

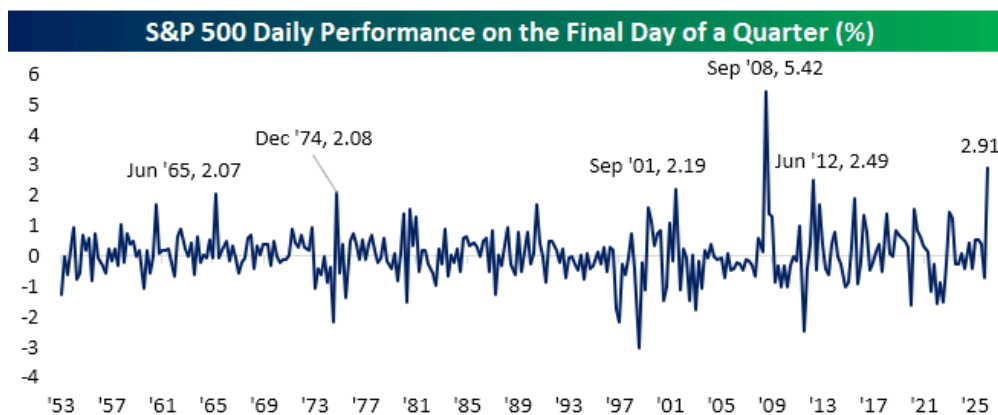
# JPM Desk: "This Is Nothing More Than An Oversold, Tactical Bounce"



BY TYLER DURDEN

WEDNESDAY, APR 01, 2026 - 01:10 PM

Just as market sentiment had turned [apocalyptic](#), with hedge funds suffering [their worst month since 2022](#)... the S&P shot up 2.8%, the best single-day rally since the US-China 90-day tariff pause on May 12, 2025. It was also the best last day of a quarter since... [September 2008](#) (let's see if history further repeats itself in the coming days).



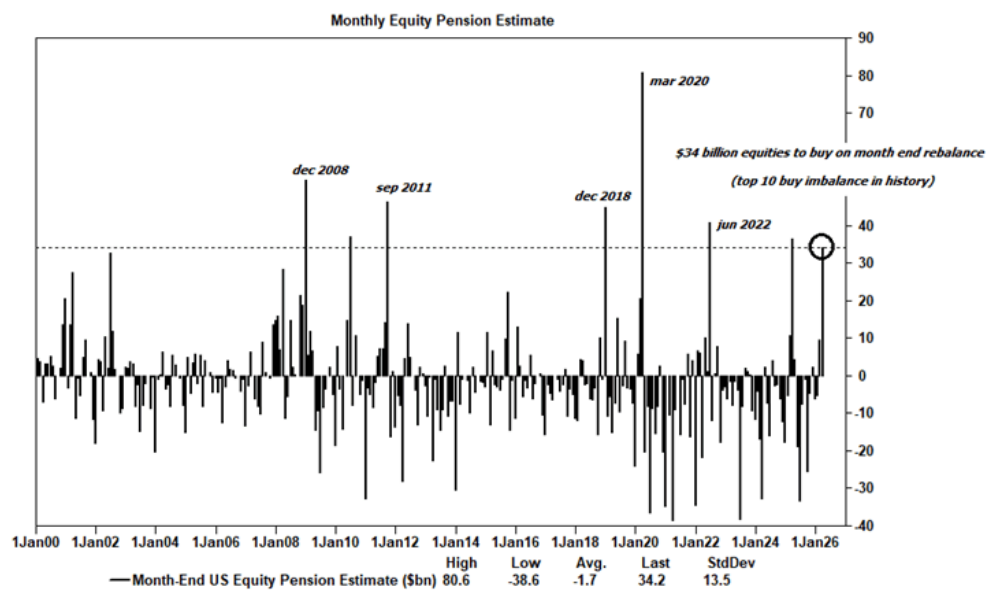
And yet, there was something off about today's face-ripping rally.

As [JPM's Market Intel team writes](#), the trigger for the move higher were the two de-escalation headlines, including both (i) a morning article saying Trump may be willing to end the war without SoH fully open and (ii) an interview quote suggesting Iran is prepared to end the war if they receive guarantees, were the main drivers.

And yet, while these were de-escalation developments, the content of the headlines was not new, particularly given that the Iran headline was the same reiteration of its demand. Instead what happened is what we warned would happen 24 hours ago: positioning was so bearish - take CTAs for example which as we noted had sold \$184 billion in global stocks in the last month and were net short \$47 billion in stocks - that any "good news would [guarantee a rip higher](#)."

