dealer book is the cause."

The two regimes you must identify.

Every traded asset with an options chain lives in one of two regimes at any given moment. Identifying which one you are in is the highest-leverage skill in this guide.

Positive GEX · the mean-reverting regime

When dealers are net long gamma in aggregate, hedging dampens vol. Rallies get sold into. Dips get bought. Price oscillates inside an envelope defined by the largest concentrations of dealer hedging on either side: the **call wall** above and the **put wall** below. Those walls behave like magnets. Price gets pulled toward them and rejected from them.

What this looks like in practice: tight intraday ranges, falling realized vol, IV crushed below long-run averages, breakouts that fail to follow through. SPX at the end of OPEX week. TLT inside its weekly gamma envelope. BTC chopping inside a Deribit cluster.

Negative GEX · the trending regime

When dealers are net short gamma in aggregate, hedging amplifies vol. The same walls that were magnets in positive regimes become barriers that, once broken, accelerate the move. Up breakouts attract dealer buying. Down breakouts attract dealer selling. Range expands. Realized vol expands. IV expands.

What this looks like in practice: wide ranges, trend continuation, breakouts that hold, sharp reversals when sentiment shifts. SPX during a vol-expansion event. TLT during a fast yield repricing. BTC during a leverage flush.

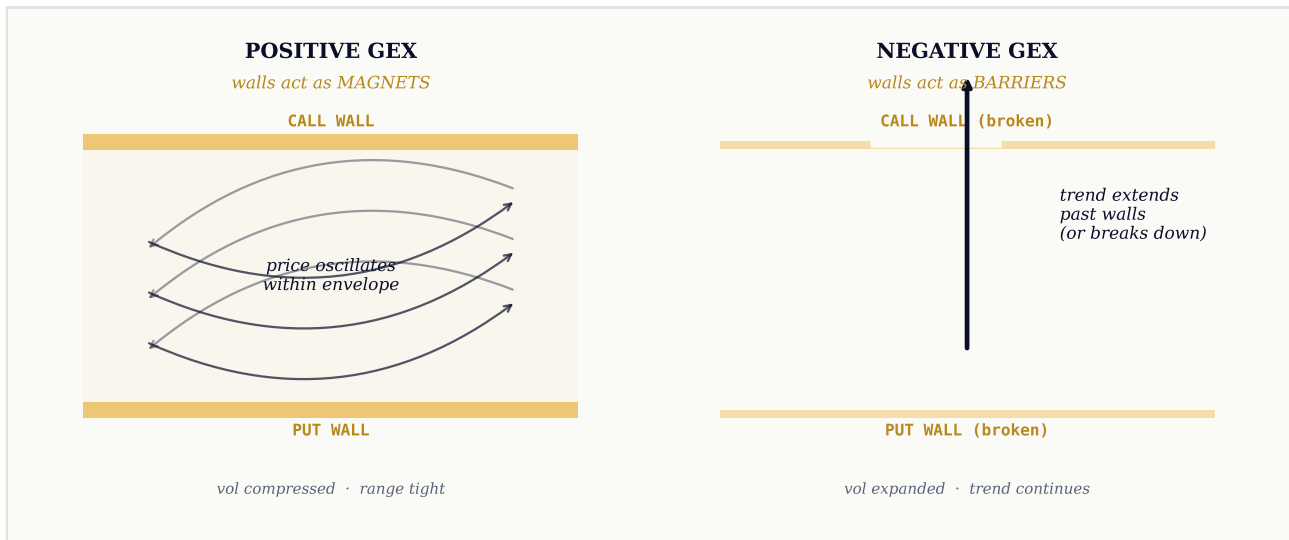


Figure 02 · Magnets versus barriers.

SAME INSTRUMENT, TWO REGIMES. IN POSITIVE GEX, PRICE STAYS INSIDE THE ENVELOPE AND WALLS REJECT IT. IN NEGATIVE GEX, THE ENVELOPE ITSELF IS THE TRADE: WHERE IT BREAKS AND HOW FAST IT BREAKS.

The single trading rule that comes from this: **in positive gamma, fade extremes within the envelope. In negative gamma, trade in the direction of breakouts and respect tails.** Most retail losing patterns are the inverse of this rule. Buying breakouts in positive regimes (failed setups, exit liquidity for fading desks). Fading momentum in negative regimes (stops run, tail risk realized).

