FIS

COBALT OPTIONS WEEKLY REPORT

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CME Settle

	11 Sep
Sep 26	25.34
Oct 26	23.31
Nov 26	22.71
Dec 26	22.39
Q4 Avg	22.80

Historical / Realised Volatilities

	10 Day	30 Day	60 Day	90 Day
Sep 26	24.30%	20.30%	17.40%	16.55%
Oct 26	44.90%	31.65%	23.80%	20.90%
Nov 26	23.15%	22.20%	17.65%	17.55%
Dec 26	54.90%	34.45%	25.50%	22.45%
Q4 Avg	40.98%	29.43%	22.32%	20.30%

Implied Volatilities

	10d Put	20d Put	35d Put	ATM	35d Call	20d Call	10d Call
Sep 26				24.00%			46.20%
Oct 26	28.00%	27.00%	25.50%	23.50%	26.00%	27.00%	26.50%
Nov 26	37.00%	35.00%	31.00%	28.75%	29.00%	30.00%	34.00%
Dec 26	45.00%	42.00%	37.00%	28.00%	28.25%	31.50%	34.00%
Q4 Avg	36.67%	34.67%	31.17%	26.75%	27.75%	29.50%	31.50%

Commentary:

* TRADE * 100t October 2026 $23 put sold live at 30 cents on Thurs 10th Sept (Oct26 reference price $23.80) *

Oct26 Cobalt Implied put vols have finally been corrected after the first option trade in almost a month (and only the second since mid July). This has lowered both the ATM volatility (23.5% vs 28% previously), as well as forcing the put skew to be almost entirely eradicated relative to the equivalent delta calls.

This 30-delta put trade equated to a volatility of around 23%, over 15% lower than previous traded levels and subsequent marks. The rebalancing of the skew comes as no surprise; the previous high marks were driven by one significant Q4-26 put buyer and had remained elevated by CME due to the lack of evidence to the contrary, and illiquidity in general. Even so, we were still surprised that this put seller was comfortable accepting such a relatively low premium (and vol) for a strike that is not that far from the ATM level, especially given the recent rally and resultant explosion in realised vols.

Oct26 10-day historical vol now sits at almost 45%, far exceeding the previous high of 28% seen in early August. Having been stuck in the 17% area, longer term realised Q4 vols are now in the 20-22% region. CME have left inflated implied vol marks for the Nov and Dec26 contracts; we would expect these expiries to be marked lower as they normalise towards the rebased Oct26 levels.

Our upside protection suggestion to buy the Oct-26 Cob $23.5/24.5 call spread has performed well; we now see value 0.48 cents ref 24.00 (recommended at 0.18 val ref 22.00). It made sense that the October contract would roll up towards September's levels, just perhaps not as quite as rapidly as this. Given the price spike we now see an increased risk of a correction to the downside in Nov or Dec, hence a Nov-26 21.5/20 put spread (see val circa 0.30) should offer reasonable protection against this. The same structure in Dec-26 is valued around 0.35c.

Sources: CME, FIS, Bloomberg

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