Indeed it did, and as [Goldman's desk writes in its EOD note](#), "CTA demand picks up heavily in a +3.5% move higher from here scenario over the next month, with 6735 and 6738 as the short/medium term thresholds respectively (in S&P cash terms)... Flows on the vol desk picked up as March drew to a close, with positioning being taken off as the day went on. Out of the gates we saw large hedges unwound in S&P, NDX, VIX, and ETFs broadly. Vols were crushed across the curve as the market climbed higher following Iran headlines, and skew was bid most significantly in the front end. We saw one of the largest realized vs implied moves in S&P on a 3yr lookback, coming into today's session at +/- 1.09% vs realizing +2.91%."

JPMorgan's trading desk saw much of the same, and in its Afternoon Intelligence note wrote that positioning and month-end/quarter-end rotation - which also included a massive pension buy imbalance to the tune of \$34 billion, the [8th largest this century](#)...



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... played the major part in the magnitude of today's rally. They quote the bank's Positioning Intel team which said that as of last Friday, positioning is around 18th percentile, matching mid-Mar '25 but above early Apr lows, after -2.5z decline in 4 weeks.

Let's take a closer look at today's news: the big trigger for the buying spree was a quote from Iran's president Pezeshkian suggesting Iran is prepared to end the war if they receive guarantees. Yet we've known this for almost a week: over a week ago, when initial news of US demands and Iran counterdemands first emerged, Iran said that it wants (i) security guarantees against current / future military action; (ii) reparation / compensation for wartime losses; (iii) no limits on its missile program; (iv) Iran receives formal control of SoH.

Indeed, as [JPM's Andrew Tyler writes](#), "This may not be new. This was Iran's initial ask 2 - 2.5 weeks ago, wanting security guarantees that both US and Israel not only halt their attacks but that they never return as Iran was eyeing being re-targeted after the US midterms. This is a similar request to what Ukraine wants from Russia. After that demand fell on deaf ears, Iran expanded to wanting a removal of US forces from the Middle East, and then reparations. All of this is detailed in the Iran response to Trump's 15-point proposal."

So while today's statement from Pezeshkian isn't news, it does highlight several key positioning aspects

1. The market is springed-coiled for an off-ramp and risk assets will experience a sharp rally if one is instituted
2. The confusion over who the US can negotiate with since Supreme Leader > Iranian President but IRGC is said to be in control of the country
3. All signs point to further escalation coming this weekend which could look like US troops taking islands around SoH with Iran then asking the Houthis to close off Red Sea / Suez Canal access.

These observations were affirmed by JPMorgan TMT trader Brian Heavey [who writes the following post-mortem](#) of today's action:

1. Desk flows our quiet on this move higher (last day of the quarter); \$20B in pension demand, CTAs have broadly de-risked and short gamma helping push indices higher. Nothing in our flows would suggest this is more than a over sold / tactical bounce (yet).
2. Despite Trump tweet overnight saying he's happy to end military operations w/o taking the Strait of Hormuz, oil is barely budging (our commodities Strategist Natasha Kaneva continues to reiterate that the damage has been done and oil prices will continue to inflect higher over the short to medium term).
3. Memory names trying to steady this morning; MU; STX; SNDK - we are starting to see dip buyers in MU specifically but still feels very tenuous at the moment.
4. Hardware - These names have rallied a ton past week on the potential memory price relief (or just the other side of the trade unwinding) and we are starting to see some shorts re-deployed here.

Next, we grab the latest insights from another TMT trader, JPM's Joshua Myers who focuses more on the key micro moves of the past two days:

- Yesterday was one of the worst single-day moves in US TMT momentum in memory (AI Core infra fell 5.6%, led by optical and storage) and IGV outperformed SOX by over 5%. Generalist sales got calls through the day on the Helium shortage, and rather than

reinvent the wheel, let Jack Atherton helpfully catalogue the other bear-market dings against my Tech HW/Semis names:

- De-grossing in a well held group
- Inflation risk in a more rate sensitive sector [to be clear we don't expect hikes!],
- AI investment risk as OpenAI pivots to streamlining operations – FT has a bearish take on industry FCF and the profit/revenue required to generate a return on ongoing capex,
- AI disruption (Software, Internet, Data Services, etc),
- Social Media overhang from last week's trial ("tobacco moment"),
- Mega-cap IPO issuance demand questions,
- Tech advancements (TurboQuant is memory's "DeepSeek moment"?).
  - I'd add to that discussions yesterday about Month- and Quarter-end unwinding/options activity, and some downgrades in memory and other names that were amplified. Retail also seems sidelined. The market continued to see unwind, and most of the biggest losers were simply among the biggest recent momentum winners MU -9.9%, SNDK -7%, HDDs (STX -4.6%, WDC -8.6%), Optical (COHR -9.8%, LITE -6.8%, FN -10.9%); surprisingly Cu also down yet again (CRDO -7.8%, ALAB -10.8%).
- This morning NVDA (+1.6%) announced a strategic partnership with MRVL (+8.8%) "to connect Marvell to the NVIDIA AI factory and AI-RAN ecosystem through NVIDIA NVLink Fusion." Additionally, the deal includes a \$2b NVDA investment into MRVL. This deal seemingly builds on the Dec 2, 2025 announcement between NVDA and AWS to "expand their strategic collaboration with new technology integrations across interconnect technology, cloud infrastructure, open models and physical AI," which expanded NVLink Fusion support to Trainium 4, Gravidon and Nitro.
- With today's announcement, "Marvell will provide custom XPU's and NVLink Fusion-compatible scale-up networking, while NVIDIA will provide the supporting technologies, including Vera CPU, ConnectX® NICs, Bluefield® DPUs, NVLink interconnect and Spectrum-X™ switches, and the rack-scale AI compute."
- Harlan views as a reflection of penetration of custom ASIC chips into the market – an admission that ASICs are meaningful and here to stay. Harlan is less focused on the AI-RAN and SiPho parts of the deal, but I'm curious to hear if other folks disagree. The