The gamma profile chart.

If you can read one chart from this issue and apply it for the rest of your trading life, make it this one. Every retail GEX service publishes a version of it. Reading it takes thirty seconds once you know what to look at.

The gamma profile chart plots **dealer net gamma exposure on the x-axis against strike price on the y-axis**. Every strike with options open interest contributes a bar. Strikes where dealers are short gamma show as negative bars (typically below current spot). Strikes where dealers are long gamma show as positive bars (typically above spot). The line where the bars cross zero is the **gamma flip**. The largest negative bar is the **put wall**. The largest positive bar is the **call wall**.

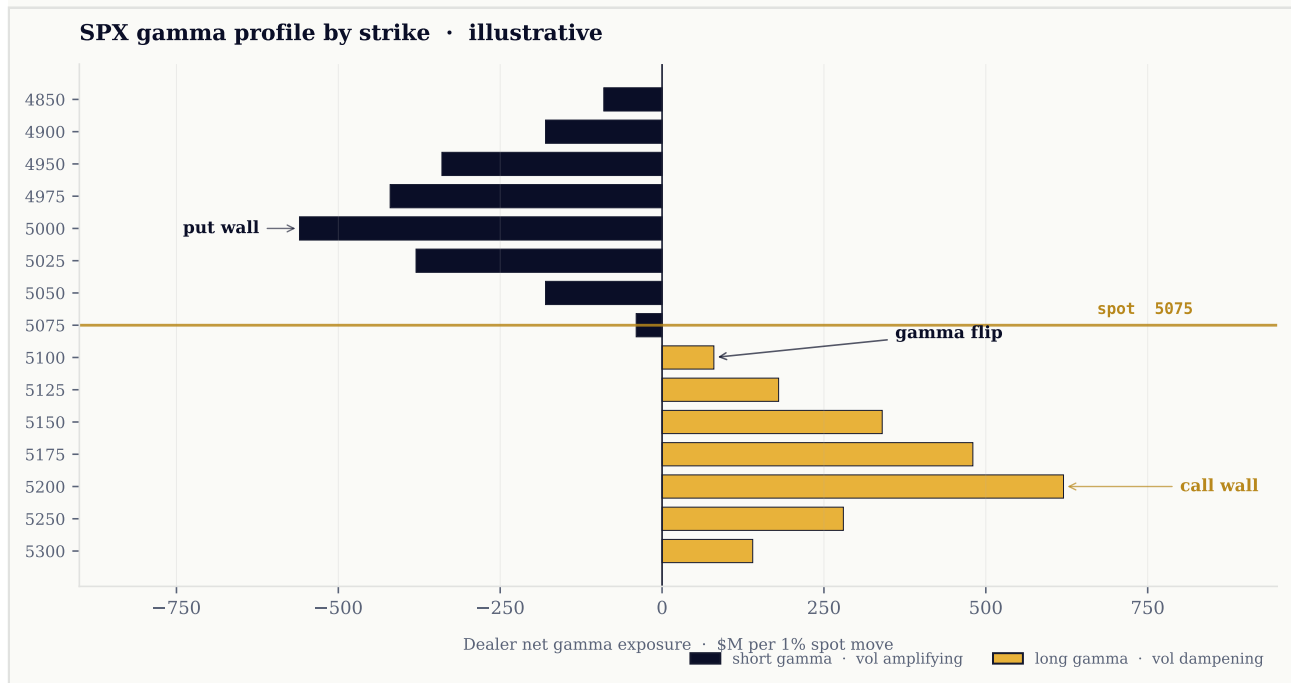


Figure 03 · The gamma profile chart, anatomy.

SPX EXAMPLE, ILLUSTRATIVE. NEGATIVE BARS BELOW SPOT SHOW SHORT-GAMMA STRIKES. POSITIVE BARS ABOVE SHOW LONG-GAMMA STRIKES. THE GAMMA FLIP IS WHERE DEALER HEDGING BEHAVIOR CHANGES REGIME. WALLS ARE THE LARGEST CONCENTRATIONS ON EITHER SIDE. SPOT RELATIVE TO FLIP TELLS YOU WHICH REGIME YOU ARE TRADING INSIDE.

