The Test the Rally Passed

Three weeks above $7,000, the first downside catalyst that didn't break the structure, and what the dealer book looks like now

May 9, 2026 · 9 min read

What we said three weeks ago

Our April 18 brief closed with a warning. The S&P 500 had just printed a new all-time high at **$7,147.52** after a 13-session V from the Iran-war low. The dealer book had flipped from a short-gamma amplifier in March to a modestly long-gamma damper in April. The major call wall had piled up at **$7,125-$7,145**, built entirely in the four sessions leading into April 17. Below **$6,800**, the put walls that would have cushioned a drawdown had been dismantled.

We named two near-term tests. The first was the ceasefire window the prior paper said would expire **April 21**. The second was the April CPI print, scheduled for **May 13**. The structural read was that the rally had absorbed every shock through April 17 because the dealer book was now positioned to absorb shocks. The risk was that an inbound shock with sufficient force would find no put-wall cushion under it.

That April 21 test is now behind us. Fifteen trading sessions have passed. This is what the tape did, and what the structure looks like at the close on Friday, May 8.

The first test

Monday, April 20 opened at **$7,126**, traded in a 41-point range, and closed at **$7,109.10**, down 0.24%. A quiet drift below the prior Friday's record. Nothing notable in the tape; nothing notable on the wires.

Tuesday was the test. The S&P opened flat, marked an early high near **$7,136**, and then sold off all day. The intraday low printed at **$7,051.30**, an 85-point drawdown from the morning high and the lowest price in eight sessions. Final close: **$7,064.00**, the largest single-session decline of the post-V regime, down 0.64%.

Three observations from inside the options market that day.

> OBSERVATION ONE
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> **VIX did not break out.** The CBOE VIX printed a session high of 19.40 and closed at 19.02, a tick lower than Monday. A pre-V regime would have seen a 1-1.5 vol-point pop on a session of that size. The vol surface declined to price the move as anything more than a routine shake.

> OBSERVATION TWO
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> **The put wall under $7,050 stopped the move.** The intraday low at $7,051.30 sits on a strike that had been quietly accumulating dealer short-put exposure for four sessions, a level where market-makers were structurally a bid. Price tagged it once and reversed.

> OBSERVATION THREE
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> **Trade intensity peaked at the low, not at the open.** Our intraday observation density on April 21 ran 1.6x the trailing five-day average, with a

> clear concentration in the 30 minutes around the $7,051 print. As in the March 30 bottom, the highest-density window was a stop-out window, not a continuation window.

By the close, the move that, three weeks earlier, would have run another 80–100 points in the back half of the session, had already run out of fuel.

The reflex

Wednesday, April 22 opened at the prior close, traded straight up all session, and closed at **`$7,137.94`**, up **`1.04%`**. The Tuesday drawdown was fully retraced in a single session. By Friday, April 24, the index closed at **`$7,165.10`**, the highest close to date.

That Tuesday-to-Friday round-trip is the single most important data point in this brief. A regime that tags a flagged risk-event date with an 85-point intraday drawdown, then erases it inside 48 hours, is a regime in which the dealer book is doing the absorbing. The structural setup that *let* the news reverse the rally on March 31 is still doing the same thing in the opposite direction six weeks later.

Wells Fargo Wealth & Investment Management CIO Darrell Cronk called the original V "one of the fastest recoveries ever on record" in his April 16 CNBC interview. What followed it, the regime that ate its own first downside catalyst inside two days, is the part that has been missing from the wire commentary.

Compression

From the April 24 close at $7,165 through the April 29 close at **$7,136.00**, the index drifted in a 60-point range across four sessions. The largest daily move was 49 basis points. Daily realized volatility on the SPX cash index ran below 0.4%, the quietest four-session window since early February.

Inside that quiet, the volatility surface compressed.

DATE	VIX CLOSE	READ
Apr 21	19.02	Drawdown day, no vol expansion
Apr 24	19.07	New high close, vol still 19
Apr 28	18.17	First close below 19 in 5 weeks
Apr 29	17.74	First close below 18
Apr 30	16.81	First close below 17 in 6 weeks
May 1	16.99	Compression confirmed
May 8	17.19	Steady at the lower plateau

Volatility-surface compression is the slow signal that confirms what the dealer book is doing. The fast version is intraday: the two-day shake-and-snap on April 21–22. The slow version is a six-session walk down the VIX from 19 to below 17. Both told the same story.

A new record, on schedule

Eight sessions, six new closing all-time highs, no daily move greater than **1.5%**.

THURSDAY, APRIL 30

First close above $7,200. S&P +1.02% to **$7,209.04**, a new all-time closing high. VIX prints sub-17 for the first time since the Iran-war shock.

FRIDAY, MAY 1

S&P +0.29% to **$7,230.07**, second consecutive new closing high.

TUESDAY, MAY 5

S&P +0.81% to **$7,259.18**, after a Monday consolidation print at $7,200.

WEDNESDAY, MAY 6

The biggest day of the post-V regime. S&P opens near the prior close, runs every minute of the session, and closes at **$7,365.13**, up **1.46%**, the first 100-point single-day advance since April 22.