\$2b investment mirrors other similar investments NVDA has recently made, and seems less meaningful.

Turning to Industrials, here are the highlights from JPM's sector specialist Paige Henson:

- Macro/Industrial Spec Take: What Headline Are We Really Playing For? The theme of overnight headlines & driver of bounce we're seeing in Futures this morning is the WSJ report (confirmed just after 7a ET by a post from Trump himself) on US exiting the war WITHOUT reopening Hormuz & telling countries that need/want jet fuel to either "buy from the US, we have plenty" or just go "take it" directly from Hormuz themselves. Investors have been counting on a swift off-ramp to war essentially since it began, but I think from a market / global economy perspective its important to define what the true clearing event to revisit risk & take down recession odds really is... i.e. how do we define this 'ending' as it pertains to what we collectively care about for stocks & global economy path forward?
- The reaction pre-market & bounce in stocks in response to WSJ/Trump post would suggest folks believe that military exit would be a satisfactory clearing event, and certainly that would help take off some of the more dire tail risk scenarios about a prolonged boots-on-the-ground war. Personally I believe the necessary clearing event is tied wholly to Hormuz reopening, so we would need to have visibility/confidence that US exit would result in Iran reopening it fully (or mostly) – maybe that is what investors are counting on this morning in the pre mkt bid, but oil unchanged in pre mkt activity this morning makes me think that the optimism in stocks will fade through the day as the path forward rests on Hormuz. Would love to hear your thoughts.
- To recap briefly tape action & investor mood yesterday ---> Monday Optimism Gone in Week 5: the dip-buying price action & optimistic inbounds that characterized the last few Mondays of the war seemed to be shockingly still present yesterday morning in Futures activity pre mkt despite material escalation over the weekend with new upside oil risk introduced & further escalatory threats made by the US, but it did not last long and the underlying trends of the tape quickly turned south. We saw ~150bp spread between Crowded Shorts > Crowded Longs across sector in our basket and signs of further degross/unwind with Tech for sale, as well as factors like Crowding, Momentum, Beta (not a coincidence that most TMT ex Software shares those factors, as well as AI capex in our world). Conversations finally shifted late last week from 'shopping list' bullish-leaning inquiries to folks trying to see where there is further downside risk, but it does not feel like we're through the worst of equity degross/unwind if we move further

into pricing higher recession odds, especially with any YTD winners that have not yet been degrossed thru March.

Finally, none of this changes the fact that traders remain paralyzed, and after Goldman said activity on its floor had been 2/3 out of 10 for much of the past two weeks, today finally we got a very modest uptick amid the short covering frenzy:

The clear theme in our thematic baskets today was the YTD losers had the largest moves to the upside (think Quantum, Memes, Software, Mag7 which has now added back ~\$751b in combined market cap since Friday's close). HF VIP vs VIP Short (GSTHVIPP) had a brutal month -4% (a top 10 to the downside in the past 10yrs) and that is with a big day of outperformance today. 12M winners led today and had one of its best days in the past 5 yrs. Our floor was a 4 on a 1-10 scale in terms of overall activity levels. Our floor finished +874bps to buy vs a 30-day avg of -64bps. Asset Mgrs finished largely better to buy with demand in macro, communication services, info tech, and hc vs supply in financials and REITs. HFs flows were ~flat with cover demand in tech, macro, and industrials vs supply in energy, discretionary, and REITs

And yet "ETF remain high at 40% after another heavy day of ETF shorting activity per our PB data. Yesterday's data showed US was net sold, driven by short selling and long selling in 4.3 to 1 ratio. Net selling was driven by net selling in both Macro Products (short sells>long sells)." More in the full notes from [JPMorgan](#) and [Goldman](#), both available to [pro subs](#).