Reading the chart in thirty seconds

→ **Spot above flip with deep positive bars above:** positive GEX environment, mean-reverting bias, tight ranges expected.

- **Spot below flip with deep negative bars below:** negative GEX environment, trending bias, expanding ranges expected, tail risk live.
- **Spot near flip:** regime transition zone, highest sensitivity to incremental flow, watch for which way it resolves.
- **Distance from spot to nearest wall:** rough estimate of likely range over the next several sessions in a positive regime.
- **Wall above versus wall below in size:** which side is dealer-defended more aggressively. Asymmetric walls signal asymmetric path.

THE FREE RETAIL PROXY

Most retail traders do not have a paid GEX service. Three free reads catch most of what the chart tells you. **VIX level and trend:** under 15 with falling realized vol is almost always positive GEX; above 20 with rising realized vol is almost always negative. **SPX 0DTE put/call ratio** from CBOE: persistently elevated means dealers loaded long gamma at calls. **Realized vs implied vol spread:** implied consistently above realized means dealers are short premium and long gamma against it.

Equities · SPX gamma in depth.

Index gamma is the most studied, best-data, and most actionable layer of dealer mechanics in retail-accessible markets. Start here.

The four reads that matter

- **Aggregate GEX.** Total dealer gamma summed across the SPX/SPY chain. SpotGamma, Menthor Q, and Unusual Whales publish daily snapshots. The sign tells you the regime. The magnitude tells you how strong the regime is.
- **Gamma walls.** Strikes with the largest dealer hedging concentration. SPX often pins to a major call wall on OPEX Fridays. The mechanic: as expiry approaches, charm forces dealers to hedge increasingly aggressively at the wall, which compresses price toward the strike.
- **0DTE flow.** Same-day expirations now drive a meaningful share of intraday SPX gamma. A persistently elevated 0DTE put/call ratio signals one regime; persistent call dominance signals another. Reading 0DTE positioning is no longer optional for index traders.
- **Charm and vanna.** Charm is the rate at which delta decays through time. Vanna is delta's sensitivity to vol. Friday afternoon SPX drift toward max pain is largely a charm story. Vol-down rallies that lift the index without flow context are vanna.