THURSDAY, MAY 7

S&P consolidates at the new high, closing **$7,337.05**, down 0.38%. The first session of the period to print a lower close than its predecessor without rejecting at a wall.

FRIDAY, MAY 8

S&P opens at $7,337, runs to an intraday high of `$7,401.27`, and settles at `$7,398.85`, up **0.84%**. New all-time closing high. New all-time intraday high. VIX 17.19.

Total path: April 17 close **`$7,126.06`** → May 8 close **`$7,398.85`**. Plus **`$272.79`** across 15 sessions, a **3.83%** advance with a peak-to-trough drawdown of just 1.05%.

What changed in the dealer book

The April 18 brief described the post-V dealer book in two lines. Modestly long gamma above $7,000, structurally thin below $6,800. That snapshot is now three weeks stale, and the picture has rotated.

The call wall has migrated up with the spot. The April 17 wall sat at $7,125–$7,145. By May 8 close, the dominant call concentration sits at **`$7,400-$7,425`**, with a secondary cluster at $7,500. Same dealer behavior, same wall structure, repositioned $275 higher. This is the signature of a market that is being bought systematically rather than chased speculatively, the call wall moves with the index instead of acting as a ceiling.

The put wall has rebuilt under spot. The dismantled put-wall problem the April 18 brief flagged has materially resolved. New put-strike concentration has built at **`$7,300, $7,250, and $7,200`** across the last six sessions. These are the levels where dealers are now structurally a bid for downside hedges, the same role $7,050 played on April 21.

The gamma regime is more positive than at any point in 2026. Our intraday observations show dealer net gamma at the May 8 close materially more positive than the post-V April 17 reading on a sign-and-ordinal basis. A regime this positive does two things mechanically: it dampens intraday range (visible in the May 1–8 daily ranges, all under 1.5%), and it absorbs single-session shocks like the April 21 drawdown without letting them compound.

The trade-off, the same trade-off that holds in every long-gamma regime, is that when the long-gamma book finally rolls off, the absorption disappears with it. Long-gamma dealers buy dips and sell rips. They don't do either if the underlying options that create the position have expired or been closed.

What we’re watching

Three things, in order of immediacy.

The May 13 April CPI print. Headline March CPI was 3.3% on the back of the 21% gasoline shock. April's read is the first print where the energy passthrough should ease, gasoline futures peaked around April 9 and have rolled. A March CPI repeat (anything in the high-3s) is the first print since the war began that the long-gamma book has not been asked to absorb. Our read: a mid-3s headline is priced; a 4-handle is not.

The May 13–14 SPX options expiry. The mid-month expiry is the cleanest test of whether the long-gamma damper is structural or transient. If the post-expiry book reloads at the new strike concentrations ($7,400 calls, $7,300/7,250/7,200 puts), the regime continues. If the book re-prices toward the December high ($7,800 area) without rebuilding the put wall, the asymmetry returns.

The June 17–18 FOMC. The Fed has been on hold since the March 18 hawkish-in-war hold. A June pivot toward the cut that was foregone in March would be the first directional macro signal that overrides positioning. The June meeting still sits five weeks out, but the market structure that holds together until then is the structure described in this brief.

> **The structural caveat.** Long-gamma regimes are visible in retrospect and harder to read in real time. The April 21 drawdown was the first downside test, and the structure absorbed it. The next test will be larger, because the index is now $275 higher with a wider unhedged cushion above $7,400. A long-gamma book absorbs shocks until it doesn't, and the moment that flips is rarely flagged in advance.

The pin is real. So is its expiry.

SOURCES

SPX daily OHLC (April 18 – May 8, 2026): CBOE end-of-day cash index data, cross-referenced with Investing.com historical archive (^GSPC). **VIX:** CBOE historical data; FRED series VIXCLS. **Wells Fargo CIO quote:** Darrell Cronk, Wells Fargo Wealth & Investment Management, CNBC interview April 16, 2026. **Iran ceasefire framework, March CPI, FOMC schedule:** Reuters; BLS release archives; Federal Reserve calendar. **Options microstructure:** ZDtE internal SPX options-market observations, sub-second resolution, every regular trading session April 18 – May 8, 2026.

ABOUT THIS BRIEF

This is a reported reconstruction, not a recommendation. Nothing in this brief is investment advice. The structural-positioning observations reflect our reading of the data as of publication; markets evolve, and any directional view is provisional.

zdte.ai publishes ongoing analysis of S&P 500 options market structure, dealer positioning, gamma regime, flow imbalances, volatility-surface dynamics, at sub-second resolution. This brief is the second installment in a series; the first, “Thirteen Days That Broke the Record,” covers the March 17 – April 17 V-rally that preceded the regime described here.

FULL RESEARCH PAPER

For the complete 8-part reconstruction with per-session data tables, the dealer-book transition methodology, intraday density signatures from the April 21 drawdown, and the full watchlist for May–June:

Read the full research paper → →

Published by zdte.ai Research Desk