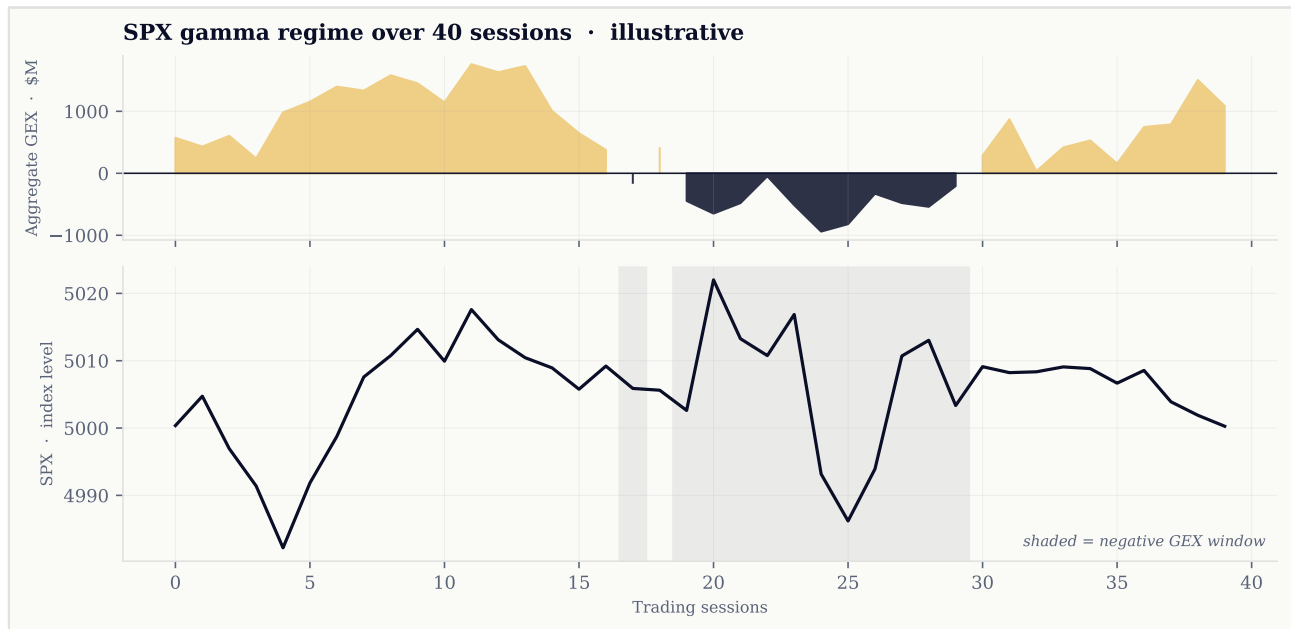


Figure 04 · SPX gamma regime over 40 sessions, illustrative.

TOP: AGGREGATE DEALER GAMMA FLIPS BETWEEN POSITIVE (AMBER) AND NEGATIVE (NAVY). BOTTOM: SPX PATH. NEGATIVE-GAMMA WINDOWS CORRELATE WITH EXPANDING DAILY RANGES, LARGER DRAWDOWNS, AND FASTER REVERSALS. THE REGIME ROTATES, AND THE ROTATION ITSELF IS TRADABLE.

Worked example · OPEX Friday pin

A typical mechanic to watch for: the largest call wall in the SPX chain sits at 5,200. Spot trades at 5,180 on the morning of monthly OPEX. Aggregate GEX is deeply positive. Through the morning, every push toward 5,195 fails as dealer selling at the wall absorbs flow. Every dip below 5,170 is bought. Realized vol drops as the day progresses. The close pins between 5,195 and 5,200. This is not technical analysis. It is mechanical hedging acting on a strike with \$600M of dealer gamma exposure. Reading it requires nothing more than a gamma profile chart and the OPEX calendar.

The opposite mechanic kills retail traders just as reliably. The same wall, in a negative-gamma environment, becomes a barrier that gets broken violently. A breakout above 5,200 in negative GEX attracts dealer buying that accelerates the move toward the next strike concentration above. Reading the regime is what separates the pin trade from the breakout trade. Both setups look identical on a price chart in isolation.

Rates • bond options gamma and the MOVE index.

The bond market has its own dealer gamma layer. It is less retail-visible, but the mechanics are identical to equities, and the consequences when it goes negative are larger because of convexity hedging from non-trader actors.

Treasury options gamma

The Treasury futures complex (ZN for the 10-year, ZB for the 30-year, ZF for the 5-year, ZT for the 2-year) has a deep options market. The same gamma profile read applies: where dealers are long gamma in TY options, daily yield moves get dampened. Where they are short gamma, moves get amplified. The data is published by CME and aggregated by paid services like QuikStrike, but the retail-accessible read is the **MOVE index**, which tracks implied volatility on Treasury options across the curve.

- **MOVE under 90:** typical positive-gamma environment in rates, daily yield moves contained, curve stable.
- **MOVE between 100 and 130:** elevated, regime shifting, daily yield moves expanding.
- **MOVE above 130:** stress regime, dealers short gamma, large yield moves likely, convexity hedging at risk of compounding moves.

Convexity hedging is what makes rates dangerous

Mortgage servicers, life insurers, pension funds, and certain bank treasury books run massive negative-convexity portfolios. When yields rise sharply, the duration of their assets extends faster than their liabilities, and they hedge by selling more Treasuries, which pushes yields higher, which extends their duration further. **Rate selloffs feed on themselves through forced hedging.** The same dynamic ran in reverse during the 2020 rally and the March 2023 SVB-driven flight to safety.

For retail traders, the practical implication is: respect the MOVE index. When it spikes, the bond complex is in a negative-gamma regime, and yields can move multiples of what looks reasonable on a chart. Trades that look like value reads at one yield level can look like value traps two days later. TLT positioning into a MOVE spike is an entirely different trade than TLT positioning into MOVE compression, even at the same nominal price.

FX · vol smile and risk reversal skew.

FX dealer mechanics are read through the shape of the vol surface, not through gamma profiles plotted by strike. The principle is the same. The data is just expressed differently.

The vol smile

The vol smile is implied volatility plotted across delta-distance strikes (typically 10-delta puts, 25-delta puts, ATM, 25-delta calls, 10-delta calls). A symmetric smile means the market is pricing equal upside and downside risk. An asymmetric smile (skew) means the market is paying up for protection on one side. **Where the market is paying up, that is where the dealer book is short gamma in aggregate.**

The 25-delta risk reversal

The single most-watched FX vol read. The risk reversal is the implied vol of the 25-delta call minus the implied vol of the 25-delta put on the same expiry. Positive RR means calls richer than puts: market paying up for upside. Negative RR means puts richer than calls: market paying up for downside. The sign tells you the directional skew. The magnitude tells you the conviction.

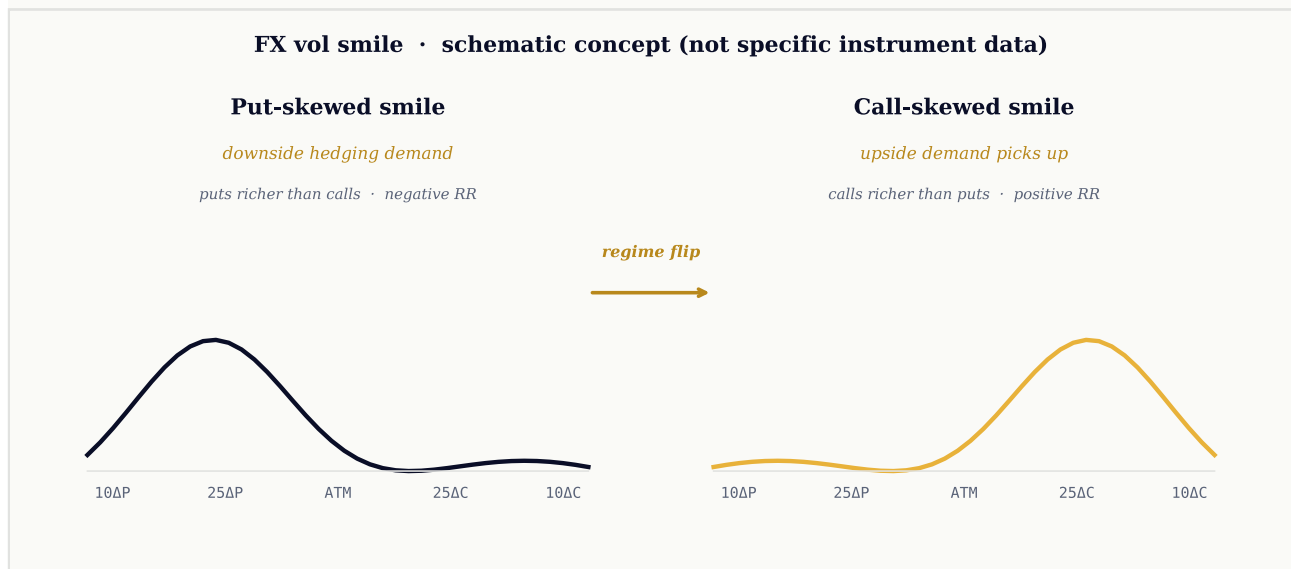


Figure 05 · FX vol smile · schematic of the risk reversal flip.

PRE-PIVOT: PUT SKEW DOMINANT. DOWNSIDE HEDGING IS WHERE THE DEALER BOOK IS PAID. POST-PIVOT: SKEW FLIPS. CALL DEMAND PICKS UP, DEALERS REPOSITION, AND THE SPOT TREND THAT WAS ALREADY UNDERWAY ACCELERATES BECAUSE THE HEDGE LAYER IS NOW CONFIRMING IT.

Barrier options and structured product flow

Large FX structured products (often sold to corporate hedgers and private bank clients) embed knock-in and knock-out barriers at specific spot levels. As spot approaches a known barrier zone, the structuring desk's hedge profile changes discontinuously, which generates flow that defends or breaks the barrier depending on which side of the option the structurer is on. Most retail traders cannot see these directly. The signature shows up in option flow concentration at unusual strike clusters and in spot behavior that respects levels with no obvious technical merit.

Central bank balance sheets and reserve composition are the other piece. EM central banks intervening to defend a currency leave footprints in their reserve composition. The PBOC's daily fix in USD/CNY is itself a positioning statement, published every morning at 09:15 Beijing time. When the fix diverges from the prior day's spot by more than ~50 pips, the message to the market is explicit.

Term structure · contango versus backwardation

The shape of the futures curve is the second commodities layer. **Backwardation** (front month above deferred months) signals tight physical supply. Specs piling long into a backwardated curve are paid roll yield as front-month contracts roll into cheaper back-month deliveries. **Contango** (front below deferred) signals oversupply or expectations of future tightness. Specs piling long into a contangoed curve are paying roll yield in the wrong direction, which is one reason naive long-only commodity ETFs underperform spot over multi-year holds.

Calendar spreads and event risk

Front-month implied vol relative to deferred-month implied vol prices near-term event risk. Earnings, OPEC meetings, weather events, USDA WASDE releases for grains, and EIA petroleum status report Wednesdays at 10:30 ET all show up as front-month vol bumps. Trading the term structure (calendar spreads) is the cleanest way to express a view on event risk without taking pure directional exposure.

Inventory data is the physical-world anchor that disciplines positioning extremes. EIA petroleum status (Wednesdays), USDA WASDE (monthly), LME warehouse stocks (daily), and EIA natural gas storage (Thursdays) each reconcile spec positioning against real supply. Spec positioning extremes that ignore physical reality eventually reconcile, usually violently.

Crypto · Deribit gamma and DVOL.

Crypto options markets are smaller, thinner, and more concentrated than equity options. That makes the dealer mechanics sharper and the regime flips faster.

BTC and ETH gamma profiles on Deribit

Deribit dominates BTC and ETH options volume. Greeks.live, Amberdata, and increasingly the major crypto data providers publish dealer gamma profiles by strike, the same way SpotGamma publishes them for SPX. The shape is read identically. Negative bars below spot, positive bars above, gamma flip line, walls, regime read.

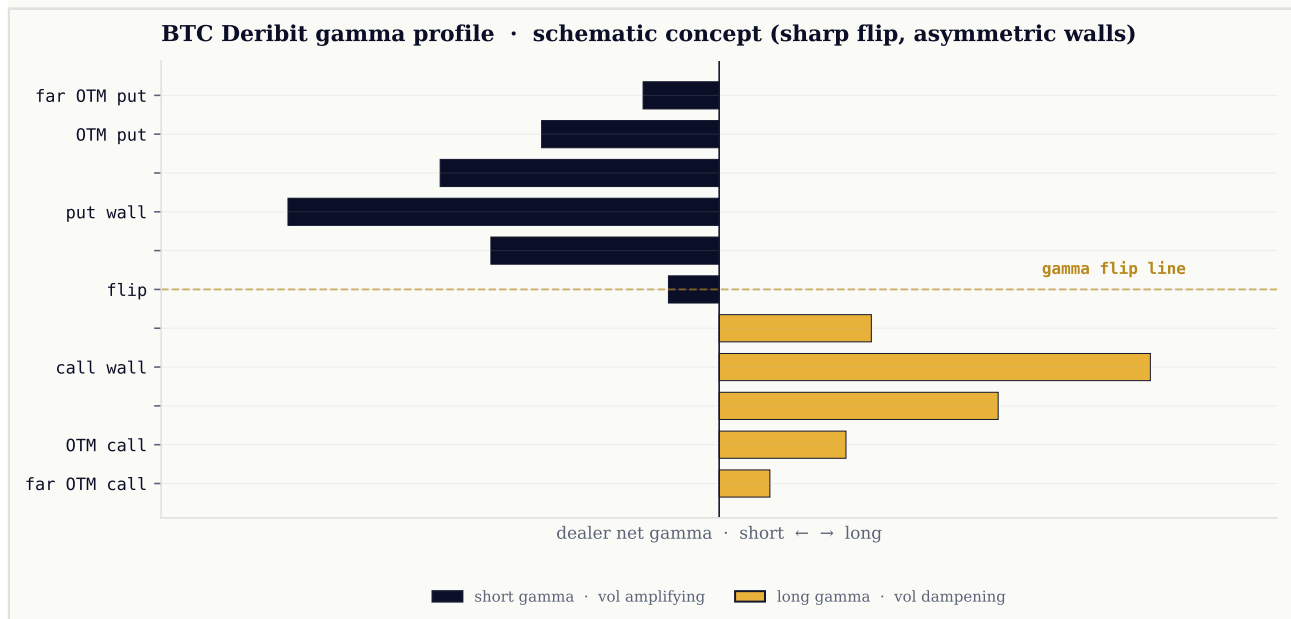


Figure 07 · BTC Deribit gamma profile · schematic concept.

THE STRUCTURAL DIFFERENCE FROM SPX: THE BOOK IS THINNER. A GIVEN DOLLAR OF GAMMA COVERS A SMALLER SHARE OF TOTAL OPEN INTEREST. THE RESULT IS SHARPER GAMMA FLIP DYNAMICS AND FASTER REGIME TRANSITIONS.

Why crypto gamma flips are sharper than equity

Two reasons. First, the absolute size of the BTC options book on Deribit is small relative to SPX. Less smoothing flow exists to average out individual strike concentrations, so single large positions can shift the aggregate gamma profile materially. Second, retail and prop participation is high relative to institutional dealer balance sheet, which means hedging flow is less mechanically reliable than in SPX. The implication: when BTC enters a negative-gamma regime, it can trend hard for hours without a meaningful retracement, in a way that SPX rarely does.

DVOL · BTC's VIX equivalent

Deribit publishes DVOL as a 30-day forward-looking implied volatility index for BTC, calculated similarly to the methodology behind VIX for SPX. The reads:

- **DVOL under 50:** compressed regime, mean reversion bias, BTC in a range, IV crushed.
- **DVOL between 60 and 80:** typical conditions, moderate trend potential.
- **DVOL above 90:** elevated regime, structural moves likely, dealer book likely short gamma at scale.
- **Backwardated DVOL term structure:** front-month vol higher than back-month vol, signaling near-term event pricing or stress.

Funding rates as the perpetual layer

BTC and ETH perpetual swaps on Binance, OKX, and Bybit are the leverage layer most retail crypto traders actually live in. **Funding rates** (paid every 8 hours from longs to shorts when positive, vice versa when negative) are a real-time positioning read. Funding sustained above 0.05% per 8-hour period for several days running has historically preceded sharp local tops in BTC. The mechanic: longs pay funding, eventually positions get unwound, leverage gets flushed, spot dumps. Coinglass and Velo Data publish this data continuously across venues.

The single rule across asset classes.

Eight pages of detail collapse into one sentence. If you remember nothing else from this issue, remember this.

THE RULE

If gamma is **positive**, fade extremes within the gamma envelope. If gamma is **negative**, trade in the direction of breakouts and respect tails. Apply to SPX, NDX, RTY, TLT, EUR/USD, USD/JPY, WTI, gold, BTC, ETH, or anything else with a tradeable options book.

The framework generalizes because the underlying mechanic generalizes. Anywhere there is a dealer book hedging customer exposure in size, the regime determines whether hedging amplifies or compresses moves. The data is different in form across asset classes (gamma profiles for equities and crypto, vol surfaces for FX, MOVE for rates, term structure for commodities), but the inference is identical. Identify the regime first. Trade the regime.

What this rule explicitly does *not* mean:

- **It does not mean fading every move in positive GEX.** The fade is at the edges of the envelope, not in the middle. Selling rallies inside a wide range gives back R quickly.
- **It does not mean chasing every breakout in negative GEX.** The breakout is at the wall, not at random levels. Buying mid-range strength in a negative regime is uncertain.
- **It does not replace position sizing.** The rule informs direction and structure. It does not tell you how much. That is Issue 05.
- **It does not work in regimes with no options book.** Most micro-cap equities and many EM currencies have no usable options chain. Different framework needed there. That is Issue 03 (single-name equity convergence).

Common mistakes.

Five patterns burn most retail traders inside the dealer-mechanics framework. They are predictable enough to be worth memorizing.

1. Buying breakouts in positive-gamma regimes.

This is the single most common error. A pattern that looks like a clean breakout on a price chart is, mechanically, the dealer book absorbing flow at a strike concentration. The trade looks valid for the first ten minutes. By the end of the day, price is back inside the range and the breakout buyers are stopped out. **Identify the regime before the chart pattern.**

2. Holding 0DTE through midday chop.

0DTE positions are gamma plays with seconds-to-minutes thesis windows. Holding through midday chop because "it should reverse" is the most reliable account-blowup pattern in retail options. If the thesis has not played out within thirty minutes of entry on a 0DTE, it is not going to. The decay alone kills you. The dealer book around the wall is not your friend.

3. Trading flow without regime context.

A bullish sweep on a name where dealers are sitting on a major call wall above is a coin flip with extra steps. The flow service is not lying; the flow is real. The regime tells you whether that flow has a path to play out. Issue 01 covered this in detail. It is repeated here because the mistake repeats.

4. Confusing strike concentration with actual liquidity.

A strike with \$300M of dealer gamma exposure does not mean \$300M of stock will trade at that level. It means dealers will hedge against that exposure as price approaches. Hedging flow is mechanical and predictable. Liquidity at the strike itself can be thin. Order book depth is a different read than gamma profile.

5. Reading aggregate GEX without the term structure.

SPX aggregate GEX summed across all expirations gives one number. That number can be deeply positive while front-week or 0DTE GEX is sharply negative. The intraday tape reflects the front-end book, not the aggregate. Most paid services publish both reads. Always check the term structure.

What this means for the SMC reader.

If you came to this guide from an ICT or smart-money-concepts background, the news is good. The chart patterns you have learned are real. They just have a hidden cause that you have not been reading.

The "order block" you draw on a chart is, in most cases, a dealer wall visible directly in the options data three to five sessions earlier. The "fair value gap" you draw is, in most cases, the empty space between a put wall and a call wall in a positive-gamma regime, a zone where price moves freely because there is no dealer hedging defense in between. The "liquidity sweep" you mark is, in most cases, a stop-hunt that triggered dealer hedge unwinds at a strike with concentrated open interest.

The candle pattern is the symptom. The dealer book is the cause. Reading the pattern alone gives you no edge over anyone else reading the same pattern. **Reading the cause gives you the pattern three to five days early.**

FOR THE CURIOUS SMC READER

Issue 08 of this series, *Smart Money Done Right*, walks through every major SMC concept (change of character, displacement, liquidity sweep, accumulation, distribution, fair value gap, order block, breaker, mitigation block, inducement) and maps each to the positioning data it actually represents. The chart patterns are not wrong. They are post-hoc symptoms of a structural cause that is published in public filings and exchange data.

The work is not to abandon what you know. The work is to read it at the layer underneath.

Resources and what's next.

Free data, paid synthesis, and what to do with it. Same logic as Issue 01, applied to dealer mechanics specifically.

FREE

- **CBOE.** SPX/SPY chains, put/call ratios, VIX term structure. Delayed but usable for daily reads.
- **MOVE index.** Published by ICE BofA, available across major data providers.
- **CME for futures options.** Free delayed chains for ZN, ZB, ZF, ZT, CL, GC, ES, NQ.
- **Deribit metrics.** DVOL, basic gamma reads for BTC and ETH, free tier on metrics page.
- **Coinglass free tier.** Funding rates, open interest, perpetual liquidations.

PAID (WORTH IT)

- **SpotGamma or Menthor Q.** Daily SPX gamma maps, walls, flip levels.
- **Unusual Whales.** SPX gamma plus options flow plus dark pool prints in one workspace.
- **Greeks.live or Amberdata.** BTC and ETH gamma profiles on Deribit.
- **QuikStrike.** Treasury and rates options gamma.
- **Velo Data.** Crypto cross-venue funding and OI.

The Stryk angle on this issue.

Reading dealer mechanics across asset classes manually means stacking five separate data services and rebuilding the regime read every morning. **Stryk consolidates SPX, NDX, BTC, ETH, TLT, WTI, EUR/USD, and USD/JPY gamma reads into a single live workspace**, with the regime classified, walls flagged, and term-structure inversions surfaced. The thirty-minute morning routine becomes a one-screen check.

Breaking Structure subscribers go to the front of the early access line by default. Until Stryk ships, the resource list above is the manual version. *Build the habit now. The workflow ports.*

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What's next in the series

Issue 03 covers **The Convergence Framework**: how institutional positioning shows up in six independent sources at once, and how to find single-name equity setups before retail finds them. Form 4 clusters, 13F shifts, 8-K catalysts, government contracts, sector flow, and unusual options flow. Worked examples on names where five or six of the six sources fired in the same fourteen-day window.

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